straumann

ANNUAL REPORT 2012

STEPPING INTO TOMORROW'S WORLD

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As part of Straumann's Vision 2020 project, which was concluded in 2012, we analyzed trends and expert insights to assemble a picture of how our field, business and company might look in the next decade. A central challenge was to predict how technological advances and demographics would change dental practices. The story illustrating this Annual Report shares some of those insights.

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STRAUMANN

Straumann is a global leader in implant and restorative dentistry and oral tissue regeneration. For a brief overview of our company, vision and mission, please see p. 12 ff

ANNUAL REPORT 2012

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Throughout this Report, page references preceded by a capital 'F' refer to our detailed Financial Report, which is published as a separate volume.

KEY FACTS AND FIGURES 2012

KEY FIGURES

More on p. 131 ff

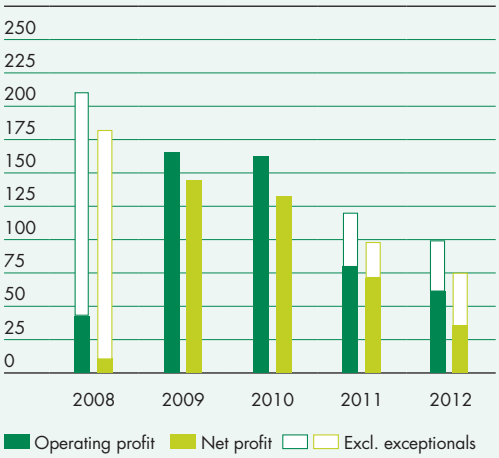
(in CHF million)	2012	2011	Change (%)
Net revenue	686	694	(1)
Gross profit	534[1]	529	1
Operating profit (EBIT)	100[1]	120[1]	(17)
Net profit	75[1]	98[1]	(23)
Cash generated from operating activities	115	140	(18)
Capital expenditure	19	19	0
Free cash flow	95	121	(21)
Value added (economic profit)	(13)	30	–

[1] Excluding exceptionals

OPERATING AND NET PROFIT

More on p. 131 ff

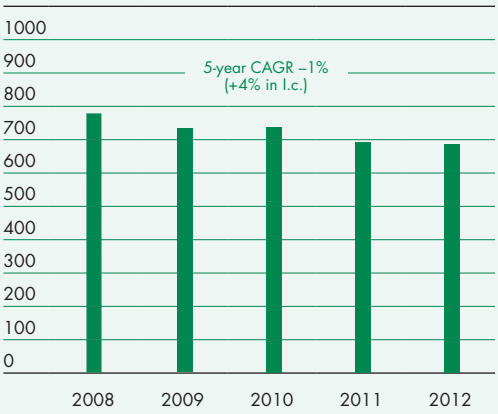
(in CHF million)



NET REVENUE

More on p. 131

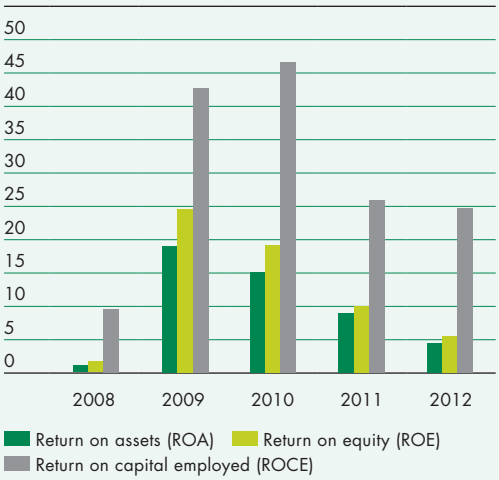
(in CHF million)



PROFITABILITY

More on p. 131

Returns on assets, equity and capital employed in %



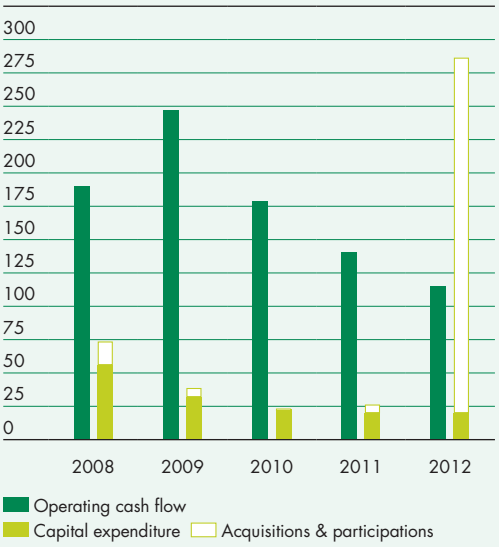
REVENUES BY REGION

More on p. 22 ff

CASH FLOW AND INVESTMENTS

More on p. 131 ff

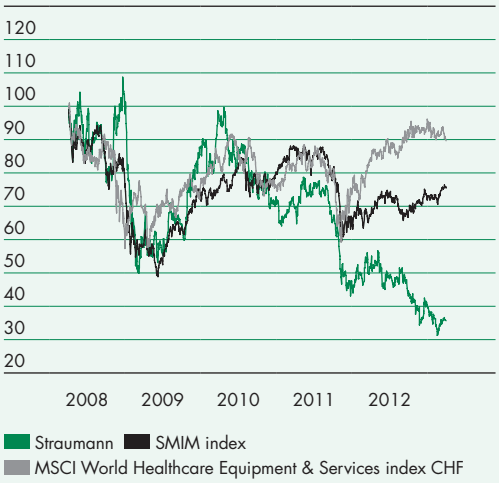
(in CHF million)



SHARE PRICE DEVELOPMENT

More on p. 143 f

(in %)



EMPLOYEES

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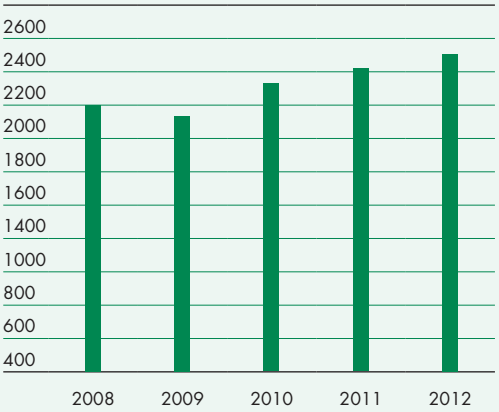


As 31 December	2012	2011	Change (in %)
Headcount	2 517	2 452	3

SHARE INFORMATION

More on p. 143 f

(in CHF)	2012	2011
Earnings per share (EPS)	2.36	4.54
Ordinary dividend per share	3.75[1]	3.75
Payout ratio[2]	77%	59%
Share price at year-end	112.00	162.10

[1] Payable in 2013 subject to shareholder approval
[2] Excluding exceptionals

2012 HIGHLIGHTS

REVENUE

CHF 686 M

Down 1% in Swiss francs and 2% in local currencies as market contracts

POSITION

No.1

Global leadership underpinned

DRIVERS

12 %

Growth in Swiss francs in North America; dynamic emerging markets

GROSS MARGIN

78 %

Expands, reflecting production efficiency gains

FUTURE

VISION DEFINED

New organization in place; strategic options expanded with Neodent; digital strategy reaches next level; new leadership

R&D

INNOVATION PIPELINE

Rises to 7% of revenue; continued committment to innovation; investment in development of digital solutions

DIVIDEND

CHF 3.75

Proposal to maintain dividend at same level for 6th consecutive year

LETTER TO SHAREHOLDERS

Adapting to present realities and stepping into tomorrow's world

Gilbert Achermann, Chairman of the Board of Directors & Acting CEO

DEAR SHAREHOLDER,

PRESENT REALITIES

2012 was a year of rapid change, missed targets and further disappointment. It began with promising growth and optimistic forecasts of gathering momentum. It closed with our revenue, profits and share price at their lowest levels in five years, calling for rigorous cost management at all levels and a new style of resolute leadership to implement change expediently and consistently.

Our biggest challenge throughout the year was in Europe (p. 28 f), where we generate more than half our sales. Ailing economies, austerity and high unemployment reduced household income and choked consumer sentiment – a key indicator for our market, which relies on patients' ability to finance non-reimbursed treatment. Reluctant to spend on out-of-pocket dental procedures, some patients postponed complex and elective procedures, while others opted for cheaper/inferior alternatives to our premium solutions.

Around the world in Japan (p. 32 f), implant dentistry was at the center of intense publicity and unbalanced, damaging reports in the media. Although Straumann was not specifically targeted, these campaigns and weak consumer sentiment depressed the market and our sales. Turmoil in the Middle-East was the other main factor constraining our revenue performance.

In contrast, we continued to grow in North America (p. 30 f) and in other key growth markets like China and Brazil (p. 32 f). Unfortunately, their strong performances were not enough to offset the shortfalls elsewhere. With our net revenue contracting almost 2% in local currencies to CHF 686 million, we did not achieve our growth objectives for the year. We drew some encouragement from the first positive currency

effect since 2007, which reduced our revenue contraction to just 1% in Swiss francs.

With most of our major peers posting similar declines, we remained the world's leading company in implant dentistry, although this fact is little consolation in view of the sluggish market.

From a portfolio perspective, implants – our largest business – succeeded in stabilizing sales, Regeneratives posted solid growth, while the prosthetics/CAD-CAM business fell short of its strong 2011 performance.

With softer sales and a cost base geared for growth, our margins contracted. While we achieved further efficiency gains in production and logistics (p. 63 f), our investments in Sales & Marketing (to capture growth potential in underpenetrated markets), and in Research & Development (to drive innovation) increased. Profits were squeezed further by a goodwill impairment resulting from up-scaling our Regenerative business (pp. 131, F37), and the costs of initiatives to improve our cost base. Excluding these two exceptional items, our underlying EBIT margin was 15% and the corresponding net profit margin was 11%.

Adapting now to deliver greater profitability tomorrow

While these margins would be respectable in many industries, they are not levels that investors have come to expect from a company like Straumann in the medical device sector. I can assure you that we have taken measures to address this and are committed to improving our operating margin to a significantly higher level in the mid term – even if the market remains sluggish.

This commitment is based on the solid fundamentals of our business (p. 22 ff) and on initiatives taken in 2012, which are highlighted below and in subsequent chapters.

The weaker market and our revenue decline made it necessary to adapt, prioritize, downsize, and optimize our cost structure, keeping one eye firmly on the future. We identified cost-saving measures including focusing our development portfolio, adapting our sales organization in markets that are heavily affected by the economic slowdown, and optimizing our service functions. The primary goal is to reduce without compromising the Group's ability to capture market potential and to achieve sustainable growth.

In the fourth quarter we announced a reduction of 150 positions worldwide – through transfers, natural fluctuation and early retirement. Regrettably, redundancies could not be avoided and we have approached these with due regard to our social responsibilities as an employer. Initial reductions were made in 2012 with the remainder to follow in 2013.

Solid cash flow, strong balance

We continue to generate solid cash flows and have a strong balance sheet, in spite of using CHF 266 million of our cash for strategic investments in 2012. Having reduced our excess liquidity, there was no need to extend the share purchase program we started in 2011. With cash and cash equivalents at CHF 141 million at year-end, we still have financial flexibility to take advantage of opportunities if they arise.

LOOKING INTO TOMORROW'S WORLD

An important fundamental achievement in 2012 was to complete our Vision 2020 project. On the basis of interviews, market intelligence and demographics, we have tried to foresee where current trends, thought and technological developments will lead in tomorrow's world. Some key findings are summarized on p. 14 f and illustrated in the cartoon running through this report. Vision 2020 is more than a projection; it has provided us with a roadmap and a framework, showing us where we need to focus our resources and investments for sustainable success.

INVESTING IN TOMORROW'S KEY GROWTH REGIONS

The two largest markets for implant dentistry in terms of volumes sold are the US and Brazil. On the basis of penetration rates, demographics, personal wealth, dental care and esthetics, both offer greater opportunities for growth than traditional strongholds like Europe and Japan. China is also growing rapidly in this respect and has considerable potential.

In 2012, we continued our growth strategy in these markets, adding staff in sales and marketing in the US (p. 31) and investing in Brazil and China. At the end of June we purchased 49% of Neodent (p. 35), the leading implant company in Brazil, for CHF 261 million, which is our largest acquisition to date. We also secured the right to acquire the remaining 51% in the coming years. Neodent will enable us to address the huge non-premium segment in one of the world's largest and fastest-growing markets and will offer a launch pad to other Latin American markets.

We have also built a leading position in the dynamically-growing Chinese market, where we operate through our own sales subsidiary and a distributor, with whom we have a long-standing relationship. Straumann is therefore well positioned to reap the benefits offered by these attractive growth areas, which we believe will ultimately outweigh the challenges posed by more mature, highly penetrated markets.

AN ORGANIZATION TAILORED TO PRESENT AND FUTURE NEEDS

A major undertaking in 2012 was to reorganize our global sales force into dedicated teams to manage the growing complexity of our portfolio and the increasing diversity of our customer base. At the same time, we reorganized our Products Division into business units with greater autonomy and customer focus. These changes made it necessary to adapt our service and support functions. The new organization is designed to increase proximity and responsiveness to customers, to enhance service and to foster entrepreneurism.

CREATING INNOVATIVE SOLUTIONS FOR TOMORROW'S WORLD

Innovation is at the heart of our success, from developing groundbreaking materials and technologies to finding new ways to add value for customers and patients – beyond products and technological solutions. We therefore kept the commitment made at the beginning of the year to continue investments in R&D, which rose to 7% of revenue. This enabled us to maintain a stocked pipeline (p. 47), to add strong clinical documentation (p. 45 f), and to deliver a number of improvements and innovations that add value for customers and patients (p. 38).

For example, we fully launched our NNC implant, which combines the benefits of our high strength material (Roxolid) with our hydrophilic surface (SLActive) and our new transfer piece (Loxim) (p. 38 f). The result is a fast-healing, small diameter implant with enhanced handling and convenience.

In regenerative dentistry, we introduced a new packaging concept that makes Emdogain affordable for a broader range of patients who would probably not receive it for cost reasons (p. 39).

In prosthetics, we launched CARES Scan & Shape, a new service for the very large number of dental laboratories who wish to order original Straumann custom abutments but do not have the requisite scanning capabilities.

Our digital strategy advanced as we completed the first step in integrating our CARES CADCAM system into the Dental Wings open standard software platform (DWOS). The integration will be complete in 2013 when our CARES platform will be open to receive inputs from various guided surgery and intra-oral scanning applications.

With this in view, and to avoid being limited to a single hardware brand, we stepped back from distributing iTero intra oral scanners, although we are strongly convinced that this technology will have a major role in daily dental practice (pp. 41, 77).

Insights from Vision 2020 indicate that implant surgery and prosthetic planning will converge into one software solution. In order to drive development to the next level, we have agreed with Dental Wings to combine our resources further. Our prosthetic software development team in Berlin and our guided surgery business, including development and operations in Chemnitz, Germany, are transferring to Dental Wings in 2013.

This will considerably strengthen Dental Wings as a center of competence in digital dentistry software and will add critical mass to the development of treatment planning solutions. While Dental Wings will provide the core technology, Straumann will concentrate on the digital workflow and solutions that add value for customers. Our two companies will

continue to collaborate with 3M ESPE to establish DWOS as the standard software of choice in dentistry. To underscore our commitment to this endeavor and digital dentistry, we increased our participation in Dental Wings to 44%.

EDUCATION – DETERMINING THE FUTURE

The dental markets of tomorrow depend largely on efforts to advance education today. Training and education is therefore fundamental to our business model and strategy (pp. 14, 16). In 2012, Straumann educational events were attended by more than 60 000 participants worldwide.

Our academic partner, the ITI (p. 55 f) also increased its contribution to quality education in implant dentistry and related fields. The rapid spread of its Study Clubs – an important platform for sharing knowledge and networking – significantly contributed to membership expansion from 11 000 to more than 14 000. Straumann benefits in many ways from the increasing global presence and membership of the ITI.

HELPING A DEVELOPING WORLD

Educational activities also feature in several of our sponsoring programs. While charitable sponsoring is often neglected in times of economic uncertainty, we maintained our longstanding commitments and continued 'simply doing more' to support dental relief programs around the world (see p. 60 ff). These projects add considerable value, not only to the recipients but also to Straumann's reputation and brand.

STEPPING INTO TOMORROW'S WORLD

Outlook

2012 reminded us that our world is changing quickly and will not return to the way it was prior to the economic crisis. Key markets in Europe and Asia may continue to lag for some time and will doubtless become increasingly competitive. We expect our performance there to be constrained by the economy and consumer sentiment.

On the other hand, North America and emerging markets like Brazil and China hold much promise. Straumann is well positioned to tap their potential and will continue to invest selectively in growth markets.

Based on the overall business fundamentals, the strategic plan and the cost optimization program the Group has been implementing, we are confident that we will be able to deliver improved profit levels even if the market remains sluggish in 2013. In the mid term we are determined to return to a significantly higher operating margin combined with a return to solid growth.

Leadership to master tomorrow's challenges

Mastering change, particularly in challenging environments, requires leadership, entrepreneurism, and adherence to strong principles. In this regard we introduced new leadership principles and took further steps towards our objectives of strengthening internal development (p. 57 ff).

Although we have made progress in adapting to present market realities and in transforming for the future, the pace of change in our environment has increased dramatically, requiring new impetus and specific leadership skills to drive Straumann forward. The Board of Directors has assigned this responsibility to Marco Gadola (see p. 97), who rejoins Straumann on 1 March 2013 as our new CEO. In addition to his excellent understanding of our business and company, he has proven himself as a determined, engaging, and entrepreneurial leader.

On behalf of everyone at Straumann, I would like to wish him every success in his new role. At the same time, we would like to thank the former CEO, Beat Spalinger, for his many contributions to our company over the past four years. We also wish him all the best for the future.

People are our success

Our company would be nothing without hard working, committed employees, who – in spite of the difficult environment – remain committed to simply doing more. On your behalf and on behalf of the Board of Directors, I would like to thank them sincerely for their dedication, loyalty and hard work in 2012 and for their positive spirit going forward.

UNCHANGED DIVIDEND

At this year's Annual General Meeting on 5 April 2013, the Board will propose an unchanged ordinary dividend of CHF 3.75 per share to the shareholders.

I would like to thank our loyal shareholders for their continued confidence in our company and support despite the disappointing share price performance in 2012. As this Annual Report shows, we continue to be positive about the opportunity for long-term value creation, both in the sector and at Straumann. Tomorrow's world holds much promise and we will be privileged to have your support as we step into it.

Yours sincerely

Gilbert Achermann
Chairman of the Board of Directors
& Acting CEO

STEPPING INTO TOMORROW'S WORLD

Welcome to the future and a vision of what a visit to the dentist could be like in the next decade.

In the coming years, many small dental practices will merge into group clinics housing general dentists and various specialists under the same roof. The majority of these clinics will probably have integrated dental laboratories.

There will be amazing progress in diagnosis and treatment planning, as 3D imaging and digital technologies revolutionize dental treatment, making it faster and more predictable. Young dental graduates, most of whom will be female, will choose to join group practices instead of opening individual offices.

Continued on page 20...

GUY DUPONT, PATIENT

Guy is from Canada. He is currently completing his doctorate in physics and spends much of his time looking for black holes. His 29th birthday celebration was interrupted by a dental 'disaster' as he fractured a tooth on an olive stone in a tapas bar.

SARAH MIKKROUN, DENTIST

After studying dentistry in Gothenburg, the 28-year-old Swede married and moved to Brussels. As a mother, she enjoys being able to work part-time in a group dental practice. This means she can pursue her career and have time for her family.

ANNA STETIC, DENTAL SURGEON

After completing her dentistry studies, Anna (38) chose to specialize in implantology. She works in the same dental center in Brussels as Sarah.

FINN VAN NEER, DENTAL TECHNICIAN

Finn is at the cutting edge in terms of technology. Like many of his friends, the 24-year-old from Ghent is a big fan of the latest home entertainment electronics.

STRAUMANN A PORTRAIT

A global partner in implant, restorative and regenerative dentistry with a mission of simply doing more for dental professionals and patients

WHO WE ARE AND WHAT WE DO

Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in implant and restorative dentistry and oral tissue regeneration. Collaborating with leading clinics, research institutes and universities, Straumann researches, develops and manufactures dental implants and instruments, CAD-CAM prosthetics and tissue regeneration products for use in tooth replacement and restoration solutions or to prevent tooth loss.

The Group manufactures implant system components and instruments in Switzerland and the US. CADCAM prosthetics are manufactured in the US, and in Germany – where CADCAM scanning technology is also produced. Oral tissue regeneration products are manufactured predominantly in Sweden. We also offer a wide range of services to the dental profession worldwide, including training and education, which are provided in collaboration with our academic partner, the International Team for Implantology (ITI).

The company currently employs 2517 people worldwide. Straumann products, solutions and services are available in more than 70 countries through a broad network of distribution subsidiaries and partners. More than 90% of our business is conducted directly through fully owned subsidiaries.

The business model (p. 14) illustrates how Straumann's businesses and activities are interwoven and interconnected. More about the company structure, organization and management can be found in the chapter on Corporate Governance (p. 80 ff).

WHERE WE ARE FROM

Originally founded in 1954 as a research institute specialized in alloys, Straumann moved into the field of osteosynthesis implants in the 1970s and then focused exclusively on dental implants in 1990. The company went public in 1998 and its shares are traded on the SIX Swiss exchange. Straumann entered the field of oral tissue regeneration in 2002 and CADCAM tooth restoration in 2007. Since then the company has become well established in digital dentistry. Straumann thus holds a unique position in the dental sector, offering surgical, restorative, regenerative and digital solutions from bone augmentation through implants to individualized CADCAM prosthetics.

WHERE WE ARE HEADED

In 2012, our Vision 2020 project prompted us to revalidate our existing vision, mission and core beliefs to ensure their appropriateness for guiding our organization and shaping a winning culture. Our vision statement proved valid. We made our mission statement more concise and fine-tuned our core beliefs to emphasize the importance of our people.

OUR VISION is to be the partner of choice in implant, restorative and regenerative dentistry.

OUR MISSION is 'Simply doing more for dental professionals and patients'.

OUR CORE BELIEFS

- RELIABILITY IS OUR TRADEMARK. We deliver peace of mind. Our customers and patients trust us for consistent quality and service excellence.

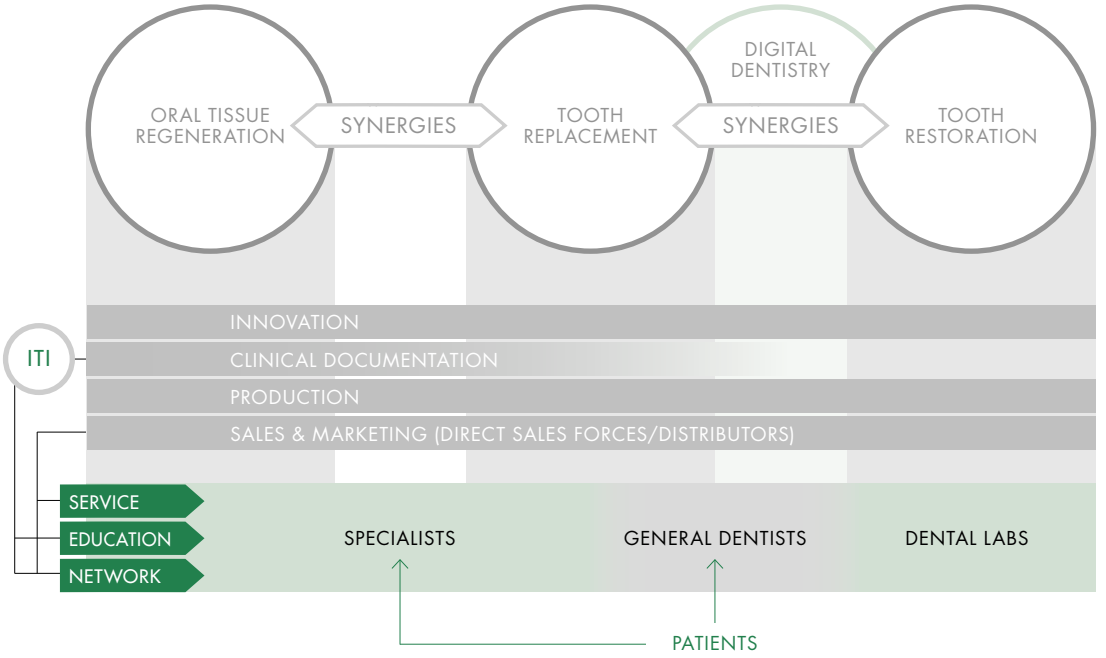
OUR BUSINESS

- SIMPLICITY IS OUR STRENGTH. In an increasingly complex world, we seek solutions that make life simpler for customers and patients.
- CUSTOMERS ARE OUR INSPIRATION. We are dedicated to the success of all our customers. We always seek to understand their perspective and to deliver what we promise.
- PEOPLE ARE OUR SUCCESS. Our success depends on skilled, caring, trustworthy and diverse individuals who work as a team and share our passion for innovative solutions and service excellence.
- ACHIEVING MORE IS OUR FUTURE. We strive relentlessly for better solutions and to create value for our stakeholders. We must always believe in our ability to achieve more.

VISION 2020

Our Vision 2020 project provided valuable insights into the future of dentistry and our markets. Using existing data, new research, and numerous interviews with experts, we endeavored to anticipate the needs of dental professionals and patients in our markets in order to be their partner of choice in the years ahead.

OUR BUSINESS MODEL



Straumann is a global leader in implant, restorative and regenerative dentistry. Driven by innovation, the company researches, develops and manufactures dental implants, prosthetics and oral tissue regeneration products (p. 36 ff). It is also an emerging leader in digital workflows that support and facilitate tooth restoration and replacement (p. 40 ff). Straumann produces almost all its products in house (p. 63 f) and then markets and sells them together with solutions and services – either directly to dental professionals or, in certain countries, through distribution partners (p. 149). Education, clinical research and customer networking are important aspects of the business model. In these areas Straumann collaborates with leading clinics, research institutes, universities, and the International Team for Implantology (p. 55 f).

TRENDS

The dental profession will experience significant change between now and 2020. As equipment and running costs rise, single-dentist surgeries will increasingly merge into group practices and chains.

The face of dental care will be increasingly female as more women are training to become dentists than men. As this continues, a growing proportion of female dentists may prefer to work part-time, for family reasons – fuelling the trend towards group practices.

These developments, and the fact that the number of newly trained dental surgeons might be insufficient to cover growing demand, underscore the need for simpler, standardized procedures, in addition to education and initiatives to boost efficiency and capacity.

Apart from this, cost pressure from competitors and patients will force practices to increase productivity and shorten chair-time – offering considerable opportunities for products, systems and services that improve efficiency and streamline workflows.

Consolidation will be even faster in the dental laboratory segment as new technologies and larger competitors impact smaller labs.

TECHNOLOGY

Digitalization will shape the future of dentistry, changing workflows and value chains for dentists and labs. Advanced scanning technology will be more common and will converge with surgical and prosthetic software – especially as tooth replacement is being driven increasingly by prosthetic considerations.

Innovation will continue to be an important industry driver and is beginning to encompass processes, services and solutions in addition to products. New materials and minimally invasive techniques will open the door to a larger number of patients, who have not been able to – or have avoided – implant treatment. Enhanced precision through computer supported techniques will also have a part in this.

By 2015, an estimated 50 million dental implants will have been in place for longer than five years. Although dental implants are associated with high success rates,[1] there will undoubtedly be a growing need for maintenance solutions – particularly for restorative components.

MARKETS

Current forecasts suggest that economic growth, disposable income and consumer sentiment will continue to be subdued over the next few years especially in Europe, which will constrain the dental market. Contrastingly, the assumptions are more positive for the BRIC countries, which have high growth potential. Asia, Latin America and the Rest of the World are thus expected to make up a larger proportion of the global implant market. So too will North America, the world's largest market, which represents a significant growth opportunity, based on penetration, access to treatment, demographics, and household income.

GROWTH DRIVERS INTACT

Over a quarter of a billion people in the industrialized world are missing one or more teeth. As the industry is still relatively young, only a small proportion of patients seeking treatment for tooth loss get implant solutions, despite the clear advantages. Furthermore, there are huge populations of patients in emerging economies where implant and CADCAM dentistry are not yet established.

Apart from demographics, our research shows that fundamental drivers of the dental implant market, such as acceptance, access and affordability, are improving. We therefore believe that the global market for implant, restorative and regenerative dentistry will provide attractive long-term growth opportunities.

HOW STRAUMANN MIGHT LOOK IN 2020

Based on Vision 2020, we concluded that we should be able to more than double our present size by 2020 (both in terms of revenues and employees) and to deliver attractive profit margins.

THE FUTURE IS NOW

Vision 2020 may seem a distant aspiration but – as this report shows – we are already working on many of the initiatives to shape the future. At Straumann, the future is already happening.

OUR STRATEGY

OUTPERFORMANCE & LEADERSHIP

Straumann's strategy is to pursue growth opportunities in dental market segments and geographies that are characterized by high unmet needs, strong growth potential and significant opportunities for innovative solutions. Each of our businesses – implant dentistry, restorative dentistry and regenerative dentistry – meets these criteria and we aim for top-three positions in all our market segments, with clear differentiation from our competitors (see p. 22 for market shares).

We believe that substitution – for example dental implants substituting for conventional bridges and digital solutions superseding manual processes – will open up new value chains and drive our markets for many years to come.

Because the performance of our markets is linked to economic prosperity and consumer sentiment, times of fiscal uncertainty or decline call for adaptation, such as cautious cost management and clear positioning.

In 2012 our strategic plan was based initially on the expectation that the market for implant dentistry would recapture high single-digit growth in the mid term, with Straumann continuing to outperform. Developments in the course of the year, particularly in Europe, mean that the expected recovery will take longer. We have adapted accordingly. Using the insights of Vision 2020, we began resizing in areas of low opportunity and making our growth strategy more selective by targeting high-potential markets such as the US, China, and Latin America.

STRATEGIC BUILDING BLOCKS

Within our three businesses, our strategy comprises four building blocks (see next page).

DIFFERENTIATION THROUGH INNOVATION AND CLINICAL EXCELLENCE

We aim to deliver innovative, clinically-proven products and solutions that generate value for dental professionals and patients, for instance by shortening treatment times, streamlining procedures, adding convenience, improving clinical and esthetic outcomes, and opening up new indications. We use and build our in-house expertise in research and development, and work with partners through in-licensing, acquisitions or other strategic collaborations.

Due to the economic environment, the pressure to reduce treatment costs has increased, competition has intensified, and high standards have come under threat from a 'good enough' mentality.

Our strategy to differentiate the Straumann brand is through value-adding innovations, high quality and strong clinical evidence. There are numerous examples of how this strategic building block has been successfully implemented:

- In implant dentistry, they include the development of smaller implants using high-performance materials and surfaces with improved osseointegration. An example of differentiation through clinical excellence is the 2012 publication of outstanding ten-year clinical results, which – together with well over a hundred clinical studies – make our SLA Soft Tissue Level implant the best documented implant of its kind on the market.
- In restorative dentistry, we are now able to offer integrated, streamlined workflows and are in the process of opening our CARES platform to give other system users access to our CADCAM prosthetics service. We have achieved this through entrepreneurial strategic partnerships (Dental Wings and 3M ESPE).
- In regenerative dentistry, Emdogain (enamel matrix derivative) is the only product of its kind used to regenerate periodontal tissues in the rescue of teeth damaged by periodontal disease.

CUSTOMER FOCUS

We seek direct access to customers so that we can understand their needs, which then form the basis of innovation and product development. We also seek to be close to customers and build long-term partnerships with them by:

- having our own sales force,
- consulting on applications and limitations of products,
- helping them build their business, and
- offering education both for them and indirectly for their patients (e.g. on the advantages of implants over conventional treatments).

We therefore set high standards of training for members of our staff who interact with customers.

Our academic partner, the International Team for Implantology (see p. 55 f), plays an important role in our go-to-market strategy through high-quality education. Its broad professional network, which exceeded 14 000 members in 2012, provides special insight into customer needs.

Our new organizational structure with dedicated sales teams increases customer proximity and helps us serve them better. In addition we have created a new interface between Sales and Development to improve responsiveness and shorten time to market. These efforts have been fruitful: positive results from market research reconfirm a high level of customer satisfaction with Straumann (see p. 54).

GEOGRAPHIC FOCUS

We reach out to customers in more than 70 countries through 23 sales subsidiaries and a broad distributor network. In 2012, we generated 94% of our sales directly and dedicated 47% of our employees to sales and marketing.

We employ focused 'local' strategies as market dynamics and customer needs vary strongly between geo-graphies due to differences in purchasing power, implant acceptance and penetration, market structure or regulatory and educational requirements.

In North America, our primary focus is to grow the implant business – through education, referral networking and by strengthening our local organization. In Europe, we drive broader portfolio growth by leveraging our strong market position in implants. We complement our product offering through premium

STRAUMANN'S KEY STRATEGIC BUILDING BLOCKS

Straumann's strategy for its three business franchises is built on the four blocks illustrated above.

services such as practice building and education to support our premium position.

In Asia, we focus on growth of the implant business in selected countries.

Latin America offers significant opportunities although, as a premium implant company, we can address only a very small segment. Our acquisition of a stake in Neodent (see p. 35) broadens our strategic options for addressing the huge non-premium segment in South America. We will approach this selectively through a clear dual-brand strategy (see p. 18).

PEOPLE AND OPERATIONAL EXCELLENCE

We strive to:

- build a culture of excellence,
- support further portfolio expansion,
- refine our targeted customer approach, and
- maintain our strong financial position.

Our team of highly-qualified professionals is the key to our success – so attracting, building and retaining talent is a priority. We therefore focus on leadership, development, and fair, attractive compensation (see p. 57 ff).

Market recession and project costs in 2012 made it necessary for us to adopt cost-reduction measures including specific headcount reduction. Vision 2020 provides a guide for targeted reductions, which are needed – in addition to efficiency gains – to restore decent margins, despite modest top-line performance in a tough environment.

We believe that clear strategic focus and direction, the flexibility to adapt quickly, operational excellence, and a team that is committed to 'simply doing more' will enable us to underpin our leadership position and succeed in tomorrow's world.

OUR BRAND

In an increasingly crowded marketplace, our global brand is one of our most powerful and valuable assets – which is why we promote and defend it passionately and effectively. In 2012, we invested in various activities to leverage our brand, as the following examples illustrate.

BRAND LEVERAGE

The Straumann brand is built on the company's long-standing reputation for reliability, innovation, clinical excellence and service. Our umbrella brand is used to reinforce product and service brands, for instance Straumann Allograft, Straumann Dental Implant System, and Straumann CARES, which has become an established brand for our prosthetic/digital solutions over the past six years. It expresses our commitment to customers and patients as well as our uncompromising approach to quality and our desire to advance dentistry through innovation.

CARES is thus appropriately used to brand and support the CARES Scan & Shape service we launched in 2012 (see p. 42).

MARKETING APPROACH REFINED

Since 2005, when our current brand framework was defined, both the market and Straumann have changed significantly. Innovation and portfolio expansion have fuelled the creation of product and service brand names, increasing complexity and the challenge of consistency. To address this, we initiated an important project to refine our marketing approach with clear consistent messaging focused on relevant customer segments. The project includes a new visual design concept, which will be launched in 2013.

A NEW DUAL BRAND STRATEGY

Our acquisition activity in 2012 reveals how valuable brands are. Neodent (see p. 35) is a leading brand in Brazil and will enable us to address a huge market segment that we cannot access through the Straumann brand alone. In order to maximize our market potential, Straumann and Neodent intend to operate as separate brands, addressing distinct segments. This dual brand strategy will enable both companies to build on our respective current positioning: Straumann as a leading global provider of innovative premium solutions and services, and Neodent as a regional leader offering solutions that are tailored to local market needs.

SUCCESS IN PROTECTING OUR MOST VALUABLE ASSET

Reputation and trust take years to build, but can be lost in an instant. Our Core Beliefs, Mission Statement and Code of Conduct are key instruments in safeguarding reputation. We therefore emphasize their importance to our staff continuously, starting with our on-boarding program.

We also take legal measures to protect our reputation and brand. In 2012, we won two important legal battles against a cut-price imitator who misleadingly claimed equivalence to, and compatibility with, Straumann originals.

The Court prohibited the imitator from advertising its product as a 'high-quality copy', noting that this false claim 'unfairly exploited Straumann's good reputation and valued brand'. The rulings prevent the imitator's implant system from being marketed or used in combination with components from other manufacturers. Subsequently, another court ruled against a different manufacturer who used false claims to position its implant as having hydrophilic properties that enhance healing.

Look-alikes and copycats are not manufactured to our standards, nor have they undergone the same clinical testing. Consequently, a Swiss court found that the terms 'generic' and 'bioequivalent', which are used for pharmaceuticals, had been improperly and misleadingly applied to dental implants.

These rulings send an important signal to cut-price imitators. Straumann will take a strong stand against them in the interest of patients and to protect our business.

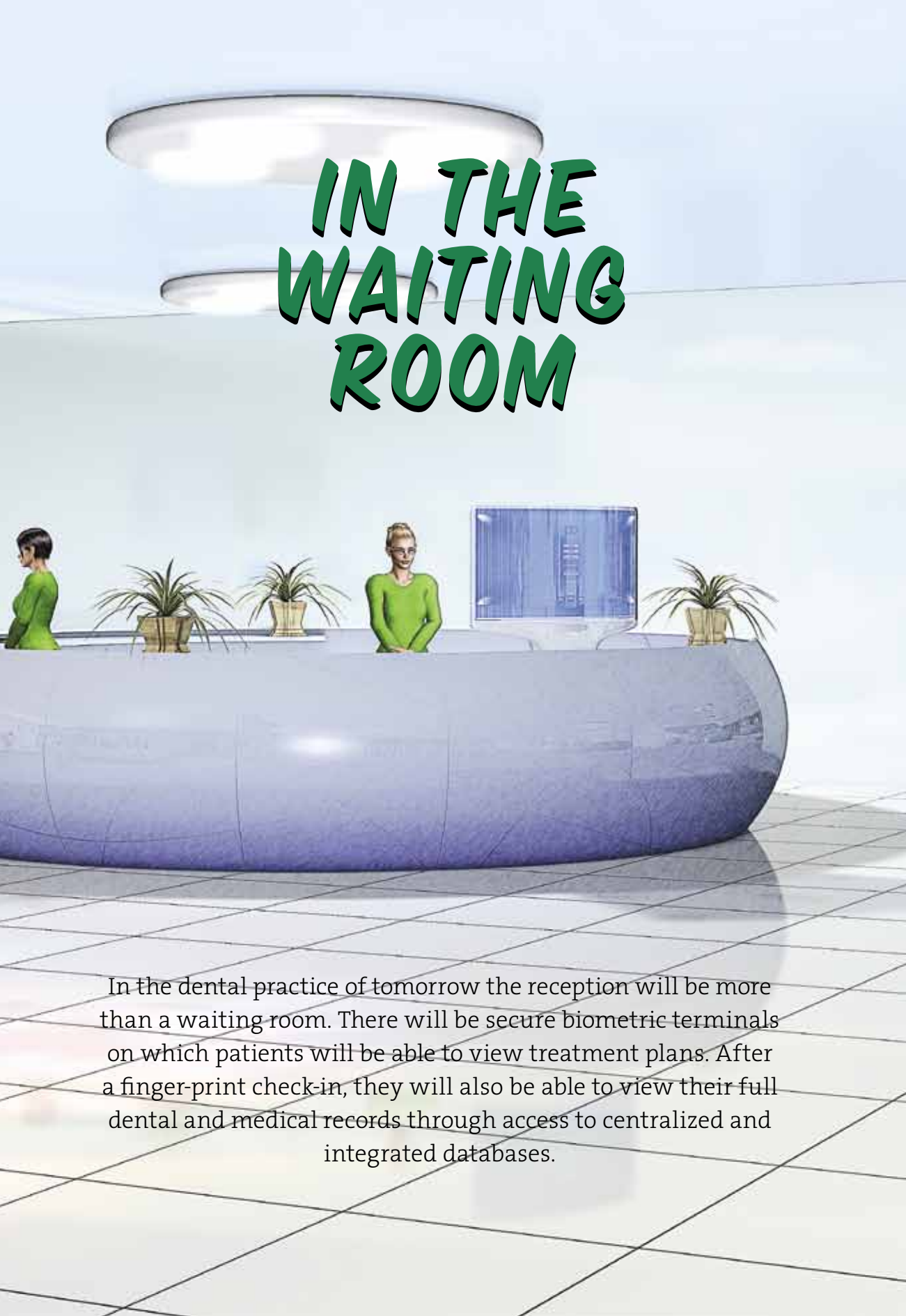
OUR BRAND OF BEHAVIOR

Names, visuals and claims are just part of our branding activities. 'Committed to simply doing more' is the Straumann brand of behavior that we want all stakeholders to perceive. This is not a mere motto; it is our company culture that should be evident in every interaction with customers. Hence branding at Straumann has to be supported by each employee.

REFERENCES/FOOTNOTES

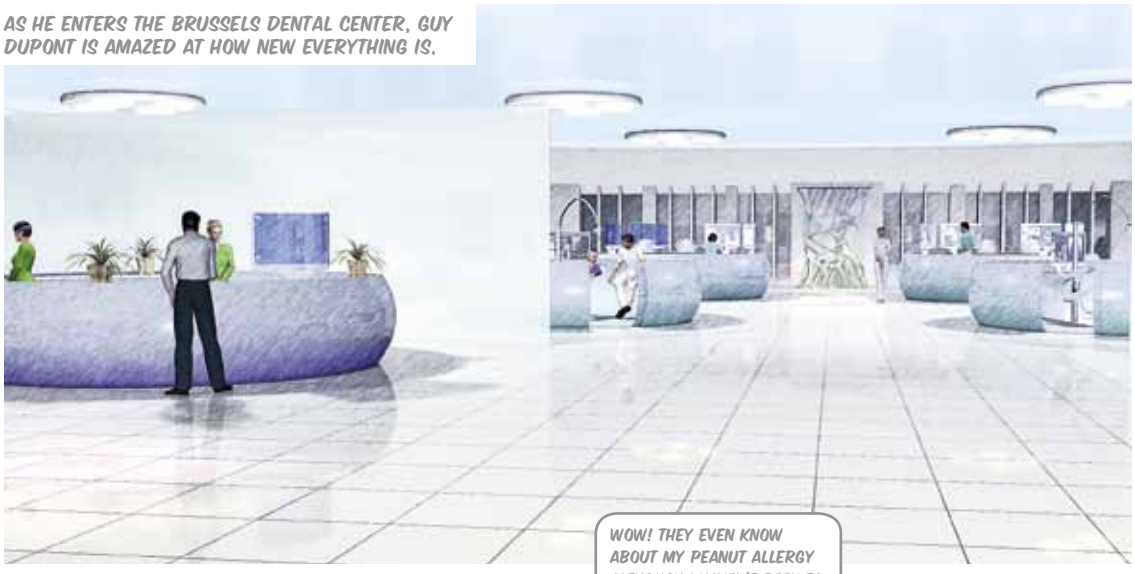
1 Buser D, Janner S, Wittneben J, Brägger U, Ramseier A, Salvi G: 10-Year Survival and Success Rates of 511 Titanium Implants with a Sandblasted and Acid-Etched Surface: A Retrospective Study in 303 Partially Edentulous Patients. Clin Implant Dent Relat Res 2012;14:839–851.

IN THE WAITING ROOM



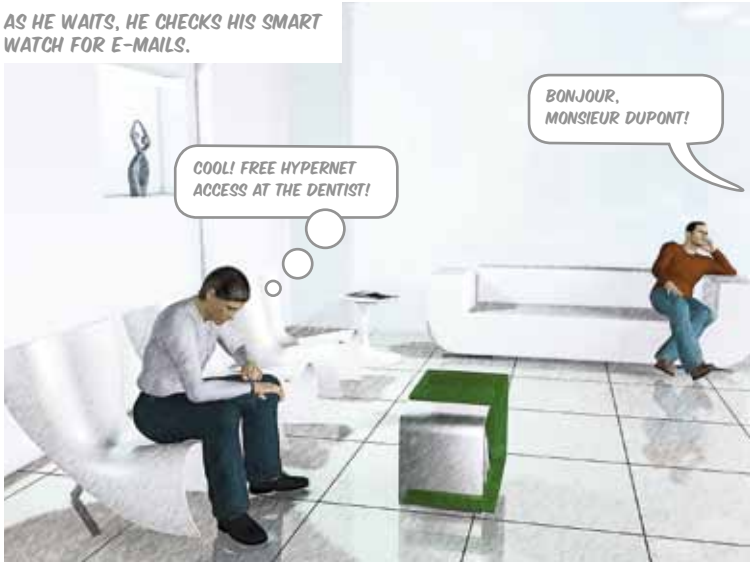
In the dental practice of tomorrow the reception will be more than a waiting room. There will be secure biometric terminals on which patients will be able to view treatment plans. After a finger-print check-in, they will also be able to view their full dental and medical records through access to centralized and integrated databases.

AS HE ENTERS THE BRUSSELS DENTAL CENTER, GUY DUPONT IS AMAZED AT HOW NEW EVERYTHING IS.



HE CHECKS HIS RECORDS.

AS HE WAITS, HE CHECKS HIS SMART WATCH FOR E-MAILS.



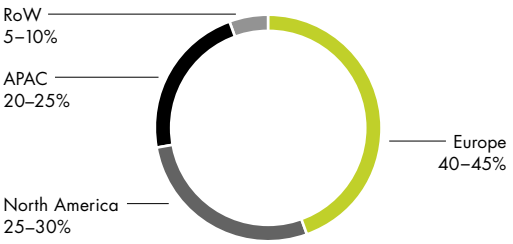
SARAH, THE DENTIST, TAKES GUY TO A HIGH-TECH TREATMENT UNIT TO EXAMINE HIS TEETH AND PREPARE FOR HIS IMPLANT SURGERY.

CONTINUED ON PAGE 48...

MARKETS AND REGIONS

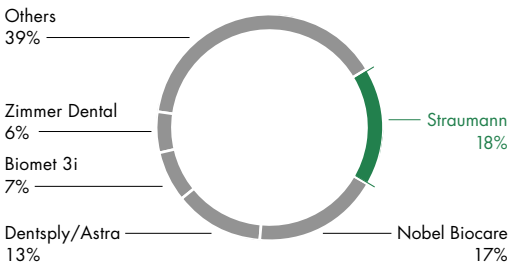
Substitution of conventional treatment, demographic aging, and affluence are the growth drivers in markets generating more than CHF 5 billion p.a.

THE GLOBAL DENTAL IMPLANT MARKET* BY REGION[1]



* In value terms

THE GLOBAL DENTAL IMPLANT MARKET* BY SHARE OF SALES[1]



* In value terms

Straumann is active in the dental sector of the medical device market. Our products are registered as 'medical devices' – a category which also includes artificial joints, cardiovascular stents, pacemakers, hearing aids, insulin pumps and wound-healing products. The medical device industry is driven mainly by aging populations and rising living standards in developed and emerging countries. The global market value is estimated to be more than CHF 300 billion,[2] of which 5–10% (more than CHF 20 billion) are contributed by dental devices and consumables.

Straumann operates in the markets for implant, restorative and regenerative dentistry, estimated to generate annual revenues of more than CHF 5 billion.[3]

THE MARKET FOR IMPLANT DENTISTRY

Dental implants and abutments[4] account for most of the market while tools and instruments to support implantation account for just a small part. Following positive developments in 2011, the market contracted in the low-single digit range in 2012.[3] The global market is valued at about CHF 3 billion. The fact that this is smaller than in 2011 is mainly attributable to a drop in the number of treatments and currency effects.

Europe accounts for almost half the global market, North America is the second largest region, accounting for a quarter, followed by Asia/Pacific and the Rest of the World. While the European and APAC market contracted in 2012, positive market growth was observed in North America and the Rest of the World.

MARKET STRUCTURE

The dental implant market can be divided into 'premium', 'value' and 'discount' segments. Straumann is a leading premium player in the industry and offers a wide range of implants priced at multiple levels within this category.

The key differentiators that distinguish the premium segment include clinical documentation, innovative products and solutions, broad product offering, training, education and superior customer service.

The five leading multinational manufacturers account for approximately two thirds of the global implant market and pursue premium strategies. The remainder of the market is very fragmented, consisting of several hundred competitors, the majority of which have a local country or regional focus.

Despite the difficult economy and currency effects Straumann managed to build its lead over peer competitors. Current estimates put our share of the global market for implant dentistry at about 18%.[3] The difference compared to 2011 is mainly due to currency effects.

Global market research conducted in 2012[5] again confirmed that dentists choose implants based on product quality, ease of use, product familiarity and long-term scientific evidence – areas in which Straumann consistently receives best-in-class ratings.

While price is not ranked among the top factors driving the choice of brand purchased, it has gained importance in recent years due to the economic situation, especially in some large European countries. It is not surprising, therefore, that there have been some shifts towards the value and low-price segment for two reasons:

- In fast-growing emerging markets, local companies that follow a value or low-price strategy often represent the major part of the market. As the importance of those markets grows, it has an impact on the global market segmentation and therefore changes the geographical mix.
- The market contraction in some European countries has affected premium manufacturers disproportionately.

Vision 2020 anticipated this trend, which is why we have taken a significant step – through the acquisition of a stake in Neodent (see p. 35) – to strengthen our strategic options for addressing countries where the premium segment is a smaller part of the overall market.

DENTAL IMPLANT MARKET BY SEGMENT

Market total: CHF ~3 bn

Within the dental implant market, Straumann competes in the premium segment.

THE MARKET FOR RESTORATIVE DENTISTRY

Conventional tooth restorations (e.g. crowns and bridges) have typically been manufactured manually. Today, the process is becoming increasingly automated, mainly due to:

- Digitalization, which makes it possible to design and manufacture prosthetic elements by computer (CADCAM = Computer-Aided Design; Computer-Aided Manufacturing), saving time and increasing accuracy.
- Material improvements (e.g. high-performance ceramics, translucent resin nanoceramics, etc.) which reduce work time and offer higher standards of esthetics and function.

The market for CADCAM dentistry, in which Straumann also competes, comprises prosthetic elements (crowns, inlays, onlays, bridges) and equipment (e.g. scanners and milling units). Collectively these generated global revenues of around CHF 2 billion in 2012.[6]

CADCAM PROSTHETIC ELEMENTS

More than 20%[6] of all prosthetic elements (tooth-borne and implant-borne) were produced by CADCAM in 2012. Although the majority of prosthetic elements are still made by hand, the share of dentists

using CADCAM prosthetic elements continues to increase.

CADCAM prosthetic elements are produced either in a dentist's office (chairside), or in a dental laboratory by a dental technician, or in an industrial milling center operated by a CADCAM manufacturer. Straumann CADCAM prosthetic elements are designed with our CARES Visual software (either by labs or through our recently launched CARES Scan & Shape service) and milled centrally. Centralized milling is currently the second most popular method of production for CADCAM crown and bridges.

CADCAM EQUIPMENT

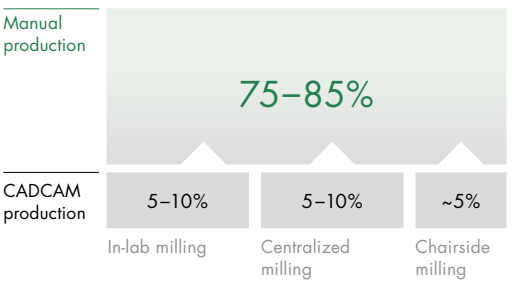
'CADCAM equipment' breaks down into the following categories:

- Chairside systems: Scanning, design and milling are performed in the dental practice
- Full in-lab approach: Scanning, design and milling are performed by the laboratory
- In-lab scanners are connected to an offsite milling center
- Intra-oral scanners

According to our estimates, more than two thirds of all CADCAM systems sold in 2012 were either full in-lab systems or in-lab scanners connected to an offsite milling center.

We have been active in the in-lab scanner (and software) segment since 2007. In 2010, we began to distribute iTero intra-oral scanners in Europe and subsequently the US. In late 2012, we discontinued the distribution of IOS scanners and focused further on enabling digital workflow solutions (see strategy chapter on p. 15 ff).

THE CROWN AND BRIDGE MARKET*[7]



* In value terms

Dental laboratories are under strong competitive pressure to find optimal levels of production efficiency and product quality. In-lab scanning with centralized milling is an attractive solution, because it gives laboratories access to the latest technology without investments in expensive, high-maintenance milling equipment. Laboratories profit from precise, high-quality restorations and are able to respond to the needs of their customers with a high degree of flexibility.

The lack of reliable market data makes it difficult to provide precise information on market shares in restorative dentistry. We estimate that our share of the market for CADCAM elements produced by centralized milling was below 5% in 2012 and our share of the CADCAM equipment market is thought to be lower than 20%.[6]

THE MARKET FOR REGENERATIVE PRODUCTS

The market for oral tissue regeneration products ('regeneratives') showed little – if any – growth in 2012 and was estimated to be worth around CHF 400 million[9]. This market is closely linked to the implant dentistry market, as regeneratives are often used to support implant procedures. The contraction in the implant market is therefore reflected in the regenerative market. Apart from this, the contraction is due to currency effects and some re-evaluations of the market, based on the latest market data.

The market for regeneratives comprises the following segments:

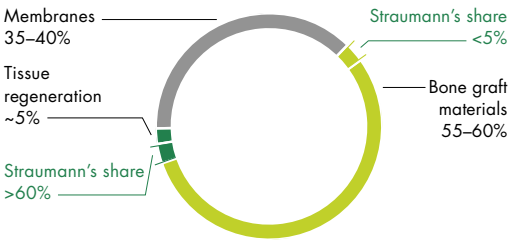
- Bone graft materials
- Membranes
- Soft-tissue regeneration products

Straumann is active in all three.

BONE GRAFT SUBSTITUTES

More than one in four implants is estimated to require bone augmentation or transplantation either prior to or concurrent with implant placement.[10] This can be done with four types of bone graft material:

THE ORAL TISSUE REGENERATION MARKET*[9]



* In value terms

- Autografts (the patient's own bone)
- Allografts (human – but not the patient's – bone)
- Xenografts (bone from animals)
- Synthetic bone (e.g. Straumann BoneCeramic)

Synthetic bone accounts for more than one quarter of the total bone graft substitute market. Allografts are more commonly used in North America, where they account for half of the market. Straumann entered the allograft market (in North America) in 2009.

MEMBRANES

Dental membranes are used in the majority of bone augmentation procedures. The membrane acts as a barrier to prevent soft tissue growing into the space required for bone formation. Membranes account for an estimated 40% of the regenerative market. Straumann has competed in this segment since 2010 and has a small share.

SOFT TISSUE REGENERATION

Between 5 and 20% of the general population in developed countries suffer from severe periodontitis,[11] the most common cause of tooth loss. Straumann Emdogain is used to regenerate tissues that anchor the tooth when they have been damaged by periodontal disease. Straumann leads this segment and our share is more than two-thirds of the global market.

OUTLOOK: FUNDAMENTAL MARKET DRIVERS

In the absence of reimbursement, our markets are constrained by the weak economic environment. While implant dentistry showed signs of slow recovery from the economic downturn of 2008–2009, sovereign debt and austerity on both sides of the Atlantic slowed progress in 2011 and led to a contraction in 2012. We expect the situation to improve over the next two years and are confident the market will return to mid to high single-digit growth in the mid to long term.

The basis for this positive outlook is underpinned by the unchanging drivers of medium- and long-term growth: substitution of conventional treatment for tooth loss, demographic aging, and affluence.

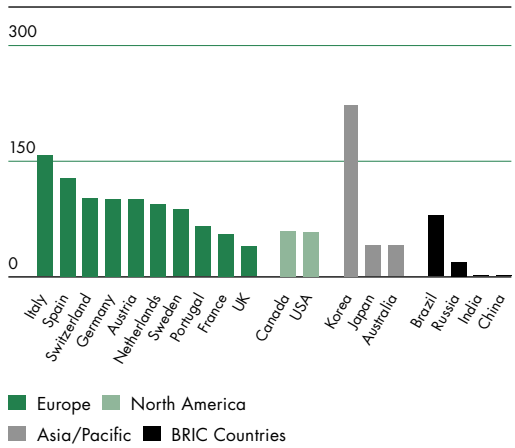
SUBSTITUTION OF CONVENTIONAL CROWNS AND BRIDGES

Substitution of conventional tooth replacement treatment (i.e. tooth-borne bridges) is the most important growth driver for implant dentistry. Substitution potential is determined by the number of individuals with untreated tooth loss. In 2012 this included patients who:

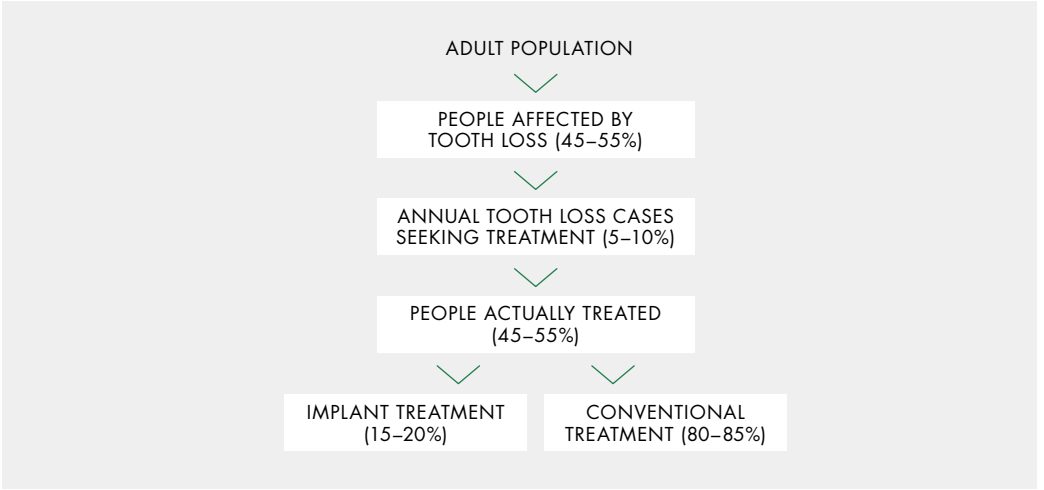
- lost teeth in 2012
- were missing teeth and put off treatment before 2012
- need to replace existing dental restorations (e.g. tooth-borne bridges).

DENTAL IMPLANT PENETRATION[1]

Implants placed per 10 000 population per year (2012)



TOOTH LOSS AND TREATMENT COURSES (USA)



The population in the US is aging, resulting in more patients with tooth loss. Patients who have been treated are likely to require maintenance work (probably more so with conventional treatment). Most people lose more than one tooth in life and thus re-enter the treatment path.

Straumann believes the number of potential implant recipients will continue to grow, because[12]:

- Some 50–60% of adults in the developed world have lost at least one tooth
- On average, they are missing 3–4 teeth.
- Market penetration of dental implants in industrialized countries is still low: only 15–20% of adults treated for tooth loss in 2012 received dental implants.

Treatment statistics bolster our optimistic outlook:

- The annual incidence of tooth loss remains stable at a high level
- Fewer cases of tooth loss were treated in 2012 than in 2011
- The implant treatment rate fell in 2012, reflecting the challenging economic environment
- In 2012, more people with untreated tooth loss chose to postpone treatment than in previous years
- We expect the annual pool of available patients to grow because many postponers will eventually initiate or re-enter treatment

DEMOGRAPHIC AGING AND AFFLUENCE

Two demographic trends – aging and affluence in the developing-world– will also drive growth:

- The general population is aging, and life expectancy is increasing. For instance, more than 18% of the US population is age 60 or more. This will rise to 22% by 2020.[13] US life expectancy at birth in 2010 reached 78.3 years and is expected to grow to 79.5 years in 2020.[14]
- Tooth loss is a function of age. In the developed world, 68% of people age 55 and upwards and 84% of those age 75 and older have lost at least one tooth. 59% of the 45–54 year olds and 33% of those younger than 35 have lost at least one tooth.[12]
- There is further evidence of continued purchasing power in the senior population in developed countries.[14]
- We see a significant growth potential in markets such as China, where incomes are increasing and implant rates are low.

ADDITIONAL FACTORS

- Competence in placing implants and completing the restoration is rising, especially among general dentists, who readily recommend implants to their patients.
- Straumann's training and education activities are increasing customer confidence
- Market research shows that half the population affected by tooth loss in the US is aware of dental implants[12]
- Rising awareness will drive patient confidence in implants.

OUTLOOK FOR CADCAM DENTISTRY UNCHANGED

More than 75% of dental laboratories are small or medium-sized.[15] The majority of large labs own at least one scanner and one milling unit; small and medium labs usually own no CADCAM equipment. Dental laboratories are consolidating, and as they do, outsourcing is often preferred to investing in new capital goods. Also, they want to convert manual processes to automated workflows. So we see great potential in outsourced milling for small and medium-sized laboratories.

CADCAM equipment already has a high penetration in large laboratories, so growth in this segment will mainly come in CADCAM elements. To drive the share in the CADCAM dentistry market, we are introducing our CARES Scan & Shape service, which offers customers that do not have scanning equipment the possibility of obtaining high-quality, precision Straumann CARES prosthetics without investing in CADCAM equipment.

OUTLOOK FOR REGENERATIVES TIED TO DENTAL IMPLANT GROWTH

The outlook for oral tissue regeneration products to a large extent reflects the outlook for implant dentistry because regenerative products are most often used to support implant procedures in the event of bone deficiency.

REFERENCES/FOOTNOTES

1 Straumann estimates, based on Millennium Research Group and iData, including the following countries: Australia, Belgium, Brazil, Canada, China, Czech Republic, France, Germany, Hungary, India, Israel, Italy, Japan, Luxembourg, Netherlands, Poland, Romania, Russia, South Korea, Spain, Sweden, Switzerland, United Kingdom and the United States.
2 Ernst&Young Pulse of the industry, Global MedTech Report, 2012, page 18.
3 According to 2012 FX Rates. Straumann estimates based on MRG, iData and Industry Sources.
4 see Glossary
5 MRG 2012
6 Including the countries: France, Germany, Italy, Japan, United Kingdom and the United States. According to 2012 FX Rates. Straumann estimates based on MRG, iData and Industry Sources. CADCAM elements include C&B only.
7 Including the countries: France, Germany, Italy, Japan, United Kingdom and the United States. According to 2012 FX rates. Straumann estimates based on MRG, iData and Straumann proprietary study conducted by KeyStone Research.
8 Including the countries: France, Germany, Italy, Japan, United Kingdom and the United States. According to 2012 FX Rates. Straumann estimates based on MRG and iData.
9 Including the countries: Australia, France, Germany, Italy, Japan, South Korea, Spain, Sweden, Switzerland, United Kingdom and the United States. According to 2012 FX Rates. Straumann estimates based on MRG and iData.
10 Straumann estimates based on MRG and iData.
11 Burt B. Research, Science and Therapy Committee of the American Academy of Periodontology. Position paper: Epidemiology of periodontal diseases, J Periodontal 2005; 76: 1406–1419.
12 Straumann proprietary study based on 5000 respondents conducted by AFG Research in 2012.
13 US Census Bureau, National Population Projections, 2008
14 US Census Bureau, Population Division, 2012
15 The Key Group and Straumann estimates, based on US research data.

EUROPE

2012 KEY FIGURES

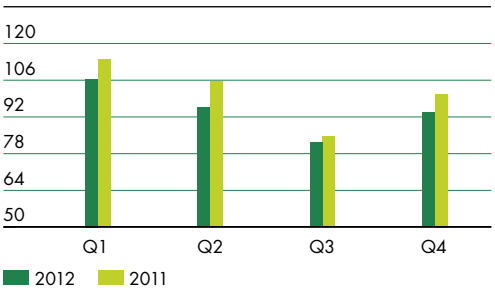
CHF 378 M

FULL-YEAR REVENUE

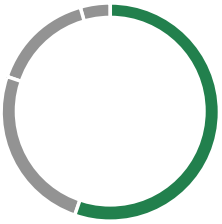
(5.1%)

CHANGE (L.C.)

REVENUE (in CHF million)



55% of
Group net revenue



REVENUE (in CHF million)	Q1	Q2	Q3	Q4	Full Year
Europe	106.5	95.6	82.3	93.7	378.1
Change in %	(6.5)	(9.2)	(2.5)	(7.0)	(6.5)
Change in local currencies in %	(2.1)	(7.0)	(5.3)	(6.3)	(5.1)

EUROPE

Implant dentistry originated in Europe, making it the most developed and largest regional market. It is also the only region with any form of public reimbursement for dental implants – albeit very limited and only in Germany, the Netherlands and Sweden.

Economic deterioration, austerity and high unemployment – especially in southern countries – stifled consumer confidence in 2012, reducing traffic at dental practices and leading patients to delay or take cheaper/inferior options. The market thus dipped further, dragging our revenue down 5% (l.c.) to CHF 378 million, but we retained our leading rank.

The gap widened between markets in depressed economies and those in more prosperous areas. Large markets like Spain and Italy, which are fragmented and permeated with low-price competitors, suffered the biggest declines. The largest market, Germany, was affected by payor-scheme changes and was short of the prior year's performance. By contrast, France and the UK continued to grow solidly.

There were other encouraging developments: we launched Emdogain 015 which lifted our Regenerative business. We also launched our new CARES Scan & Shape prosthetics service (see p. 42) in Germany.

The weak euro led to a negative currency impact of almost one and a half percentage points. However, thanks to the Swiss National Bank's action to keep the euro above CHF 1.20, the currency effect was more moderate than in previous years.

OUTLOOK

Fiscal policy in most euro countries will continue to dampen economic growth and consumer confidence in 2013. The European dental markets, especially in the south, are thus not expected to improve in the near term. In the current environment, there is no prospect for wider reimbursement.

The roll-out of CARES Scan & Shape, the introduction of our Loxim implant insertion tool, and the extension of our Roxolid implant range will add to our regional revenues.

Interview

FRANK HEMM
Executive Vice President
Sales EMEA, LATAM & Distributors

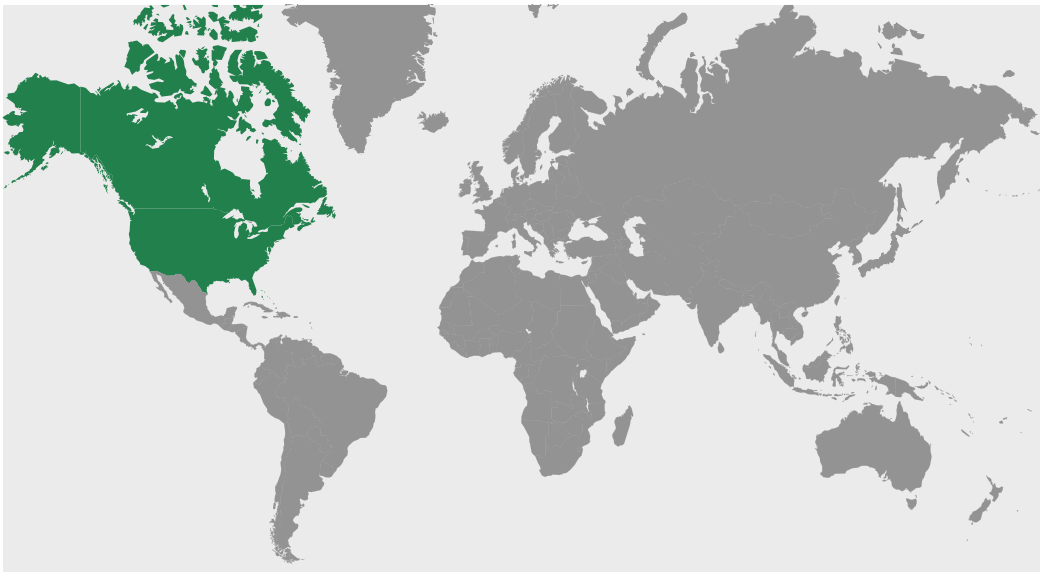
Has Germany slowed because it is less immune to the euro crisis than people thought?
We are the market leader in Germany. While the economy there is better than in many Eurozone countries, consumer confidence and readiness to spend on implant treatment have nevertheless declined. In addition, penetration in Germany is substantially higher than in most European countries, which implies lower structural growth potential.

What is driving the success in France and the UK?
Penetration rates are comparatively low and both are referral markets dominated by premium brands. In such conditions, customers are typically less price-sensitive and competition among dentists is less severe than in countries where a larger proportion of dentists place implants and where low-cost domestic manufacturers are more common. Both countries have been less affected by the economic crisis than southern Europe, which has helped underpin consumer confidence.

How are you adapting in Spain, Italy and peripheral countries?
Throughout the financial crisis, we have been critically reviewing our structures and activities in markets that have been worst hit. We have targeted cost reductions in such a way as to preserve geographic coverage and service excellence. Our direct sales force is very effective for selling premium solutions, but it is not cheap. The substantial decline in these markets makes it increasingly difficult to maintain pre-crisis profitability and further initiatives are inevitable.

Has dental tourism increased in Europe?
We have no evidence that it has. Patient traffic has decreased in general. Many have postponed treatment while some have opted for conventional treatment.

NORTH AMERICA



2012 KEY FIGURES

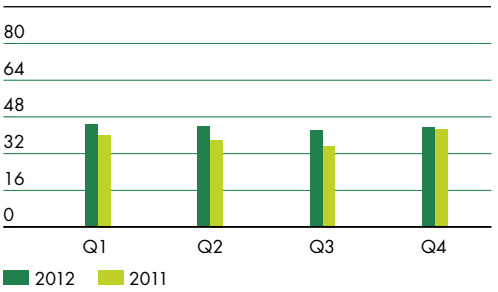
CHF 174 M

FULL-YEAR REVENUE

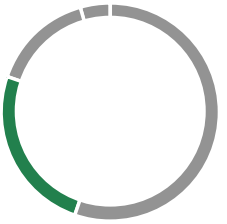
6.4 %

GROWTH (L.C.)

REVENUE (in CHF million)



25% of
Group net revenue



REVENUE (in CHF million)	Q1	Q2	Q3	Q4	Full Year
North America	44.7	43.8	42.0	43.3	173.7
Change in %	11.3	15.6	19.4	2.1	11.7
Change in local currencies in %	14.0	7.0	5.1	0.0	6.4

NORTH AMERICA

The North American market is characterized by a large proportion of specialists to whom general dentists refer patients for complex treatment, such as periodontal and implant procedures. The large population, comparatively low penetration (see p. 25), demographics, advanced dentistry, and affluence are all factors that make this one of the most attractive regional markets for Straumann.

In the US, the world's largest national market for tooth replacement, we intensified our expansion efforts in select areas by investing further in sales, marketing and education. In total, we added 50 jobs in sales, marketing and support functions.

This strategy has produced robust growth, increasing the regional contribution from 22% to 25% of Group revenue and bringing us closer to our goal of regional leadership.

In the first quarter, North American revenues marked their highest quarterly gain (14% l.c.) in six years. Tougher baselines and a softer market made subsequent growth less spectacular but still solid and clearly ahead of other regions. Our performance was driven by implants, CADCAM prosthetics, Emdogain and Straumann Allograft. We pursued our digitalization strategy, exiting the distribution of intraoral scanners and piloting our CARES Scan & Shape service.

After years of decline against the Swiss Franc, the US dollar finally picked up from its all-time low, resulting in a positive currency effect of 5% as revenue reached CHF 174 million for the full year.

OUTLOOK

We believe the growth outlook is healthy for the short and longer term, as the region appears to be benefitting from efforts to stimulate the economy. However, key indicators like unemployment still need to improve. With the US election over, we expect further stability in the market in 2013. Our strategic orientation is therefore unchanged. Having seen a good return on our investments in our selling capabilities in 2012, we plan further sales expansion initiatives in 2013, to unlock more of the great potential this market offers.

Interview

ANDY MOLNAR
Executive Vice President
Sales North America

To what extent was business interrupted by the election and hurricane Sandy?
I believe the election and fiscal cliff concerns slowed the economy in the second half, as people feared tax increases and cuts in public spending in 2013. Hurricane Sandy probably cut our fourth quarter revenue by up to 4% as Greater New York came to a standstill for two weeks. Practices closed and fuel shortages prevented travel, which also hit our local staff.

What will the impact of the medical device excise tax (MDET) be?
This is a 2.3% sales tax on medical device manufacturers and importers, which came into effect on 1 January 2013. When defining pricing, Straumann takes this tax into account, along with other factors, such as inflation, raw material costs, etc. Our 2013 price increases are modest. So it should not significantly impact patients as the implant and prosthetics are a very small portion of the total treatment cost.

Has the competitive landscape weighed on prices?
Naturally, competitors are always active. As a leading premium player, we have to demonstrate the value added for customers – beyond product superiority to innovative services and support. We deliver outstanding customer care through our high-quality staff, who we believe are the best in the industry. As a result, we succeeded in increasing our average selling prices in 2012 and maintaining strong customer loyalty.

ASIA/PACIFIC

2012 KEY FIGURES

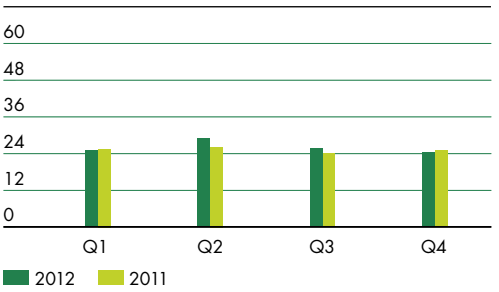
CHF 104 M

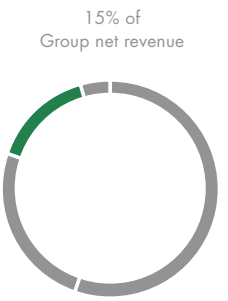
FULL-YEAR REVENUE

(0.3%)

CHANGE (L.C.)

REVENUE (in CHF million)





REVENUE (in CHF million)	Q1	Q2	Q3	Q4	Full Year
Asia/Pacific	25.0	28.9	25.6	24.4	103.9
Change in %	(1.9)	10.2	6.3	(2.1)	3.2
Change in local currencies in %	(2.4)	4.2	(2.4)	(1.0)	(0.3)

ASIA/PACIFIC

This diverse region includes the world's third-largest single market (Japan), one of the fastest-growing emerging markets (China) and the most penetrated market (Korea). Together with Australia and local distributor markets, they generated 15% of Straumann's revenue or CHF 104 million, which corresponds to a rise of 3% in Swiss francs, although revenue in local currencies contracted slightly. The performance was mixed, with dynamic growth in China, a pick-up in Australia – despite economic challenges – and sluggish demand in Japan and Korea.

In Japan sales benefited early in the year from the continuing rollout of our Bone Level portfolio. However, the market was dragged down by a weakening economy and damaging reports in the media about implant dentistry. It will take time to restore confidence, but we expect to strengthen our competitive position because the issue emphasizes that implants are not a commodity – in contrast to the claims of discount competitors. It also endorses the Straumann approach, which stresses quality combined with clinical evidence, training and education.

Korea permits its numerous implant suppliers – most of whom are discount players – to advertise directly to patients. As a result, dental associations, clinics, and chains have become embroiled in price wars conducted in the media. Public confidence has waned, causing implant sales to slump. Straumann has the added challenge of competing as a premium company in a market dominated by cut-price players.

Straumann leads the Chinese market, where disposable income and awareness of dental care and esthetics continue to rise. While growing strongly, China is not yet large enough to offset the shortfalls elsewhere.

OUTLOOK

China offers vast potential, but parts of the region are not expected to recover in the short term. Our goal is to outperform regionally, as we did in 2012. We will strengthen our digital/CADCAM offering in the region and are working hard to bring SLActive to market. Apart from this, we are continuing preparatory work for a potential market entry in India.

Interview

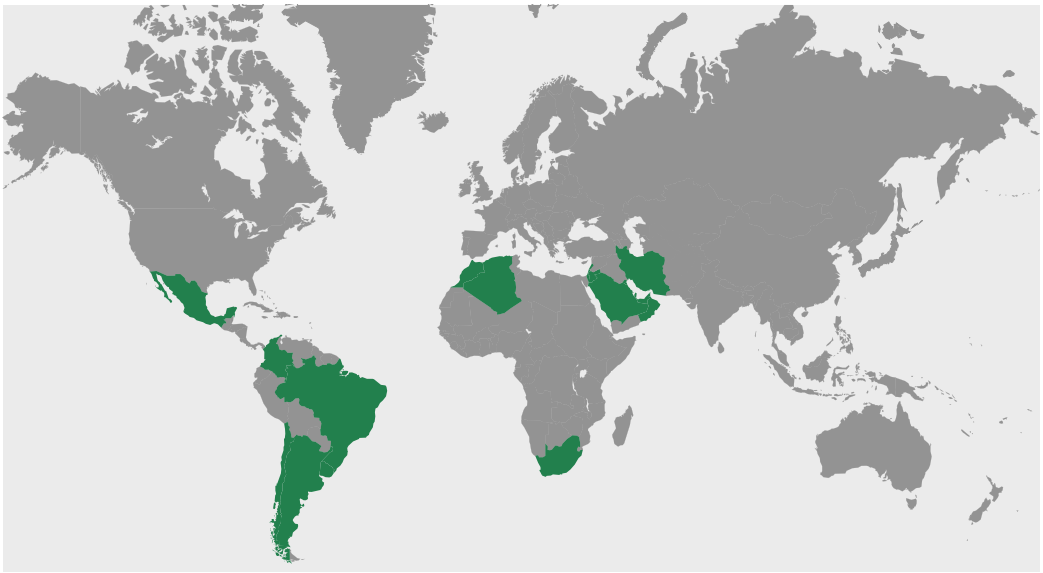
DR ALEXANDER OCHSNER
Executive Vice President
Sales Asia/Pacific

How sustainable is Straumann's growth and leadership in China?
Straumann was one of the first premium implant companies in China. Strong brand recognition and a good distributor relationship in a hybrid market model help us to strengthen our market leadership and enter new and fast-developing segments. China is APAC's key growth driver and we are well positioned to have a substantial share of this attractive market.

Is there any hope for the premium segment in Korea?
There are four markets in the world where more than a million implants are placed each year; Korea is one of them. The market is dominated by domestic value/discount players. Price competition is fierce. Nevertheless, a large number of implants still are sold in the premium segment, and this justifies having a direct organization. Straumann leads the premium segment and has been gaining share with its specific direct go-to-market approach tailored to the needs of the Korean dentists. We don't plan to change our market model unless the market changes dramatically.

How is the industry addressing the situation in Japan and when will growth return?
The market is thought to have declined in the double-digit range mainly because of the negative media campaign. All major industry players together with the main dental associations have agreed to organize multiple public events in collaboration with the media in various cities in 2013. This will be done with the goal of changing the negative consumer mindset and restoring confidence among patients. But we cannot expect a positive impact before the second half of 2013.

REST OF THE WORLD



2012 KEY FIGURES

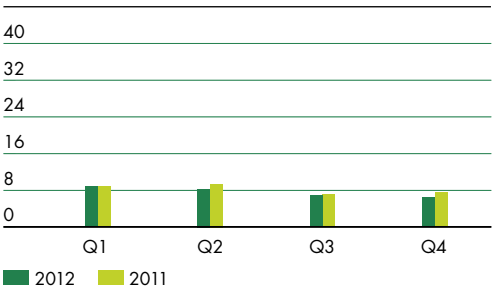
CHF 31 M

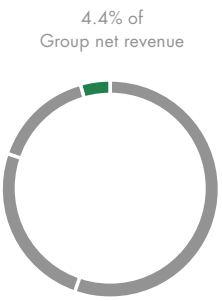
FULL-YEAR REVENUE

(3.0%)

CHANGE (L.C.)

REVENUE (in CHF million)





REVENUE (in CHF million)	Q1	Q2	Q3	Q4	Full Year
Rest of the World	8.9	8.3	6.9	6.4	30.5
Change in %	0.2	(11.9)	(2.6)	(14.9)	(7.3)
Change in local currencies in %	4.3	(7.4)	1.4	(10.4)	(3.0)

REST OF THE WORLD

The region we refer to as the 'Rest of the World' contributes approximately 4% of Group revenue, most of which is generated in Brazil, Mexico and the Middle East. Brazil is the world's second-largest single market (by volume) for tooth replacement and therefore one of the most attractive. In the year under review, revenue in the Rest of the World region fell 3% in local currencies, to CHF 31 million.

Latin America

An estimated two million dental implants are placed annually in Brazil and the market continues to grow, driven by high awareness of esthetics, increasing age and wealth. Straumann has grown solidly in the premium segment but we are unable to address the much larger value segment. This is why we acquired a non-controlling stake in Neodent, Brazil's leading dental implant company, in May 2012.

Elsewhere in Latin America, Mexico offers promising growth and posted strong results. We also generated our first revenues in Columbia, where our products are now available through a distributor.

Middle East

The gains in Latin America were mostly offset by shortfalls in the Middle East, due to socio/political upheaval and general cutbacks in private and government spending.

OUTLOOK

Latin America offers exciting growth opportunities for Straumann and Neodent, both of which are well positioned there. The Middle East, by contrast, is expected to contend with another sluggish year in 2013 as the prospects of political stability are slim. Achieving the balance between sales opportunities and cash collection will continue to be a key challenge in that region.

NEODENT

Latin America differs from our traditional markets: while the premium segment remains attractive, it is relatively small. In Brazil, international premium manufacturers account for less than 20% of the market, in contrast to more than 70% in developed markets like Europe and North America. Through Neodent, the Straumann Group will be able to gain a leading position in Brazil and enhance its access to other Latin American markets.

Founded in 1993, Neodent is a privately held company specializing in the design, development, and manufacture of dental implants and related prosthetic components. Its success has been achieved through a philosophy of making tested implant solutions more affordable to a broader population. Neodent also places considerable importance on education and training, with the aim of ensuring treatment standards and patient care.

Its sales are almost entirely in the domestic market, where – after a number of years of strong growth – it has built a market share of about 30%.

In 2012, the company achieved sales of BRL 196 million (approx. CHF 94 million), with an EBITDA margin of more than 40%.

Straumann paid CHF 261 million in cash for the 49% stake, which is expected to be IFRS accretive in 2013. We have options to increase the stake to 100% over the next six years. The acquisition of the initial tranche represents an adjusted EBITDA multiple of approximately 13.

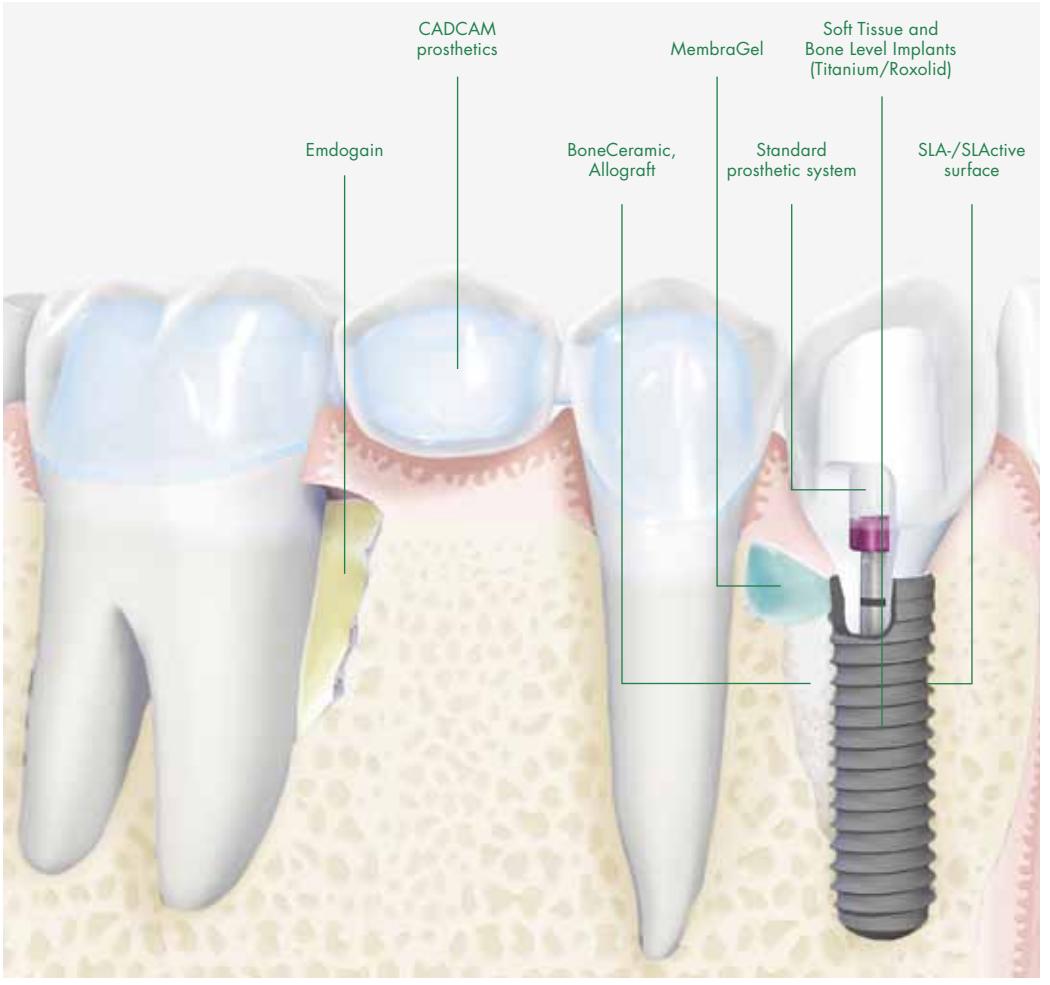
Neodent's headquarters and manufacturing facility are located in Curitiba. The company employs more than 700 employees and operates more than 10 branches in Brazil.

In order to maximize their market potential, the two companies will continue to operate independently as separate businesses and brands addressing distinct customer segments (see 'dual-brand strategy' on p. 18).

PRODUCTS, SERVICES, SOLUTIONS

Comprehensive dental solutions, ranging from saving compromised teeth by tissue regeneration to tooth restoration or complete replacement

STRAUMANN PRODUCTS



Sectional overview of Straumann's products.

PRODUCTS AND SOLUTIONS

Straumann offers dental solutions that range from saving compromised teeth by tissue regeneration to tooth restoration or complete replacement. In 2012 we brought a number of meaningful additions to our portfolio as part of our continuing efforts to broaden treatment options, increase precision and product life, save time, add convenience for customers, and reduce discomfort for patients.

TOOTH REPLACEMENT

Tooth replacement solutions are the core of our business and the Straumann Dental Implant System is globally recognized for its leadership in innovation, simplicity, versatility, and documented clinical excellence.

We offer Soft Tissue and Bone Level implants together with a wide range of standard and individualized prosthetic components covering all indications. They are complemented by precision instruments and computer aids for implant surgery.

Our implants are available in a variety of sizes and are machined from either pure titanium or Roxolid. They are offered with our SLA and SLActive surfaces for improved healing.

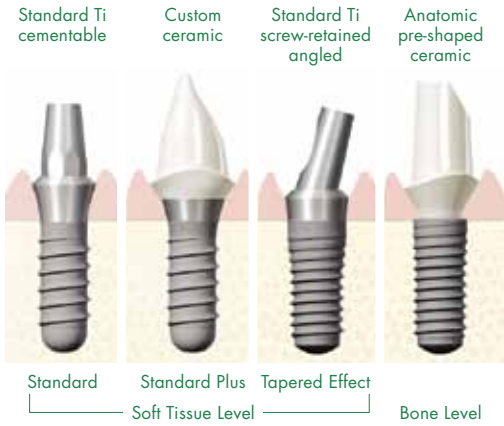
SOFT TISSUE LEVEL IMPLANT – THE COMMERCIAL AND CLINICAL BENCHMARK

Soft Tissue Level Implants, which Straumann pioneered, owe their popularity to the fact that they simplify soft tissue management and prosthetic restoration – which saves time, discomfort and cost for patients. However, their greatest benefit is lasting reliability: in 2012, ten-year results were published from a large restrospective clinical study involving 511 implants in 303 patients[1]. It reported implant survival and success rates of 99% and 97% respectively, no implant fractures, and a very low (<2%) prevalence of peri-implantitis. Our SLA Tissue Level is the first implant still on the market to be backed by such impressive ten-year clinical data.

BONE LEVEL IMPLANTS – AN INCREASINGLY POPULAR CHOICE

To cater for all implant preferences we introduced our Bone Level range in 2007. Since then we continued to roll it out globally with the last major market release in 2011 in Japan. This successful launch strengthened our competitive position in Japan in 2012. The clinical evidence supporting this implant also continues to grow, with several new published studies appearing in 2012.

STRAUMANN IMPLANTS AND ABUTMENTS (EXAMPLES)



Ranging from standard applications to super-esthetic individualized CADCAM solutions, the Straumann Dental Implant System is highly versatile.

ROXOLID – STRENGTH AND CONFIDENCE

Roxolid is Straumann's innovative high performance alloy that combines very high strength with excellent osseointegration. It enables us to address a significant need for narrow implants, for instance when there is limited space between teeth, where the bone is thin, and/or when it is important to preserve bone and vascular supply. It can therefore reduce the need for bone augmentation procedures, saving cost and discomfort, and making treatment possible for a larger group of patients.

Since its introduction in 2009, Roxolid has been launched in most major markets outside Asia and continues to gain market share. In 2012, we launched in Korea and plan to follow in China in 2014, pending regulatory approval.

Preclinical data published in 2012 showed faster osseointegration and significantly more bone in contact with the surface of Roxolid implants than with a

PRODUCT/SOLUTION LAUNCHES IN 2012

Product/Solution	Description	Added value/benefit for customer
CARES Scan & Shape	Service offering Straumann CARES abutments to customers without requisite CADCAM scanning capability	• Improved profitability and productivity • More treatment options • Greater flexibility and choice of materials • Original components with Straumann guarantee • No need to invest in scanning equipment or software
CARES Visual 7.0	Comprehensive design software based on the DWOS platform	• Improved connectivity • Reduced costs without migration from one system to another • Full flexibility in the prosthetic digital workflow • Validated Straumann or external workflow • Not locked to a single manufacturer
Emdogain 015	Smaller cost-effective size (0.15 ml) for use in smaller procedures	• Encourages use in smaller indications where Emdogain has a clear benefits for patients but is not used for cost reasons • Additional use in combination with various bone grafting materials
Loxim	New implant transfer piece	• Simpler, faster, convenient handling
TiBrush	Simple maintenance instrument for implants affected by peri-implantitis	• Effective mechanical debridement of implant surface • Prolonged life of compromised implants
Stress-Free Implant Anchor	New implant anchor for attaching overdentures to implants	• Greater possibility for angulation • More prosthetic options than with Locator

titanium-aluminium-vanadium alloy used by a competitor.[2]

Our extensive clinical program continued in 2012, yielding high survival and success rates and minimal bone loss, with data from a three-year multicenter randomized controlled trial and data from a two-year non-interventional study involving approximately 350 patients and 600 implants in a variety of indications in daily dental practice.

Going forward, clinical evaluation will focus on expanding treatment options and increasing patient acceptance, particularly for patients who might be adverse to invasive procedures that, for example, require bone grafting.

LOXIM – PERFECTING HANDLING

In recent years we have worked hard to perfect implant handling, adding convenience with uncompromised precision and reliability. In 2012 we introduced Loxim, a new transfer piece that detaches faster and easier from the implant after placement in the patient – making the surgeon's job easier. Loxim requires an exceptionally high standard of precision and was developed in collaboration with an international team of expert dental surgeons from different practice settings and universities. It is being introduced on our premium Roxolid SLActive implants.

NARROW NECK CROSSFIT – A SMALL DIAMETER IMPLANT FOR A RANGE OF USES

Roxolid is the key to our new Narrow-Neck Crossfit (NNC) implant, which we launched in initial markets in 2012. The high-strength material enabled us to produce a small-diameter implant with an internal connection. NNC combines all our expertise in tissue level design, the power of SLActive, the strength of Roxolid and our CrossFit connection. It is complemented by a portfolio of surgical and prosthetic components, including the Loxim transfer piece. NNC can be used in broader indications than its titanium predecessor.

Improved handling: Straumann's new Loxim transfer piece detaches faster and easier from the implant after placement.

The TiBrush is a meaningful innovation to debride implant surfaces affected by peri-implantitis.

SLACTIVE – OUR PLATINUM STANDARD

As implant treatment becomes more common, the number of difficult cases will rise, and customers increasingly want higher predictability, combined with safety and shorter times to teeth. SLActive is a major step towards meeting those needs.

Since its introduction in 2005, SLActive has become one of the best-investigated implant surfaces on the market. Preclinical studies have endorsed its remarkable properties, including shorter healing times and improved conditions for bone formation, both of which reduce the risk of implant loss.[3] The global clinical trial program continues and includes a multicenter clinical study to prepare market entry in Japan.

The total number of SLActive implants sold since launch is expected to exceed 3 million in the course of 2013.

CARING FOR IMPLANTS

By 2015, an estimated 50 million dental implants will have been in place for longer than five years. While our own products have shown very low prevalence of peri-implantitis over ten years,[1] we expect the general need for maintenance to rise. In view of this, we introduced a small but meaningful innovation called the TiBrush, which simplifies debridement of implant surfaces affected by peri-implantitis.

REGENERATIVE SOLUTIONS

Straumann regenerative products are designed to restore gums, oral bone and periodontal tissues that support teeth.

EXTENDING OPTIONS FOR SOFT TISSUE REGENERATION

Periodontal disease is the most common cause of tooth loss and continues to be an important health issue.[4] Treatment involves controlling the inflammation and bacteria that cause it and then restoring the tissues that support the tooth. Straumann Emdogain promotes the regeneration of those tissues, helping to save the endangered tooth. It is one of the most extensively investigated products in dentistry, and featured in more than 60 publications in 2012. Market research showed that customers consider Emdogain to be highly innovative and they appreciate its many benefits. However, its use in smaller procedures is less economical. We therefore developed Emdogain 015, a new size for cost-effective use in smaller procedures, which we launched at Europerio 7 in June. This has encouraged broader use, lifted sales, and confirmed our plans to continue the launch beyond Europe in 2013.

REGENERATING BONE

Market research suggests that more than one in four dental implants placed requires bone augmentation, either before or together with implant placement.[5] Very often the patient's own (autologous) bone is used, but may be insufficient and can result in pain at the donor site or complications. Other commonly used bone grafting materials are animal-derived (xenografts), human-derived (allografts) or fully synthetic.

STRAUMANN EMDOGAIN

Straumann Emdogain, a leading product for periodontal regeneration.

STRAUMANN'S BONE REGENERATION SOLUTION

Straumann MembraGel is designed for use in guided bone regeneration with e. g. Straumann BoneCeramic or Straumann Allograft.

Straumann BoneCeramic
Straumann BoneCeramic is a fully synthetic alternative to conventional bone graft materials and is supported by an abundance of preclinical and clinical data. Research is now underway to evaluate a second-generation synthetic bone-graft material with regard to enhanced conversion into bone. Several preclinical studies have been initiated and preliminary data gathered in 2012 are promising. Clinical tests will follow in 2013, when the new material will be evaluated by a select group of experienced clinicians.

Straumann Allograft
Bone allograft materials are popular in North America. To cater for local preferences, Straumann offers a wide range of bone allograft materials, which are sourced through an agreement with LifeNet Health, one of the most prominent tissue banking organizations in the US.

Straumann MembraGel
Bone augmentation often requires a barrier membrane to stabilize the bone graft and inhibit soft tissue growth into the defect. Straumann's MembraGel membrane is conveniently applied as a liquid that molds to the defect and solidifies. Because it dissolves harmlessly over time, it does not have to be removed surgically. Several new articles on MembraGel were published in 2012,[6,7,8] including three-year clinical data indicating equivalent success to a conventional collagen membrane around dental implants.[6] An extensive clinical program with over 300 patients in Europe and North America is still running.

Several national and international expert meetings were held in 2012 to establish a platform for high-level experience exchange. Potential novel indications were identified which will be the subject of further investigation. As this is still a new technology, our sales activities continue to focus on supporting experienced users.

RESTORATIVE SOLUTIONS (PROSTHETICS)

While implant dentistry has been a key area for innovation, many recent significant advances have been in prosthetics and digital dentistry. Digitalization of the dental workflow continues to have significant impact – from streamlining labor-intensive manufacturing to improving interfaces and reliability as well as simplifying and shortening treatments. The benefits of digitalization include precision and efficiency gains for clinicians, and time/cost savings, greater comfort and lasting satisfaction for patients.

Straumann's strong commitment to advancing digital dentistry is evidenced in our efforts to establish a global standard software together with Dental Wings and 3M ESPE, the development of digital workflows as part of our CARES platform and product offering, and the opening of our CADCAM system, making it accessible to a much broader range of users.

COMPUTER-AIDED RESTORATIVE SOLUTIONS

Computer-aided design and manufacturing (CAD-CAM) are used to design and fabricate prosthetic crowns, bridges, onlays and inlays more efficiently than traditional methods. This makes the procedure quicker and more profitable for dental laboratories and offers precise, reliable, esthetic and individual solutions for customers and their patients. The key elements of Straumann's CADCAM system are: the laser scanner we manufacture and sell to laboratories, the CARES Visual software used to design and order the prosthetic elements, and our milling centers which manufacture the elements.

CARES – ADDED FLEXIBILITY AND SEAMLESS CONNECTIVITY

In February 2012, we released our CARES Visual 7.0 software, which was the first step in integrating the DWOS platform. At the same time, we 'opened' our CADCAM system to allow customers the possibility of designing crowns, bridges, onlays, inlays, etc. and then routing the design data to either a Straumann milling center or a third-party system. The Straumann route offers a validated workflow, high-precision prosthetics covered by our guarantee, and online expert support. Through the rest of the year we worked on CARES Visual 8.0, which completes the DWOS integration and focuses on efficiency gains. When it launches in the first quarter of 2013, the new software will also offer additional prosthetic functions and will be capable of receiving inputs from various guided surgery and intra-oral scanning applications.

One strategic conclusion from this was to step back from distributing the iTero intra-oral scanner and to focus our resources on driving our CARES business. We are convinced that intra-oral scanning will have a major role in daily dental practice thanks to its superior accuracy, convenience and patient comfort in comparison with conventional impression taking. It is important that our CARES platform is open to inputs from a broad range of scanner users and not limited to a single hardware brand.

CARES SCAN & SHAPE – A NEW SOLUTION FOR CUSTOMIZED ABUTMENTS

CARES Scan & Shape is a new service for the very large number of laboratories who wish to order original

Interview

DR RENÉ WILLI
Executive Vice President
Business Unit Surgical

What excites you most about the surgical pipeline?
The fact that we can harness unique technologies and build differentiating solutions. For example, by integrating high-performance materials like Roxolid and our proprietary SLActive surface, we can achieve new levels of confidence with slimmer and shorter implants. These help minimize treatment invasiveness and the need for augmentation procedures. Combined with the precision of guided surgery offered through Dental Wings, such solutions open up treatment possibilities to patients who have been unable to benefit from implants. We will see further innovation in technology and workflows enabling clinicians to treat untapped patient pools, increase efficiency and achieve even better results.

Does the transfer of Guided Surgery signal a move away from digital dentistry?
Not at all, guided surgery remains a crucial part of our solutions. By creating a software powerhouse under the roof of Dental Wings we will spur innovation and development as well as ensuring the full integration of both surgical and prosthetic workflows.

What are the key issues in product development?
Protecting our intellectual property is becoming even more important. As an industry leader, we are one of the most imitated. Sometimes the difference is not visible and customers are not immediately aware of the issues that will arise. Safeguarding our intellectual property and communicating the differences to customers is a crucial challenge – not just for Straumann but also for the industry. It is most important for clinicians and patients, who may be unaware that they are receiving non-original components.

Interview

DR SANDRO MATTER
Executive Vice President
Business Unit Prosthetics

How will prosthetics influence implant treatment in the future?
Implant systems and treatments will improve to the point that referring practitioners and lab technicians will be able to choose an implant based on prosthodontic rather than surgical needs.

What is the dental lab's role in Straumann's strategy?
Production and treatment concepts are industrializing, but we will still need close support from local labs, which will take on new roles in consultancy. It's about choosing the best services and manufacturing, not who owns which machines. Centralized production does not reduce the need for local service.

Will Scan & Shape affect your scanner business?
Demand for CADCAM abutments is growing rapidly but many labs and dentists don't have access. CARES Scan & Shape is the answer. The key is offering multiple entry points to our processes/products, and we will soon add a set of plug-ins. CARES Scan & Shape is great for intermittent work, while high volume users save by owning a scanner.

Is there still room for innovation in materials?
Yes. Today we have a very esthetic material that lacks the mechanical properties for even a small bridge, and a much stronger material which is less esthetic. A combination would be ideal.

Will digital printing become reliable enough for crowns, bridges and dentures?
The technology is close to market for dentures and maybe crowns, but it will take longer to achieve the strength for bridges. Whether it's printing, milling or something else, it will be digital. Many exciting technologies are coming but finally dentists will still place highly individualized analog products manually.

Straumann CARES custom abutments but do not yet have the requisite scanning capabilities. Through CARES Scan & Shape, they now have the possibility of simply sending a model or wax-up to Straumann. We do the scanning and design work according to their specifications and manufacture the component. In addition to quality, precision and convenience, customers benefit from original Straumann parts and our guarantee – without having to invest in scanning equipment or software.

CARES Scan & Shape was successfully launched in the US and Germany towards year-end. Product extensions, additional functions and roll-outs to other countries are planned for 2013.

SIMPLY DOING MORE

While digitalization and material technologies make innovation headlines, we work constantly at perfecting our existing 'conventional' solutions in the interest of customers and patients. A good example of this is the Stress-Free Implant Anchor for attaching overdentures to implants, which we are in the process of introducing. In addition to user-friendly handling and convenience – for instance in cleaning – it offers greater angulation and more prosthetic options than the popular LOCATOR product in our range.

OUTLOOK (PRODUCTS)

Continuous innovation is one of Straumann's guiding philosophies, with the goal of increasing the standard of patient care. The past five years have seen the advent of some major products and technologies from the company, as well as a substantial number of small but significant improvements and innovations. Straumann aims to bring significant, meaningful innovations to the market every other year, and to make these innovations as widely available as possible. An important factor in this is to provide education to the dental and medical communities about the benefits, as well as providing clinicians with a comprehensive range of treatment options for their patients, whether for restoration, tooth replacement or regeneration. It is crucial that any such technology adds value, and Straumann is committed to investing in such technologies, platforms, materials and applications. Other development projects such as strategic acquisitions or in-licensing of appropriate opportunities also remain of interest to Straumann.

SERVICES

Service excellence differentiates Straumann and is essential to endorse our premium status. Our efforts in this respect were again rewarded by 'excellent' customer ratings in our annual 'net promoter score' survey. In the 2012 Awards for 'Germany's Most Customer-Oriented Service Provider', Straumann received three awards and ranked fourth overall among a total of 102 companies, including large international companies in service industries. This is the sixth consecutive year that Straumann has been honored at this event.

OFFERING MORE THAN IMPLANTS

We serve and support customers directly through a highly trained sales team. The services we offer include initiatives for clinicians in practical skills development, practice management and business expansion. In 2012, our global sales force was divided into three dedicated teams to serve dentists, laboratories and regenerative customers. This brings us closer to customers and enables us to provide a personalized service with a high level of expertise.

To complement our products and solutions – and to support their effective implementation – we offer a broad spectrum of services. Each Straumann sales subsidiary operates a call center for customers needing assistance. Callers are quickly linked to a trained specialist for product support. In the case of CAD-CAM, our service specialists provide down-the-line support directly to the customer's scanner.

Apart from product support, we assist with networking and arrange experienced mentoring, if requested. Service of this kind requires staff with an extremely high standard of professional knowledge, who can provide the necessary information and instruction on new products. Extensive training is therefore an important aspect.

Our CARES Scan & Shape service designs CADCAM abutments exactly to customers' specifications.

NOVEL CONCEPTS TO EXPAND THE DEPTH AND BREADTH OF TRAINING & EDUCATION

Long-term success and patient satisfaction depend on the education and experience of the treatment providers. Straumann has a broad educational offering for dental professionals, including classic implant dentistry, tissue regeneration and state-of-the-art digital solutions covering all proficiency levels and relevant specialties. The program is based on the ITI's clinical guidance and most of the teaching is provided by ITI specialists and renowned experts in collaboration with leading universities.

Courses are offered around the world, with the highest concentration in North America and the most rapid increase in China. In 2012, educational events were attended by more than 60 000 participants worldwide. To handle increasing demand, we launched an online event management system and are currently exploring opportunities to offer Web-based eLearning.

We also support a number of third-party educational initiatives and continued our support for the novel undergraduate program at the Academic Center for Dentistry in Amsterdam, which incorporates teaching on all basic aspects of oral implantology.

PEACE OF MIND ASSURED

In 2012, we expanded the Straumann guarantee to cover additions to our portfolio including abutments as well as tooth and implant restorations. Our implants are covered by a lifetime guarantee, which becomes invalid if Straumann products are used in combination with other manufacturers' products.

OUTLOOK (SERVICES)

Education is key to driving implant dentistry in both established and new markets. It is also the key to sustaining high treatment standards and success rates. Straumann will therefore continue to be a leading global proponent of education in the field, in collaboration with the ITI and dental faculties, where we are exploring new models and opportunities.

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INNOVATION

Rigorous scientific testing to provide customers and patients with reliability, quality and peace of mind.

Innovation is at the heart of Straumann's success, from developing groundbreaking materials and technologies to finding new and better ways to add value for customers and patients – beyond products and technological solutions.

Differentiation through innovation and clinical excellence continued to be a strategic priority for Straumann in 2012. We held to our commitment of maintaining our investments in R&D and clinical excellence – despite the more challenging economic circumstances and pressure on profits. Consequently, R&D investments rose to 7% of revenue.

Straumann's Prosthetics laboratory in Basel.

The scope of our research activities includes basic laboratory investigations through to large and complex clinical trials and post-market surveillance programs. Our specialists conduct these investigations both in-house and in collaboration with experts at well-known facilities worldwide. This ensures that the research conducted is always scientifically based and of high quality. Such collaborations are beneficial both for Straumann and for the researchers/clinicians involved.

PRECLINICAL RESEARCH: THE SCIENTIFIC FOUNDATION

It is essential that all products destined for patients are appropriately tested, whether this means ensuring that materials are biocompatible, that they exceed the designated standards for stability and strength, or that physicochemical properties observed in the laboratory can be preserved and translated to commercial production. Technologies and materials that show the necessary characteristics are then studied ***in vivo***, which often also includes evaluating the product design or surgical technique. Research is conducted by qualified people at state-of-the-art facilities in high-level academic institutions. In addition to using existing methods, Straumann is also at the cutting edge of developing new investigation techniques and concepts.

A total of 15 preclinical studies were under way at the end of 2012, while 16 were successfully completed during the year. Planning and preparation is under way for another ten studies to begin in 2013, of which three are granted by the ITI.

CLINICAL RESEARCH: BUILDING THE EVIDENCE

Provided that safety, effectiveness and evidence for clinical benefit have been established, products and technologies intended for commercial release are

evaluated in clinical trials. Traditionally, investigation begins with a small number of patients and may advance to larger, multicenter, randomized clinical trials (RCTs).

Clinical investigation can also include large post-market surveillance or non-interventional studies (NIS); unlike formal RCTs, these trials do not have strict inclusion and exclusion criteria but include a range of patients and indications treated in daily practice conditions according to each clinician's preferred treatment method. Nine clinical trials were underway at the end of 2012, seven were completed, and five were due to start in 2013.

PUBLICATION

Since communication of scientific research is as important as the research itself, many of the aforementioned studies have been published in peer-reviewed journals or presented at international congresses.

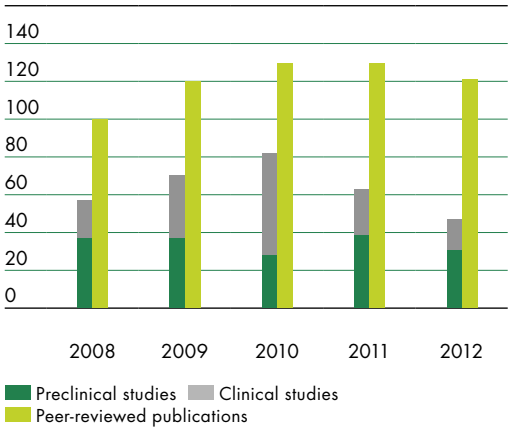
Results highlights in 2012 include:

- Three-year RCT data for Roxolid implants and first results from a large NIS (in preparation for publication)
- Ten-year data with SLA tissue-level implants from two sources: one paper is in preparation, the other was published[1]. The importance of the latter lies in the study size (511 implants), its impressive long-term outcomes (97% success rate, no implant fractures), and the fact that it is one of the first large ten-year studies to document a dental implant that is still on the market.
- Five-year data on SLActive implants (in preparation for publication)
- One-year results from a large NIS with 900 Bone Level implants (accepted for publication); the first five-year results for our Bone Level Implant will come in 2013.

Other notable publications in 2012 included three-year RCT results with MembraGel,[2] two-year results with Roxolid implants in horizontally deficient ridges,[3] and two-year results with very short implants.[4]

Besides formal RCTs, we also support certain studies initiated by investigators and researchers who wish to perform research with Straumann products and technologies. Proposals for studies of this type are carefully screened by an in-house committee of experts and may be supported in various ways. A total of 85 such investigator-initiated studies are currently running, with a further 31 planned for 2013; eight were completed during 2012.

SCIENTIFIC ENDORSEMENT



Numbers of ongoing clinical and preclinical studies (sponsored by Straumann) and peer-reviewed publications.

OUTLOOK

Because innovation is a mainstay of our activities it is a strategic priority to exploit and further build our innovation pipeline, summarized on the opposite page.

A number of product launches are planned over the coming years, which will spur growth and advance treatment options and benefits for our customers.

In an age where 'look-alike' implant components are increasingly common, clinical evidence becomes even more important. Only rigorous scientific testing can provide customers and patients with reliability, quality and peace of mind. Straumann has an established track record for well-conducted clinical research, and we intend to continue providing high-level clinical evidence.

We therefore intend to keep our level of R&D investment at around 6% of revenue going forward.

A STOCKED INNOVATION PIPELINE

Project	Key benefit target	Preclinical studies	Clinical studies	Introduction/ rollout	Addressable markets/segments
Roxolid	Higher strength; improved bioresponse	2 completed; 1 in preparation	1 in preparation	Additional sizes 2013	>10% of implant markets
SLActive (Japan)	Faster healing; higher security	n/a	1 completed	Japan 2015	~50% of Japanese market
Less invasive implant	Treat cases with severely reduced bone	n/a	1 ongoing; 5-year data available	2014	~5% of implant market
Ceramic implant	Tooth-color for high-end esthetics	1 ongoing	1 ongoing	Controlled release 2013	~10–20% of implant market
Implant maintenance	TiBrush to rescue implants	3 completed; 2 ongoing	1 ongoing	Rollout 2013	~5% of implant market
	Surface cleaner			Pending results	
Soft tissue control	Tissue control around implants	1 ongoing	1 completed; 1 ongoing; 2 in preparation	Pending results	~20% of Straumann implants
Implant anchor for overdentures	Greater angulation and flexibility	n/a	n/a	2013	~20% of edentulous market
CARES 8.0	Standardization of digital workflows; CARES workflow for external options	n/a	Market acceptance	2013	~20% of prosthetic market
CARES Scan & Shape	Enhanced access to digital workflows	Extensive testing, validation	Controlled release	Rollout 2013	~10% of prosthetic market
Improved temporary restorations	Easier chairside preparation	n/a	n/a	2013	~20% of prosthetic market
New CADCAM abutment solutions	More options for implant restorations	Extensive testing, validation	Market acceptance	2013	~30% of prosthetic market
New materials for restorations	Improved handling	Extensive testing	Market acceptance & controlled release	Initial release 2014	~20% of prosthetic market
Emdogain	New indications	n/a	1 ongoing	2015	~25% of peridontal surgery market
PEG technology	More applications	1 completed; 2 ongoing	1 in preparation	2015	Guided bone regeneration market
Enhanced bone graft material	Enhanced bone regeneration	2 completed; 2 ongoing; 1 in preparation	1 in preparation	2013 (market acceptance)	>50% of bone graft market

Highlights from Straumann's development pipeline showing changes in 2012. Introduction/rollout dates are subject to positive clinical results and regulatory clearances, and barring unforeseen circumstances. n/a = not applicable.

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1 Buser D, Janner SF, Wittneben JG, et al. 10-year survival and success rates of 511 titanium implants with a sand-blasted and acid-etched surface: a retrospective study in 303 partially edentulous patients. Clin Implant Dent Relat Res 2012;14:839–851.

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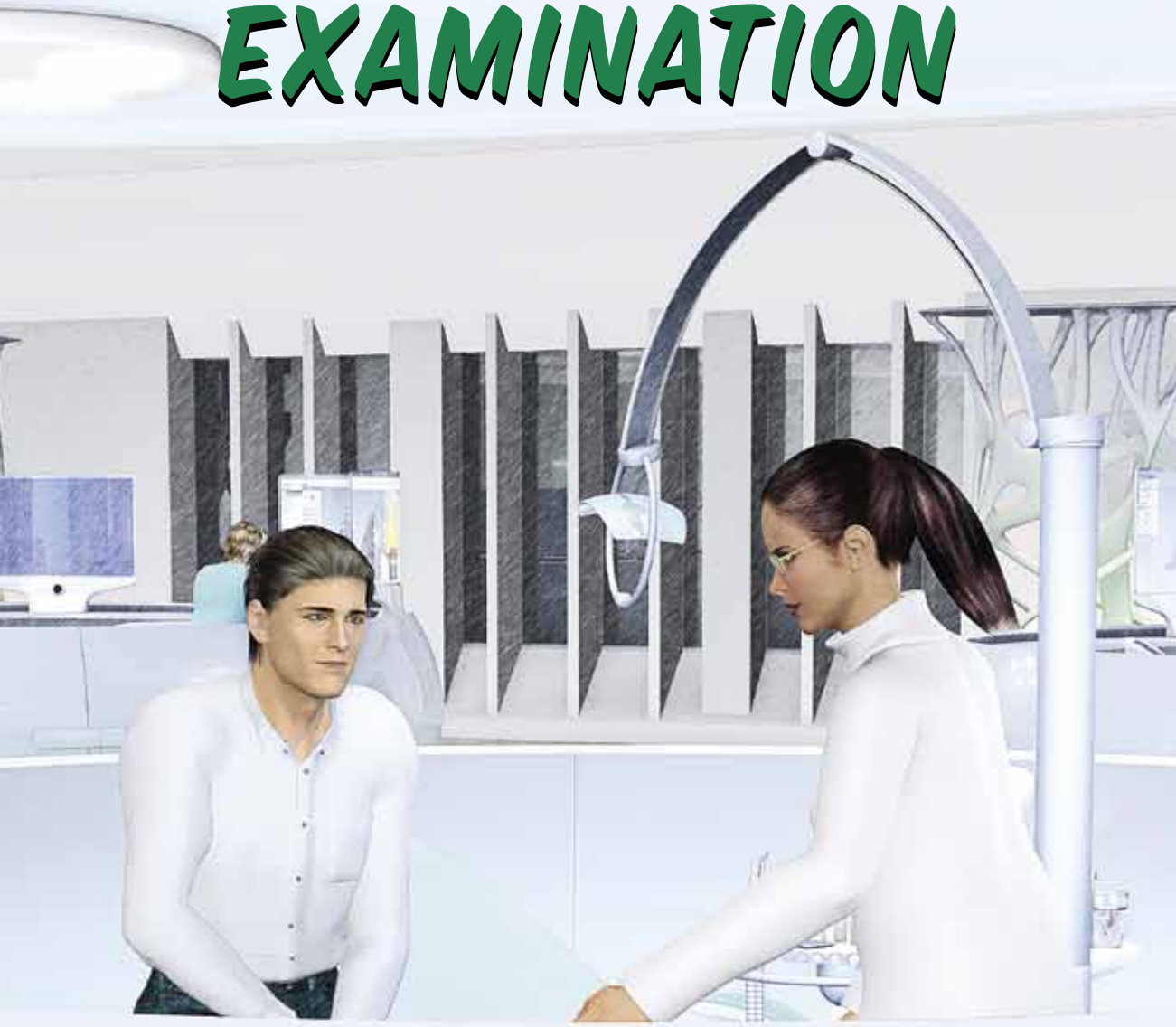
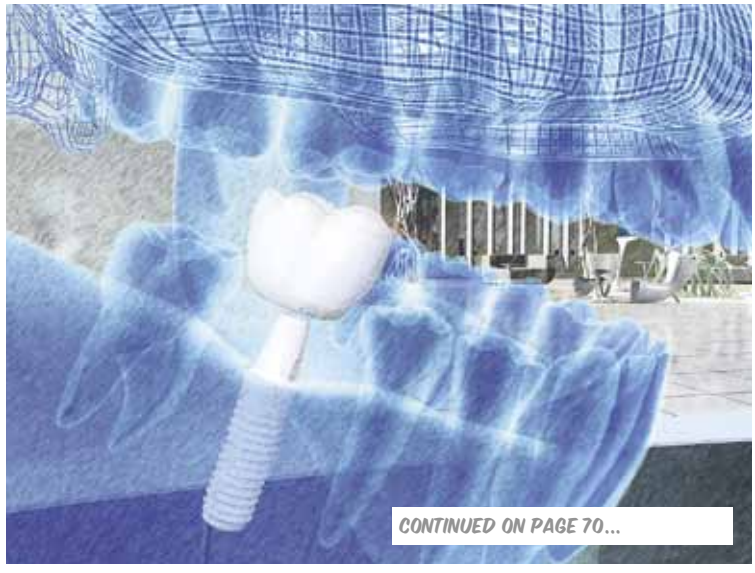
EXAMINATION



In the future, minimally invasive digital scans will be performed even during regular check-ups and stored centrally. They will provide a complete three-dimensional view of the mouth, including the bone and soft tissues. Virtual articulation will be used to model exactly how the upper and lower teeth come together (occlusion). This information will be used to produce restorations – crowns, bridges, onlays, inlays, etc. – without the patient having to be present.

SARAH EXPLAINS THE PROCESS...

GUY'S TOOTH ALREADY HAD A LARGE FILLING, AND THE FRACTURE WAS BAD. SARAH HAS NO OPTION THAN TO EXTRACT IT.
THE SMART COMPUTER SYSTEM PROPOSES A STRAUMANN IMPLANT SOLUTION AND COMPILES A COST ESTIMATION AT THE SAME TIME.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SUSTAINABILITY REPORT

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GRI REPORT GRI CHECKED

FTSE4Good

FTSE Group confirms that Straumann Holding AG has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social, ethical and environmental criteria, and are positioned to capitalize on the benefits of responsible business practice.

CEO STATEMENT

Corporate responsibility at Straumann means 'simply doing more' to create value in a sustainable manner for our customers and their patients, our employees, the communities in which we operate, and the environment.

To serve customers optimally, we reorganized our global sales force into dedicated teams for the dentist, laboratory, and regenerative segments, and we developed a new tablet-based tool to support customer relationship management. We also created a new computer tool to explain implant treatment benefits to patients and to emphasize our focus on the safety and effectiveness of our solutions.

Our organizational redesign increased staff empowerment and has given greater responsibility to the businesses and sales regions. The weaker market and our revenue decline made it necessary to reduce staff. Where redundancies could not be avoided, we offered severance packages and support in finding employment.

We are committed to enhancing the quality of life not only for the million or so patients treated with a Straumann solution each year, but also for patients with insufficient access to dental care. In 2012, we added a five-year commitment to children's dental health in Bali to our charitable engagement portfolio.

We are also committed to responsible manufacturing that reduces our environmental footprint. Our focus on resource efficiency included reducing scrap and water use, and initiating an energy reduction program at our Villeret and Andover sites, which we will monitor and enhance in 2013.

I want to thank all our partners, customers, ITI members, employees, and suppliers for their support and contribution to our continuing success.

Gilbert Achermann
Chairman of the Board & Acting CEO

OUR RESPONSIBILITY

CONDUCTING OUR BUSINESS SUSTAINABILITY

Enhancing the quality of life for patients through our innovative and lasting dental solutions is our most essential contribution to sustainability. To ensure that our solutions do indeed last long and offer peace of mind, we focus strongly on research and development (see p. 45 ff), uncompromising quality, and extensive education (see p. 43).

At the same time, we work hard to ensure that our business practices are also sustainable. This includes fostering a culture built on strong principles, attractive working conditions and equal opportunity (see p. 58 f). It also involves continuously measuring and managing our comparatively small environmental impacts (see p. 65 ff).

The prominent external factors influencing our business are global economic conditions and the long-term development of our markets. Although the present weak economy is very challenging, long-term demographic trends favor the development of dental markets. The United Nations and the Population Reference Bureau reported that 22% of the total population in developed countries was over 60 years of age in 2012. This figure is expected to climb to 32% by 2050.[1] Since many of our products are predominantly used by older patients who experience dental complications as they age, the growing percentage of people aged 60+ will likely have a significant impact on the long-term development of our markets.

Aside from this, as a responsible company we recognize that many people do not have access even to basic dental care. For this reason, Straumann supports charitable activities that have provided dental treatment for several thousand underprivileged people in recent years, including many children (see p. 60 ff).

PATIENT SAFETY AND QUALITY IN EVERYTHING WE DO

Quality, performance, and reliability are the core of our corporate responsibility and success. To maintain and raise our high standards, we offer extensive education and training in collaboration with the ITI and dental schools around the world. We meet all regulatory requirements to ensure compliance, safety and

effectiveness in product design and production, and do not accept shortcuts to market in order to boost short-term sales (see also pp. 37 ff, 45 ff, 65, 108 f). We adhere to the precautionary principle of risk management and voluntarily perform field safety corrective actions in alignment with the applicable laws and regulations whenever product issues arise. In 2012, we implemented two such field actions.

Straumann's Quality Policy emphasizes that 'quality applies to every employee and all our activities' worldwide. In 2012, we continued to apply this principle through clearly defined global quality objectives and measures. One key objective was our continued focus on sustained and efficient regulatory compliance. In 2012, this involved a full review of the cascade of our policies, procedures, and local documents. A comprehensive Corporate Quality Audit program across the Group helped assure compliance with applicable laws, regulatory requirements, and internal policies. This process contributed to passing inspections and audits by regulatory authorities and Notified Bodies at the concerned sites (see p. 108 f). We are not aware of any incidents of nonconformance with regulations or voluntary codes concerning health or the safety of our products worldwide in 2012. We successfully maintained the certification status of our Quality and Environmental Management Systems, and there are no critical open issues with authorities on the status of the quality management system at Straumann worldwide.

We also performed a simplification in our record management process by using an electronic platform to record training, and we continued our 'cost of quality' initiative in 2012, achieving further significant savings. We have started an initiative entitled 'Doing it right the first time' to ensure effective process controls that avoid duplication of effort. To continuously advance quality awareness in 2013, Straumann is deploying a program to promote our Quality Policy in the local languages of our subsidiaries.

DIALOGUE WITH OUR STAKEHOLDERS

Open and continuous dialogue with our stakeholders is another important part of responsible corporate behavior at Straumann. Throughout this report, we discuss the processes and results of the dialogues we hold with the groups that determine our performance and on whom we have a major impact. These include our staff (p. 57 ff), customers (p. 53 f), communities (p. 60 ff), and investors (p. 85 f), as well as shareholders who place particular value on environmental issues and whom we inform about our performance in this regard via the Carbon Disclosure Project (p. 65 ff).

Company visits are one of the many opportunities we have for direct contact with stakeholders. In 2012, more than a hundred groups including almost 1700 participants visited our Swiss sites alone. These visitors included customers, educators, scientists, investors, analysts, politicians, representatives of the media, members of the general public, and business/cultural delegations from various countries.

Sustainability is an integral element in Straumann's corporate communications to investors, customers, and other stakeholders. This is illustrated by the fact that the sustainability reporting guidelines of the Global Reporting Initiative (GRI) were followed in preparing this Annual Report (see also the Straumann GRI Report 2012 that complements this Annual Report and is published on our website).

REFERENCES/FOOTNOTES

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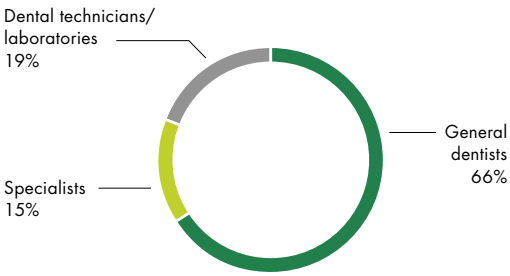
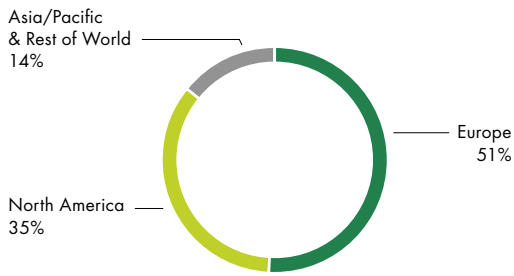
CUSTOMERS

Dedicated teams to enhance customer service

STRAUMANN'S CUSTOMERS BY SEGMENT



STRAUMANN'S CUSTOMERS BY REGION



There were no significant changes in our global customer base, which comprises general dentists, specialists (e.g. oral surgeons, periodontists, prosthodontists) and dental technicians/laboratories (see chart above). We serve them directly through our team of more than a thousand sales and marketing professionals worldwide, most of whom are highly trained representatives or customer service professionals. Although patients are not our immediate customers, we are deeply committed to their health, satisfaction and well-being.

CUSTOMER APPROACH FOCUSED AND REORGANIZED

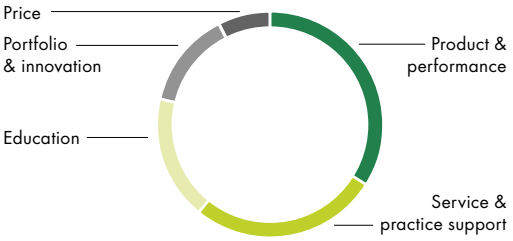
In 2012, we reorganized our global sales force into dedicated teams focused specifically on the dentist, laboratory and regenerative segments. This brings us closer to customers and facilitates the selling process. We also reorganized our global products team into business units, helping us to respond better to customer needs and shortening the time it takes to bring products to market.

NEW AND REFINED COMMUNICATION TOOLS TO GAIN SHARE OF VOICE

A diverse customer base requires a comprehensive set of communication methods and instruments. In 2012, we augmented our portfolio of outreach and communication tools through the following initiatives:

- We launched a completely new Corporate website followed by local website relaunches with the goal of strengthening customer relationships and retention – e.g. through online activities, interactive communication, integrated online solutions and increased online training and education. A post-launch survey showed high satisfaction among users of the new site.
- We began piloting a tablet computer tool to help manage customer relationships and enhance sales calls e.g. through state-of-the-art interactive presentations on our products.

WEIGHTS OF PERCEPTION ATTRIBUTES (13 COUNTRIES)



Source: Straumann internal Perception Pulse Study with Millennium Research Group, 2011. Country reports from Canada, China, France, Germany, Italy, Japan, Netherlands, Spain, South Korea, Sweden, Switzerland, UK, USA.

- We developed a web-based application to help dentists inform patients about the benefits of tooth replacement procedures using implants. It was launched in the US and Germany and will be rolled out to other countries.
- We have created a patient education app for tablet computers which will support dental professionals in informing patients about dental implant solutions.
- We broadened access to our customer magazine 'Starget', which is available in five languages and reaches up to 70 000 subscribers, in print and via mobile devices.

We also continued to develop our customer loyalty program 'More than Implants', adding and refining services. This program will be introduced in several markets around the world with the aim of providing the best possible support to customers and further differentiating our offering.

SAFEGUARDING COMPLIANCE IN THE INTEREST OF PATIENTS

As part of our reorganization, we streamlined and adapted our Global Sales Compliance Program to reflect our new structure. This program has been in place since 2009 and is one of several safeguards to ensure compliance with regulations relating to the sale of our products and services. In 2012, there were no reported incidents of non-compliance with any applicable laws or regulations regarding the marketing or sales of our products.

Further supporting this, much of the scientific information used to endorse our products is peer-reviewed and we have robust processes and guidelines in place to check that our marketing materials are ethical and accurate.

For customer convenience, we are developing electronic versions of the detailed instructions for use, which are supplied with our products. This initiative enables us to provide much faster updates if needed and thus to ensure that information about proper usage is correct. Another benefit is a reduction in packaging materials and labels.

INTERACTING WITH OUR CUSTOMERS

One important method of gathering information to help us meet customers' expectations is through dental conferences and meetings where opinion leaders gather to share ideas and best practices. In 2012, we showcased our solutions at more than 180 trade shows and scientific conferences around the world, collectively attended by over 830 000 visitors, including current and prospective customers.

We regularly ask our customers for feedback regarding their experience and impressions about Straumann's products and services. In 2012, we conducted research in 13 countries: Canada, China, France, Germany, Italy, Japan, Netherlands, South Korea, Spain, Sweden, Switzerland, the UK and the USA. Straumann was ranked highest by current and former users. Additionally, 4000 respondents in seven countries gave very positive responses in a customer satisfaction survey, indicating their high satisfaction with our business relationship and comprehensive offering. This survey will be conducted in 12 countries in 2013.

OUTLOOK

In 2013, part of our focus will be on further developing tools to enhance communication with customers and patients. For instance, we are developing a new customer service portal, which will consolidate services, account management, and will include a relaunched e-shop. We will also evaluate social media applications for reaching customers and patients. These initiatives, coupled with our ongoing investment in customer surveys and focus groups, will enable us to further enhance the quality of the products and services we provide.

PARTNERSHIP
Straumann and the ITI – a unique collaboration in evidence-based dentistry

Straumann maintains a unique collaboration with the International Team for Implantology (ITI). As the largest international, independent academic organization in the field of implant dentistry, the ITI plays an important role in the dissemination of knowledge related to the field. The focus of the ITI's activities today is primarily on education. It also provides research funding and has invested more than CHF 36 million in projects since 1988, CHF 2.5 million of which was allocated in 2012.

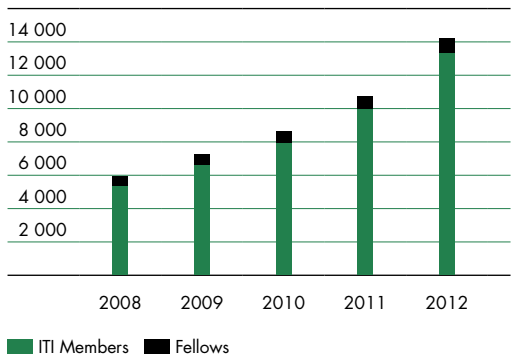
The ITI's relationship with Straumann dates back to 1980 when Fritz Straumann and André Schroeder formalized a vision for the development and future of implant dentistry by founding the ITI. More than 30 years later, the ITI's vision remains true to its philosophy of promoting evidence-based treatment methods and guidelines, and thus contributing to quality assurance within the field.

The ITI has undertaken to become the leading academic provider of evidence-based education for implant dentistry and also strives to represent the ideal model for a partnership between an academic association and industry. A large majority of ITI members are also Straumann users although there is no obligation for members to buy Straumann products.

In 2012, the ITI continued to grow very strongly as its membership rose from almost 11 000 to more than 14 000. A significant contribution came through the ITI Study Clubs, which have spread very rapidly since their launch in 2010. Study Clubs offer participants the opportunity to meet in small informal groups to gather knowledge and also tap the experience of a local network of colleagues. The number of Study Clubs is currently restricted to 650 worldwide in order to focus on quality assurance.

Through its 27 sections, the ITI is able to reach both members and non-members by offering national congresses that now take place every three years and are held in the local language. In 2012, ten national congresses were held in Brazil, Canada, Germany, Greece, Finland, Iberia, Japan, Middle East, Switzerland and Taiwan with more than 5000 participants in total. Every three years, the ITI holds its World Symposium, which attracts top international speakers and an audience of more than 4000 participants. The next World Symposium will be in 2014 in Geneva.

ITI MEMBERSHIP DEVELOPMENT



In addition to its education meetings, the ITI supports the dissemination of knowledge through its online portal: the ITInet. Introduced in 2010, this tool is actively used by a large proportion of the membership and is particularly appreciated by those in more remote locations. Among its services, the ITInet offers a Global, Section and Study Club forums for discussion, a document library containing all ITI publications, including the full Treatment Guide series as well as the electronic SAC Assessment Tool. The ITInet registers more than 20 000 visits from Members and Fellows every month.

Based on their collaboration agreement, Straumann contributed CHF 15 million to the ITI in 2012, approximately CHF 1 million more than in 2011.

OUTLOOK

2012 is the last year of the current President's term of office. In April 2013, Daniel Buser (Bern, Switzerland) is handing over his duties to David Cochran (San Antonio TX, USA), who will guide the ITI for the next four years. With the aim of broadening its education offering, one of the ITI's upcoming key projects will focus on e-learning and delivering a program that is in line with the organization's high standards.

Straumann will continue to support the ITI as its industry partner and nurture this unique partnership that brings considerable value to many of its stakeholders, including customers, patients and investors.

EMPLOYEES

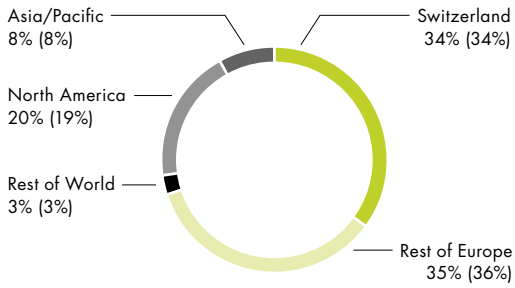
Mastering change requires leadership, skill, and full alignment with corporate goals

In the first quarter of 2012, we began to implement our new organizational design to address growing complexity in our product range and customer base. The redesign increased staff empowerment, giving greater responsibility to the businesses and sales regions. At the same time, it involved significant change, requiring considerable flexibility and professionalism.

The weaker market and our revenue decline from the second quarter on made it necessary to adapt and resize. In the fourth quarter, we announced a reduction of 150 positions worldwide – through transfers, natural attrition, early retirement, etc. Regrettably, redundancies could not be avoided in 90 cases. Straumann approached this fully aware of its social responsibilities as an employer. Appropriate redundancy packages were offered including support in seeking new employment. Initial reductions were made in 2012, with the remainder to follow in 2013. At year-end the global workforce stood at 2517. Almost a third of the job cuts were in management.

EMPLOYEES (WORLDWIDE)

EMPLOYEES BY REGION



Numbers in brackets refer to 2011.

Mastering change – particularly in challenging environments – requires leadership, skill, and full alignment of employees with corporate goals. In this respect, we took further steps toward our objective of strengthening internal development and training in 2012.

ENHANCING LEADERSHIP, DEVELOPING SKILLS AND TALENTS

Our Strategic Management team of nearly 60 senior managers started an advanced leadership program spread over 10–12 months and focusing on personal success, delivering results through others, and shaping the company's future. The Straumann Leadership Model is central to the program – as is our 360° assessment, which collects feedback across the company. The program complements our Strategic Management Development (SMD) process, which reviews leadership, performance, behavior, and career

SUMMARY OF HUMAN RESOURCES PERFORMANCE FIGURES

Parameter	Performance indicator	Unit	2012	2011
Staff size	Total headcount	Employees	2 517	2 452
	Jobs created	Number	65	91
Employment type	Part-time employees	% of headcount	7	7
Gender diversity	Women in general staff (excl. Mgmt)	%	47	48
	Women in management (excl. SMD[1])	%	31	31
	Women in SMD pool	%	18	20
Training and education	Investment in staff learning[2]	CHF million	2	1.6
	Average annual training & learning	Days/employee	4	3
Fluctuation and absence	Staff fluctuation[3]	%	12	12
	Absence rate due to sickness[4]	%	3	3
	Absence rate due to workplace accidents[4]	%	0	0
	Work-related fatalities	Number	0	0
Employee protection	Reported cases of discrimination	Number	0	0

STAFF STRUCTURE BY CATEGORY AND AGE GROUP (%)

Age	<30	30–50	>50	Unit	2012	2011
General staff (excl. Mgmt)	11.9	53.3	10.0	% of headcount	76	74
Management (excl. SMD)	0.4	14.5	2.6	% of headcount	17	18
SMD pool	0.1	5.9	1.3	% of headcount	7	7
Total	12.4	73.7	13.9			

[1] Strategic Management Development group
[2] Only direct expenses for internal and external training activities are counted here. Salaries paid to employees while in training are additional and are not included.
[3] Staff fluctuation by gender: male: 11%, female 14%; staff fluctuation by region: Switzerland 10%; Rest of Europe 11%; North America 14%; APAC 19%; Rest of World 24%. Fluctuation is calculated on the basis of the number of exits as a proportion of average headcount.
[4] Data currently available for Switzerland only. Proportion of absence time compared to target working hours.

potential as a basis for development, deployment, and succession planning.

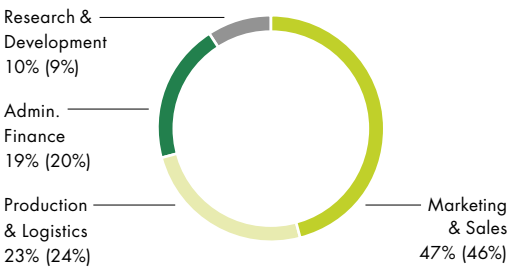
The Model was also integrated into our International Talent Program, which supports the professional development of internal talent. This program was enhanced to include personal learning projects. Over the past five years, 80 staff members have participated in this program; roughly 60% have since been promoted to roles with greater responsibility.

In spite of the challenging business environment, we continued our Graduate Program and recruited four graduates in our young talent pipeline. We also took on further apprentices.

INCENTIVES AND FAIR COMPENSATION

In the year under review, we reviewed the compensation structure and pay mix. In addition to our goal of aligning pay structures globally, we are putting greater emphasis on rewarding individual performance. Starting in 2013, variable compensation for all employees will reward behaviors that deliver our strategic goals. As this bonus compensation will depend on individual as well as company performance, the biannual performance reviews with all employees will be even

EMPLOYEES BY FUNCTION



Numbers in brackets refer to 2011.

more important. These reviews evaluate competencies, target achievement and development goals.

Compensation is determined by employees' qualifications, not gender or any other non-performance criteria. In 2012, we conducted a systematic gender analysis regarding equal pay using a tool provided by the Federal Government's 'Equal Pay Dialogue Swiss'. The analysis of all headquarter positions showed very limited need for individual action, and demonstrated that Straumann adheres to the equal pay principle.

Full details regarding remuneration, salary benchmarking, participation in economic profit, etc. are provided in the Compensation Report (p. 112 ff).

ENGAGEMENT

Over the past six years, we have monitored staff engagement regularly through various channels, the most important of which is our global staff survey. Due to the ongoing implementation of our organizational redesign and other changes, we have postponed the 2012 survey. Multiple smaller scale surveys were used in 2012 to identify areas for improvement, including 'pulse check' questionnaires for example to obtain structured feedback on the implementation of our redesign.

DIVERSITY AND EMPLOYEE PROTECTION

A diverse team adds value and supports our ability to serve an increasingly diverse customer base. We regularly monitor diversity with regard to age, gender, origin and educational background. Gender diversity is strong overall – with close to 50% female employees.

In 2012, we progressed toward our long-term goal of improving diversity in senior management as the gender and nationality mix in the Corporate Management Group of our top 20 managers improved. Efforts will continue across the broader senior management population in 2013 and beyond.

Our onboarding trainings for new employees focus increasingly on corporate alignment and include an introduction to our Code of Conduct, which protects employees from discrimination (unequal treatment based on gender, race, religion, or sexual orientation). No cases of discrimination were reported in 2012.

We also place high value on health/safety training and awareness. Our low absence rates, 0.1% due to accidents and 3.3% due to illness, reflect this. There were no workplace fatalities.

OUTLOOK

Having taken resolute steps to reduce our personnel-related cost base, we do not expect headcount to rise overall in 2013. Throughout the year, we plan to roll out our new leadership development process to middle management, and to further develop our training activities across the company. We will also strengthen performance management and use its results in determining variable compensation, according to the new scheme that will be introduced for all employees in 2013.

COMMUNITIES
Adding value through caring

Straumann's most important contribution to the community is enhanced quality of life through safe, effective, lasting solutions that restore dental function and esthetics. Each year, about a million patients in more than 70 countries are treated with a Straumann solution. We strive to provide peace of mind to our customers, for example through high quality and long-term clinical documentation. But, in many parts of the world, 'peace of mind' takes on different meanings, especially where millions of people are without access even to basic dental care.

Straumann supports various initiatives that provide access to dental treatment and education on oral hygiene. Our charitable activities are related to our business and focus on areas where we can make a meaningful difference. They promote our reputation among relevant stakeholders by showing that Straumann is a caring company. A Corporate Sponsoring Committee, which reports regularly to the Executive Management, evaluates sponsoring requests and initiatives according to clearly defined principles and policies.

Straumann maintains political neutrality in all its sponsoring activities. We refrain from making statements on public policy and from political lobbying. Furthermore, we do not offer financial support or contributions of any kind to politicians or political parties.

ACCESS TO IMPLANT DENTISTRY (AID)

Straumann AID is a global initiative donating our products to underprivileged patients who need implant treatment but are unable to afford it. Dentists from the ITI network provide the corresponding treatment without charging for their clinical services. This collaboration ensures a high standard of treatment for people who are genuinely in need.

Straumann sponsors outreach initiatives to promote oral hygiene, like this one in Peru.

A young mother receives treatment in Colombia from a team sponsored by Straumann.

INITIATIVES AND PROJECTS SPONSORED BY STRAUMANN

Region	Project	Lead partner	Objective	Status/results
Global	Ectodermal dysplasia	National Foundation for Ectodermal Dysplasia	Free implants and prosthetics; patient support; awareness	Ongoing support, fundraising
	Straumann AID	Straumann country organizations	Free implant treatment for underprivileged individuals	Ongoing
Alaska	Dental care	American Academy of Prosthodontics	Free prosthodontics treatment for underprivileged people	2012 project completed; patients fitted with dentures and dental implants
Bali	Building up 'The Straumann Dental Clinic' for disadvantaged Balinese children	Bali Children Foundation, Yayasan Anak Anak Bali	Free basic dental treatment; assistance in clinical capacity, oral hygiene; education	Recurring aid project 2012–2016
Cambodia	Basic dental care	Basel University dental team	Free basic dental treatment; oral hygiene; education	2012 project completed; 1075 children treated
	Support for charity dental clinic	Hope for All Foundation	Educational grant for under-privileged trainee students	Three students fully supported
Chile	Basic dental care	University of Connecticut Health Center	Free basic dental treatment; oral hygiene; education	2012 project completed
Colombia	Basic dental care	Bonn University dental team	Free basic dental treatment at San Martin hospital	2012 project completed
Dominican Republic	Basic dental care in Los Mina, Santo Domingo	Zurich University dental team	Free basic dental treatment; oral hygiene; education	2012 project completed; approx. 270 children treated
Guatemala	Dental care for children and women in need	Niños en Xela organization, Switzerland	Free basic dental treatment; oral hygiene; education	Ongoing project in the Western highlands
Haiti	Social dentistry	Secours Dentaire organization, Switzerland	Technical cooperation and assistance in clinical capacity	Ongoing project
Nicaragua	Basic dental care in Sonrisa children's homes	Sonrisa Foundation	Free basic dental treatment; oral hygiene; education	Ongoing project; more than 300 children treated
Peru	Basic dental care	Kindness in Action organization	Free basic dental treatment; oral hygiene; education	Recurring aid project; 300 people treated; basic dental education for 70 children
Tanzania	Basic dental care in Shinyanga District	Bridge2Aid organization	Free basic dental treatment; training a team of local health workers to safely extract teeth, free dental equipment	2012 project completed; 340 patients treated; 4 Clinical Officers successfully trained

After evaluating some 60 sponsoring requests, we supported more than a dozen projects in 2012. In each case, clear prerequisites and sponsorship goals were set. Our monetary donations to projects in 2012 amounted to approx. CHF 300 000.

ECTODERMAL DYSPLASIA

Ectodermal dysplasia (ED) refers to a group of genetic disorders characterized by abnormal development of the skin and associated structures. Patients typically have missing or severely malformed teeth and are not covered by insurance. In addition to providing free implants and prosthetics to ED patients, we provide financial support to the National Foundation for Ectodermal Dysplasia, a non-profit organization based in Illinois, USA, that helps patients and their families around the world. Our overall sponsorship for ED in 2012 was approximately CHF 30 000.

SUSTAINED SPONSORSHIP IN UNDERPRIVILEGED REGIONS

We also sustained our sponsorship of basic dental care and education in oral hygiene to underprivileged people, mostly in developing countries. In many locations, there are no dental facilities, making it necessary to set up provisional clinics with portable equipment. In 2012, we supported field missions in Alaska, Cambodia, Chile, Colombia, Dominican Republic, Indonesia, Nicaragua, Peru and Tanzania. Most of the projects/organizations we sponsor receive support over several years, reflecting the importance we place on continuity.

A good example of this is the 'Hope for All' dental clinic in Cambodia, which we have supported since 2008. In 2012, we provided educational grants for three dental students at the clinic, who have no financial means.

The BCF/Bali Kids Dental Project, which we began to support in 2012, is a further example. Thousands of disadvantaged children and orphans live in difficult – even life-threatening – conditions in Bali. The main goals of the project were to set up a dental clinic with a full-time local dentist and to develop dental health education programs. Straumann is the main corporate sponsor and has pledged funding for five years. The facility, which is appropriately named the 'Straumann Dental Clinic', was finished in 2012.

The success of all these projects was due to the dedication and efforts of our dental partners who were invaluable in ensuring that funds were used with the utmost efficiency.

RESPONSIBILITY AND ETHICAL BEHAVIOR

In all our business activities, we place a high value on ethical behavior. The Straumann Code of Conduct defines our expectations in this regard. The code is part of all our employment contracts and prohibits any form of human rights violation, bribery, corruption, unfair competition, misleading marketing, etc. Employees are obligated to report any violation or suspected violation, or any other suspected misconduct. In 2012, five violations of the Code of Conduct were reported, leading to dismissals. These included sexual harassment and fraudulent expense claims.

We also expect ethical practices in our supply chain. Our 'Code of Conduct for Suppliers' presents our expectations with respect to working conditions, human rights protection, business ethics, legal compliance, and environmental protection. We require confirmation from suppliers that there is no child or forced labor in the supply chain. Key suppliers based in Europe, the USA and China have agreed to these provisions and our aim is to obtain agreement to the Code from 60% of our suppliers and partners.

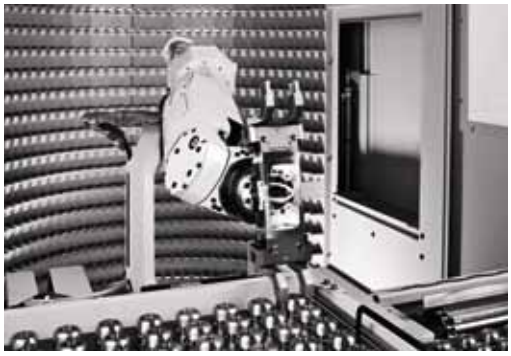
A key impact on the communities in which we operate is the continued provision of jobs. Straumann ensures fair employment conditions and protection from discrimination at all locations where we operate.

OUTLOOK

In 2013, Straumann will continue its support for global charitable activities, focusing on initiatives that provide access to dental treatment for people in need. This is where we feel we have the most to offer and where our involvement is most meaningful to our stakeholders. Continuity is important and we plan to continue our support for the initiatives as shown in the chart on the previous page.

PRODUCTION & LOGISTICS
Reaping the benefits of 'lean' principles

GLOBAL OPERATIONS
To achieve our goals of optimizing costs and asset management, we broadened the application of 'lean' principles, introduced new technologies, insourced parts of the supply chain, and streamlined distribution. To help mitigate the impact of the strong Swiss franc we increased production in the USA. These measures together led to productivity gains and improved asset utilization on top of the prior year's impressive achievement and with minimal capital expenditure.



A recently installed robot in our highly-automated prosthetic milling center near Leipzig.

IMPLANT PRODUCTION
Our main production center in Villeret, Switzerland, covers the full range of components in our dental implant system. In 2012, the site achieved a 9% increase in productivity, thanks to a consistent 'lean' approach. We again succeeded in keeping the workforce stable at approximately 350 and, in addition to increasing output by nearly 10% to 6.8 million parts, we managed to shorten lead times in almost all areas.

For some time, we have been evaluating possibilities for improving margins by insourcing parts of our supply chain. One example is the secondary packaging process, which we are bringing in-house. In 2012, we installed an electronic labeling management system which prints all labeling texts and feeds into the packaging lines automatically.

Straumann has always been committed to improving product performance and convenience. Following successful clinical testing, Villeret started production of our new Loxim transfer piece (p. 38 f), which significantly improves implant handling and will be supplied initially with our Roxolid implants.

In Andover, we introduced a shop-floor management process based on 'lean' principles and the Villeret model. This improved productivity by 14%. Output also rose 14% to 3.2 million parts, while the workforce remained stable at 110. In addition, the scope of manufacturing was expanded to include the surface treatment of Bone Level implants and packaging of sterile healing caps. Andover has now reached the same technical capability level as Villeret.

ORAL TISSUE REGENERATION PRODUCTS
Our Malmö (Sweden) facility, which specializes in regenerative products, employs a team of 35. In the year under review, it also completed an insourcing project, qualifying its new automated filling and labeling line and validating the process for manufacturing all products in-house. These initiatives will significantly

reduce both costs and lead times. The facility also had to expand production for Emdogain 015, a line extension launched in July.

CADCAM PROSTHETICS, SCANNER PRODUCTION AND DIGITAL

Our CADCAM prosthetics are produced in Markkleeberg (Germany) and Arlington (USA). The extension of Markkleeberg allowed us to redesign our workflows using 'lean' principles. Each of the two levels in the building was devoted to a complete value stream (one floor for cobalt chrome products and one for ceramics). We also introduced an automated continuous flow system that handles milled elements individually. This and a new accelerated sintering process enable us to provide a next-day delivery service for restorations ordered before 2 p.m. We are in the process of equipping Arlington with similar robotic technology to meet future demand for our CADCAM abutments.

Other technology upgrades in 2012 included the provision of new computers to our entire CADCAM customer base to support our CARES 7.0 software, which was released early in the year. Apart from this, our range of prosthetic materials continues to broaden, requiring production qualification and scaling.

At the end of 2012, our global CADCAM/digital production and logistics team numbered approximately 90.

LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Effective forecasting, logistics and procurement helped to optimize our supplier base and maintain service levels despite the volatile environment. We also made good progress in reducing transportation costs and achieved improvements in key performance indicators like inventory turns, service levels, backorders and forecasting accuracy.

A major undertaking in 2012 was to relocate our global distribution center/warehouse to new premises in Basel. This was accomplished seamlessly and the new facility has enabled us to redesign and streamline processes. Another logistics achievement was the introduction of a global cold chain delivery process for Emdogain, which has to be refrigerated. The process covers the entire supply chain from production to local distribution centers around the world.

All of the above measures contributed to an overall capital expenditure in production and logistics of approximately CHF 9 million, most of which was for plant, machinery and related equipment.

OUTLOOK

Premium quality and service will continue to be key priorities. At the same time, we will strive to further optimize costs and asset utilization. Although our production and logistics team has not grown, its level of activity has increased significantly due to insourcing and a broader portfolio. This has resulted in impressive productivity gains.

We see similar opportunities in the year ahead. The implementation of automated systems, new technologies and our 'lean' program, enable us to absorb higher volumes without increasing production staff. Our investments will therefore be targeted toward further automation and cost reduction.

ENVIRONMENT

Our environmental impacts are typical for an organization of our size and low in comparison with most manufacturing companies

There are three core elements to Straumann's management of energy and environmental performance. The first is a commitment to the continuous improvement of our products, processes and infrastructure to minimize energy consumption and our impact on the environment. The second is our long track record of effective environmental management. For many years, we have established rigorous processes and procedures that ensure we always focus on complying with all applicable laws and regulations. Third, the Straumann Code of Conduct requires our employees to comply with all laws and internal regulations; it also requires managers to encourage staff to include environmental protection in their daily responsibilities. These elements form the basis of our commitment to quality, safety and sustainability.

QUALITY AND SAFETY

Our products protect and enhance human health. Therefore, our commitment to quality and safety is absolute and non-negotiable. Moreover, our business is subject to stringent regulations that oblige us to rigorously monitor both our products and the processes used to manufacture them. These products, which include titanium dental implants, compact laser scanners, oral tissue regeneration products, and prosthetic elements made of ceramic, metal or polymer are technically diverse, which increases the challenges in oversight and quality control.

To meet these challenges for all of our product families, we employ strict quality-control protocols to test raw materials for purity, to ensure that our products function safely and properly, and to document all aspects of their manufacturing processes comprehensively to ensure traceability.

OPTIMIZING PROCESSES AND INFRASTRUCTURE

Our commitment to continuous improvement also applies to production processes. In the past year, we have undertaken several initiatives to reduce waste in the manufacturing of dental implants, our primary products that are produced on computerized milling machines in Villeret and Andover.

At our CADCAM element production facility in Markleeberg, we introduced a new clamping system that reduced scrap from 5.8% to 4.7%. The clamping improvements also reduced requirements for energy, cooling and raw material input.

We are also working to improve the containment of oil vapors from milling. Our CNC machines are already equipped with an extraction system that filters vapors during machining. However, the cooling oil is used at high pressure, and the current systems are not able to control all traces of oil vapor generated. We have therefore established an internal working group to evaluate a range of innovative ideas for solutions in 2013.

ENVIRONMENTAL DATA REPORTING

Aside from our production and research activities, our environmental impacts are typical for an organization of our size, and they are low in comparison with most manufacturing companies. We do not manufacture filling materials or dental surgery equipment,

and so do not use significant amounts of metals such as mercury, lead or manganese that may be found in production processes of other manufacturers serving the industry.

Our environmental performance report is based on available data for all production sites – Villeret (Switzerland), Gräfelfing and Markkleeberg (Germany), Malmö (Sweden), Andover and Arlington (USA) – and for our Group headquarters in Basel. Since our other facilities are generally smaller and focus on sales and distribution, they are not included in this report, due to their minor impact and a lack of meaningful data. Trends in environmental performance figures are discussed below, with data summarized in the table on the opposite page.

TITANIUM AND OTHER RAW MATERIALS

Overall, titanium consumption was fairly stable, while titanium recycling decreased significantly. This was mainly due to optimization of machining processes as well as an increase in the proportion of implant types, whose geometries are nearer to 'net shape', requiring less titanium trimming. A number of our other raw materials consumed – cobalt chrome, yttrium stabilized zirconium oxide, and polymethylmethacrylate (PMMA) – are used in the production of standard crown and bridge solutions. Reduced volumes, a shift towards more specialized products like instant glass ceramics, and our success in reducing scrap rates, have led to a marked decrease in use of those materials.

OPERATING MATERIALS

The use (and subsequent recycling) of oils in our production processes increased slightly, approximately in proportion to increased production levels. Acids used and recycled, and cleaning solvent consumption, stayed approximately constant in 2011 and 2012.

Paper usage decreased significantly, on an absolute basis and per capita in 2012. This is attributed to the continued adoption of paperless workflow processes and more efficient documentation in some product lines.

ENERGY

Electricity consumption increased slightly in absolute terms in 2012, but decreased slightly on a per-capita basis. Primary energy consumption (mostly natural gas) decreased slightly in absolute terms, as well as on a per capita basis. We continue to seek ways to minimize the energy and resource consumption of our facilities. In 2012, we undertook a detailed evaluation of our facility in Villeret, the scope of which included ways to reduce energy and resource consumption in heating, ventilation, cooling, compressed air, electricity, lighting and water. In Andover, we implemented a program to reduce electrical demand from lighting, heating, cooling and ventilation. We plan to evaluate the results of these initiatives in 2013, and will continue to deploy selected improvements as technically feasible and economically sensible.

GREENHOUSE GASES

As part of our environmental management, we monitor CO_2 emissions due to our electricity consumption and heating. In our reporting we differentiate between direct (Scope 1) emissions, from sources such as burning natural gas, and indirect (Scope 2) emissions, from sources such as the use of electricity and district heat. This is the format preferred by many sustainability-conscious investors, including those who – like Straumann – collaborate in the Carbon Disclosure Project.

Business activities with minimal impact, or for which meaningful data are not available, are not included – e.g. emissions resulting from the transportation of our products (which are small and light), sales representative travel and employee commuting. While we do not collect such other indirect (Scope 3) emission data comprehensively, some carbon-related information for our business travel in Switzerland is available. By using rail rather than road travel, Straumann saved approximately 49 tons of CO_2 emission.

Greenhouse gas emissions decreased by 12% on an absolute basis in 2012, reflecting increased efficiency in various manufacturing and operational processes, lower fossil fuel energy usage, and increased reliance on district heat sources.

WATER

We always seek to conserve water. For example, at our facility in Markkleeberg, we installed a central cooling system for a large number of milling machines, reducing water consumption. Overall, in 2012, our water

SUMMARY OF ENVIRONMENTAL PERFORMANCE FIGURES

		Performance indicator	Unit	2012	2011
Product raw materials	Titanium	Consumption	kg	15 443	15 570
		Recycled (consumption minus product)	kg	6 653	9 071
	Cobalt chrome	Consumption	kg	2 882	4 261[1]
		Recycled	kg	2 743	2 954
	Zirconia	Consumption	kg	1 512	2 957[1]
	Polymethyl-methacrylate	Consumption	kg	27	40
Operating materials	Various oils	Consumption	kg	39 143	38 074
		Recycled	kg	26 534	24 485
	Cleaning solvents	Consumption	kg	31 773	32 222
		Recycled	kg	18 929	20 425
	Acids	Recycled	kg	37 008	36 899
	Paper	Consumption	sheet	5 023 944	7 476 500
		Consumption per capita[2]	sheet/employee	3 844	6 077
Energy and CO_2	Electricity	Consumption	kWh	16 267 138	15 758 944
		Consumption per capita[2]	kWh/employee	12 446	12 810
	Heating[3]	Total heating energy	kWh	4 815 977	4 914 376
		• Fossil fuel	kWh	3 940 512	4 096 927
		• District heat	kWh	875 465	817 449
		Total heating energy per capita[2]	kWh/employee	3 685	3 995
	CO_2 emissions[4]	Total emissions	tons	2 834	3 227[5]
		• Direct (scope 1, excluding vehicle fuel)	tons	792	828[5]
		• Indirect (scope 2)	tons	2 042	2 399[5]
		Total emissions per capita[2]	tons/employee	2.17	2.62[5]
Water	Water	Consumption	m^3	32 416	31 778
		Consumption per capita[2]	m^3/employee	25	26
	Untreated waste water	Disposal	kg	10 493	31 919
Waste	Diverse waste	Hydroxide sludge	kg	15 402	14 068
		Contaminated material	kg	12 652	11 814
		Solvents	kg	2 503	2 301
	Refuse	Total	kg	157 445	174 839
		Per capita[2]	kg/employee	120	146

[1] Corrected data from 2011 for cobalt chrome (previously reported as 4310 kg) and zirconia (previously reported as 4769 kg).
[2] Per capita figures refer to employees at the relevant reporting sites only.
[3] To avoid double counting, heating energy data do not include electricity used for a small part of heating at Andover, or to operate the geothermal heat pump in Leipzig – these are included in the electricity data.
[4] Scope 1 covers CO_2 emissions directly emitted by sources owned or controlled by Straumann such as heating boilers, while Scope 2 comprises emissions generated in the production of the electricity, heat or steam that we consume.
[5] CO_2 emission calculation criteria changed in 2012. For comparability, the respective figures for 2011 have been recalculated (previously reported 3124 for Total, 891 for Direct, and 2233 for Indirect emissions).

consumption increased slightly on an absolute basis over 2011, due to increased headcount and increased production. However, it decreased on a per capita basis.

Untreated waste water, which is collected in tanks and disposed of by authorized specialist contractors, contains low concentrations of cleaning detergents, solvents, acid and oil. The amount of such wastewater depends strongly on the number and timing of maintenance activities needed at our water treatment plant in Villeret. After an unusually high volume was reported in 2011, the amount of untreated wastewater produced was significantly lower in 2012.

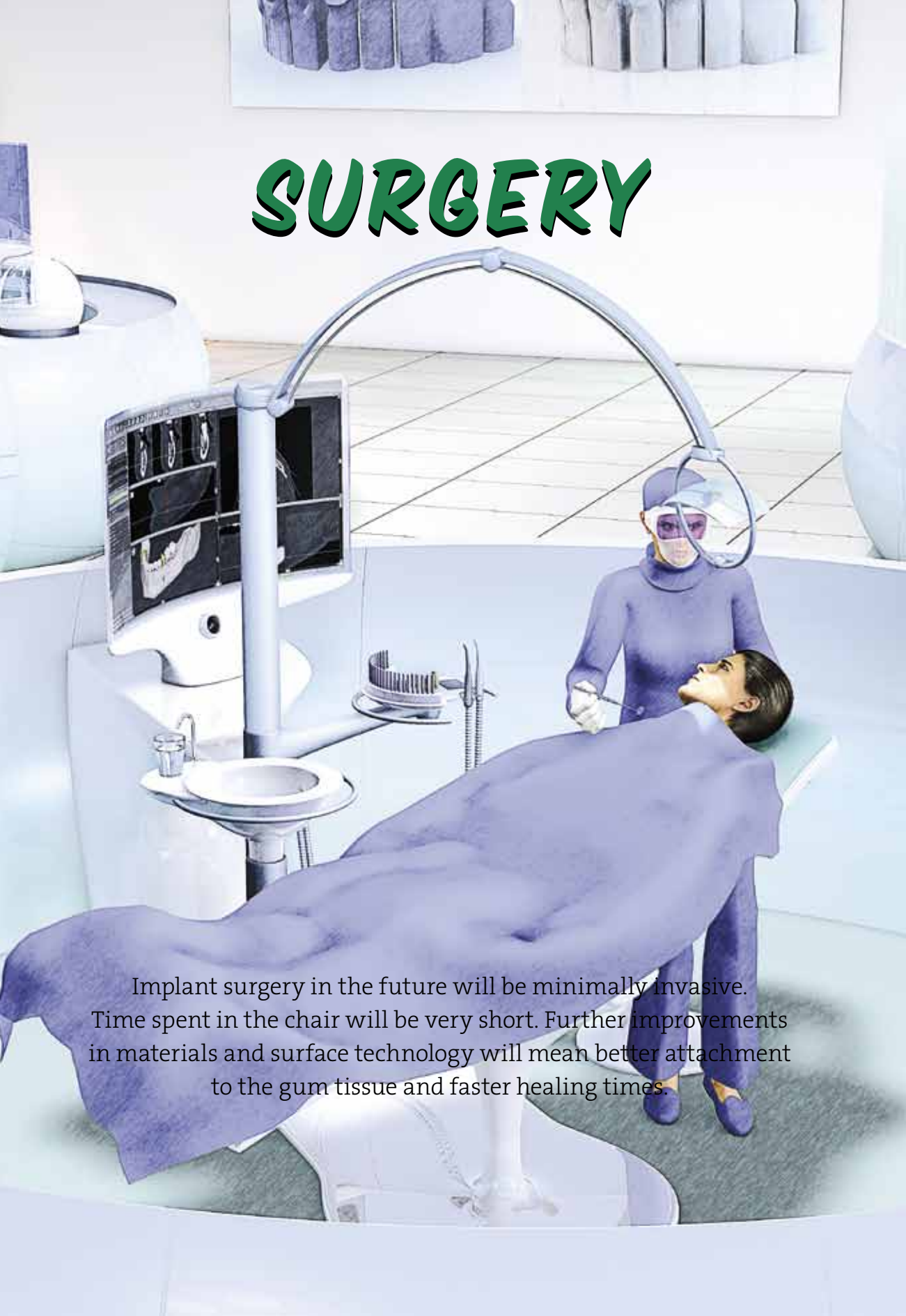
WASTE

This category includes rejects, contaminated materials, solvents and hydroxide sludge. In 2012, the amount of contaminated materials and solvent waste produced increased slightly over 2011. Hydroxide sludge production also increased slightly in 2012. This is a by-product of wastewater treatment, and the amount produced can vary significantly year-to-year, depending on the composition of the wastewater treated. In 2012, total refuse output decreased on an absolute and on a per capita basis, mostly due to the decreasing volume of old scanner systems that we accepted for recycling and scrap.

OUTLOOK

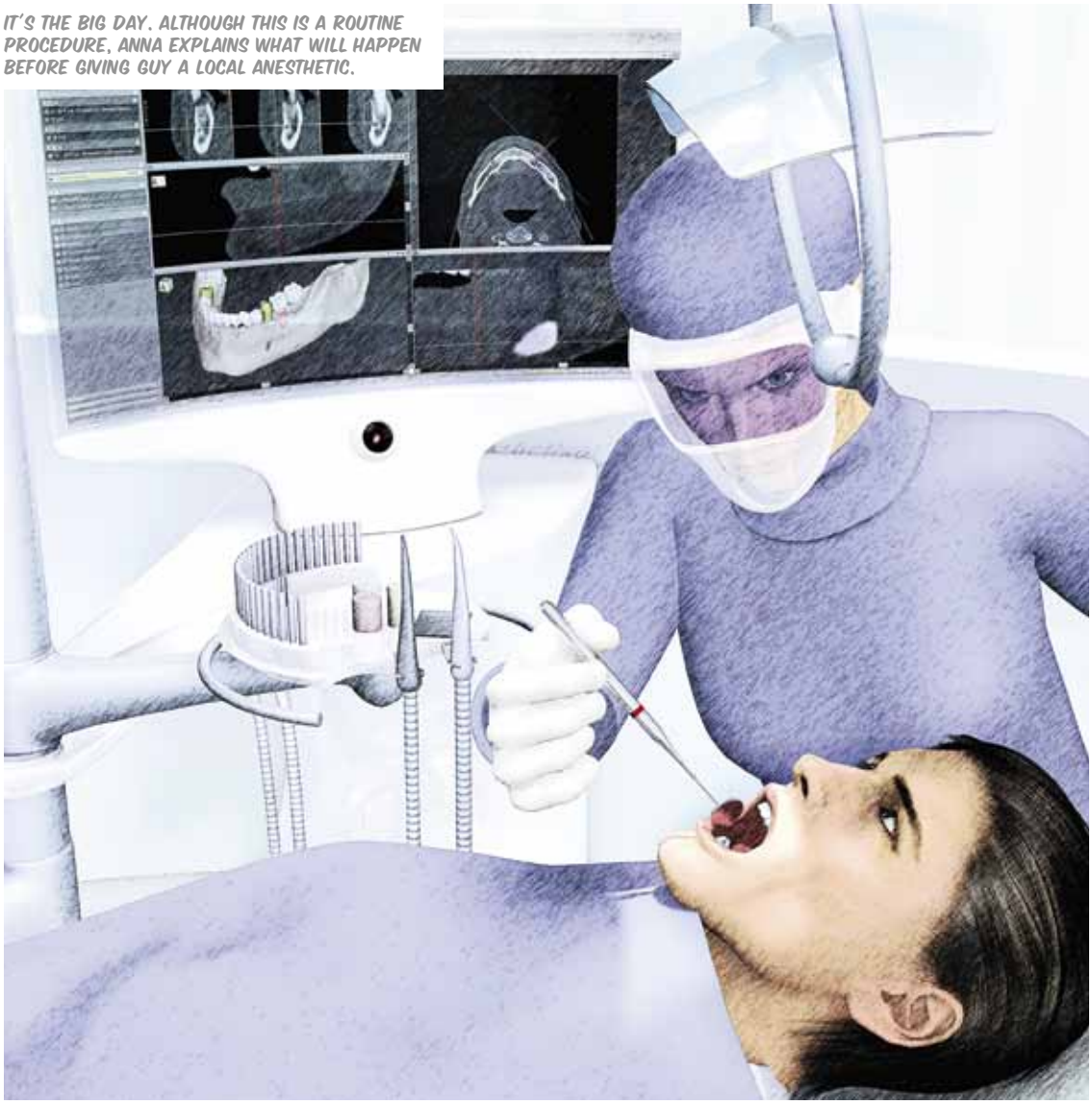
In 2013, we will continue to monitor the results of the different programs, and we will look vigilantly for new opportunities to reduce our environmental impacts, material usage and energy consumption. In addition, some successful initiatives, such as the roll-out of paperless work flows, will be deployed more widely across Straumann. We have learned much from our commitment to continual improvement, strong environmental management and through the engagement and support of our employees. This has formed a solid foundation from which we can continue to make progress in enhancing the sustainable performance of Straumann.

SURGERY

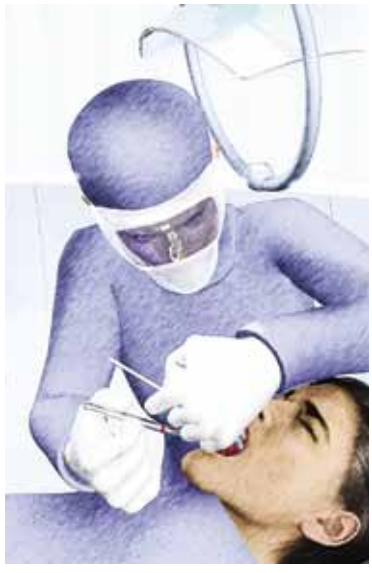


Implant surgery in the future will be minimally invasive. Time spent in the chair will be very short. Further improvements in materials and surface technology will mean better attachment to the gum tissue and faster healing times.

IT'S THE BIG DAY. ALTHOUGH THIS IS A ROUTINE PROCEDURE, ANNA EXPLAINS WHAT WILL HAPPEN BEFORE GIVING GUY A LOCAL ANESTHETIC.



HER PROTECTIVE MASK IS ALSO A SCREEN SHOWING ALL THE INFORMATION NECESSARY FOR THE OPERATION.



GUY'S JAW HAS HEALED AFTER THE EXTRACTION. THE WHOLE PROCEDURE HAS BEEN PAINLESS. ANNA PLACES THE IMPLANT PRECISELY IN JUST A FEW MINUTES, USING A COMPUTER-GUIDED SYSTEM. ONCE THE IMPLANT HAS HEALED, THE NEXT STEP WILL BE ANOTHER SCAN TO PREPARE THE PROSTHETICS. THEN A CERAMIC CROWN WILL BE MADE FOR GUY IN THE DENTAL LAB.

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In each case, the personal opinions expressed are those of the interviewee and may not reflect the views of Straumann.

DR MICHAEL GAHLERT

"CLINICAL DATA NEED TO BE COLLECTED TO HELP BUILD USER'S CONFIDENCE IN THIS FASCINATING ALTERNATIVE TO TITANIUM"

In our 2006 Annual Report, we published an interview with Dr Michael Gahlert and Prof. Heinz Kniha, who are pioneers in the use of ceramic implants. At their orthodontic practice in Munich, Germany, they have placed, tracked and documented more than 400 implants of this kind over the past six years and have been heavily involved in clinical trials.

PROF. STUART FROUM

"EXPERTS SEE A LINK BETWEEN PERIODONTAL DISEASE AND DIABETES, FORMS OF ARTHRITIS, ALZHEIMER'S AND OTHER DISEASES"

Stuart Froum, DDS, PC is a private practitioner in New York City and Clinical Professor and Director of Clinical Research, Dept. of Periodontology and Implant Dentistry, New York University College of Dentistry. This is a five-year follow-up to the interview he kindly gave in 2007.

PROF. URS BELSER

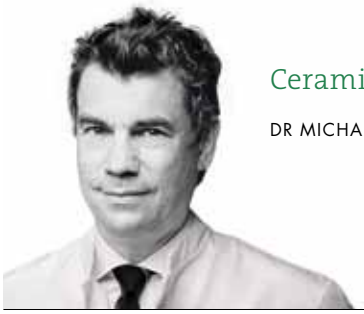
"THE SPECTACULAR VIRTUAL WORLD WE HAVE ENTERED OFFERS NUMEROUS ATTRACTIVE PATHWAYS TO HIGH-TECH RESTORATIONS"

Urs Christoph Belser, DMD, Prof. Dr med. dent. Chairman, Department of Fixed Prosthodontics and Occlusion, School of Dental Medicine, University of Geneva. Prof. Belser is an eminent key opinion leader, who has spent more than 40 years in clinical practice.

DR MASSIMO CIOCCO

"THE WORK IS ALL DIGITAL NOW, WHICH MAKES EVERY-THING MUCH SIMPLER"

Massimo Ciocco practices in Lugano, specializing in implantol-ogy. He was among the first dentists in Switzerland to buy an intra-oral scanner. Dr Ciocco, his patients, and the laboratory all stand to benefit from the new scanner.



Ceramic implants

DR MICHAEL GAHLERT

6-YEAR UPDATE

What are the advantages of ceramic implants?
Ceramic implants are biocompatible and 'inert' in the body. They offer major advantages in terms of esthetics and are rarely colonized by bacteria – so we seldom find plaque on them. We also have clinical evidence of tissue apposition effects that are not apparent with titanium: a great benefit of this is that the gum 'hugs' the ceramic without irritation.

Are current ceramic implants difficult to place?
The ceramic implants we have today are single-stage designs, which means the abutment is integrated and cannot be used to correct the angle of the implant axis. The surgery has to be planned carefully to prevent divergences. Computer-guided surgery, position indicators, drill templates and other aids make it easier to position the axes precisely. Straumann is the first company to provide such tools in a ceramic implant set.

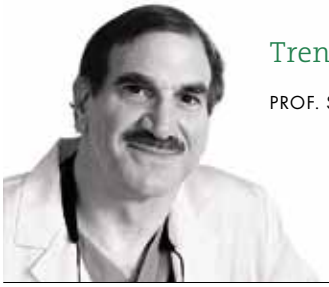
What about price?
Ceramic implants are more expensive that titanium, but they don't need secondary components like abutments and cast-on components. When all the parts are taken into consideration, there is no major price difference between ceramic and titanium options. Price is important for some patients. As dentists, we need to work to raise awareness and explain that implants are high-tech medical devices that deliver top-quality, sustainable performance and last a long time.

Have advances been made with regard to ceramic surface structure and osseointegration?
The micro-rough surface on the ceramic implants we use offers osseointegration that is equivalent to that of titanium implants, as we have shown in three preclinical studies. This means a high level of security. Ceramic implants are now an integral part of the work we do in our practice.

For a long time there were no major clinical studies to support ceramic implants. Has the situation changed?
Major studies have been published documenting the safety of ceramic implants. In addition, we have seen very good tissue attachment effects among the hundreds of ceramic implants, and three, five and seven-year outcomes have already been evaluated. In a study of the first-generation ceramic implants, we did not – even after seven years – find a single case of even initial signs of inflammation around implant bodies.

When might ceramic implants make the breakthrough to widespread use?
The areas of application will be limited until a full range of ceramic implants becomes available. We don't have a two-stage design yet, nor reduced-diameter ceramic implants for narrow alveolar ridges. Clinical data need to be collected to help build users' confidence in this fascinating alternative to titanium implants.

Is your 2006 prediction of a 15–20% market share for ceramic implants still correct?
It is feasible that ceramic implants will achieve a 40% share of the US implant market in the long term. By contrast, the German market is more conservative and wedded to titanium. Health insurers are cautious about ceramic implants. Currently, about 10% of our patients want all-ceramic solutions. My forecast would be 25–30% in the medium term, rising to 50% in the long term.



Trends in periodontology

PROF. STUART FROUM

5-YEAR UPDATE

What innovations have been successful in periodontology since we talked five years ago?
We have more options. Less invasive procedures result in less pain and shorter recovery. Better methods of gingival reshaping, orthodontic movement, tooth bleaching and laminate veneers can sometimes replace larger procedures. Still, a recent study conducted by the Centers for Disease Control and Prevention CDC shows one out of every two adult Americans suffers from moderate to severe periodontal disease. The public must be motivated to seek care and be informed that periodontists are the group that specializes in treatment of moderate to advanced forms of these diseases.

Has more been learned about periodontal disease as a risk factor for other diseases since 2007?
Yes. Periodontitis is now considered a risk factor for atherosclerotic vascular disease, much like smoking or high cholesterol. Experts also see links between periodontal disease and diabetes, some forms of arthritis, Alzheimer's disease and, during pregnancy, preeclampsia, preterm birth and low birth weight babies. Preventing and treating periodontitis is clearly important, and we have made great strides in identifying patients at risk.

Have periodontal esthetics advanced?
Periodontists now use connective tissue grafts or biologics to cover unsightly root exposure and establish healthy gums. It is less invasive, encouraging more patients to seek care.

Five years ago you observed that general practitioners were becoming more involved in periodontology. How has this developed?
Many general practitioners are treating more cases of gingivitis/periodontitis than in the past. Periodontists are still recognized as the specialists in treating advanced and complex cases with gingival recession, bone defects or furcations, etc. Happily, periodontists and restorative dentists collaborate more and more on diagnosis, risk factors, sequence of therapy, maintenance schedules and esthetics. Satisfied patients refer their friends and family, usually to the general practitioners first, so both patients and dentists win in this collaboration. More dentists also place implants. This results in more complications being seen. I feel it is essential that dentists placing or restoring implants be trained to recognize these complications early and either treat or refer these patients to specialists.

Has progress been made on peri-implantitis?
While prevalence of peri-implantitis is estimated at between 10–50%, methods to predictably treat this disease are only just being documented. Much research is in progress. I have strong hopes that regenerative techniques used to treat natural teeth affected with periodontitis could also rebuild soft tissue and bone around implants, promote re-osseointegration, and avoid implant removal and replacement.

How has periodontology been affected by digitalization and other new technologies?
The new technologies make our work more predictable and less risky for the clinician and the patient. Digital 3D X-rays can more accurately diagnose problems. Simulated implant and abutment placements allow more accurate surgical planning. CAT scans and 3D radiographs show tissue structures which previously could not be precisely located, improving planning and identifying sinus and bone problems that need attention before surgery.

A lifetime in prosthodontology

PROF. URS BELSER

What are the most significant developments in restorative dentistry in the past ten years?
Digital impressions, CADCAM, new materials like high-strength and press ceramics, advanced polymer technology and adhesive technology have all had a big impact, along with an increasing trend toward the use of biomimetic principles.

What impact has digital technology had on your own work?
A major one! CADCAM technology has given us access to novel materials like zirconium dioxide and lithium disilicate. The spectacular virtual world we have entered offers numerous attractive pathways to high-tech restorations – from digital impressions and treatment planning to guided implant surgery, prosthetic design and manufacture. Also, communication between healthcare providers and patients is enhanced.

Will digital technology develop to the point that robots will take over from dentists?
Probably not, or only in specific fields like guided surgery.

Are high-end esthetics out of reach for the average patient?
Not necessarily! Natural teeth can be enhanced using minimally invasive techniques like dental bleaching and laminate veneers, which are now certainly within the competences of the average clinician and the budget of average patients.

Is implant dentistry driven by prosthetics?
To a large extent it is, because partially dentate or edentulous patients normally ask for teeth, or additional stability and comfort, not directly for implants. Logically, an implant has to be considered as the apical extension of an optimal restoration. In other words, implant manufacturers should increasingly focus on the restorative/prosthetic dimension of implant dentistry, as there is still a major need for further development.

How much difference have improvements in oral hygiene made to dentistry?
Prevention of oral diseases and efficient plaque control are the cornerstones of contemporary dental medicine. Evidence-based prophylaxis-oriented clinical concepts are changing both individual oral health and public health policies. Several European countries have reduced the number of dental students while increasing the number of dental hygienists.

What do you see as the major advances in restorative dentistry in the next five to ten years?
We will see further refinement of biomimetic, minimally-invasive concepts and techniques, along with the development of associated materials. Computer-assisted treatment planning, 3D guided surgery and virtual design of reconstructions will improve substantially. This process will be driven by visionaries from both the industry and academia.

What are the most pressing needs?
We need a more intense, efficient dialogue based on mutual respect between industry, researchers and clinicians to identify the future needs of the population, followed by concrete collaboration to respond to those needs. Scientific documentation is also essential to sustainable progress.

Intra-oral scanning

DR MASSIMO CIOCCO

How long have you been working with an intra-oral scanner and why?
I was really impressed with the technology when I first saw an intra-oral scanner nine years ago. I am something of a novice when it comes to computers and back then I didn't think it was ready for clinical application; there certainly wasn't anything on the market. When I learnt that iTero was backed by a reliable partner, at the end of 2010, I decided to go for it – even though I didn't know of any colleagues who could share some experience with me. I don't regret my decision and the scanner still impresses me and my team every time we use it.

How long did it take to get to grips with the scanner?
The training took an afternoon and I scanned five patients the next day. Having support from Straumann the first time I used the equipment was a big help, although it's very straightforward. Right from the start, the results were every bit as good as those I was getting with the conventional procedure.

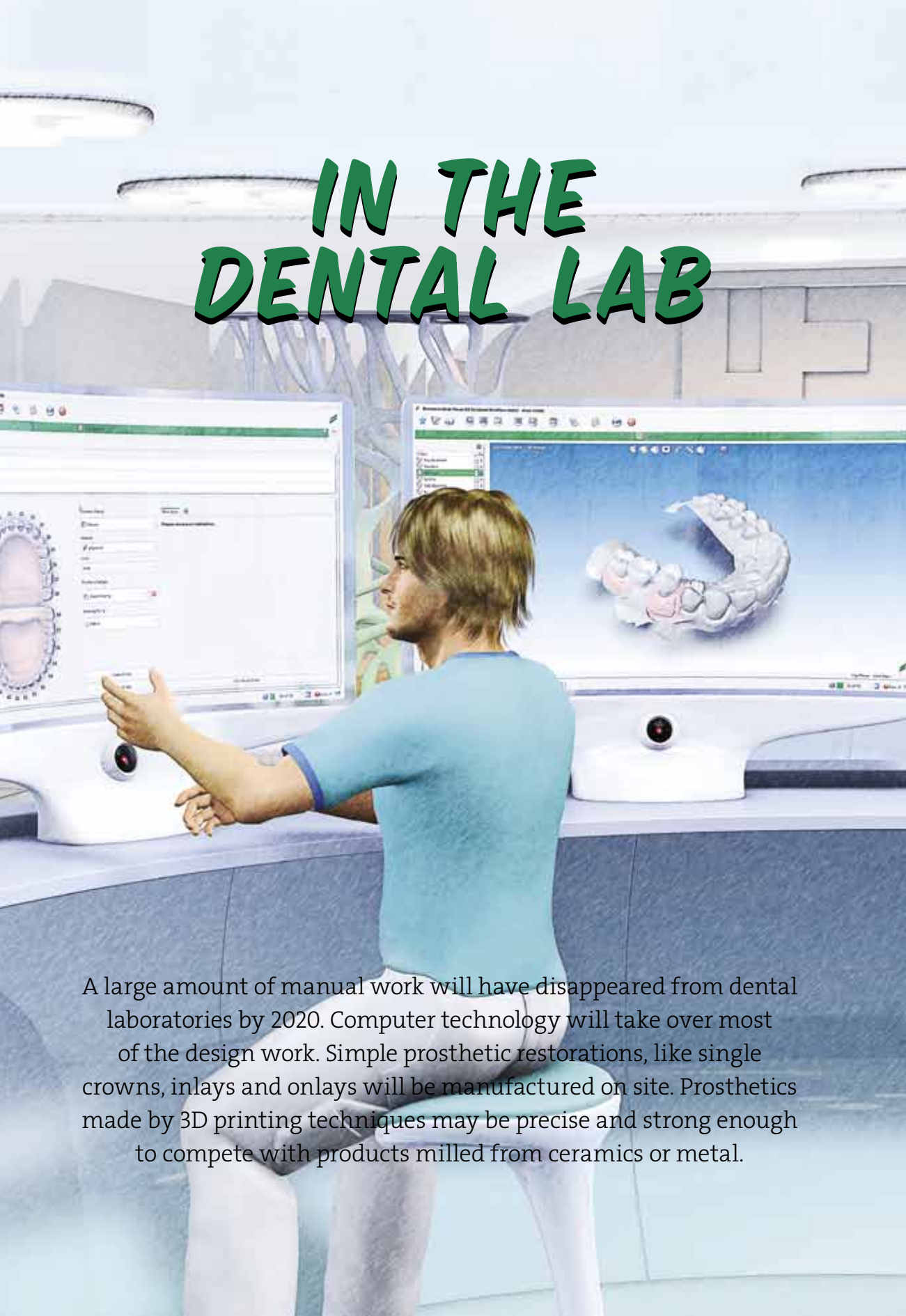
What changes has the scanner brought?
I never really enjoyed taking impressions and the conventional method is not very pleasant for patients. The taste and a mouthful of impression putty often make patients nauseous. The scanner eliminates all the unpleasantness. It is faster and I can verify the results immediately. This allows me to manage my time better and there are scarcely any delays. All in all, it means less stress for everyone. And my patients are happier to see us using new technology and putting ourselves out for them.

How has the new technology affected work in the laboratory?
The work is all digital now, which makes everything much simpler. In the past, the lab sent someone round several times a day to collect the impressions. Now we just send the data to them via the Internet. This saves time and money. The technicians enjoy using the new technology more, which encourages them to do their job even better.

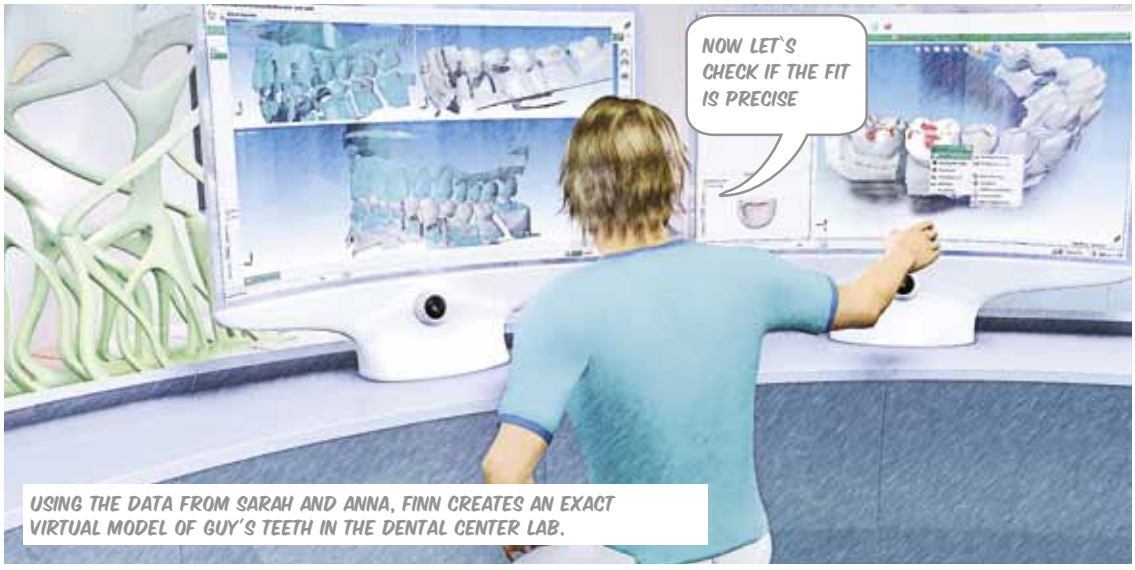
Who benefits?
I genuinely believe that it benefits all involved: patients, dental technicians, the industry and me, of course. The scanner makes impression-taking much more pleasant for patients. Thanks to enhanced efficiency, digital processes and new materials, this technology allows us to offer top-quality care at lower costs. For the same reasons, labs remain competitive and can strengthen business relationships with dentists. My scanner together with CADCAM and new materials have all helped me to treat more patients despite the difficult economic environment.

What's next for you?
Someone once said: 'The person who stops being better stops being good.' This maxim applies to my work. My practice has come a long way digitally in comparison with my Swiss colleagues. Now I want to concentrate on putting my digital system to optimum use and improving the established protocols so I can treat patients even faster and more efficiently. I also want to simplify my work processes even more, and I would really like to see digital intra-oral solutions for removable prosthetics. I hope this is something that the industry will develop in the not-too-distant future.

IN THE DENTAL LAB



A large amount of manual work will have disappeared from dental laboratories by 2020. Computer technology will take over most of the design work. Simple prosthetic restorations, like single crowns, inlays and onlays will be manufactured on site. Prosthetics made by 3D printing techniques may be precise and strong enough to compete with products milled from ceramics or metal.

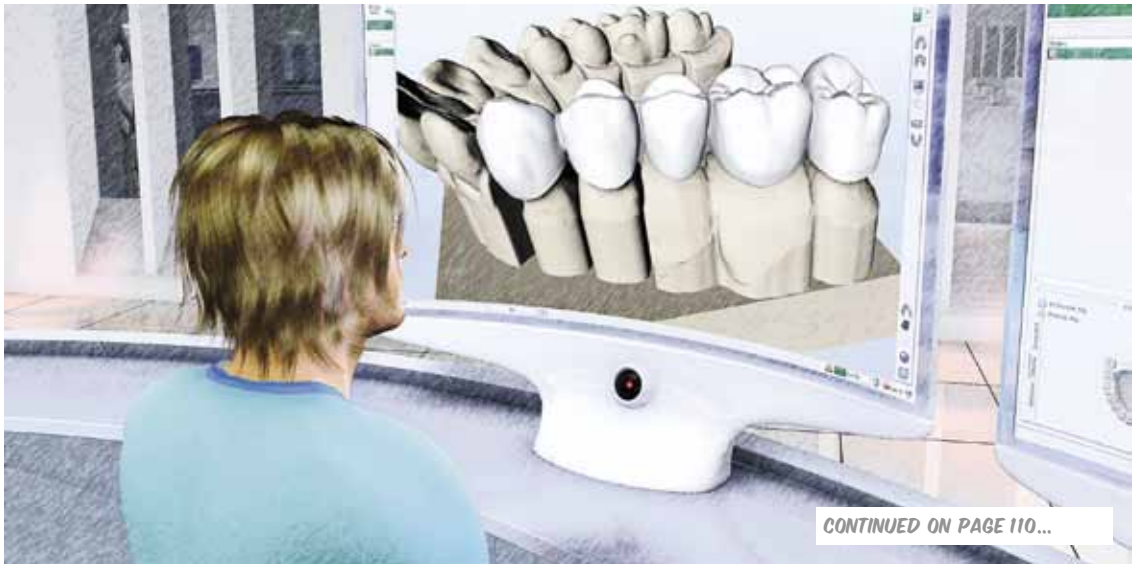


USING THE DATA FROM SARAH AND ANNA, FINN CREATES AN EXACT VIRTUAL MODEL OF GUY'S TEETH IN THE DENTAL CENTER LAB.

HE WORKS WITH THE LATEST OPEN-PLATFORM CAD TECHNOLOGY AND A 3D PRINTER...

...TO CREATE GUY'S NEW MOLAR.

WHILE THIS PROCESS RUNS, FINN WORKS ON A MULTI-UNIT BRIDGE FOR ANOTHER PATIENT. COMPLEX PROSTHETICS LIKE THIS ARE DESIGNED IN THE LAB AND MILLED AT A STATE-OF-THE-ART PRODUCTION CENTER.



CONTINUED ON PAGE 110...

CORPORATE GOVERNANCE

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Interview

GILBERT ACHERMANN
Chairman of the Board of Directors

In your ten years at Straumann, what has changed in the way the company is governed?
Not much in substance, a little in style. Today's world requires a more formal approach to governance. I am very sceptical about 'over-regulation', because it makes organizations slow, bureaucratic and less entrepreneurial. My credo is: keep structure, processes and regulations to a minimum and encourage people to take on responsibility – with accountability in good times and bad. Proper commercial behavior can only be ensured through the right values and a sound culture.

What still needs to be done?
Our transformation from a product company to a service/solution provider is still at an early stage. We need to be even more customer-centric, 'selling' peace of mind and added value – not just in terms of clinical improvement but also economic benefits.

The Board now costs roughly five times more than it did in 2008. Why?
We now have eight directors; previously there were six and fewer were independent. The time requirements today are greater as our environment has changed. Availability and quality, of course, have a price, but our Board's compensation is in line with market practice. At the AGM, our shareholders gave overwhelming consiliatory approval to our Compensation Report.

What has the Board's role been in Vision 2020, the organizational redesign and resizing?
The Board has been intimately involved in all these projects. Such things are always a joint effort between the Executive Management and the Board. The Board's duty is to shape and decide on strategy, on its organizational implications, and, above all, to ensure sound financial performance.

Are the dental sector and implant dentistry losing their appeal?
Demographics, low penetration, emerging markets and a growing middle-class still make implant dentistry an exciting, promising field. Digitalization should raise productivity by 30–40% and increase the addressable patient pool, creating value for stakeholders. Companies with the right strategy, resources and vision will harvest substantial rewards. Disruptive technologies are a threat but also an opportunity to those with passion and courage.

Did the Board react quickly enough to the market downturn? Could you have avoided cutting jobs?
We should have reacted faster. Letting people go is always painful – especially if they have done a good job. Entrepreneurism sometimes leads to redundancy or divestiture. Economic cycles are facts of life and you have to react. Company leaders are paid to make decisions irrespective of their popularity.

How does the Board view the exchange of shares between Thomas Straumann and GIC?
Positively. GIC, the Government of Singapore Investment Corporation, is a long-term investor, which suits us very well.

Straumann shares have been among Switzerland's worst performers in 2012. How optimistic are you?
The share price has been very disappointing – particularly for those of us who invested substantially in Straumann. But it is not surprising as we have not grown our topline since 2008 and our profit margins have halved. Our entire sector was valued for high growth and attractive margins. Things have changed and valuation multiples have fallen. In the past, we attracted growth investors; now 'value' investors are buying the stock. I am confident that we shall see positive returns going forward.

PRINCIPLES

Straumann's principles of, and rules on, corporate governance are laid down in the Articles of Association, the rules for organization and operation, the Group Management Policy, the Code of Conduct, and the Charters of the Board Committees. These principles and rules are the basis of corporate governance disclosures, which are in compliance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange, where Straumann's shares have been traded since the company's initial public offering in 1998.

The Articles of Association are available on Straumann's website (www.straumann.com).

STRUCTURE AND SHAREHOLDERS

Straumann Holding AG is a listed stock corporation incorporated and domiciled in Switzerland and registered in Basel. Information about the company's shares, which are traded on the main segment of the SIX Swiss Exchange under the symbol STMN, is provided on p. 144.

Straumann Holding AG is the ultimate parent company of the Straumann Group, which is headquartered in Basel and includes a total of 29 fully-owned companies (see opposite chart) and three minority-held (non-controlling interest) companies around the world.

GROUP OPERATIONAL STRUCTURE

The Group implemented a new organizational structure in 2012, with the objective of enhancing agility, fostering entrepreneurism and shortening time to market. The former Products and Sales Divisions were transformed, with greater autonomy given to the Sales Regions (EMEA & Latin America, North America, Asia/Pacific) and the Businesses ('Surgical', 'Prosthetics', and 'Regenerative').

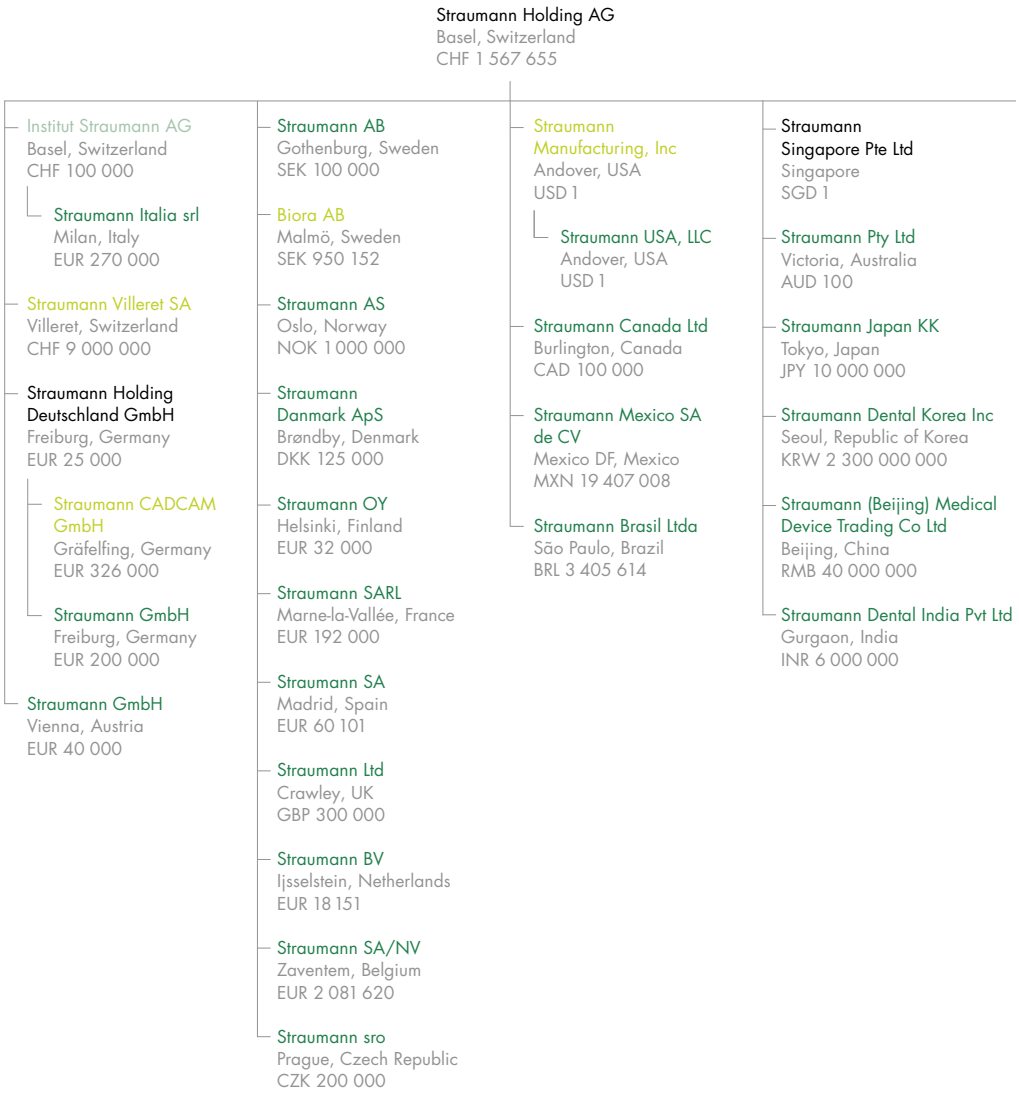
Thus, at the end of 2012, the operational structure of the Straumann Group was as follows:

- Operations, comprising: the Corporate Manufacturing Technology Center, Global Production, Logistics, Operations, Purchasing, Quality Management
- Finance, comprising: all finance-related functions, Corporate IT, Facility Management, Internal Audit, Investor Relations, Pricing
- Business Unit Prosthetics, responsible for product development and product life cycle management for prosthetic products, comprising Product Management & Development, Project Management, Intellectual Property, Digital R&D, Customer Experience Center, Project & Portfolio Planning, Materials & Research, and the Intra-oral Scanner Business.
- Business Unit Surgical, responsible for product development and product life cycle management for surgical products, comprising: Product Management & Development, Project Management & Develop-

GROUP OPERATIONAL STRUCTURE 2012

Represented in Executive Management Board

PRINCIPAL GROUP COMPANIES



Holding/Management
Sales and distribution
Manufacturing
Headquarters, sales and distribution

At 31 December 2012.
Values indicate share capital in each case.

ment, Technical Services, Clinical Research, and Corporate Regulatory Affairs.
- Sales I, covering: Central Europe, Western Europe, Brazil, Mexico, and including Sales Excellence, Distributors & Institutional Clients.
- Sales II, covering North America
- Sales III, covering Asia/Pacific
- Regenerative Business
- Corporate Services, comprising: Human Resources, Legal, Business Development & Licensing, and Communication & Marketing Services.

The CEO, CFO, Heads of the Sales regions and Business Units composed the Executive Management Board of the Straumann Group (see p. 96 ff) in 2012.

GROUP LEGAL STRUCTURE

Changes/developments in 2012

Neodent

In June 2012, Straumann acquired 49% of Neodent (registered as JJGC Indústria e Comércio de Materiais Dentários S.A.), the leading dental implant company in Brazil, with the option for a full acquisition (see p. 35). Neodent is accounted for according to the equity method. To maximize their market potential, the two companies intend to continue operating independently as separate businesses and brands addressing distinct customer segments.

Software development, guided surgery

As Straumann switches over to an open digital platform, it will no longer require its own software development team. The Group therefore agreed to transfer its software and guided surgery units to its software standardization partner Dental Wings in 2013, adding critical mass to the latter. Headquartered in Montreal, Canada, Dental Wings specializes in software for design and manufacturing in addition to developing and manufacturing 3D scanners for dental applications. Open Digital Dentistry AG is mainly responsible for the distribution of Dental Wings' software products.

As a result, the respective Straumann units in Chemnitz and Berlin are to be transferred from Straumann CADCAM GmbH to a separate entity, shares of which were purchased by Open Digital Dentistry. Open Digital Dentistry will complete the transfer in the first quarter of 2013.

To underscore its commitment to digital dentistry and the DWOS open standard software platform, Straumann increased its participation in Dental Wings from 30% to 44%.

Listed Companies

Straumann Holding AG is the sole company of the Straumann Group listed on the Swiss stock exchange.

Name	Straumann Holding AG
Domicile	Peter Merian-Weg 12, 4052 Basel, Switzerland
Treasury shares	1.5% of total
Market capitalization	CHF 1 756 million*
Listed on	SIX Swiss Exchange
Security ID	0 01228 007
ISIN	CH 0012 280 076

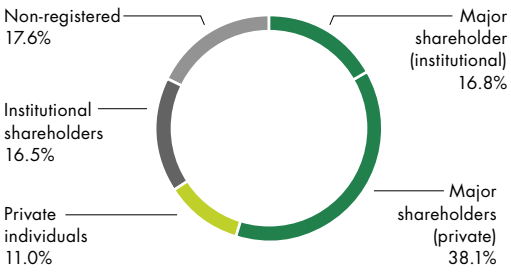
*On 31 December 2012

Non-Listed Group Companies

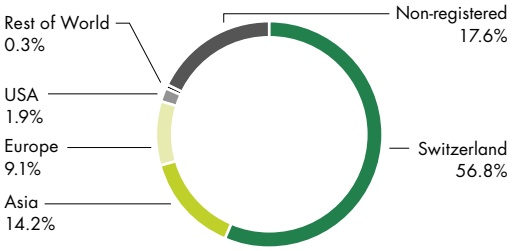
Straumann sells products and services through Institut Straumann AG and 23 fully-owned sales subsidiaries. As laid down in the rules of organization and operation, the respective Sales Region Head, the CFO and the General Counsel are generally members of the Board of Directors in all Straumann Sales companies, representing the parent company as the only shareholder. The Group has four manufacturing companies (see p. 63 f for details of production locations) and one company in India for the purpose of product registrations as well as several subholding companies. The major subsidiaries of the Straumann Group are presented in the chart on p. 83 and in Note 1 to the Financial Statements on p. F72 in the separate Financial Report.

On 31 December 2012, Straumann Holding AG directly or indirectly held 100% of the capital and voting rights in all consolidated Group companies. In addition, Straumann Holding AG held 44% of the capital and voting rights in Dental Wings Inc. (Canada), 30% of Open Digital Dentistry AG (Switzerland) and 49% of the capital and voting rights in Neodent (Brazil). Straumann has two seats on each of the Boards of Neodent, Dental Wings Inc., and Open Digital Dentistry AG.

SHAREHOLDINGS ON 31 DECEMBER 2012 (BY SEGMENT)



SHAREHOLDINGS ON 31 DECEMBER 2012 (BY GEOGRAPHY)



Apart from the above, Straumann does not have significant shareholdings in other companies.

SIGNIFICANT SHAREHOLDERS

In 2012, Straumann was notified of eight transactions according to Art. 20 SESTA:

- Manning & Napier Advisors, LLC, reported two purchases of shares and two sales. In each case, the 3% disclosure threshold was crossed. On 31 December 2012, their holding was below 3%.
- In the second half of 2012, two new major institutional shareholders, Sprucegrove Investment Management and the Government of Singapore Investment Corporation Pte. Ltd (GIC) reported shareholdings above 3%.
- In November 2012, GIC increased its stake to almost 14%, by purchasing a block of 10% from Dr h.c. Thomas Straumann, who is the biggest single shareholder.

At year-end, Baillie Gifford, an independent investment management firm based in Edinburgh, Scotland, held more than 3%, divided among Baillie Gifford & Co., Baillie Gifford Life Ltd and Baillie Gifford Overseas Ltd. Baillie Gifford is not registered in Straumann's share register.

In January 2013, Straumann was notified of three transactions according to Art. 20 SESTA:

- Baillie Gifford reported one purchase and one sale, reducing their stake to less than 3%.
- Parvus Asset Management (UK) LLP, an independent investment management firm domiciled in London, United Kingdom, reported a shareholding above 3%.

Details of the transactions are published on the SIX Swiss Exchange reporting platform http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

At 31 December 2012, the major shareholders registered as holding more than 3% of the share capital were as listed in the table on the following page.

CROSS SHAREHOLDINGS

Straumann does not have, and has not entered into, any cross-shareholdings with other companies relating to equity or voting rights.

CAPITAL STRUCTURE

ORDINARY SHARE CAPITAL

On 31 December 2012, the share capital of Straumann was composed of 15 676 549 registered shares, each with a nominal value of CHF 0.10. The share capital is fully paid in. Further information on Straumann's share capital can be found on the following page.

CONDITIONAL AND AUTHORIZED SHARE CAPITAL

Conditional share capital was approved for an unlimited period at an extraordinary General Meeting in 1998 for use in equity participation plans for employees and management (see Compensation Report for details).

At the end of 2012, the conditional capital amounted to CHF 32 345.10 and the number of conditional shares was 323 451. On 31 December 2012, Straumann Holding AG did not have any authorized share capital.

NUMBER OF SHAREHOLDERS

Shares	31 Dec 2012	31 Dec 2011
1 – 100	6 553	7 214
101 – 1 000	3 349	3 368
1 001 – 10 000	294	305
10 001 – 100 000	42	37
100 001 – 1 000 000	8	12
1 000 001 and more	3	2
Total	10 249	10 938

SHAREHOLDERS BY CATEGORY

(in %)	31 Dec 2012	31 Dec 2011
Major private shareholders	38.1	48.8
Major institutional shareholders	16.8	0.0
Other institutional shareholders	16.5	25.8
Private individuals	11.0	11.0
Non-registered shareholders	17.6	14.4

MAJOR SHAREHOLDERS (REGISTERED)

(in %)	31 Dec 2012	31 Dec 2011
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	17.3	27.3
Government of Singapore Investment Corporation Pte. Ltd.	13.8	n/a
Dr h.c. Rudolf Maag	12.2	12.2
Simone Maag de Moura Cunha	5.2	5.9
Gabriella Straumann	3.4	3.4
Sprucegrove Investment Management	3.0	n/a
Total	54.9	48.8

CAPITAL STRUCTURE

(in CHF 1 000)	31 Dec 2012	31 Dec 2011
Equity	631 206	671 118
Reserves	(102 393)	(58 523)
Retained earnings	732 031	728 073
Ordinary share capital	1 568	1 568
Conditional share capital	32	32
Authorized share capital	0	0
Number of registered shares	15 676 549	15 676 549
Nominal value per share (in CHF)	0.10	0.10
Registration restrictions	None	None
Voting restrictions	None	None
Opting-out, opting-up	None	None

SHARE PURCHASE INITIATIVE

With the objective of reducing its high cash position, Straumann announced in August 2011 a treasury share purchase program for up to CHF 100 million. Due to acquisition activities in 2012, the Group's high cash position was reduced substantially and it decided not to extend the program. In total the Group purchased 213 970 registered shares (1.4% of the share capital) for a total CHF 31 million, corresponding to an average purchase price of CHF 144 per share. The shares were purchased on the open market between 1 September 2011 and 31 August 2012. The purchased registered shares are held as treasury shares and will be used for Straumann's employee share plans.

See p. F73 for treasury shareholdings.

CHANGES IN CAPITAL

The capital of Straumann has not changed in the past three years.

CERTIFICATES AND CONVERTIBLE/EXCHANGEABLE SECURITIES

Straumann has not issued any of the following: participation certificates, dividend-right certificates, convertible/exchangeable bonds, warrants, options or other securities granting rights to Straumann shares, other than options/warrants and Performance Share Units granted to certain employees as a component of compensation (see Compensation Report p. 112 ff).

RESTRICTIONS ON THE TRANSFERABILITY OF SHARES AND NOMINEE REGISTRATIONS

There are no restrictions on the transferability of Straumann Holding's shares. Nominees can register the shares they hold, if this is specifically approved by the Board of Directors. The Board of Directors decides whether nominee entries shall have voting rights or not. At 31 December 2012, no nominees were registered as having voting rights.

SHAREHOLDERS' PARTICIPATION

CONVOCATION OF GENERAL MEETINGS, AGENDA PROPOSALS

The Shareholders' General Meeting is convened by the Board of Directors or, if necessary, the auditors and is held in Basel in March or April each year. In 2013, the Shareholders' General Meeting will take place on 5 April at the Basel Congress Center.

Invitations to the General Meeting are issued in writing at least 20 days before the meeting and are published once in the company's journals of record, the Swiss official Gazette of Commerce (Schweizerisches Handelsamtsblatt SHAB) and the 'Neue Zürcher Zeitung', as well as on the company's website, www.straumann.com.

Requests regarding items to be included in the agenda may be made by shareholders individually or jointly representing 150 000 shares. The invitation to submit proposals for agenda items, which also states the deadline for submissions, is announced by publication once in the company's journals of record.

Shareholders individually or jointly representing at least 10% of the share capital may request an Extraordinary General Meeting. The request must be made to the Board of Directors in writing, stating the agenda items and motions.

INSCRIPTIONS INTO THE SHARE REGISTER

There are no statutory rules concerning deadlines for entry in the share register. However, for organizational reasons, the share register will be closed several days before the General Meeting. For the 2013 General Meeting, new entries in the share register cannot be made after 22 March 2013.

Shareholders who sell their shares prior to the General Meeting are no longer entitled to vote. Proof of acquisition of title in the shares is a prerequisite for entry in the share register which is maintained and administered by SIX SAG AG (Baslerstrasse 90, P.O. Box, 4601 Olten, Switzerland) on behalf of the company. Purchasers of shares are entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If a purchaser is not willing to make such a declaration, he/she is registered as a shareholder without voting rights.

The company must be informed of any changes. Persons recorded in the register are considered to be

shareholders in relation to the company. The company may, after hearing the affected parties, delete entries in the register if these are based on false information.

VOTING-RIGHTS AND REPRESENTATION RESTRICTIONS

Each share duly entered in Straumann's register of shares as being held in the shareholder's own name and for the shareholder's own account entitles the shareholder to one vote. At 31 December 2012, 29.14% of all issued shares were either not registered or were registered without voting rights. All shares have the same entitlements to a dividend. All shareholders may be represented at the General Meeting by written proxy.

The General Meeting adopts its resolutions and holds its ballots by a majority of votes cast. Abstentions and unmarked ballots are not taken into account. The legal provisions that stipulate a different majority are not affected, in particular those set out in section 704 of the Swiss Code of Obligations.

2012 GENERAL MEETING

The 2012 meeting took place on 4 April, and was attended by 491 shareholders representing a total of 10 166 573 voting shares, corresponding to 65% of the overall share capital.

The meeting approved the 2011 Annual Report and Financial Statements as well as the Compensation Report, which included the new remuneration model (in a separate advisory vote), the appropriation of the available earnings, the dissolution of legal reserves, and the 2011 dividend.

The Directors were discharged for their activities in 2011 and were re-elected as Board members for a further one-year term. PricewaterhouseCoopers of Basel were reappointed as Statutory Auditors for a further term of one year.

The agenda, the minutes (including the voting results) and a media release summary of the meeting are published in the Investor Relations section of the company's website: www.straumann.com > 'Investors' > 'Corporate Governance' > 'Annual General Meeting'.

BOARD OF DIRECTORS

MEMBERS

All members of the Board of Directors are elected individually by the Shareholders' General Meeting for a term of one year, with re-election permitted and not limited.

At the Shareholder's General Meeting in April 2012, all of the Directors – Gilbert Achermann, Dr Sebastian Burckhardt, Dominik Ellenrieder, Dr h.c. Thomas Straumann, Roland Hess, Ulrich Looser, Dr Beat Lüthi and Stefan Meister – were re-elected for a further one-year term.

Following the meeting, the Board appointed Gilbert Achermann as its Chairman and Dr h.c. Thomas Straumann as its Vice Chairman.

The Board of Directors of Straumann Holding AG comprised eight non-executive members. With the exception of Gilbert Achermann, no other Director has been a member of the company's Executive Management during the past three years.

Following the departure of Beat Spalinger, Gilbert Achermann took over the additional role of CEO on an ad-interim basis from 4 January 2013 until the arrival of the new CEO by 1 March 2013. As Mr Achermann is also the Chairman of the Board, Roland Hess was appointed Lead Director for the same interim period.

The Directors are all Swiss citizens and the average age of the Members of the Board at year-end was 53.

GILBERT ACHERMANN

Swiss (born 1964),
Chairman of the Board of Directors

Gilbert Achermann has been a Member of the Board of Directors at Straumann since 2009 and was appointed Chairman in 2010. He is elected until 2013.
Mr Achermann joined Straumann in 1998 as Chief Financial Officer and was appointed Chief Executive Officer in 2002, the office he held until the 2010 AGM. Formerly, he served for more than ten years at UBS, where he worked in Corporate Finance in different locations. Gilbert Achermann holds an Executive MBA

from IMD in Lausanne and a degree from the HWV business school in St. Gallen.

Other key assignments include membership of the Board of Directors of Siegfried Holding AG, Zofingen (Chairman); the Board of Julius Baer Group Ltd., Zurich; the Board of Vitra Holding AG, Birsfelden; the Board of Medical Cluster Switzerland, Bern; the Board of Directors and Board of Trustees of the International Team for Implantology (ITI); and the Board for the Basel Association of Statistics and Economy.

Gilbert Achermann has been a main contributor to the Company's past success. He stands for continuity, stability and credibility among the various stakeholders. In addition, the Board benefits from his extensive knowledge of the industry, his broad functional, regional and managerial expertise, and the experience he gains from directorships in other industries.

DR H.C. THOMAS STRAUMANN

Swiss (born 1963),
Vice Chairman of the Board

Thomas Straumann's skills in precision engineering were complemented by his studies at the Basel Management School and the Management and Commercial School of Baselland. In 1990, he was responsible for restructuring Institut Straumann AG and was CEO and Chairman of the Board of Directors until 1994. He was Chairman of the Board of Straumann Holding AG until 2002. In 2004, he was awarded an honorary doctorate by the University of Basel, Switzerland.

Thomas Straumann has been a Member of the Board of Directors of Straumann since 1990 and is elected until 2013.

Other directorships include Centervision AG, Basel (Chairman); CSI-BHE AG, Oberwil (Chairman); Medartis AG, Basel (Chairman); Grand Hotel Les Trois Rois SA, Basel (Member of the Board) and the International Bone Research Association IBRA, Basel.

Thomas Straumann is the principal shareholder of Straumann Holding AG. He complements the Board with his understanding of the dental and medical device industries through personal management experience and various shareholdings. Having built up several companies, in which he is still involved, he is a true entrepreneur and has a diverse portfolio of interests, including not-for-profit activities.

DR SEBASTIAN BURCKHARDT

Swiss (born 1954),
Member of the Audit Committee
Secretary of the Board

Sebastian Burckhardt began his studies in the fields of economics and law and obtained his doctorate law degree at the University of Basel. He is a lawyer admitted to the Bar of Switzerland and a civil law notary in Basel. Sebastian Burckhardt was admitted to the New York Bar following studies at New York University School of Law. He is a partner at the Vischer AG law firm in Basel. Vischer AG is Straumann's main law firm in Switzerland (for details regarding payments in 2012 see Note 28 to the audited consolidated financial statements on p. F54 f).

Sebastian Burckhardt has been a member of the Board of Directors of Straumann since 2002 and is elected until 2013. Other directorships include: Dolder AG, Basel (Chairman); Applied Chemicals International AG, Basel; Grand Hotel Bellevue SA, Gstaad; persona service AG, Basel; and the School for Healing of the Deaf and Persons with Speech Impediments, Riehen.

Straumann's Board of Directors benefits from Dr Burckhardt's expertise as an independent lawyer. He is a specialist in corporate and commercial law and in mergers, acquisitions, joint ventures, licensing, distribution and technology contracts/agreements. His knowledge extends well beyond legal matters and includes many years' experience on corporate boards.

DOMINIK ELLENRIEDER

Swiss (born 1958),
Member of the Strategy Committee

A graduate of the University of Basel, where he obtained a degree in economics, Dominik Ellenrieder was Head of International Sales at Protek AG (later Sulzer Medica). In 1990, he joined Stratec Medical, where he held a series of managerial positions with increasing responsibility (development, product management, and operations of affiliated compa-

BOARD OF DIRECTORS 2012

Gilbert Achermann

Dr Sebastian Burckhardt

Dr h.c. Thomas Straumann

Dominik Ellenrieder

Roland Hess

Stefan Meister

Dr Beat Lüthi

Ulrich Looser

nies). In 2000, he founded Kuros Therapeutics AG, where he was Chairman of the Board until 2002.

Dominik Ellenrieder is Chairman of the Boards of Sentec AG, Therwil; QGel SA, Ecublens; SenSpec GmbH, Rostock; and partner of Endeavour Vision (VC Fonds), Geneva. Other directorships include Medartis AG, Basel; and Kuros Biosurgery Holding AG, Zurich.

Dominik Ellenrieder has been a member of the Board of Directors of Straumann since 2001 and is elected until 2013.

Having worked for over 20 years in the medical device arena, Dominik Ellenrieder brings to the Board significant experience and knowledge of the industry. As an entrepreneur, he has been involved in a number of mid-size and start-up companies and has a portfolio of diverse interests within the medical device industry.

ROLAND HESS

Swiss (born 1951),
Chairman of the Audit Committee
Member of the Strategy Committee

From 2008 until 2012, Roland Hess served as senior advisor to the Executive Committee of the Board of Schindler Holding AG, Ebikon, and held positions on several Boards of Directors for companies within the Schindler Group. Mr Hess joined Schindler in 1984 and rose through positions of increasing responsibility in controlling, finance and regional management to become President of the Elevator and Escalator Division. From 1971 to 1984, he worked for Nestlé, initially in accounting, then as an international auditor, and finally as Chief Financial Officer of a Group company.

His career includes several years in North and Latin America, in addition to assignments in Europe. He holds a degree in business administration from Lucerne Business School and studied at Harvard Business School near Boston.

Roland Hess has been a member of the Board of Directors of Straumann since 2010 and is elected until 2013.

He has a long and distinguished track record in larger companies in more mature industries, combined with in-depth regional and functional experience. In addition, he complements the Board with expertise in compliance, risk management and standardized global procedures.

ULRICH LOOSER

Swiss (born 1957),
Chairman of the Strategy Committee
Member of the Human Resources Committee

Ulrich Looser is a partner with BLR & Partners AG. From 2001 to 2009, he was with Accenture Ltd, where he became Chairman of its Swiss affiliate (2005) and Managing Director of the Products Business in Austria, Switzerland and Germany. Earlier, he spent six years as a partner at McKinsey & Company Ltd. Mr Looser graduated in physics from the Zurich ETH (Swiss Federal Institute of Technology) and in economics at the University of St. Gallen.

Ulrich Looser is Chairman of the Board of econis AG, Dietikon; member of the Boards of the Bachofen Group, Uster; the Kardex Group, Zurich; the University of Zurich and the University Hospital Balgrist, Zurich. He is a member of the Board of economiesuisse in Zurich, where he has headed the Competition Commission and currently heads the Commission of Research and Education.

He heads a chapter of the Swiss American Chamber of Commerce, is a Member of the Board of 'Engineers Shape our Future', and heads the finance commission of the Swiss Studies Foundation.

Ulrich Looser has been a member of the Board of Directors of Straumann since 2010 and is elected until 2013.

His expertise in strategy, project and human capital management is of great value to the Straumann Board. He also adds in-depth consultancy experience, which has been particularly valuable for the Group's Vision 2020 initiative and its implementation.

DR BEAT LÜTHI

Swiss (born 1962),
Member of the Audit Committee
Member of the Human Resources Committee

Beat Lüthi is CEO and co-owner of CTC Analytics AG, Zwingen, a globally active medium-sized Swiss company in the field of chromatography automation. After obtaining his PhD in Engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Beat Lüthi began his career with Zellweger Uster AG, a leading manufacturer of quality control equipment in textile production. In 1990, he moved to Mettler-Toledo International Inc. and rose to the position of General Manager of the Swiss affiliate. In 1994, he completed an executive program at INSEAD and subsequently joined the Feintool Group in 1998. During his four-year tenure as CEO, the company went public and doubled in size. In 2003, he returned to Mettler-Toledo as CEO of the Laboratory Division. At the end of 2007, he joined CTC Analytics to lead and further develop the company as an entrepreneur.

Beat Lüthi has been a member of the Board of Directors of Straumann since 2010 and is elected until 2013. He is also Chairman of the Board of Directors of the SIX-listed Inficon Group, Balzers (Liechtenstein).

Mr Lüthi combines entrepreneurship and corporate experience in different industries, which make him a valuable contributor to strategic and operational matters. His scientific background together with his experience as a CEO and Board member in various industrial businesses are of further benefit to the Straumann Board.

STEFAN MEISTER

Swiss (born 1965),
Chairman of the Human Resources Committee

Stefan Meister holds a degree in economics from Basel University. He started his career at Sandoz Pharma in 1991. From 1995 to 2009, he worked for Celesio AG, a leading pharmaceutical distribution and services company. From 1999, he was a member of the Celesio Management Board, where his responsibilities included finance and controlling, IT, human resources, and the pharmacy business. In 2010, he joined the Management Board of Franz Haniel & Cie. GmbH, a family-owned, international group of companies holding – amongst others – a major stake in Metro AG and a majority stake in Celesio. At Haniel, he was responsible for the operating businesses CWS-boco and ELG as well as Group Finance, IT and Corporate Responsibility. In September 2011, Stefan Meister took office as a member of the Board and Group Chief Operating Officer of Waypoint Capital in Geneva, the holding company for the Bertarelli Family Investments. With his thorough understanding of portfolio businesses and macro-level strategic leadership, he assumes operating leadership and drives the strategic development of the Bertarelli Family Investments in close cooperation with the Board and its Chairman.

Stefan Meister is a member of the Advisory Board of BPN (Business Professionals Network), Bern. He has been a member of the Board of Directors of Straumann since 2010 and is elected until 2013.

He complements the Board with in-depth knowledge in the healthcare sector and from industries with comparable business models/challenges to those of Straumann. He also has a wealth of experience in corporate governance, finance and human resources management.

OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors meets for one-day meetings at least four times a year and as often as business requires. In 2012, it held six meetings.

Its major tasks included: finalizing the Vision 2020 project, evaluating transformational opportunities, ensuring that Straumann has the right organization, the right compensation system and the right people to add value for the shareholders, and finally supporting the leadership amid changing industry dynamics and economic uncertainty. The members of the Executive Management Board participate in Board meetings in an advisory capacity. Dr Sebastian Burckhardt acts as Secretary to the Board of Directors. The Board of Directors consults external experts where necessary when discussing specific topics.

The Board of Directors is responsible for the strategic management of the company, the supervision of the Executive Management Board and financial control.

It reviews the company's objectives and identifies opportunities and risks. In addition, it decides on the appointment and/or dismissal of members of the Executive Management Board.

The Board of Directors has a quorum if a majority of members is present. Valid resolutions require a majority of the votes cast. In the event of a draw, the Chairman of the Board holds the deciding vote.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three permanent committees consisting of not fewer than three Board members with relevant background and experience: the Audit Committee, the Human Resources Committee and the Strategy Committee. The majority of each Committee's members shall be non-executive. Currently, all comprise three non-executive Board members.

Each Committee informs the Board about its deliberations, makes recommendations, and subsequently monitors the implementation of the Board's decisions. The Human Resources Committee takes decisions directly in the context of recruiting members of the Executive Management Board.

Copies of the charters of the three permanent committees can be found on the company's website www. straumann.com under 'Investors'.

In 2012, the Audit Committee met four times, the Human Resources Committee twice and the Strategy Committee four times.

The Board of Directors may establish further committees or appoint individual members for specific tasks.

In 2012, the Board of Directors started to provide a new 'mentoring' service. Each member of the Executive Management was assigned to a Board Member, who acts as a coach. The concept is to provide an experienced sparring partner and sounding board for executives to test ideas and seek qualified independent opinions.

Audit Committee

Members: Roland Hess (Chair),
Dr Sebastian Burckhardt, Dr Beat Lüthi.

This Committee's main tasks are to:

- Develop, propose and review principles for financial planning, the dividend policy, accounting and reporting, disclosure and capital market relations
- Review proposed concepts of financial objectives, such as budget process, capital structure and capital expenditure
- Review the Group's finance policy
- Select the external auditors, examine their independence and effectiveness, as well as that of the internal controls and the way in which the two bodies cooperate
- Review and discuss the financial statements with the CFO and, separately, with the head of the external auditors without the CEO and the CFO being present
- Review the auditing services provided by the auditors and their remuneration
- Review other activities performed by the auditing firm on behalf of the company, in particular with respect to its independence
- Review organization, progress and staffing of the internal audit function, review its reports and the management responses
- Review major issues regarding compliance with applicable laws and regulations, as well as material litigation and legal risks
- Review the risk management framework.

Human Resources Committee

Members: Stefan Meister (Chair), Ulrich Looser,
Dr Beat Lüthi.

This Committee's main tasks are to:

- Review and approve the principles and programs for compensation, including proposals to the Board regarding share-based remuneration
- Ensure that the compensation principles are designed to foster a high performance culture; manage performance through a structured system and compete with best-in-class global companies and industry benchmarks as well as with local market practices
- Consider and recommend employment contracts for the CEO, the members of the Executive Management Board and the Corporate Management Group
- Review the principles and programs for compensation of the CEO, the Executive Management Board

TIME (DAYS) SPENT BY INDIVIDUAL MEMBERS OF THE BOARD AT BOARD AND COMMITTEE MEETINGS IN 2012

Meetings	Achermann	Straumann	Hess	Looser	Lüthi	Meister	Burckhardt	Ellenrieder
Board	6	6	6	6	6	6	6	6
Audit Committee	4[1]		4		4		4	
Strategy Committee	4[1]		4	4				4
Human Resources Committee	2[1]			2	2	2		
Other[2]	91	12	12	11	10	15	12	15
Total days	108	18	26	23	22	23	22	25

[1] Guest attendance
[2] Meeting preparation & follow-up/conference calls/minutes/bilaterial meetings, etc.

and the Corporate Management Group (in particular share-based compensation and bonus schemes) and evaluate periodically their performances against individual and company goals
- Recommend the compensation schemes for the Board of Directors and periodically evaluate the performance of the Board and its Committees
- Periodically monitor and review succession planning including policies and principles for the selection of the members of the Executive Management Board and the Corporate Management Group
- Establish and review human resources policies to strengthen Straumann's position in the human capital market.

Strategy Committee

Members: Ulrich Looser (Chair), Dominik Ellenrieder, Roland Hess. The main tasks of this Committee are to:
- Review and assess the long-term business development, vision and mission of the company
- Review and assess the company's business franchise portfolio, its geographic portfolio, reach and channel approach, and the general validity of its business model considering competitive dynamics, disruptive technologies and economic trends
- Review the strategic plan, which includes financial and other medium-term targets and is subsequently submitted for approval by the Board
- Review the merger, acquisition, licensing and other business development strategies of the company.

ASSIGNMENT OF RESPONSIBILITIES TO THE EXECUTIVE MANAGEMENT BOARD

The Board of Directors has delegated responsibility for the operational management and sustainable development of the company to the CEO and the Executive Management Board. The CEO is responsible for the overall management of the Straumann Group and its operations. The CFO is responsible for finance and information technology. The Heads of the Sales regions are responsible for the sales, local marketing activities and performance of the various country organizations in their respective regions. The Heads of the Business Units (BUs) have a commercial responsibility for their businesses, including product life cycle management, research, development and marketing within the respective BU portfolio.

The Board of Directors has not delegated any management tasks to companies outside the Group.

INFORMATION AND CONTROL MECHANISMS FOR THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

Management Information System

The Group's Management Information System encompasses management, business and financial reporting. The information is provided to the Executive Management Board once a month and to the Board of Directors as a monthly summary and in detail on a quarterly basis.

Over the past ten years, Straumann has built up a state-of-the-art SAP enterprise resource planning system,

which now covers 97% of all business transactions of the Group's fully consolidated entities. The system links all major subsidiary companies and production sites directly with Group headquarters. This greatly reduces the potential for error/fraud and enables the Executive and Senior Management to monitor local processes and related figures directly in detail and in real time.

Internal Control System (ICS)

The Group's Internal Control System is a key instrument for designing business processes, measuring progress towards financial goals and addressing potential financial issues before they occur. It also supports the design of business processes in order to achieve the desired level of control in terms of efficiency and effectiveness.

The company's approach is to ensure that internal controls are accurate, timely, robust, and receive appropriate management attention in each respect. To achieve this, dedicated control templates are used for each business process to address major risks. The templates are continuously improved and are being extended to include supporting process flows.

In addition, each entity (sales affiliate, production site or global function) has a designated, trained person or team that is ultimately accountable for the assessment undertaken and the decisions arising from it. Clear benefits of the Internal Control System include enhanced segregation of duties, increased control consciousness and higher awareness of potential risks and their consequences.

The ICS program is coordinated by Corporate Internal Audit, which meets with the external auditors on a regular basis to discuss the status of internal control issues and the status of remediation of control deficiencies. Internal controls are evaluated annually by the external auditors and by Internal Audit according to an agreed program.

Internal Audit

Corporate Internal Audit at Straumann is an 'independent' and 'objective' assurance and consulting body, reporting directly to the CFO and to the Audit Committee of the Board of Directors.

The main task of Corporate Internal Audit is to evaluate the effectiveness of the Group's governance and risk management processes, to review and assess internal controls, to monitor compliance with external and internal policies and procedures, and to ensure the economical and efficient use of the company's resources. In this role, Corporate Internal Audit promotes the exchange of best practices within the Straumann Group, proposes improvements, and monitors their implementation.

In addition, Corporate Internal Audit pursues the development of the Group's Internal Control System, which was established in 2008.

In 2012, Corporate Internal Audit performed 12 audits at global and local levels, at production sites and in sales affiliates, according to the audit program approved by the Audit Committee of the Board of Directors. In addition, Corporate Internal Audit issued two reports on a Control Self-Assessment (CSA) questionnaire, which Straumann introduced in 2012. The CSA questionnaires allow a comprehensive self assessment of the internal controls, compliance, and efficiency aspects of the main processes of an affiliate.

In 2012, the Corporate Information Security Officer began to report directly to the Head of Corporate Internal Audit. Six IT security audits were performed in 2012.

Corporate Risk Management

The Board of Directors is responsible for the overall supervision of risk management and uses the Internal Audit function to this end. The Board has delegated the task of risk management to the Chief Risk Officer (CRO), who is also the CFO. Through its Audit Committee, the Board assesses and discusses risks on a regular basis in consultation with the CRO and/or the relevant members of senior management (see 'Risk Management' on p. 104 f).

EXECUTIVE MANAGEMENT BOARD

The Group's Executive Management Board (EMB) is responsible for the operational management of the Straumann Group, in line with the instructions issued by the Board of Directors. Its tasks are laid down in the organizational and business regulations. It is

also responsible for global strategy and stakeholder management.

In 2012, the Executive Management Board comprised seven members under the leadership of the CEO, Beat Spalinger. The other members were: CFO Thomas Dressendörfer; Frank Hemm, Head of Sales EMEA & LATAM; Andy Molnar, Head of Sales North America; Dr Sandro Matter, Head of the Prosthetics Business Unit; and Dr René Willi, Head of the Surgical Business Unit. Dr Alexander Ochsner joined Straumann in September as Head of Sales Asia/Pacific, taking over from Beat Spalinger, who filled the position ad interim from the beginning of the year.

BEAT SPALINGER

Swiss (born 1958), CEO until January 2013

Beat Spalinger joined Straumann in September 2008 as CFO and was appointed President & CEO in March 2010.

After taking over as CEO in March 2010, he navigated Straumann through economic recession, market contraction and a stiff currency headwind. Beat Spalinger also made a significant contribution to reorganizing Straumann and to defining the Group's vision and strategy.

On 4 January 2013, the Board of Directors announced that Beat Spalinger was leaving the company by mutual agreement. As is common practice in such positions, he relinquished his responsibilities immediately. At the same time, the Board announced the appointment of Marco Gadola as CEO, who will begin his new role on 1 March 2013.

MARCO GADOLA

Swiss (born 1964), CEO as of March 2013

Marco Gadola has a strong executive track record in a broad range of global businesses. Mr Gadola was Chief Financial Officer and Executive Vice President Operations at Straumann from 2006 to 2008, when he left to pursue a career development opportunity at Panalpina, a world leader in supply chain management. Having started as Panalpina's Chief Financial Officer, he became Regional CEO Asia Pacific in 2012, with overall responsibility for the regional business. Prior to joining Straumann as CFO and Executive Vice President Operations in 2006, he spent five years at Hero, the Swiss-based international food group, where he was also CFO and responsible for IT and operations. Previously, he spent nine years at the international construction tool manufacturer Hilti, where he held a number of senior commercial/sales and finance-related positions in various countries. Before that, he worked for Sandoz International Ltd. as Audit Manager and for Swiss Bank Corporation, Basel, in Corporate Finance.

Mr Gadola, who is Swiss, graduated from Basel University in business administration and economics and completed various programs at the London School of Economics and IMD in Lausanne. He has served on the Board of Directors of Calida, the Swiss textile group, since 2011.

Marco Gadola brings leadership qualities that the Board feels are needed for Straumann's future development. In addition to his excellent understanding of our business and company, he has proven himself as an engaging and entrepreneurial leader who sets himself ambitious objectives and consistently follows through to achieve them.

THOMAS DRESSENDÖRFER

German (born 1958), Chief Financial Officer

Thomas Dressendörfer has a wide cultural background and broad international professional experience. After formative years abroad, he studied in Germany, gaining a Master's in Business Administration and Economics from the University of Erlangen-Nuremberg.

His career in finance progressed to senior positions including the role of CFO of major business units/regions in international companies, such as Randstad, The Nielsen Company, Procter & Gamble, and Baumüller. His career has thus taken him through the healthcare and consumer products industries, as well as the personnel services, market intelligence, and mechanical engineering sectors, in various countries.

Thomas Dressendörfer joined Straumann in November 2011 from Uster Technologies Ltd, where he was Chief Financial Officer and a member of the Executive

EXECUTIVE MANAGEMENT BOARD

Beat Spalinger (2012)

Marco Gadola (2013)

Dr René Willi

Dr Sandro Matter

Thomas Dressendörfer

Frank Hemm

Andy Molnar

Dr Alexander Ochsner

Committee for three years. Uster is the leading manufacturer of high-technology testing and monitoring systems for the textile industry.

FRANK HEMM

Swiss (born 1970), Executive Vice President
Sales EMEA/LATAM

Frank Hemm holds a Master's degree in Economics from the University of St. Gallen and a Masters in Business Administration from Kellogg Graduate School of Management in the USA. His business career began in management consulting with Andersen Consulting and McKinsey, focusing on business process re-engineering and strategic management consulting.

Mr Hemm joined Straumann in 2004 and was initially responsible for Corporate Business Development & Licensing. He was appointed Head of Sales, Western Europe in 2007 and became a member of the Corporate Management Group. A year later, he was given responsibility for the Asia/Pacific Region as Head of Sales based in Singapore, where he established and built up Straumann's regional headquarters. In addition to leading the integration and turnaround of the acquired distributors in Japan and Korea, he also expanded Straumann's presence in China.

Mr Hemm was appointed to his current position at the beginning of 2012.

ANDY MOLNAR

British (born 1962), Executive Vice President
Sales North America

Andy Molnar has a proven track record in the dental and healthcare industries, having held senior managerial roles in global business sales and country management.

Under his leadership as General Manager of Straumann UK from 2006–2009, the company rose to national market leadership in implant dentistry. In 2009, Mr Molnar moved to Group headquarters as Senior Vice President Global Regenerative Sales and member of the Corporate Management Group. In this position, he successfully orchestrated and supervised key product launches, in addition to driving significant growth in global sales of oral tissue regeneration products.

He joined Straumann in 2005 from SIDHIL, a UK medical equipment company, where he was Sales and Marketing Director. However, the bulk of his career – 11 years – was spent in sales and management roles at GlaxoSmithKline Pharmaceuticals.

Andy Molnar holds a Bachelor of Science degree from Reading University, in Physiology and Biochemistry, and an MBA from Bradford University. He was appointed to his current position at the beginning of 2012.

DR ALEXANDER OCHSNER

Swiss (born 1964), Executive Vice President
Sales Asia/Pacific

Alexander Ochsner is a seasoned executive with extensive international experience in the medical device industry, having spent more than a decade in senior managerial roles at the top of the dental implant industry in regional leadership positions.

Before moving to the dental industry, Dr Ochsner held managerial positions in marketing/sales at Medtronic and Medela, where he gained experience of the medical device market in the Far East as Area Sales Manager & Executive Director of the Japanese subsidiary. From 2002 to 2008, he worked for Zimmer Dental, where – as Vice President Europe & Asia Pacific and a member of the Divisional Executive Team – he was responsible for the respective regional businesses.

Alexander Ochsner joined Straumann in September 2012 from Nobel Biocare, where – as Senior Vice President & General Manager EMEA and member of the Executive Committee – he had full responsibility for the regional business including strategic planning, sales, marketing, finance, customer service and human resources.

Dr Ochsner gained his PhD at the Swiss Federal Institute of Technology (ETH) in Zürich, from where he also graduated with an MSc in natural sciences.

DR SANDRO MATTER

Swiss (born 1964), Executive Vice President
Business Unit Prosthetics

Sandro Matter completed a professional apprenticeship at Ciba-Geigy, followed by the Swiss Federal Matura. After earning a Master's degree in Organic Chemistry from the Swiss Federal Institute of Technology (ETH) in Zurich, he gained a PhD in Materials Science from the same institution. His business career began at Synthes-Stratec, where he was responsible for biomaterials product management and development from 1997 to 2002. He was also a co-founder of Kuros Therapeutics. Dr Matter is a member of the Industrial Advisory Board (IAB) for the Department of Mechanical & Process Engineering (DMAVT) of the ETH Zurich.

Dr Matter joined Straumann in 2002 as Head of the Biologics and Research Division and headed the Products Division from 2005 through 2011. He was appointed to his current position at the beginning of 2012.

DR RENÉ WILLI

Swiss (born 1967), Executive Vice President
Business Unit Surgical

René Willi acquired much of his professional experience working in and for the medical device industry. His career began in engineering and sales – at EMS Inventa and then VonRoll Innova – and included international assignments in China and Europe.

He then spent two and a half years at McKinsey as a management consultant, focusing on international mandates in the pharmaceutical and medical device industries. In 2003, he moved to Medtronic to take on responsibilities in international product management and marketing in the cardiovascular sector.

Dr Willi joined Straumann in 2005 as Head of the Surgical Business Unit. From 2008 to 2010, he also headed Straumann's Regenerative franchise and was a member of the Corporate Management Group.

Dr Willi holds a Master's degree in Chemical Engineering, a PhD in Technical Sciences and a postgraduate degree in Industrial Engineering and Management, all completed at the Swiss Federal Institute of Technology in Zurich. He is also an alumnus of the Medtronic Marketing Leader Program at the Wharton School (University of Pennsylvania).

Dr Willi was appointed to his current position at the beginning of 2012.

SUPERVISORY/CONSULTING/POLITICAL FUNCTIONS

During the year under review, Beat Spalinger was a member of the Board of Directors and Board of trustees of the independent academic network International Team for Implantology (ITI). Straumann supports the ITI with payments under a collaboration agreement (see note 28 of the Audited Consolidated Financial Statements on p. F54 f for details of payments in 2012).

Sandro Matter is a member of the Industrial Advisory Board for the Department of Mechanical & Process Engineering of the ETH Zurich.

Thomas Dresssendörfer and Frank Hemm are both representatives of Straumann on the Board of Directors of Neodent (JJGC Indústria e Comércio de Materiais Dentários S.A.).

Apart from these cases, none of the Executive Management Board:

- Performed any activities in governing or supervisory bodies of significant foreign or domestic organizations, institutions or foundations under private or public law
- Held any permanent management or consultancy function for significant domestic or foreign interest groups
- Held any official function or political post.

CORPORATE MANAGEMENT GROUP

The Executive Management Board is supported by the Corporate Management Group (CMG), which serves as a discussion, sounding and alignment board.

At the end of 2012, the CMG comprised 21 members including: the Sales Heads of Central Europe, Western Europe, Iberia, Japan, China and North America; the Heads of Global Distributor Sales, Regenerative, Clinic Prosthetics, Lab Prosthetics, and Dental Service Group; Market Managers of Surgical and Prosthetics;

and the Heads of Communication & Marketing Services, Product Management Surgical, Global Operations, Corporate Human Resources, Corporate Business Development & Licensing, Corporate Accounting, Planning & Controlling, Business Units Projects & Portfolio Planning; and the General Counsel.

MANAGEMENT CONTRACTS

The Board of Directors and the Executive Management Board run the business directly. They have not delegated any managerial powers to persons or companies outside Straumann.

INTERNAL MANAGEMENT DEVELOPMENT

Straumann continued the Strategic Management Development System (SMD) program initiated in 2008 to attract, develop and deploy key people. The Group's goal is to fill at least 50% of key management positions with internal candidates and this goal was again exceeded in 2012. With the exception of the Head of Sales Asia/Pacific, all of the open Executive Management Board positions were filled in 2012 with internal candidates and almost all of the new positions in the Corporate Management Group were filled through internal promotions. For further information on the Company's Management development program, see p. 57 f.

COMPENSATION, SHAREHOLDINGS AND LOANS

The compensation and equity holdings as well as the basic principles and elements of the programs determining the compensation and equity holdings of the members of the Board of Directors and the Executive Management Board and their related parties are disclosed in the Compensation Report on p. 112 f and also in the audited financial statements on p. F74 f.

CHANGES IN CONTROL AND DEFENSE MEASURES

The Articles of Association of Straumann Holding AG do not contain provisions for opting out or opting up. There are no provisions for changes in control regarding members of the Board of Directors, the Executive Management Board, or other management staff. Furthermore, there are no change-of-control clauses included in agreements and schemes benefiting members of the Board of Directors and/or the Executive Management Board or other management staff.

AUDITING BODY

The Shareholders' General Meeting elects and appoints the Group's external auditors on an annual basis. In March 2012, PricewaterhouseCoopers AG (PwC), Basel, was re-elected for an eighth consecutive year as the auditor of Straumann Holding AG. The auditor in charge was Dr Rodolfo Gerber, Swiss Certified Public Accountant, who took over the mandate in 2012.

The Board of Directors supervises the external auditors through the Audit Committee, which met four times in 2012. The external auditors participated in two of these meetings, discussing the reports on the 2012 Audit Plan and the half-year review. Further details on the instruments which assist the Board of Directors in obtaining information on the activities of the external auditors can be found on p. 96.

The worldwide fees paid to the auditors PwC were as follows:

(in CHF 1 000)	2012	2011
Total audit fees	928	949
Tax consultancy	1126	1384
Legal	3	115
Transaction services (Neodent acquisition)	447	n/a
Other	168	486
Total non-audit fees	1744	1985
Total	2673	2934

INFORMATION POLICY

Straumann is committed to a policy of open, transparent and continuous information. In accordance with the rules of the SIX Swiss Exchange, Straumann publishes detailed sales figures on a quarterly basis as well as annual and half-yearly reports. Detailed information is provided at the Shareholders' General Meeting, the agenda of which is published in the company's journals of record. A summary of the meeting and the minutes are published on the company's website. The summary is also disseminated in the form of a media release. Where necessary or appropriate, the company also publishes additional information on significant events. The CEO, CFO, the Head of Investor Relations and the Head of Corporate

Communication & Public Affairs are responsible for communication with investors and representatives of the financial community, media and other stakeholders.

In addition to personal contacts, discussions, and presentations in Europe, North America, and Asia, Straumann held a Capital Markets Day Event and a financial results conference for the media and analysts in 2012, each attended by around 50 participants. The latter was transmitted live via the Internet.

Research analysts from 22 banks/national institutions cover developments at the Straumann Group and are listed on p. 146 of this report as well as on the Investors section of the Straumann website under 'Analyst coverage'.

Straumann also held three teleconference presentations for the media and analysts, each attended by approximately 60 participants. The presentation slides used for all these events are published on the company's website and recordings are available for a limited period.

Apart from this, Straumann frequently publishes media releases and briefing documents, which are archived and available from the company's website: www.straumann.com. The company offers a media release subscription service via its website and takes care to ensure that investor-relevant media releases are disseminated broadly and in a timely manner according to the rules of the SIX Swiss Exchange and with due regard for the principles of fair disclosure.

The company does not update its releases, reports and presentations, which means that the information they contain is only valid at the time of publication. Straumann advises against relying on past publications for current information.

ANNUAL REPORT/COMPENSATION REPORT

Straumann's Annual Report is a key instrument for communicating with various stakeholder groups. It is published in English and in German in hardcopy and electronically on the company's website in the Investor Relations section or on the special Annual Report webpage http://annualreport.straumann.com.

Straumann issues a Compensation Report as part of the Annual Report. The Compensation Report can be downloaded from the company's website on the Annual Report webpage. The printed version of the full Annual Report can be ordered from investor.relations@straumann.com.

Straumann's Annual Report continues to be among the leading benchmarks in Switzerland. In 2012, it was voted best in Switzerland for value reporting (print) in the prestigious BILANZ/HarbourClub Awards. This was one of several awards it collected.

MEDIA USED FOR REPORTING PURPOSES

The Company's website is www.straumann.com. The Company's journals of record are 'Schweizerisches Handelsamtsblatt' ('SHAB' – Swiss Official Gazette of Commerce) and the 'Neue Zürcher Zeitung'. Further information requests should be addressed to the:

- Head of Investor Relations:
  investor.relations@straumann.com,
  Tel. +41 61 965 11 11

- Head of Corporate Communication:
  corporate.communication@straumann.com
  Tel. +41 61 965 11 11

CALENDAR

Straumann's calendar of planned reporting dates and investor relations events in 2013 can be found on p. 145 and is also published and updated on the company's website.

RISK MANAGEMENT

Committed to implementing appropriate controls, processes and strategies in a comprehensive internal control framework

We are committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value. Risk assessment and management must be embedded in a comprehensive internal control framework and we address them through a holistic, disciplined and deliberate approach. For additional information see Group Notes 29 (p. F56 ff) and 32 (p. F63) and holding note 6 (p. F77).

RESPONSIBILITIES

In accordance with Swiss corporate law and Straumann's Articles of Incorporation, the Board of Directors and the Executive Management Board bear the overall responsibility for assuring the viability and profitability of the company. The Board of Directors has delegated the task of risk management to the Chief Risk Officer (CRO), who is also the Chief Financial Officer.

RISK MANAGEMENT

Risk monitoring and control are management objectives. The assessment process analyzes the implications and potential impact of external and internal factors on the achievement of the Group's objectives, and provides a basis for managing them. Risks are categorized as follows:

- Strategic
- Operational
- Financial and reporting
- Legal and compliance

This matches the approach of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used. For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout Straumann's Internal Control System (ICS) framework. Various tools and aids are used to assess and manage risks. For instance, foreign exchange risks are managed with an SAP treasury tool, while external consultants are used on a regular basis to assess insurance coverage risks.

RISK REPORTING

A comprehensive corporate assessment report is produced annually and serves as a working document for the coming year. It includes all identified risks that are critical for Straumann's business. The risks are ranked and prioritized. Action plans are defined and the implementation of measures to reduce risk is monitored. The report is prepared by Internal Audit and the Chief Risk Officer and discussed with the Executive Management Board. The Audit Committee of the Board of Directors assesses and discusses the risks on the basis of that report in consultation with the Chief Risk Officer and/or the relevant members of Senior Management on a regular basis. Key findings are presented to the Board. Pressing risks that emerge very rapidly are discussed by the Board at short notice.

RISK ASSESSMENT

STRATEGIC RISK

Disruptive technologies

While innovation will continue, the Group does not believe that disruptive technologies represent a fun-

damental risk to its businesses, mainly because it drives substitution technologies itself. Basic research into novel tooth replacement technologies such as growth factors or stem cells will continue to evolve. These might improve product performance and ultimately lead to combination devices – as in other medical device areas. Straumann's expertise in oral tissue regeneration puts it in a position to exploit potential synergies in this field. However, there are no novel tooth replacement technologies in development that present a material risk to Straumann's business.

Health system changes and reimbursement
Reimbursement is rare in our markets. Nonetheless, although implant materials make up only about one-fifth to one-sixth of the overall treatment costs, implant manufacturers can be affected by changes in healthcare regulations that affect the overall cost to the patient. No material changes in reimbursement are foreseen in 2013.

Market environment
Straumann is active in specialty segments of the dental industry, the estimated collective value of which is CHF 5 billion. Based on the low level of penetration, the aging population, the increasing number of professionals trained in the procedures, and increasing awareness, there are today no discernible reasons why these markets should not continue to offer attractive prospects for growth in the long term (see discussion of markets and regions on p. 22 ff). However, the current economic uncertainties and low consumer confidence might continue for some time and dampen market growth.

One challenge facing Straumann is the need to expand our market reach and grow our organization in order to realize significant market potential. Our future revenues also depend on our ability to defend and increase our business with existing customers, to enlarge our customer base, to develop innovative products and services that meet customers' needs and to bring them to market in a timely manner. New market entrants and price pressure from discounters pose a threat to established companies like Straumann. However, the importance of clinical research and customers' concerns about medical liability and sales support limit such threats from our point of view.

OPERATIONAL RISK

LEGAL AND INTELLECTUAL PROPERTY RISKS

We operate in a competitive market, in which intellectual property rights are of significant importance. We therefore actively pursue a strategy of protecting our intellectual property, patents and trademarks. At the time of writing, Straumann was not involved in litigation that is considered to be material.

MANUFACTURING AND SUPPLIER RISK

Straumann has spread its manufacturing risk by establishing production centers for key products on both sides of the Atlantic. Implant system components are produced in Villeret (CH) and Andover (US), while CADCAM prosthetics are made in Markkleeberg (D) and Arlington (US).

With regard to suppliers, we pursue a 'second source' strategy, which offers a high degree of independence from single suppliers. We also keep more than one year's stock of titanium, the key material for our implant system.

PRODUCT RISK AND TREATMENT OUTCOME

We seek to minimize product risks by going well beyond the minimum statutory requirements and conducting thorough, large-scale trials, under real-life conditions, followed by controlled, selective introductions and long-term product surveillance, wherever appropriate. We also offer a comprehensive range of education courses at all levels in all countries where our products are sold.

FINANCIAL RISK (see also p. F56 ff)

EXCHANGE RATE RISK

As the majority of our business is international and because we prepare our financial statements in Swiss francs, fluctuations in exchange rates affect both the Group's operating results and the reported values of its assets, liabilities, revenue and expenses.

Straumann's Corporate Treasury is responsible for managing the risks created by currency fluctuations within the Group and within the scope of the policy approved by the Executive Management Board and the Audit Committee of the Board of Directors.

The Group is exposed to transactional and translation risks. Hedging decisions are taken centrally by

the Corporate Treasury with the subsidiaries being co-responsible for identifying currency exposures and informing headquarters accordingly.

The key objective is to limit the foreign currency transactional exposure of the Group. Transactional risk arises when the currency structure of Straumann's costs and liabilities deviates to some extent from the currency structure of the sales proceeds and assets, as well as from imbalances in the payment streams between the various currencies. Straumann hedges these risks on a selective basis by means of options, spot transactions, and forward transactions. The limitation and management of the translation exposure is of secondary priority.

Major foreign currencies in Straumann's business are the euro, the US dollar, the Swedish krona and the Japanese yen. Straumann invoices its subsidiaries in local currencies and its distributors mainly in Swiss francs. International exchange rate fluctuations impact on the company's assets and earnings, which are reported in Swiss francs. At the end of 2012, the Group's gross transactional booked exposure to its most important currency, the euro, was approximately 21%; the euro accounted for 44% of Group sales. The US dollar, the Canadian dollar, the Australian dollar, and the British pound collectively made up approximately 10%, while gross transactional booked exposure in Asian currencies, including the yen, the Chinese renminbi, and the Korean won, amounted to around 64%. The charts on the opposite page illustrate our sales and cost base in the different currencies.

In general, the target is to concentrate the currency risk mainly in Switzerland at the Swiss Group companies. Subsidiaries abroad are usually invoiced by the Swiss companies in the local currency of the subsidiaries. Each subsidiary invoices its local third-party customers in the local currency.

Production companies and sales subsidiaries outside Switzerland avoid foreign currency exposure wherever possible.

To reduce investment risk on cash and cash-like positions, Straumann manages liquid funds centrally. In 2012, Straumann set up a euro cash pool. Liquidity risk is minimized by ensuring that sufficient cash and cash equivalents are maintained to cover operational needs (see p. F59). For strategic acquisitions, we may consider entering into loan agreements, with the goal of repaying loans with operating cash flow within a reasonable time frame. We aim to maintain an equity ratio of at least 50%.

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. There are no significant concentrations of credit risk within the Group. Counterparty risk encompasses issuer risk on marketable securities, settlement risk on derivative and money market contracts, and credit risk on cash and time deposits. Exposure to these risks is closely monitored and kept within predetermined parameters.

Further information on financial risk management is provided in Note 29 on financial risk management objectives and policies (see p. F56 ff), in Note 30 on financial instruments, and in the section on derivative financial instruments and hedging on p. F60 ff of the Group's consolidated financial statements.

INSURANCE POLICIES

Straumann covers its inherent key business risks in the same way that it covers product or employer liability risks and property loss, i.e. through corresponding insurance policies held with reputable insurance companies.

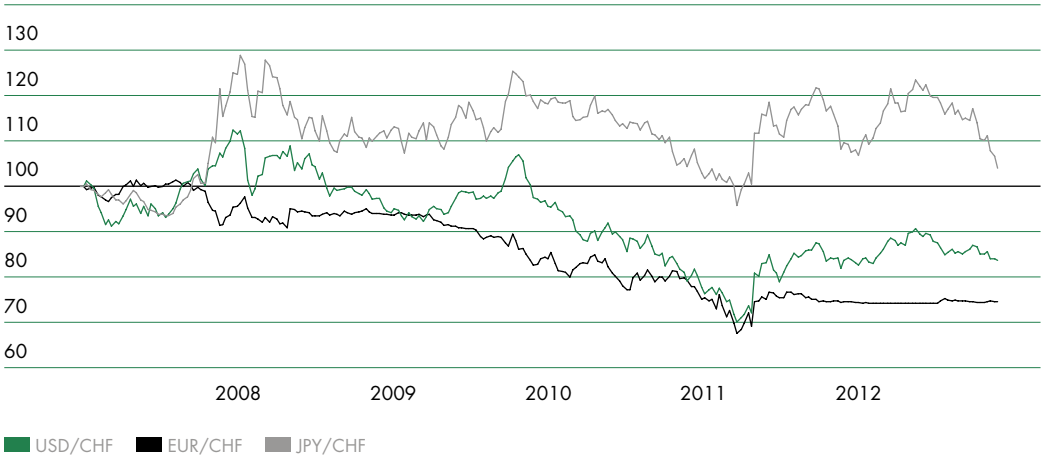
PENSION LIABILITY RISKS

The Group offers its staff competitive pensions. The pension funds are managed locally and invested by independent financial institutions. The investment strategy is determined by the Pension Fund Board and executed by the financial institution. Neither Straumann nor the trustees are allowed to influence the specific investment decisions. The pension funds publish regular reports for all members. The Swiss pension fund represents the largest pension plan of the Group.

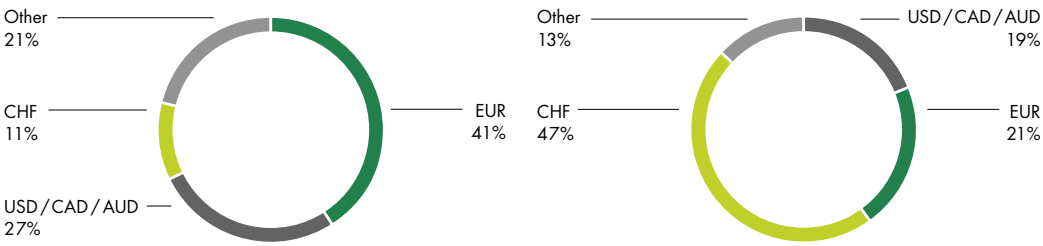
FINANCIAL REPORTING RISK

Straumann's Internal Audit function acts as an 'independent' and 'objective' assurance and consulting body, which reports directly to the Chief Financial Officer and to the Audit Committee of the Board of Directors. Internal Audit does not confine itself to

CURRENCY CHART (DOLLAR, EURO, YEN)



SALES AND COST BASE (CURRENCIES)



These distribution charts represent the total net revenues (left) and the total cost of goods sold, selling and administrative costs as well as R&D expenses (right) in the various currencies. All numbers are rounded approximations.

financial audits, but also monitors compliance with external and internal policies and guidelines. Acting in a consulting role, one of its main tasks is to assess internal processes and controls, propose improvements, and assist in their implementation. The objective is to safeguard the Group's tangible and intangible assets and to evaluate the effectiveness of the Group's risk management and governance processes.

COMPLIANCE RISK

LEGAL COMPLIANCE

It is essential for Straumann to ensure that the company in general and the individual employees conduct business in a legal, ethical and responsible manner.

To this end, we have implemented a Code of Conduct since 2006. All employees are invited to report any breach of this internal policy to the Compliance Officer by e-mail or telephone. Infringements of the Code are tracked and appropriate measures taken against non-compliance.

We monitor new laws and revisions and adapt our internal processes to cover changed or new legal requirements.

Like other leading manufacturers, Straumann is exposed to the risk of public perception of dental implants being impaired by third parties, for example as a result of poor implant placement, inferior implant designs and quality, or unethical business practices.

Many Straumann country organizations are members of associations of manufacturers of medical/dental products, such as Advamed in the USA, Comident in France and Fenin in Spain. These associations stand for the advancement and safe and effective use of medical technology.

In 2012, we continued to implement the sales compliance program that was introduced in the major markets in 2010.

REGULATORY COMPLIANCE

Companies in the medical device industry face growing scrutiny from regulators around the world and increasing requirements for documentation – both for new and established products. Because Straumann already has substantial clinical data and research capabilities, this is not perceived as a risk. Furthermore, we have completed the documentation updates to meet new requirements for older products and we have implemented STED (Summary of Technical Documentation) to support compliance.

In Europe, the 2011 breast implant scandal and other compliance issues led to a call for tighter regulations and the 'Re-Cast' initiative. In 2012, the European Commission submitted new regulations to the European Parliament for review. Following this and approval from the European Council, member states will begin incorporating the regulations in their national laws, which is expected in five years' time.

The anticipated outcomes include greater surveillance, involvement of competent authorities for higher-class products, longer approval times, access to technical documentation, and further labeling requirements. We expect this will lead to a reduction in the number of Notified Bodies and an increase in their control.

Enforcement has increased in the USA, where the level of funding for FDA inspections and controls has risen. The 510(k) process for medical device regulation is under review, which has caused longer review times. One possible outcome is a requirement for more clinical evidence and validation documentation. As of 2013, the 'clock' for the 510(k) review process will not start until the FDA has reviewed and checked that the submission contains all the required elements. It is likely that overall review times will again increase.

In Asia/Pacific and the rest of the world, regulatory authorities have started to inspect manufacturers in foreign countries. Straumann was prepared for this and has built up experienced teams of regulatory specialists in Basel, the USA, and Japan. New laws took effect in China in 2012, requiring clinical data for dental implants.

Stricter requirements and regulations are also expected elsewhere in smaller markets, which will increase the need for enhanced compliance and safe and efficient products.

QUALITY COMPLIANCE

To avoid the risks associated with regulatory compliance, we employ a qualified team of quality and

ISO CERTIFICATION AND AUDITS IN 2012

Standard	Certification of	Institut Straumann AG (Basel, Gräfelfing, Chemnitz, Berlin)	Straumann Villeret SA	Biora AB (Malmö)	Straumann Manufacturing Inc. (Andover)	Straumann CADCAM GmbH, (Markkleeberg, Gräfelfing)
ISO 9001	Quality management system	Basel, Gräfelfing	No	No	No	No
ISO 13485	Medical device quality management system	Yes	Yes	Yes	Yes	Yes
ISO 14001	Environmental management system	No	Yes	Yes	Yes	No

All quality audits were successfully completed in 2012.

regulatory specialists. Focused quality objectives, supported by key quality performance indicators and comprehensive internal as well as supplier-related quality audit programs, assured our status of substantial compliance and helped to identify opportunities for improvements.

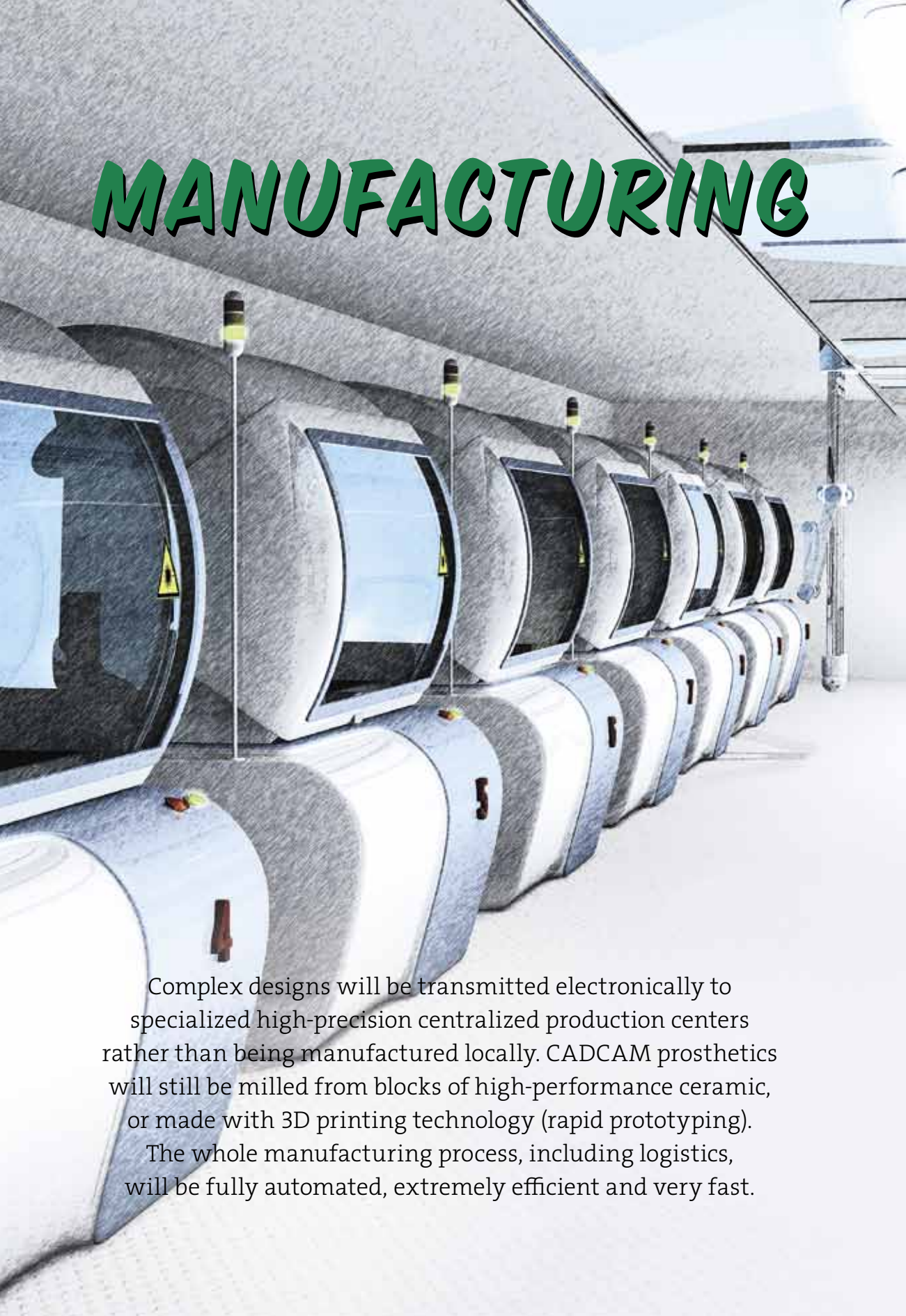
Stringent policies drive every step of product design, manufacturing and marketing across our businesses. Straumann has developed an audit program to ensure compliance with policies and procedures deployed at each manufacturing site. Many of our facilities have been certified to meet International Organization for Standardization (ISO) requirements for quality management (see table above).

In 2012, we successfully passed all Notified Body audits, which are required to maintain the certification status of the Quality- and Environmental Management Systems at our manufacturing and design/development sites.

Our Regeneratives manufacturing site in Malmö was inspected by the Health Authorities of Japan and Australia, while our Design and Development Center in Basel was inspected by the Brazilian Health Authority.

Overall, there were no critical issues with any authorities related to the status of the Quality and Environmental Management Systems at any of our sites.

MANUFACTURING

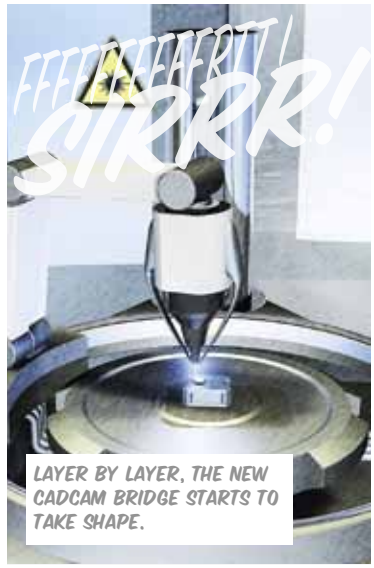


Complex designs will be transmitted electronically to specialized high-precision centralized production centers rather than being manufactured locally. CADCAM prosthetics will still be milled from blocks of high-performance ceramic, or made with 3D printing technology (rapid prototyping). The whole manufacturing process, including logistics, will be fully automated, extremely efficient and very fast.

THE DATA FOR THE FIVE-UNIT BRIDGE ARE TRANSMITTED VIA THE HYPERNET TO THE PRODUCTION FACILITY...

...WHERE THEY ARE ROUTED TO THE RELEVANT MACHINES.

THE PROSTHETICS ARE MANUFACTURED USING A 3D INDUSTRIAL PRINTER.



LAYER BY LAYER, THE NEW CADCAM BRIDGE STARTS TO TAKE SHAPE.

THE MANUFACTURING CENTER MILLS OR PRINTS PROSTHETICS WITH INDUSTRIAL-GRADE PRECISION AND QUALITY. THE FUNDAMENTAL PRINCIPLE OF 3D PRINTING IS ESSENTIALLY THE SAME AS THAT OF STANDARD PRINTING, EXCEPT THAT OTHER MATERIALS ARE USED INSTEAD OF INK. THE DEVICE CONVERTS 3D IMAGES INTO A SERIES OF CROSS-SECTIONAL LAYERS, WHICH IT THEN PRINTS ON TOP OF EACH OTHER UNTIL THE FINAL PROSTHETICS ARE PRODUCED WITHOUT CASTING, CUTTING, DRILLING, OR MACHINING.

THE FINAL BRIDGE IS PACKAGED BY A ROBOT AND SENT TO THE DENTAL PRACTICE OR DENTAL LABORATORY.

CONTINUED ON P. 128...

COMPENSATION REPORT

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Remuneration of the Board of Directors	123
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INTRODUCTION

This report provides an overview of Straumann's compensation principles and practices. It provides information on the overall compensation of the general staff, management, Executives and Directors in 2012. It explains the equity participation programs and discloses the equity participations in the company of the Executives and Directors.

In 2011, the Human Resources Committee of the Board of Directors conducted a comprehensive review of Straumann's overall approach to rewarding employees, including Board compensation. As a result, the company's remuneration system was redesigned. The new system was published in our 2011 Compensation Report, which was approved in a conciliatory vote by the shareholder's Annual General Meeting (AGM). The redesign was supported by external consultants from PricewaterhouseCoopers' Human Resources Consulting Practice, selected by Straumann through an extensive evaluation process considering several external specialists.

The new system is designed to further align the interests of leaders and staff throughout the company with those of our shareholders. Furthermore, it enhances Straumann's attractiveness as a global employer, helping us to recruit and retain an engaged workforce and to reward individuals according to clear targets. It encourages entrepreneurism, above-market performance, accountability and value creation, reflecting our core beliefs. The new compensation system is balanced, sustainable and in line with best practices.

Implementation is phased over two years, beginning with the Board of Directors, Executive and Senior Management in January 2012, and finishing with all other employees in January 2013. The following key activities were carried out in 2012:

- The compensation analysis carried out for Executive and Senior Management in 2011 was extended to the rest of the company in order to harmonize the overall pay mix structures across the Group (p. 115).
- The new short-term incentive scheme was introduced for Executive and Senior Management and will become applicable for all employees worldwide in 2013. This will lead to harmonized variable pay and a unified system of measures. In preparation for the new scheme, new employment contracts were issued for employees in 2012.
- A new performance share plan based on total shareholder return was implemented for Senior Management (p. 120).

REPORTING STANDARDS

This report meets the standards of the Corporate Governance Guidelines and discloses information about Directors' and Executives' compensation as well as loans made to them and their equity participations in the company. The presentation of Straumann's Corporate Governance reflects the principles of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss Business Federation, economiesuisse. In accordance with the IFRS financial reporting standards and Swiss law, the compensation paid/awarded to Directors and Executives is also presented in our audited Financial Report on p. F74.

RESPONSIBILITY FOR COMPENSATION

The Board of Directors appoints the Human Resources Committee (HRC), determines its responsibilities, and passes all resolutions on the company's compensation system. Straumann's HRC corresponds to the Compensation Committees in other companies and is entrusted with the design of the compensation system that applies to the Directors and the Executive Management. The HRC approves the compensation of the Executive Management Board. It also reviews the principles and programs for compensation, and ensures that the compensation paid by the company is based on market and performance-related criteria. The HRC reports to the Board of Directors on compensation practices as well as on Executive compensation at least once a year and proposes changes when necessary.

Compensation of	Approved by
Directors	Board of Directors / General Assembly*
Executive Management	Human Resources Committee / Board of Directors
Senior Management	Executive Management Board
Management and staff	Line Management

* Straumann's Compensation Report is presented to the Shareholders' General Meeting annually as a conciliatory vote.

Further information on the charter of the HRC can be found on p. 94 f in the section on Corporate Governance.

COMPENSATION PRINCIPLES

DRIVING VALUE THROUGH COMPENSATION

We are convinced that a compensation system based on value creation encourages sustainable performance, loyalty and entrepreneurship and is thus in the interest of management, employees and shareholders. We are committed to compensating our staff, management and Directors in a way that is competitive and rewards sustainable, long-term performance as well as present achievement.

It is Straumann's view that the success of a company depends largely on the quality of its people and their level of engagement. A modern compensation system is an important instrument for attracting, retaining and motivating talented people.

Straumann's compensation system takes the aforementioned factors into account in that it:

- Offers competitive salaries
- Fosters a high-performance culture that differentiates and rewards above-average individual performance, both in the short and long term
- Links variable long-term compensation to value generated by the company over the long term based on shareholder expectations
- Is benchmarked with other companies in the industry
- Provides employees with benefits based on good practices and regulations in local markets
- Is regularly reviewed and approved by the HRC.

COMPREHENSIVE BENCHMARKING

An important aspect of our global compensation and benefits policy is to pay employees, Executives and Directors a base compensation that is close to the median of comparable companies in the respective (local) market. The variable pay is set with the potential to move overall compensation toward the upper quartile for outstanding performance.

Benchmark reviews for the Executive Management are conducted for Straumann by external, independent specialists and include studies from Mercer and TowersWatson. Bespoke benchmarks include a peer group of comparable companies in various industries selected according to the following criteria:

- Comparable scope and business complexity
- Common geographic footprint
- Competitiveness for talent.

The benchmark for the CEO includes information from the Ethos study. The relevant peer group has been determined by the HRC including more than 20 companies from the Swiss mid-cap index SMIM.

ETHICAL, FAIR STANDARDS

We are committed to fair and equal treatment of all our employees and seek to be in full compliance with International Labor Standards. Compensation is not influenced by gender or by non-performance-related criteria other than specific professional experience. Minimum wage regulations have no bearing on our compensation policy, as our compensation clearly surpasses them.

COMPENSATION ELEMENTS

TOTAL COMPENSATION

Overall, Straumann spent CHF 310 million on compensation and benefits worldwide in 2012, which represents an average of CHF 122 000 per employee.

The total compensation of employees and managers comprises fixed and variable compensation components, the mix of which is defined by role, profile, location and strategic impact. For senior management, emphasis is placed on the long-term variable component, in line with our strategic goal of promoting 'ownership'.

FIXED COMPONENTS

In 2012, the fixed compensation elements included:

- Base salary
- Pension plans
  (depending on local practices / regulations)
- Other benefits
  (depending on local practices / regulations)

Base salary

Each Straumann employee receives a base salary based on:

- Job profile
- Experience and skills

SUMMARY OF OVERALL COMPENSATION 2012

	Fixed	Variable			Share participation plan
		Short-term incentive		Long-term incentive	
		Cash	Discounted shares		
General staff	Yes	Determined by bonus multiplier	No	No	Up to 100 offered to CH staff at 25% discount, blocked for two years
Management	Yes	Determined by bonus multiplier and individual multiplier	No	No	Up to 150 offered to CH staff at 25% discount, blocked for two years
Senior management	Yes		50% of bonus-above-target in shares at 33% discount	Yes	250–500 offered to CH staff at 25% discount, blocked for two years
Executive management	Yes	Determined by company, business/service unit and individual performance	No	Yes	Up to 1000 offered to CH staff at 25% discount, blocked for two years
CEO	Yes		No	Yes	
Directors	Annual fee	No	No	No	Part of annual fee allocated in non-discounted shares

- Comparison with external benchmarks
- Location and local regulations
- Strategic impact

Salary progression 2012–2013

Given the difficult market environment and cost pressures, in general no increases for Senior Management were granted for 2013. Only structural or very restrictive increases were allowed on a country basis.

Pension plans

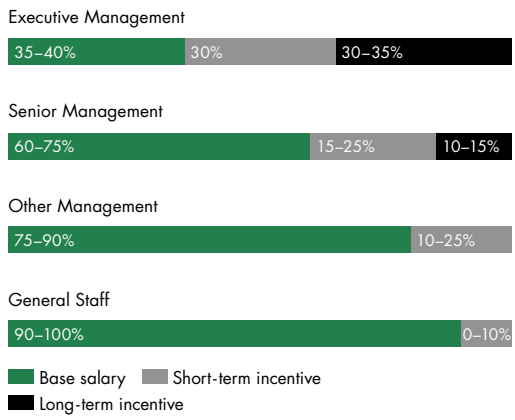
Internal analyses carried out in 2011 showed that Straumann companies fulfill local legal requirements and sometimes offer additional coverage in the framework of legal structures or on a voluntary basis. In most cases, pension obligations are fully funded. Where this is not the case (non-funded or partly funded), liabilities are reported in the Annual Report following the actuarial rules. The next review is scheduled for 2013.

Further information on pension plans is provided in Note 20 to the audited financial statements on p. F49 ff. Information on pension fund risks is provided in the Risk Analysis on p. 106.

Switzerland

Straumann administers two contribution-based pension funds in Switzerland, which together make up the occupational benefits at Straumann. The basic insurance plan offers protection against the financial

TARGET PAY MIX CORRIDOR



Starting in 2012, the compensation mix for Executive and Senior Management will shift further toward long-term variable remuneration, reflecting a greater emphasis on long-term decision-making and sustainability. Directors will receive fixed attendance fees (partly allocated in shares) in line with good practice.

consequences of old age, death and disability to all employees of Institut Straumann AG and Straumann Villeret S.A. For selected management with high variable compensation elements, there is an additional bonus insurance plan.

Europe

In other European countries, Straumann offers retirement insurance according to local practices. According to IFRS, the vast majority of European pension plans are considered funded or unfunded defined contribution plans.

USA

A 401k retirement plan is provided to all Straumann USA employees aged over 21 to enable them to save for retirement. The 401k plan is a defined contribution plan whereby (a) the employee has the option of making deferral elections from his/her pay on a pre-tax basis and (b) Straumann USA may make matching contributions should the employee elect to make deferral elections. The plan is a tax-qualified plan under the Employee Retirement Income Security Act.

In addition to the 401k, Straumann USA has a Supplemental Executive Retirement Plan (SERP) for a select management group. The purpose of this plan is to provide eligible employees with defined employer contributions and the opportunity to elect to defer receipt of certain compensation that otherwise would be payable to them in cash. The plan is intended to be a non-qualified, unfunded, deferred compensation arrangement for purposes of Title I of the Employee Retirement Income Security Act and is intended to comply with Section 409A of the Internal Revenue Code. According to IFRS, SERP is treated as a defined contribution plan.

Other benefits

Straumann's benefit programs are an integral part of the total compensation and are designed to enable the company to compete effectively for talent and retain it. Benefits are structured to support our overall business strategy, and are aligned with local legislation and practices.

Employee Share Participation Plan

All employees in Switzerland have the opportunity to purchase Straumann shares for 75% of the average share price over a period of seven trading days beginning on the 'ex-dividend' day (see table below).

Employees had the right to buy a minimum of ten and a maximum of 100 to 1000 shares in 2012, depending on hierarchical level (see table on p. 115). The shares are subject to a two-year blocking period starting on the 13th trading day after the 'ex-dividend' day, which is valid beyond the period of employment. They are dividend-bearing from the day of acquisition.

The employee share plans for 2010–2012 are summarized below:

	Employees participating	Shares issued	Discount share price at issue	End of lock-up period
2010	160	16 704	CHF 198	19.04.2012
2011	154	15 447	CHF 174	06.04.2013
2012	138	16 564	CHF 109	24.04.2014

The shares required for these plans are held by the Group as treasury shares.

The Board of Directors is not eligible for this program.

VARIABLE COMPONENTS

In 2012, the variable compensation components included one or more of the following:

- Performance-related short-term incentives
- Long-term incentives (Performance Share Plan)
- Discounted shares (blocked) for selected employees in Switzerland

Short-term incentive programs

The Group Bonus Plan applicable to employees in Switzerland is tied directly to the incremental improvement in economic profit generated by the company. In the case of management, bonuses are also tied to personal objectives. In addition, Senior Management was eligible for a variable compensation component according to the Group Bonus Plan, part of which may be granted in the form of Straumann shares.

In 2012, the Group's economic profit was impacted by exceptional factors, most notably the impairment of the Regenerative business and charges related to the cost reduction initiative. The Board of Directors de-

cided to exclude these factors in the bonus calculation for staff in Switzerland, who participate in the bonus plan. As a result, their bonus multiplier was one.

This correction does not apply for Executive and Senior Management, who have already transitioned to the new short-term incentive scheme; the portion of their short-term incentive tied to the economic profit corresponds to zero for 2012.

All other bonus plans for local entities are tied to local financial targets and are in line with local practices. Achievement factors were determined strictly based on local performance of the respective entity.

As previously mentioned, a new short-term incentive scheme was introduced in 2012 for Executive and Senior Management and will be extended to all staff globally in 2013. It seeks to overcome the shortcomings of the previous bonus scheme by further emphasizing individual performance and reducing the inherent volatility of the previous system.

The pay-out under the new short-term incentive scheme is based on a combination of the following performance criteria.

- Company performance
- Business/Service Unit performance
- Individual performance.

Company performance

While economic profit (EP) remains a key performance indicator for Straumann, the EP target will be set prior to the respective performance cycle, in absolute terms, based on medium-term business plans and the relevant budget. The Board of Directors in consultation with Executive Management will set the absolute target for EP in Swiss francs annually.

The main advantage of the economic profit (EP) concept is that it goes beyond revenue growth and profitability increase and takes into account the resources used to achieve these increases and the resulting additional capital costs. Economic profit is thus calculated by deducting a capital charge from the net operating profit after taxes (NOPAT). The Board may exclude certain extraordinary elements from the calculation of the EP.

The capital charge represents the cost of capital calculated on the basis of an average return expected by investors. This scheme (see illustration on next page) has been used to calculate Straumann's economic value added, which builds the basis for our bonus calculation model.

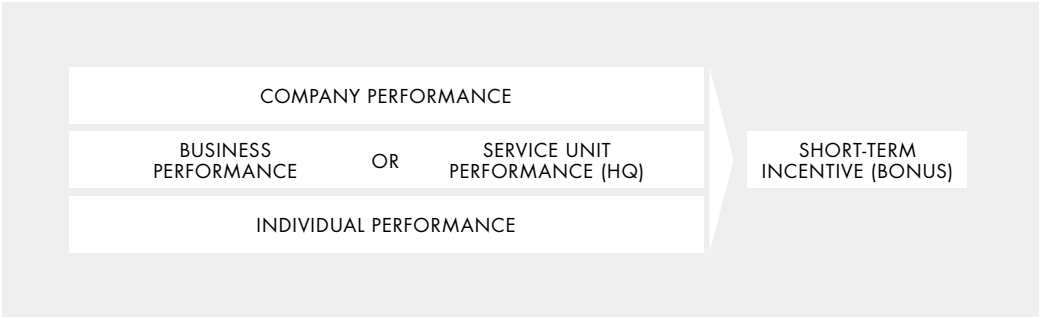
Business performance

Performance is measured by the target achievement of the respective organizational unit. These targets are derived from the annual budgets and set by the CEO together with the member of the Executive Management Board responsible for the respective organizational unit. The key performance indicators are 'contribution' and 'market performance'.

Service Unit performance

Service Unit performance is measured by the extent to which so-called functional targets relevant to an entire

TARGET ELEMENTS OVERVIEW



This illustration shows the various performance criteria applicable to different businesses or service units. The short-term incentive for all bonus scheme participants is based on a combination of these criteria.

VALUE-BASED MANAGEMENT – 2012 ECONOMIC PROFIT (VALUE ADDED)

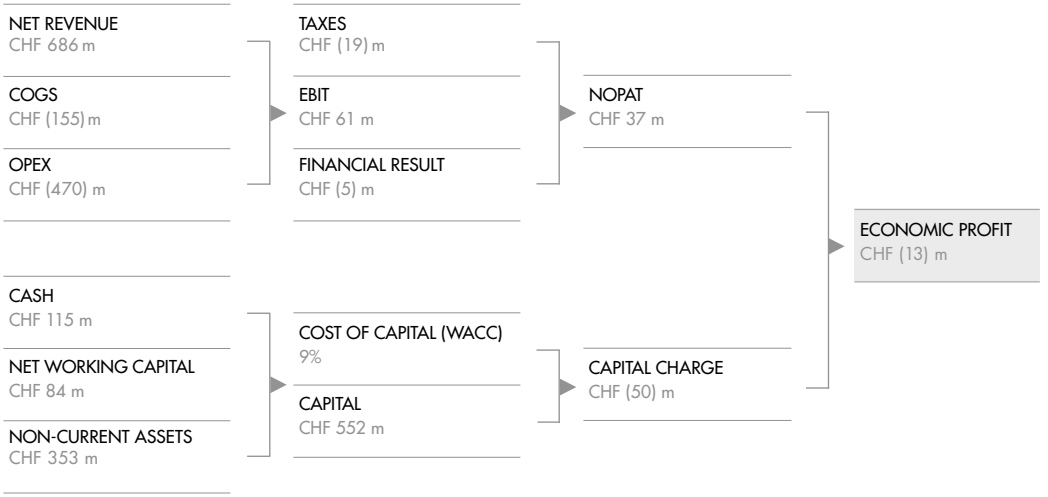


Chart showing the various components of economic profit (value added) in 2012. NOPAT = net operating profit after taxes; COGS = cost of goods sold; OPEX = operating expenses; EBIT = earnings before interest and taxes.

Service Unit are achieved. These targets are derived from the overall company strategy and are proposed by the Service Unit Head and approved by the CEO.

Individual performance

Individual performance is measured by the achievement of objectives established with the superior in the annual appraisal discussion. These may involve project targets, competency or skills development, contribution to team or departmental targets, etc. Individual targets are set and measured by the line manager during the annual performance appraisal. A global performance management system ensures that the objectives are defined and their achievement is assessed during performance appraisals conducted at least once a year.

Weighting of performance criteria

The weighting of the different targets depends on the role and responsibilities of the individual (see table opposite). Overall, there will be a stronger focus on individual targets as determined by management, making it possible to incentivize and reward above-average individual performance appropriately.

Measurement of achievement

Financial targets

The measurement scale for the achievement of financial targets (company and business targets) extends from 0% to a maximum of 200% and is based on a line joining three points as explained in the illustration opposite.

Individual and Service Unit targets

For individual and Service Unit target achievement, the assessment scale extends from 0–150%. It is based on descriptors with corresponding percentage ranges:

- Significantly exceeds expectations (131–150%)
- Exceeds expectations (111–130%)
- Fully meets expectations (91–110%)
- Partly meets expectations (51–90%)
- Does not meet expectations (0–50%)

Short-term incentive calculation examples for a business role

The examples on p. 120 show what level of short-term incentive a manager in a business role would expect to receive if the financial targets are achieved, missed or exceeded. The target of CHF 10 000 in the examples is purely for illustration purposes.

SHORT-TERM INCENTIVE TARGET WEIGHTING

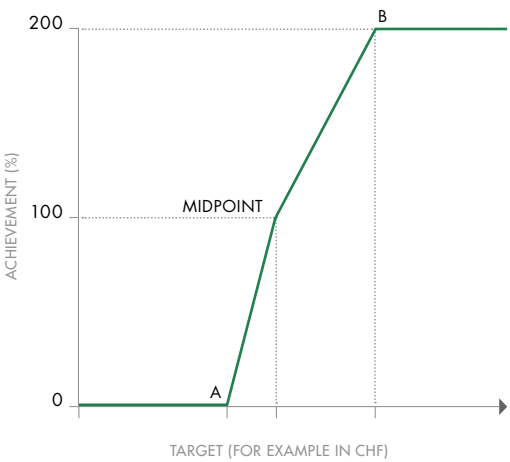
	Business employees			Service Unit employees		
	Company	Unit/department	Individual	Company	Unit/department	Individual
Chief Executive Officer	80%		20%			
Executive Vice President	40%	40%	20%	80%		20%
Senior Vice President	20%	60%	20%	40%	35%	25%
Vice President	15%	55%	30%	20%	50%	30%
Management (Director, Senior Manager, Manager)	10%	50%	40%	15%	50%	35%
Staff	10%	20%	70%	10%	45%	45%

This table shows the weighting of the different types of performance measures according to the level of the employee and the organizational unit the employee is working in.

Long-term incentive programs

The long-term incentive plan is offered to the Executive Management Board, Senior Management and other key employees depending on role, responsibility, location, strategic impact and market practice. Participation in the long-term incentive scheme is determined by the Board of Directors. The Board of Directors is not eligible for this program.

SHORT-TERM INCENTIVE TARGET ACHIEVEMENT (STI)



In the short-term incentive model, the scale for financial target achievement extends from 0% to a maximum of 200% and is based on a line joining three points: 0% (point A), 100% (midpoint) and 200% (point B). The difference on the horizontal axis between the midpoint and point B must be equal to, or greater than, the difference between the midpoint and point A. The actual target achievement is measured by way of linear interpolation.

Up to 2011, tradable options (non-tradable for US participants) with a term of six years and a two-year vesting period were allocated. The exercise price was equal to the share price on 31 December / 1 January. The value of the options was determined at grant date and is expensed as a personnel expense from service commencement to the end of the vesting period. The fair value of the options granted has been determined using the Black-Scholes valuation model. The calculation of the option value was performed by independent specialists.

In 2012, no further option allocations were made. The number of options outstanding under the stock option plan developed as follows:

OPTION PLAN

	2012	2011	2010
As of 1 January	325 000	272 797	260 795
Granted options	0	64 585	63 933
Exercised options	0	(4 562)	0
Forfeited options	(15 832)	(7 820)	(5 970)
Expired options	(48 492)	0	(45 961)
As of 31 December	260 676	325 000	272 797
Options available for exercise	152 520	152 405	97 582

INCENTIVE PAYOUT CALCULATION EXAMPLES

Target	Weight	Achievement %	Weighted Achievement %	Payout (Target incentive CHF 10 000)
At-target Performance				
Company performance	10%	100%	10.0%	1 000
Unit/department performance	50%	100%	50.0%	5 000
Individual performance	40%	100%	40.0%	4 000
Total	100%		100.0%	10 000
Underperformance				
Company performance	10%	0%	0.0%	0
Unit/department performance	50%	0%	0.0%	0
Individual performance	40%	50%	20.0%	2 000
Total	100%		20.0%	2 000
Overperformance				
Company performance	10%	200%	20.0%	2 000
Unit/department performance	50%	200%	100.0%	10 000
Individual performance	40%	150%	60.0%	6 000
Total	100%		180.0%	18 000

These examples show what level of short-term incentive a member of management could expect if the targets are met, missed or exceeded. The examples are merely illustrative.

In 2012, no options were exercised under the scheme.

	Options available for exercise	Options expiring at year-end
2012	152 520	48 492
2013	204 766	48 709
2014	211 967	55 204
2015	156 763	48 607
2016	108 156	52 246
2017	55 910	55 910
Total		309 168

Performance Share Plan

Over the past years, the overall value progression of the options awarded has been negative, which has a substantial impact on the overall compensation of the Executive and Senior Management.

In 2012, Straumann's existing option plan was therefore replaced by a new Performance Share Plan (PSP) with a different risk-payout profile. The instrument is designed to:

- Offer an attractive variable compensation element linked to total shareholder return
- Promote participation in the sustainable long-term value creation of the company
- Increase shareholdings of key employees
- Align participants' interests with those of the shareholders.

Predetermined transition rules were used to replace the existing option plan to ensure equitable and fair treatment of participants. As part of the total pay mix strategy, short-term incentive participation levels were decreased in favor of the long-term incentive participation.

Grant

Under the new plan, participants are granted Performance Share Units (PSUs) entitling them to receive shares after a three-year vesting period. PSUs are granted once a year after the Annual General Meeting of shareholders. No cash investment is required from the participants. The number of PSUs granted is equal

VALUE DEVELOPMENT OF OPTIONS

	Grant	Vesting	Value at grant	Value at vesting	Value 31.12.12
STMLG* WT 12.13 (STMN13)	2007	2009	89.00	52.50	0.50
STMKW* WT 12.14 (STMN14)	2008	2010	57.50	57.50	1.00
STMMA* WT 12.15 (STMN15)	2009	2011	77.00	6.00	0.50
STMNCC* WT 12.16 (STMN16)	2010	2012	53.50	3.00	3.00
STMNCS* WT 12.17 (STMN17)	2011	2013	38.00	not vested	not vested

to the participant's long-term incentive value divided by the fair value of one PSU at the grant date. The long-term incentive target value is a percentage of the total target compensation, which is determined in accordance with the participant's role in the organization.

Allocation of shares

At the end of the performance period, the PSUs are irrevocably 'acquired' (vested) and converted into shares. They are forfeited if the individual leaves the company before they vest.

The number of shares allocated per PSU depends on the achievement of an absolute total shareholder return (TSR) target, which is determined by the Board of Directors and is set at 10% per annum for the three-year performance period. Performance against the TSR target is calculated using the average of the closing prices of the underlying share over the period of seven trading days starting on the ex-dividend date in the year of grant and in the year of vesting. The achievement factor is capped at 200%.

Total shareholder return

Total shareholder return is the profit (or loss) realized by an investment at the end of a year or specific period. It includes capital gains or losses from changes in the share price and dividends.

PSU fair value

The fair value of the PSUs granted has been determined using a Monte Carlo simulation algorithm. The valuation was performed by independent specialists, applying the following significant inputs into the model:

Grant date	18.04.2012
Vesting date	17.04.2015
Reference price at grant	CHF 145.74
Risk-free interest rate	0.18% p.a.
Expected volatility	29.58% p.a.
Expected dividend yield*	0%
Estimated fair value	CHF 110.25

*Assumed immediate reinvestment of dividend payment

SUMMARY OF ALL VALID WARRANTS ISSUED IN THE STRAUMANN STOCK OPTION PLAN

Name/symbol	Year	Security ID number	Market maker	Type/ratio	Number	Strike price	Expiry
STMLG* Wt 12.13 (STMN13)	2007	3669084	Credit Suisse Derivatives	American 50:1	2 631 250	312.25	12.2013
STMKW* Wt 12.14 (STMN14)	2008	4935845	Credit Suisse Derivatives	American 50:1	2 314 700	185.50	12.2014
STMMA* Wt 12.15 (STMN15)	2009	10848946	Credit Suisse Derivatives	American 50:1	2 016 450	292.50	12.2015
STMNCC* Wt 12.16 (STMN16)	2010	12217893	Credit Suisse Derivatives	American 50:1	2 278 450	214.00	12.2016
STMNCS* Wt 12.17 (STMN17)	2011	14630069	Credit Suisse Derivatives	American 50:1	2 226 400	162.10	12.2017
Total valid warrants issued					13 651 500		

*Traded on the SIX Swiss Exchange.

OUTSTANDING PERFORMANCE SHARE UNITS

	2012
As of 1 January	0
Granted PSUs	41 747
Exercised	0
Forfeited PSUs	(8 853)
Expired PSUs	0
As of 31 December	32 894

REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD

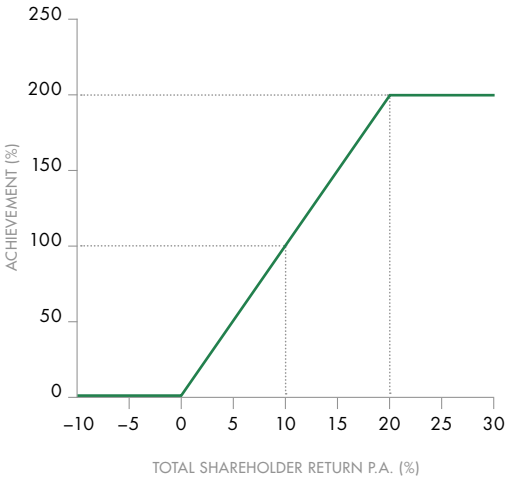
The tables on p. 125 show the compensation paid to the Executive Management Board (EMB) in 2012 in accordance with Articles 663b^{bis} and 663c of the Swiss Code of Obligations.

To represent the Regions and leading Business Units at top management level, the Executive Management Board was expanded on 1 January 2012 from four to seven members as part of a new organizational design. Beat Spalinger (CEO), Thomas Dressendörfer (CFO), and Dr Sandro Matter (Head Business Unit Prosthetics) were joined by Dr René Willi (Head Business Unit Surgical), Frank Hemm (Head Sales EMEA & LATAM) and Andy Molnar (Head Sales North America). Alexander Ochsner joined Straumann on 1 September 2012, as Head Sales Asia Pacific. Until his arrival, the position was filled by the CEO ad interim.

Franz Maier, Head of Global Sales, decided to leave the company to pursue his career outside Straumann. With effect of 1 January 2012, he relinquished his position as member of the Executive Management Board. In line with his contractual agreement, the monthly salary and relevant social contributions were paid until 31 December 2012. For 2012, Mr Maier will receive a bonus in line with the Group Bonus Plan. In line with the relevant regulations, he will not receive any PSUs for 2012. Vested options may be exercised in line with the relevant option plan. Mr Maier has forfeited options that would have vested on 1 January 2014.

On 4 January 2013, Straumann announced that Beat Spalinger was leaving the company by mutual agreement. He relinquished his position at the same time. His compensation in 2012 is disclosed on p. 125 and in the audited financial statements. His compensation for 2013 will be in line with his employment contract, with no severance payment.

SHARE ALLOCATION BASED ON PERFORMANCE SHARE UNITS AND TOTAL SHAREHOLDER RETURN



The new compensation model awards shares according to the number of PSUs allocated and the total shareholder return achieved per annum over a three-year vesting period. At the end of the performance period, no shares will be allocated for a TSR of 0% p.a. or less; one share will be granted per vested PSU if the TSR is +10% p.a. and two shares per vested PSU for a TSR of +20% p.a. or more (capped at 200%). For a TSR between 0% and 10% p.a. or between 10% and 20% p.a., the number of shares allocated per vested PSU is calculated on a linear basis.

The new CEO, Marco Gadola, is will join the company on 1 March 2013. His compensation will be in line with that of the outgoing CEO. He will receive a one-time payment to compensate for the benefits forfeited through resignation from his previous employment.

The Chairman of the Board, Gilbert Achermann, is acting as CEO for the interregnum.

All members of the Executive Management are subject to the new short-term and long-term incentive plans as described earlier. The total compensation of existing Executive Management Board members was not adjusted in 2012. However, shifts were made from short- to long-term incentives in order to reflect the desired mix in variable compensation and to emphasize their

long-term commitment in their roles. Compensation for new Executive Management Board members was set according to the responsibility of the respective roles; it is based on external benchmarks and is in line with the new remuneration model.

None of the Executive Management Board members received any compensation from the Straumann Group of companies other than that set out.

LOANS TO EXECUTIVE MANAGEMENT

In 2012, no loans, advances or credits were granted to any member of the Executive Management Board.

SHAREHOLDINGS OF THE EXECUTIVE MANAGEMENT BOARD

The shareholdings in Straumann shares and stock options of the members of the Executive Management Board who held office at the end of the year 2012 are shown on p. 126 f. The shareholdings reflect private transactions, whereas the stock options reflect options received and held under the Group's compensation plans.

REMUNERATION OF THE BOARD OF DIRECTORS

There were no changes to the Board of Directors and its Committees in 2012. The compensation policy for 2012 further aligned Directors' compensation with current market practices.

In 2012, Directors were entitled to fixed attendance fees reflecting their roles, responsibilities and expected working time. They did not receive a variable compensation component. 75% of the attendance fee was paid in cash, the remaining 25% will be provided in Straumann shares at the end of the relevant service period, i.e. in April 2013. The shares are allocated at market value; no discount is granted and they are blocked for two years. The market value is equal to the average closing price on the SIX Swiss Stock Exchange over the seven trading days calculated from and starting on the ex-dividend day (in line with the Employee Share Participation Plan).

Irrespective of role, all Directors are entitled to reimbursement from the company for their reasonable travel to and from Board meetings, or on behalf of the Board, and other expenses incident thereto, in accordance with the Expense Regulations for members of the Board of Directors of Straumann Holding AG.

The compensation of the Board of Directors is laid out in the tables on p. 125 in accordance with Articles 663b^{bis} and 663c of the Swiss Code of Obligations. None of the Board members received any compensation from the Straumann Group of companies other than that presented in those tables.

SENIOR MANAGEMENT COMPENSATION ELEMENTS (EXAMPLES)

in 1 000 CHF	Base salary	Short-term incentive (STI)	Long-term incentive (LTI)	Total
Target compensation at grant	240	100	60	400
Target compensation depending on performance				
At target performance[1]	240	100	100	440
Minimum performance[2]	240	0	0	240
Maximum performance[3]	240	190	261	691

[1] STI: Financial and individual performance 100%; LTI performance: 100%.
[2] STI: Financial and individual performance 0%; LTI performance: 0%.
[3] STI: Financial performance 200%, individual performance: 150%; LTI performance: 200%.

This illustrative example shows the developments of the compensation elements for a member of senior management depending on performance level under the new compensation system. Variable compensation values assume full-year participation in STI and three-year participation in LTI plans.

COMPENSATION PAID TO FORMER DIRECTORS

In 2012, no payments to former members of the Board were made.

LOANS TO MEMBERS OF THE BOARD OF DIRECTORS

In 2012, no loans, advances or credits were granted to any member of the Board of Directors.

APPROVAL OF THE COMPENSATION REPORT

This compensation report provides comprehensive transparency with regard to the company's general compensation principles and in particular to the compensation of the Executive Management Board and the Board of Directors. The Board of Directors will present this report to the shareholders for a conciliatory vote at the Shareholders' General Meeting.

2012

(in CHF 1 000)	Fixed compensation			Other compensation	Total compensation
Board of Directors					
Gilbert Achermann (Chairman)	840			143	983
Dr h.c. Thomas Straumann (Vice Chairman)	366			21	387
Dr Sebastian Burckhardt	236			14	250
Dominik Ellenrieder	236			14	250
Roland Hess (Chairman Audit Committee)	288			14	302
Ulrich Looser (Chairman Strategy Committee)	288			17	305
Dr Beat Lüthi	236			17	253
Stefan Meister (Chairman HR Committee)	288			17	305
Total	2 778			257	3 035

(in CHF 1 000)	Fixed compensation	Performance bonus	Performance share units	Other compensation	Total compensation
Executive Management Board					
Beat Spalinger (President & CEO)	750	131	0	197	1 078
Other members (5; 6 as of 01.09.2012)	1 953	684	1 021	623	4 281
Former members	513	275	0	164	952
Total	3 216	1 090	1 021	984	6 311
Total	5 994	1 090	1 021	1 241	9 346

2011

(in CHF 1 000)	Fixed compensation	Performance bonus		Other compensation	Total compensation
Board of Directors					
Gilbert Achermann (Chairman)	555	225		148	928
Dr h.c. Thomas Straumann (Vice Chairman)	211	100		18	329
Dr Sebastian Burckhardt	159	50		13	222
Dominik Ellenrieder	159	50		13	222
Roland Hess (Chairman Audit Committee)	212	50		16	278
Ulrich Looser (Chairman Strategy Committee)	212	50		16	278
Dr Beat Lüthi	159	50		13	222
Stefan Meister (Chairman HR Committee)	226	50		4	280
Total	1 893	625		241	2 759

(in CHF 1 000)	Fixed compensation	Performance bonus	Options	Other compensation	Total compensation
Executive Management Board					
Beat Spalinger (President & CEO)	750	503[1]	380	241	1 874
Other members (2; 3 as of 01.11.2011)	1 028	455	288	369	2 140
Former members	305	150	0	84	539
Total	2 083	1 108	668	694	4 553
Total	3 976	1 733	668	935	7 312

[1] of which CHF 102 500 belong to the 2010 service period

The following tables show the equity holdings in Straumann Holding AG of the Board of Directors and Executive Management Board and their related parties in line with articles 663b^{bis} and 663c of the Swiss Code of Obligations.

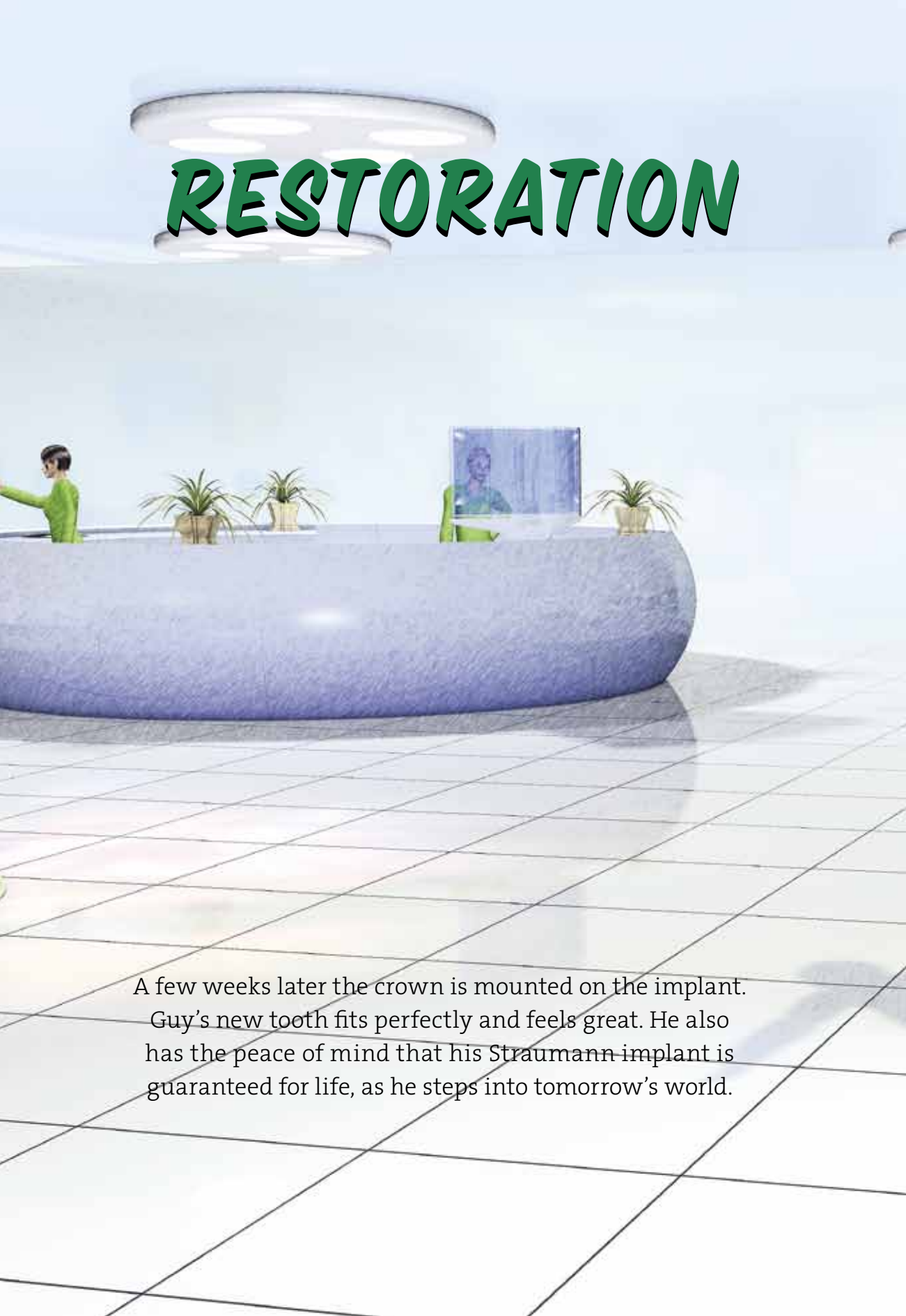
2012

	Shares	Options			PSUs
		Vested	1 Jan 2013	1 Jan 2014	17 Apr 2015
Board of Directors					
Gilbert Achermann	14 714	3 000	7 500	0	
Dr h.c. Thomas Straumann	2 720 548	2 000	0	0	
Dr Sebastian Burckhardt	3 266	2 000	0	0	
Dominik Ellenrieder	1 656	2 000	0	0	
Roland Hess	1 120	0	0	0	
Ulrich Looser	320	0	0	0	
Dr Beat Lüthi	120	0	0	0	
Stefan Meister	120	0	0	0	
Total	2 741 864	9 000	7 500	0	
Executive Management Board					
Beat Spalinger	9 156	3 500	5 375	10 000	0
Thomas Dressendörfer	1 800	0	0	584	2 740
Dr Sandro Matter	1 822	9 500	3 500	3 500	2 540
Dr René Willi	1 617	1 000	1 000	1 000	1 588
Frank Hemm	1 022	0	1 000	1 000	1 588
Andy Molnar	162	0	625	1 500	750
Dr Alexander Ochsner	0	0	0	0	0
Total	15 579	14 000	11 500	17 584	9 206
Total	2 757 443	23 000	19 000	17 584	9 206

2011

	Shares	Options			
		Vested	1 Jan 2012	1 Jan 2013	1 Jan 2014
Board of Directors					
Gilbert Achermann	15 464	0	6 000	7 500	0
Dr h.c. Thomas Straumann	4 283 638	3 000	0	0	0
Dr Sebastian Burckhardt	3 266	3 000	0	0	0
Dominik Ellenrieder	1 656	3 000	0	0	0
Roland Hess	620	0	0	0	0
Ulrich Looser	320	0	0	0	0
Dr Beat Lüthi	120	0	0	0	0
Stefan Meister	120	0	0	0	0
Total	4 305 204	9 000	6 000	7 500	0
Executive Management Board					
Beat Spalinger	6 156	0	3 500	5 375	10 000
Thomas Dressendörfer	0	0	0	0	584
Dr Sandro Matter	1 322	7 500	3 500	3 500	3 500
Franz Maier	5 529	0	3 500	3 500	3 500
Total	13 007	7 500	10 500	12 375	17 584
Total	4 318 211	16 500	16 500	19 875	17 584

RESTORATION



A few weeks later the crown is mounted on the implant. Guy's new tooth fits perfectly and feels great. He also has the peace of mind that his Straumann implant is guaranteed for life, as he steps into tomorrow's world.

FINANCIAL SUMMARY AND INFORMATION FOR INVESTORS

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MANAGEMENT SUMMARY

Measures to lift operating margin significantly in the mid term

MARKET RECOVERY HELD BACK

Following positive developments in the prior year, the markets for implant, restorative and regenerative dentistry collectively contracted in 2012 mainly due to the economic situation in Europe. This, together with the difficult environment in Japan and disruption in the Middle East, significantly depressed Straumann's sales. North America and other key growth markets like China and Brazil performed well but were unable to offset the shortfalls elsewhere (see p. 28 f for regional performance).

BUSINESS PERFORMANCE

Group revenue for the full-year reached CHF 686 million, down just less than 2% in local currencies or 1% in Swiss francs, reflecting the first overall positive currency effect since 2007. Straumann's largest business, implants, succeeded in stabilizing sales, while the restorative business (CADCAM/digital) fell short of its strong prior-year performance. Regeneratives, on the other hand posted another year of solid growth.

OPERATIONS AND FINANCES

In addition to the softer top line, the following factors were responsible for constrained profits:

- Continued investment in Sales & Marketing to capture growth potential in underpenetrated markets
- Higher investments in Research & Development to drive significant projects
- A goodwill impairment charge related to the regenerative business
- One-time charges related to cost optimization initiatives and severances.

The latter two are referred to below as 'exceptionals'.

GROSS MARGIN IMPROVES TO 78%

Excluding exceptionals of CHF 3 million, gross profit stood at CHF 534 million, CHF 6 million higher than in 2011. This was thanks to price increases, manufacturing efficiency gains, and a favorable business mix (lower scanner sales). Collectively these compensated for the reduction in volumes. The corresponding gross margin expanded 170 base points to 78%.

OPERATING PROFIT CONSTRAINED

In October, the Straumann announced measures to improve its cost structure without compromising its growth prospects. Redundancies could not be avoided and social responsibilities and obligations were met. The cost-optimization initiatives and severances resulted in an exceptional charge of CHF 18 million.

Implementing the new organizational design was a major undertaking in 2012. It involved major changes in Sales, Products, Services and other areas, including the creation of business units with greater autonomy and dedicated sales forces. One consequence of this is that the smallest business, Regeneratives took on additional responsibilities and activities that were previously shared. Although this is a very successful business in an attractive market, resources and investments are necessary to fuel dynamic growth and gain market share. In view of this, Straumann reduced its projection for cash-flow/returns in the segment, which triggered a goodwill impairment of CHF 21 million in the second half of 2012.

A year earlier, in 2011, developments in Japan triggered an impairment of intangible assets. Excluding

KEY PERFORMANCE FIGURES

	2012		2011	
	Reported	Excluding exceptionals	Reported	Excluding exceptionals
Net revenue (CHF m)	686.3		693.6	
Gross profit margin (%)	77.5	77.9	76.2	
EBITDA margin (%)	17.1	19.0	22.7	
EBIT margin (%)	8.9	14.5	11.5	17.3
Net profit margin (%)	5.3		10.2	

'Exceptionals' comprise the following: In 2011, the impairment of intangible assets in Japan of CHF 40m (and related tax effect); in 2012, the goodwill impairment of CHF 21m relating to the global Regenerative business, and charges of CHF 18m related to the Group's cost optimization program and severances.

this and the aforementioned exceptionals in 2012, operating expenses increased CHF 26 million to CHF 437 million. CHF 5 million of the increase were related to the reorganization project and the Neodent transaction in the first half of the year.

SG&A

Reported Selling, General & Administrative costs rose to CHF 424 million mainly due to the impairment of CHF 21 million and a charge of CHF 15 million related to cost optimization and severances.

R&D

Research & Development investments increased to CHF 49 million or 7% of revenue, reflecting the Group's commitment to innovation. It also reflects the fact that Straumann has expanded its development activities in digital solutions, in addition to maintaining a stocked R&D pipeline.

Due to the abovementioned items, earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals slid CHF 27 million to CHF 130 million, or 19% of sales.

After ordinary amortization and depreciation charges of approximately CHF 35 million, operating profit (EBIT) excluding exceptionals amounted to CHF 100 million in comparison with CHF 120 million in 2011. Currency movements had no significant impact. The corresponding EBIT margin was 15%, slightly less than 3 percentage points lower than in the prior year.

NET PROFIT MARGIN REACHES 11% (EXCLUDING EXCEPTIONALS)

The net financial result was slightly positive compared with a negative CHF 2 million in 2011.

The contributions from Neodent and Dental Wings (of which Straumann holds 49% and 44% respectively) are disclosed in the income statement under 'Share of result of associates' (pp. F38 f). Together they contributed a positive CHF 7 million. However, considering amortization charges as part of the purchase-price allocation, the share of profit from the two entities was a negative CHF 6 million[1]. Going forward, these investments are expected to be accretive to IFRS earnings in 2013.

Income taxes came to CHF 19 million, CHF 12 million more than in 2011, when the tax rate of 9% was considerably reduced due to impairment of the intangible assets in Japan.

Taking the aforementioned factors and exceptionals into account, reported net profit amounted to CHF 36 million, with the corresponding margin reaching 5%. Basic earnings per share amounted to CHF 2.36.

IMPROVED WORKING CAPITAL

Net cash from operating activities decreased 18% to CHF 115 million, owing to: higher tax payments in the period, severance contributions, and increased operating expenses. Year on year, the change in net working capital improved by CHF 7 million due to a reduction in trade receivables and an increase in payables. With

capital expenditure remaining more or less constant at CHF 19 million, free cash flow amounted to CHF 95 million and the respective margin was 14%.

The purchase consideration for the 49% stake in Neodent amounted to CHF 261 million. Straumann also paid CHF 5 million for the 14% increase in its stake in Dental Wings. Net cash used for financing activities totaled CHF 63 million after the payment of CHF 58 million for the ordinary dividend. Consequently, cash and cash equivalents at the end of 2012 amounted to CHF 141 million. The equity ratio amounted to 82% at the end of 2012.

DIVIDEND UNCHANGED

The Board of Directors will propose an ordinary dividend of CHF 3.75 per share to the Shareholders at the Annual General Meeting on 5 April 2013.

OUTLOOK 2013 (BARRING UNFORESEEN CIRCUMSTANCES)

Straumann's performance is expected to face continuing constraints due to the economy and consumer sentiment in Europe, while growth markets like North America, China and Brazil should continue to perform well. The Group will continue to invest selectively in such growth markets.

Based on the overall business fundamentals, strategic plan and the outcome of its cost optimization program, the Group assumes that it will be able to deliver improved profit levels in 2013, even if the market remains sluggish. In the mid term, it aims to return to solid growth and to restore operating margin to a significantly higher level.

FOOTNOTE

1 In 2012, the IFRS value was impacted by a one-time expense on the fair-value adjustment of the inventory.

Interview

THOMAS DRESSENDÖRFER
Chief Financial Officer,
Chief Risk Officer

Has the re-organization meant accounting changes?
It affected our internal management information system and reporting structure. We had to adapt our external segment reporting to reflect our internal structure. The changes were made during the year, making it difficult to interpret the segment information as several transactions fell into different reported segments in 2012. Also, it was not possible to recreate the new segment reporting information for 2011, limiting our ability to provide comparative information. On the other hand, it increases transparency.

How will the changes regarding retirement obligations (IAS 19) affect equity and 2013 earnings?
As we applied the corridor method up to 2012, our equity position will be reduced by the application of the revised standard. But given the total shareholder equity of CHF 631 million, this will not substantially change our equity-related ratios.

Why did you stop the share purchase program?
Our aim was to reduce our high cash position. Meanwhile, our investments in Neodent and Dental Wings reduced our liquidity by CHF 266 million.

When will your staged acquisition of Neodent be profit accretive?
Neodent is growing nicely and is very successful financially. The 2012 profit contribution to Straumann was reduced significantly by the short-term effects of the IFRS purchase price allocation, i.e. amortization of the inventory step-up to fair value. This won't recur in 2013, when we expect a positive contribution to IFRS earnings.

What currency effect do you expect in 2013?
Little – assuming the Swiss National Bank maintains the euro above CHF 1.20.

FIVE-YEAR OVERVIEW

OPERATING PERFORMANCE

(in CHF million)	2008	2009	2010	2011	2012
Net revenue	778.7	736.4	737.6	693.6	686.3
Growth in %	9.1	(5.4)	0.2	(6.0)	(1.1)
Gross profit	631.5	586.8	587.0	528.5	531.5
Margin in %	81.1	79.7	79.6	76.2	77.5
Operating result before depreciation and amortization (EBITDA)	274.1	218.3	211.9	157.4	117.4
Margin in %	35.2	29.6	28.7	22.7	17.1
Growth in %	12.3	(20.3)	(2.9)	(25.7)	(25.4)
Operating result before amortization (EBITA)	240.6	187.9	185.0	131.9	89.5
Margin in %	30.9	25.5	25.1	19.0	13.0
Growth in %	10.1	(21.9)	(1.6)	(28.7)	(32.1)
Operating profit (EBIT)	40.4	165.3	164.3	79.9	61.0
Margin in %	5.2	22.5	22.3	11.5	8.9
Growth in %	(80.0)	309.2	(0.6)	(51.4)	(23.7)
Net profit	8.2	146.4	131.1	71.0	36.4
Margin in %	1.1	19.9	17.8	10.2	5.3
Growth in %	(95.4)	1 693.2	(10.4)	(45.9)	(48.6)
Basic earnings per share (in CHF)	0.52	9.38	8.37	4.54	2.36
Value added / economic profit	(48.0)	96.1	88.4	29.7	(12.5)
Change in value added	(177.4)	144.1	(7.6)	(58.7)	(42.2)
Change in value added in %	(137.1)	300.2	(8.0)	(66.4)	(142.2)
in % of net revenue	(6.2)	13.0	12.0	4.3	(1.8)
Number of employees (year-end)	2 201	2 170	2 361	2 452	2 517
Number of employees (average)	2 141	2 162	2 287	2 415	2 530
Sales per employee (average) in CHF 1 000	364	341	323	287	271

FINANCIAL PERFORMANCE

(in CHF million)	2008	2009	2010	2011	2012
Cash and cash equivalents	147.9	261.6	349.6	377.1	140.5
Net working capital (net of cash)	88.8	60.8	74.5	68.8	63.0
in % of revenue	11.4	8.2	10.1	9.9	9.2
Inventories	84.0	71.5	73.1	67.0	63.6
Days of supplies	237	159	158	123	152
Trade receivables	96.6	95.4	92.3	94.1	91.8
Days of sales outstanding	46	47	45	48	49
Balance sheet total	728.2	802.9	853.9	811.3	772.6
Return on assets in % (ROA)	1.0	19.1	15.8	8.5	4.6
Equity	537.7	635.4	695.6	671.1	631.2
Equity ratio in %	73.8	79.1	81.5	82.7	81.7
Return on equity in % (ROE)	1.4	25.0	19.7	10.4	5.6
Capital employed	417.8	363.7	337.7	273.1	221.7
Return on capital employed in % (ROCE)	9.7	42.5	46.9	26.2	24.7
Cash generated from operating activities	198.8	245.1	175.8	140.2	114.6
in % of revenue	25.5	33.2	23.8	20.2	16.7
Investments	(73.2)	(38.2)	(22.9)	(25.9)	(286.1)
in % of revenue	9.4	5.2	3.1	3.7	41.7
thereof capital expenditures	(55.4)	(31.4)	(22.1)	(19.4)	(19.4)
thereof business combinations related	(17.8)	(6.9)	(0.7)	(0.4)	(0.7)
thereof investments in associates				(6.1)	(266.0)
Free cash flow	144.4	214.7	154.2	121.1	95.2
in % of revenue	18.5	29.1	20.9	17.5	13.9
Dividend (2012: subject to shareholders' approval)	58.4	58.7	58.8	58.0	57.9
Pay-out ratio in % (excluding exceptionals)	32.6	40.1	44.8	59.4	76.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in CHF 1 000)	31 Dec 2012	31 Dec 2011
Tangible fixed assets	104 042	118 088
Intangible assets	75 595	100 740
Investments in associates	249 239	6 624
Deferred income tax assets	24 235	26 410
Other non-current assets	2 769	3 391
Total non-current assets	455 880	255 253
Inventories	63 636	67 010
Trade and other receivables	104 447	109 898
Other current assets	8 140	2 051
Cash and cash equivalents	140 504	377 053
Total current assets	316 727	556 012
Total assets	772 607	811 265

EQUITY AND LIABILITIES

(in CHF 1 000)	31 Dec 2012	31 Dec 2011
Equity	631 206	671 118
Provisions	13 467	8 817
Deferred income tax liabilities	10 888	12 343
Other non-current liabilities	10 032	8 090
Total non-current liabilities	34 387	29 250
Trade and other payables	93 964	89 656
Provisions	2 602	1 034
Other current liabilities	10 448	20 207
Total current liabilities	107 014	110 897
Total liabilities	141 401	140 147
Total equity and liabilities	772 607	811 265

CONDENSED CONSOLIDATED INCOME STATEMENT

(in CHF 1 000)	2012	2011
Revenue	686 253	693 581
Cost of goods sold	(154 733)	(165 044)
Gross profit	531 520	528 537
Other income	1 763	2 673
Selling and administrative costs	(423 607)	(412 274)
Research and development costs	(48 666)	(39 016)
Operating profit	61 010	79 920
Finance income	16 693	29 078
Finance expense	(16 057)	(31 570)
Share of result of associates	(5 743)	179
Profit before income tax	55 903	77 607
Income tax expense	(19 465)	(6 655)
Net profit	36 438	70 952
Attributable to:		
Shareholders of the parent company	36 438	70 952
Basic earnings per share (in CHF)	2.36	4.54
Diluted earnings per share (in CHF)	2.36	4.54

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(in CHF 1 000)	2012	2011
Net profit	36 438	70 952
Depreciation of tangible fixed assets	27 404	25 498
Amortization of intangible assets	7 488	11 726
Impairment charges	21 520	40 239
Other non-cash items of income and expense	10 861	(11 699)
Changes in net working capital	10 849	3 500
Net cash from operating activities	114 560	140 216
Capital expenditures	(19 426)	(19 422)
Purchase of investments in associates	(265 973)	(6 092)
Contingent consideration paid	(740)	(431)
Other cash flows from investing activities	591	329
Net cash used in investing activities	(285 548)	(25 616)
Dividends paid	(58 033)	(58 762)
Purchase of treasury shares	(6 637)	(34 741)
Sale of treasury shares	1 687	2 682
Other cash flows used in financing activities	(507)	974
Net cash used in financing activities	(63 490)	(89 847)
Exchange rate differences on cash held	(2 071)	2 697
Net (decrease) / increase in cash and cash equivalents	(236 549)	27 450
Cash and cash equivalents at 1 January	377 053	349 603
Cash and cash equivalents at 31 December	140 504	377 053

For further explanation please see the Financial Report, published as a separate volume.

TREND ANALYSIS

STRAUMANN HAS OUTPERFORMED IN DIFFICULT MARKETS

* Market share-weighted growth rates of Zimmer, Nobel Biocare, Dentsply und Biomet/3i.
Source: Published company data and comments.

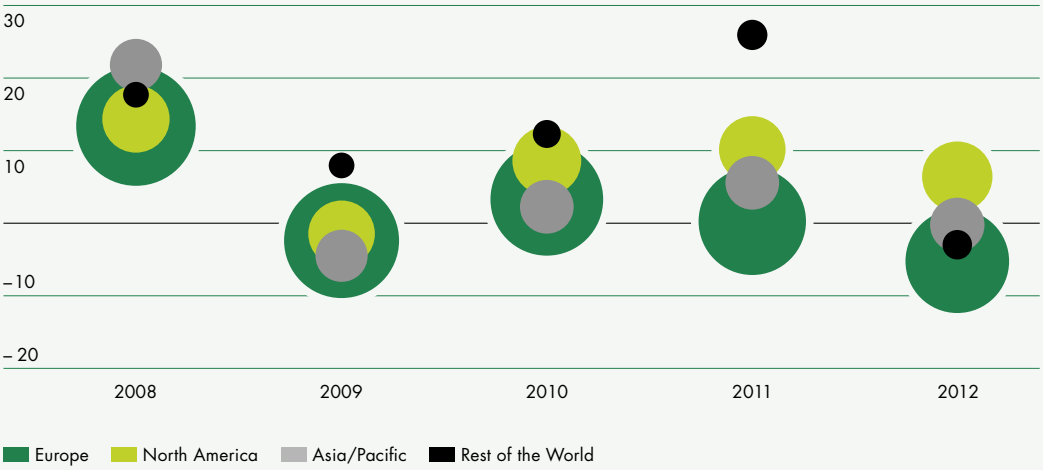
MARKET AND INDUSTRY

The global market for tooth replacement has stagnated over the past five years, unable to recapture the highly attractive double-digit growth it enjoyed prior to the financial crisis. The main reasons for this lie in the difficult economic environment. In late 2008, the developed industrialized nations slid into one of the most severe recessions in decades, and have only partially recovered since then. The situation for Straumann was made worse by the fact that Europe, which has been especially hard hit, accounts for the lion's share of the global market for implant dentistry.

Dental markets had previously shown little sensitivity to the economy, but against this backdrop patients have deferred treatment or opted for cheaper alternatives. The reasons are three-fold: first, in most countries patients pay for dental implant procedures out of their own pockets. Second, disposable income for elective procedures has fallen due to tax increases and the general rise in healthcare costs. Finally, banks have become less willing to grant personal loans to individuals.

STRAUMANN REVENUE DEVELOPMENT BY REGION

Change in revenue in local currencies (in %)



In each case, the size of the bubble illustrates the comparative size of the region with regard to revenue, while its center marks the change versus the prior year.

COMPETITION AND PRICING

Historically attractive margins and double-digit growth rates led to a sharp increase in the number of competitors – prior to and even after the recession. This can be seen, for example, in the number of implant manufacturers and sellers taking part in the largest dental trade fair in Europe, the International Dental Show in Cologne: between 2007 and 2011, it rose from 240 to around 420. The number of CADCAM providers exhibiting increased over the same period from 40 to more than 200. The largest rise was in foreign implant manufacturers, more specifically Asian manufacturers and sellers. Many of these new entrants are not innovators but claim to be price leaders or offer imitations of established systems. Few can compete with Straumann when it comes to research and development, portfolio breadth and customer service. However, given the sluggish economic environment, falling returns and an absence of geographic expansion, some observers forecast that the pendulum will soon move in the opposite direction, with the number of implant providers starting to decline due to consolidation and business closures. Premium providers appear to be defending their selling prices at present, and in some cases have even increased them. Competitive pressure has risen in the CADCAM market in recent years with regard to price and quality. As a result, non-precious metals such as cobalt-chrome and cheaper ceramics have increased in popularity. This negative price-mix trend is likely to continue.

TECHNOLOGY

The most important recent trend in prosthetic and restorative dentistry has been the automation of individual manufacturing stages and the simplification of working processes thanks to digitalization. Straumann has established itself in digital dentistry through the acquisitions of etkon (2007, CADCAM), IVS (2009, guided surgery), and its stake in Dental Wings (2011 and 2012, software and scanners). The overall market for CADCAM devices and elements has grown faster than the implant market in the past five years, but has still not reached its full potential. A precise market definition remains difficult because the landscape is extremely varied. The input (impression) can come from scanners used by dentists or dental technicians, while the output (prosthetic elements)

can come from a local dental laboratory or a specialized central milling center. Closed CADCAM systems with incompatibility issues and incomplete solutions have discouraged dental professionals from investing. Some leading suppliers have reacted to this by signing cooperation agreements. Hardware manufacturers, dental software companies and milling machine producers are coming closer together. Since 2011, Straumann together with Dental Wings and 3M ESPE have been pioneers in their collaboration to create a standardized, open software platform, which will lower entry barriers and unlock growth potential.

Apart from this, the industry has benefitted considerably from advances in material technology. The past five years have seen the introduction of a high-performance alloy for implants and high-end ceramics and nanomaterials for prosthetics. This trend will continue. Many manufacturers are working to develop metal-free implants, improved bone augmentation materials and more natural looking prosthetic components.

As well as the above, industry experts are also forecasting a sharper distinction between the manufacture of simpler (tooth-borne) and more complex (implant-borne, extended) prosthetic elements. The idea is that in the future, the former will be milled directly in the dental practice, while complex reconstructions will be made in specialized milling centers. Also, precolored high-performance materials have made it possible in some situations to produce dental crowns that no longer require finishing, saving time and cost.

CONSOLIDATION

Industry consolidation has been driven by a number of major acquisitions in recent years: at the end of 2010, Danaher took a 75% stake in Implant Direct and Dentsply moved up to become the world's third largest supplier by buying Astra Tech of Sweden in 2011. The three largest companies together now make up just under 50% of the global dental implant market. In 2012, global market leader Straumann took a 49% stake in the Brazilian market leader Neodent and Zimmer acquired Exopro, also in Brazil. Both strategic transactions were deliberately intended to boost presence in the world's second largest market for implants and in Latin America. There was excitement in the middle of the year when Biomet, which is owned by financial investors, announced it was exploring ways to spin off its 3i dental business. In CADCAM, the acquisition of Wieland Dental by Ivoclar Vivadent of Liechtenstein made headlines. Various partnerships were also signed, especially in digital dentistry. The driving factors here were the greater resources needed to develop digital software and equipment, the complexity in the field and the desire for standardization. Straumann's acquisitions over the past five years are summarized in the table above left.

MAJOR ACQUISITIONS IN PAST FIVE YEARS

Year	Company	Business rationale
2008	Ormedent spol sro	Czech distributor
2009	IVS Solutions AG	Computer-guided surgery
2011	Dental Wings Inc. (30% stake)	Software standardization
	Open Digital Dentistry AG (30% stake)	Standard software platform distribution
2012	Neodent [JJGC Indústria e Comércio de Materiais Dentários S.A.] (49% stake)	Emerging markets dental implant manufacturer
	Dental Wings Inc. (increase to 44% stake)	Software standardization

CURRENCIES

The appreciation of the Swiss franc against the major currencies has been one of the main trends in recent years. The average dollar/Swiss franc exchange rate fell 19% between 2008 and 2012, from 1.19 to 0.93. The euro lost more than a quarter of its value against the Swiss franc over the same period, falling from 1.65 to 1.20. The sustained downtrend in the euro came to an end when the Swiss National Bank set a floor of 1.20 for the EUR/CHF rate and intervened in the market to protect this. Currency trends have been the main reason for the negative move in Straumann's margins in the past five years.

STRAUMANN

Straumann has outperformed its main peers over the five-year period (see chart on p. 140) and achieved average growth of 4% over this period (in local currencies), 3.5% of it organic. In the last three years, however, sales and profits have been hurt by the soft market environment and strong negative currency effects. Changes in the market have also resulted in a one-time impairment of assets that has reduced the reported earnings of Straumann. In view of its solid

balance sheet and despite the prolonged economic crisis in its most important region, Europe, Straumann has deliberately pursued an expansionary investment policy, increasing its presence in growth markets like China, Brazil and the USA, expanding its business divisions and setting up three dedicated sales units.

CAPITAL EXPENDITURE AND SALES

In the run-up to the recession in 2008, Straumann went through a period of above-average capital expenditure as it sought to keep up with the double-digit growth in demand and drive forward the expansion and integration of the production facilities acquired. Heavy investments were made in upgrading, automating and expanding production, improving quality systems and production technologies for new products and IT systems. The investment required for fixed assets, plants, equipment and intangibles therefore fell from 7% in 2008 to around 3% of revenue, which is roughly where it has remained ever since.

Straumann has acquired some of its sales partners in recent years, so as to gain greater influence on distribution channels. Most of these purchases were made before 2008. Since then only the Czech sales partner Ormedent spol sro has been acquired, for an amount in the low single-digit millions, and a subsidiary was set up in China in 2010 to work closely with the long-standing distribution partner. The percentage of direct sales has only risen marginally, and amounted to 94% of Group revenue in 2012. Direct access means customer proximity and provides an opportunity to stand out in customer service.

INNOVATION AND RESEARCH

Contrary to the general trend toward short-term savings on research and innovation, Straumann continued to invest around 5–6% of its revenue in research and development and, in tandem with the expansion of its business sectors, also broadened the scope of its research. The company entered the computer-assisted dental prosthetic modelling and manufacturing market in 2007 and has been developing hardware and software applications since then. The company has also upheld its commitment to customer service and continuing education. Looking to the future, Straumann intends to continue this level of investment in order to maintain its competitive advantage in research and continuing education.

PEOPLE

The number of employees in Switzerland has risen over the past five years, albeit less sharply than elsewhere. As a result, only 34% of the global team are currently employed in Switzerland, whereas five years ago this figure stood at 36%. The main shift was toward Asia and Europe, and was primarily the result of acquisitions and our international expansion strategy. From an operational perspective, the trend was toward sales, research and development, and administration. Consequently, production, which in 2008 accounted for one-third of all employees, now accounts for less than a quarter. This shift is also the result of efficiency savings in manufacturing and operational improvements.

OUTLOOK

In the aftermath of the economic crisis, Straumann has seen little improvement in the trends in unemployment and consumer sentiment in the largest region, Europe. As described in the Group's global market outlook, demographic trends, raising awareness and continuing education will determine the future growth of the industry. According to Straumann's estimates, this potential growth could average in the mid to high single-digit range in the coming years. The objective of the cost management strategy, which the company implemented in late autumn, was to maintain the Group's competitiveness in the areas of innovation, market launches, production and sales while still earning an attractive capital return in the coming years. As part of its Vision 2020 (see p. 14 f), which was published in May, the company is attempting to identify the industry trends in the coming years.

SHARE PERFORMANCE

2012 was marked by the European financial crisis, widespread expansive monetary policy and exchange rate intervention. In its fourth year, the crisis gave investments a bumpy start which lasted until March. Despite rising share prices, investments saw their weakest phase in early summer. Although equity upside potential remained intact, many market participants were deterred, in particular due to fears of a euro-zone break-up. The European Central Bank's announcement of a program of unlimited buying of government bonds in struggling countries in the euro zone led to a significant improvement in sentiment. Although this decision did not entirely diminish fears regarding the sovereign debt crisis in Europe, it did calm the markets.

Financial news continued to focus on the lower growth prospects in some emerging markets and the US Presidential election. Hurricane Sandy and the US budget crisis (or 'fiscal cliff') also caused turmoil on the international stock markets in the fourth quarter. The artificial strength of the Swiss franc – a major issue on the local stock market in 2011 – decreased slightly in 2012 with the decision by the Swiss National Bank (SNB) to introduce a fixed floor of CHF 1.20 for the euro.

Despite negative economic news and political uncertainty, the Swiss equity market and its leading SMI index delivered a surprisingly positive performance, gaining 15% over the year and slightly outperforming the MSCI World®, which rose by 12%.

While in 2011, defensive index heavyweights such as Nestlé, Roche and Novartis set the pace, luxury goods manufacturers Richemont and Swatch as well as Swiss Re, Actelion and Syngenta led the SMI in 2012. Despite scandals surrounding the LIBOR rates, many bank stocks recovered and proceeded to clearly outperform the overall market. Of the major Swiss banks, however, only UBS was able to benefit from this global trend; insurance stocks also performed well.

As in 2011, Swiss small and mid-caps underperformed. The SMIM small and mid-cap index gained 11% in 2012. As previously, volatility among the 30 stocks making up the SMIM index was high. The best-performing share in 2012 rose 105%, while the worst slumped 54%.

Straumann belongs to this mid-cap segment. Our share price performance in 2012 was disappointing at -31% (or -29% taking into account the dividend of CHF 3.75). While performance was in line with the market as a whole in 2011, both of the dental stocks listed on the Swiss market lost considerable ground in 2012. Although demand for implant-supported restorations was very pleasing in North America and the emerging markets, almost 50% of the global restoration market continues to be focused in Europe. As the tooth restoration market relies on patients' ability to finance non-reimbursed treatment, the strained economic situation, government cost-saving measures and the record high levels of unemployment in some parts of Europe are hampering demand considerably. The industry still has yet to provide proof that a return to the attractive growth rates of the past is possible.

Straumann was able to keep pace with its key competitors in this difficult sector environment and has set its strategic course for the future with a stake in Neodent in Brazil (see p. 35) and a new organizational structure. In this uncertain economic environment, investors favor medical device stocks, which are viewed as being less susceptible to economic trends – for example, stocks in companies active in the treatment of immunological disorders or degenerative diseases and trauma surgical interventions.

The average daily closing price of the Straumann share ranged between CHF 99 and CHF 176. Total shareholder return for 2012 was negative at CHF 46 per share. The average daily trading volume was around 67 700 shares.

SHARE PRICE DATA

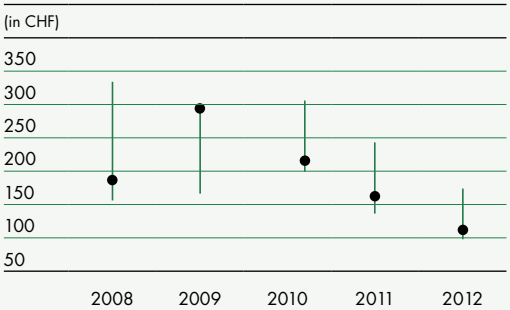
(in CHF)	2012		2011	
	Price	Date	Price	Date
First trading day*	170.70	3.1.	215.70	3.1.
Lowest*	99.00	15.11.	134.80	23.9.
Highest*	176.00	2.2.	242.00	9.2.
Last trading day*	112.00	28.12.	162.10	30.12.
Average	135.79		192.86	
Tax value	112.00		162.10	
Total shareholder return, gross of tax (in %)	(28.6)		(23.1)	
Share price performance (in %)	(30.9)		(24)	
Market capitalization 31 Dec (in CHF million)	1 756		2 541	

* Value reflects closing price.

SHARE PRICE DEVELOPMENT

1 22 Feb FY 2011 results: disappointing margins
2 24 Feb Chicago Midwinter dental congress
3 26 Apr Q1 results
4 16 May Neodent acquisition announced, Strategy update at CMD in Amsterdam
5 15 Jun Competitor 3i reports soft US performance
6 21 Aug Q2 results: full-year guidance revised
7 11 Oct EAO dental congress in Copenhagen
8 18 Oct Discontinuation of iTero distribution
9 30 Oct Q3 results
10 26 Oct 10% of shares change ownership
11 30 Nov MSCI index reshuffle

HIGHEST/LOWEST VALUES



● At last day of trading

STOCK EXCHANGE INFORMATION

Listing	SIX Swiss Exchange (STMN)
Bloomberg	STMN SW
Reuters	STMN.S
Investdata	STMN
Ex date	9 April 2013
Payment date	12 April 2013
Security ID	001 228 007
ISIN	CH 0012 280 076

CALENDAR

KEY REPORTING DATES IN 2013

21 February	2012 full-year results
5 April	Annual General Meeting
30 April	Q1 sales
20 August	Q2 sales and H1 results
31 October	Q3 and 9M sales

PLANNED INVESTOR RELATIONS EVENTS AND CONFERENCES IN 2013

Members of Straumann's Executive Management and/or Investor Relations team plan to take part in the following events, subject to availability.

ROADSHOWS & CONFERENCES

26 February	Zurich investor meetings
14 March	Cologne investor meetings
25 March	Exane BNP Paribas Healthcare Conference (Paris)
26 March	London investor meetings
27 March	Edinburgh investor meetings
2 May	Frankfurt investor meetings
28 May	New York investor meetings
29 May	Toronto investor meetings
30 May	Deutsche Bank Healthcare Conference (Boston)
28 June	Milano investor meetings
26 August	Stockholm investor meetings
27 August	Copenhagen and London investor meetings
19 September	UBS Best of Switzerland Conference (Wolfsberg)
23 September	Geneva investor meetings
24 September	Vienna investor meetings
26 September	New York investor meetings
27 September	Chicago investor meetings
5 December	Berenberg European Conference (London)
6 December	London investor meetings

If you are interested in meeting Straumann's top management at one of the meetings, please contact investor.relations@straumann.com.

SELECTED DENTAL MEETINGS IN 2013

30 January – 3 February	38th Yankee Dental Congress (Boston)
5–7 February	AEEDC Dubai 2013 (Dubai)
21–23 February	Chicago Dental Society 148th Midwinter Meeting (Chicago)
1–2 March	The Dentistry Show (Birmingham)
7–9 March	Academy of Osseointegration's 28th Annual Meeting (Tampa)
7–9 March	Pacific Dental Conference (Vancouver)
12–16 March	35th International Dental Show (Cologne)
20–23 March	International Association for Dental Research General Session (Seattle)
11–13 April	California Dental Association (Anaheim)
11–13 April	8th Forum Dental del Mediterráneo (Barcelona)
25–27 April	British Dental Conference & Exhibition (London)
2–4 May	International Osteology Symposium (Monaco)
2–4 May	Ontario Dental Associations' Annual Spring Meeting 2013 (Toronto)
9–12 June	Sino-Dental – China International Dental Exhibition & Scientific Conference (Beijing)
10–13 July	21st Congresso Internacional de Odontologia do Rio de Janeiro (Rio de Janeiro)
28–31 August	FDI Annual World Dental Congress (Istanbul)
25–28 September	Latin American Osseointegration Congress (São Paulo)
26–28 September	Canadian Academy of Restorative Dentistry and Prosthodontics' 21st Annual Scientific Meeting (Vancouver)
28 September – 1 October	99th Annual Meeting of the American Academy of Periodontology (Philadelphia)
7–12 October	95th Annual Meeting of the American Association of Oral and Maxillofacial Surgeons (Orlando)
16–19 October	21st Annual Scientific Meeting of the European Association for Osseointegration (Dublin)
24–26 October	Colloquium Dental (Brescia)
31 October – 3 November	American Dental Association Annual Session (New Orleans)
29 November – 4 December	Greater New York Dental Meeting 2013 (New York)

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PUBLICATIONS AND FURTHER INFORMATION

The Straumann Annual Report is published in February and presented at the analysts' and press conference. It is also available online at www.straumann.com. The half-year interim report is published in the form of a media release in August. Other media releases include the quarterly sales reports published in April for the first quarter and in October for the third quarter. Where necessary or appropriate, Straumann also publishes additional information on key significant events. Press releases and presentations can be downloaded from the Straumann homepage at www.straumann.com. Please see Information Policy on p. 102 f.

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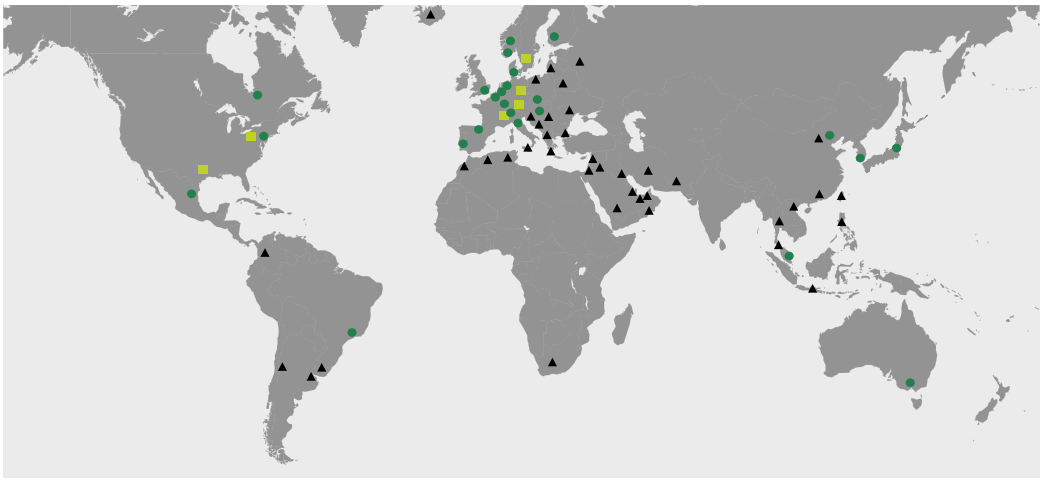

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GLOSSARY

Dental/medical terms

ABUTMENT
A component that connects the implant with the prosthesis and protrudes into the oral cavity

BONECERAMIC
Straumann's fully synthetic bone substitute for bone augmentation procedures

BONE LEVEL IMPLANT
Implant where the connection between the implant and the abutment is placed at the level of the bone crest

BRIDGE
An appliance used literally to bridge the gap left by missing teeth by using one or more false teeth fixed to crowns anchored to tooth stumps or implants

CADCAM
Computer-aided design/computer-aided manufacturing: a computer system is used both for designing a product and for controlling manufacturing processes

CARES
Computer-Aided Restoration Service

CROSSFIT
Straumann's self-guiding internal implant-abutment connection, featuring four internal grooves that prevent rotation and ensure precise fit and a conical interface for lasting mechanical stability

CROWN
A tooth-shaped cap attached to a tooth stump or implant abutment

DENTAL TECHNICIAN
Dental professional who manufactures patient-specific crowns, bridges, dentures and other dental prosthetics according to the dentist's specifications

DWOS
Dental Wings Open Software, an open software platform that allows prosthetics to be designed using data from multiple sources

EDENTULOUS
Having no teeth (can refer to upper and/or lower jaw)

ENAMEL MATRIX DERIVATIVE (EMDOGAIN)
An extract of enamel matrix proteins, which are involved in the development of cementum, periodontal ligament and bone

GBR
Guided bone regeneration

GLASS CERAMIC
Ceramic of lithium disilicate or similar high-performance materials that combines strength with translucence

GUIDED SURGERY
Surgery in which 3D imaging technologies are used to plan the position, depth and angle of an implant

HYDROPHILIC
Readily absorbing or attracting water, or having chemical groups that interact with water

INLAYS AND ONLAYS
An inlay is an individualized solid filling cemented into a tooth cavity that can also carry a bridge, while an onlay is the same but extends to replace a cusp or cover the whole tooth

INTRA-ORAL SCANNING
Digital scanning to create a 3D image of the patient's teeth that avoids the conventional process of impression-taking followed by model casting

ITI
International Team for Implantology

LOADING
Subjecting an implant to biting pressure by fitting a temporary/permanent crown

MEMBRAGEL
Straumann's proprietary PEG-based resorbable barrier membrane, applied as a quick-setting gel

MEMBRANE
A barrier used e.g. in GBR to prevent rapidly growing tissue from occupying space into which new bone should form, and to stabilize bone augmentation materials

NANO CERAMIC
Tooth restoration material combining nanoceramic components with a cross-linked resin matrix

NARROW NECK IMPLANT
Small diameter implant for limited interdental spaces or narrow bone ridges

NIS
Non-interventional study, designed to evaluate products in everyday clinical settings, where the clinician can use the product as deemed suitable, within treatment guidelines

ONE-STAGE PROCEDURE
Surgical procedure whereby the implant is placed but not covered by the gum tissue during healing, so no second surgical procedure is necessary to uncover the implant

OSSEOINTEGRATION
The integration of an implant with the surrounding bone

PERI-IMPLANTITIS
Inflammatory tissue pathology and/or progressive bone loss at implant site, resulting from plaque accumulation and bacterial infiltration around dental implants

PERIODONTICS
Branch of dentistry concerned with the care and treatment of the supporting tissues of the teeth from the gingiva to the adjacent alveolar bone and ligament

PERIODONTIST
Dental professional specialized in the tissue and bone surrounding the teeth and in treating diseases that affect them

PERIODONTITIS
Progressive disease of the periodontal tissues, resulting in the gradual loss of the tooth and supporting structures

POLYETHYLENE GLYCOL (PEG)
A hydrophilic polymer (macromolecule of repeating units) that interacts with cell membranes and promotes the fusion of cells

PROSTHODONTIST
A dental professional who carries out prosthetic restorations on natural teeth and implants

RCT
Randomized controlled trial

RESTORATIVE DENTISTRY
Branch of dentistry concerned with the replacement or reconstruction of a tooth or teeth

ROXOLID
Straumann's alloy of titanium and zirconium, designed specifically for dental implants in sites with limited available space and where greater strength is required

SCAN & SHAPE
A Straumann CARES brand service, where experienced dental technicians generate CADCAM-based, customized abutments from a model or wax-up, exactly to customer specifications

SCREW-RETAINED BARS AND BRIDGES
Bars and bridges that are used to connect two or more dental implants; bars are commonly used to support partial or full dentures

SLA
Sandblasted with Large grit and Acid etched, SLA refers to a second-generation implant surface technology introduced by Straumann in 1998

SLACTIVE
Straumann's third-generation implant surface technology. By virtue of its hydrophilic properties, healing time is cut in half

SOFT TISSUE LEVEL IMPLANT
Implant where the connection between the implant and the abutment is placed at the level of the soft tissue, so that the soft tissue surrounds the polished collar of the implant

TITANIUM
Metallic element isolated from minerals as an iron-gray powder; available in many forms and used in many dental and orthopedic applications

TWO-STAGE PROCEDURE
Surgical procedure whereby the implant is inserted and a healing cap placed, which is covered by the gum tissue during healing; a second surgical procedure is performed later, where the healing cap is removed and an abutment and provisional prosthesis is placed

VENEER
Thin layer of restorative material covering a tooth surface in order to protect damaged surfaces or improve esthetics

ZIRCONIA
ZrO_2 – the white oxide of zirconium used on account of its infusibility and luminosity in dental implants, prosthetics, enamels and glazes

ZIRCONIUM
A grayish-white, string, ductile metallic element obtained from zircon and used in ceramic and refractory compounds as an alloying agent

Financial terms

AMORTIZATION
Systematic allocation of the depreciable amount of an intangible asset over its useful life

CAGR
Compound Annual Growth Rate, annualized growth rate over a multiple-year period

DEPRECIATION
Systematic allocation of the depreciable amount of a tangible asset

EARNINGS PER SHARE (EPS)
Net profit divided by the number of shares

EBIT
Earnings before interest and taxes; also referred to here as operating profit

EBITDA
Earnings before interest, taxes, depreciation and amortization

EBIT MARGIN
Operating profit (EBIT) divided by group net revenue in %

ECONOMIC PROFIT (EP)
See compensation report, (p. 118)

EQUITY RATIO
Shareholder equity divided by total assets in %

ERP
Enterprise resource planning

FREE CASH FLOW
Net cash from operating activities less capital expenditures plus net proceeds from property, plant and equipment

FREE CASH FLOW MARGIN
Free cash flow divided by Group net revenue in %

GOODWILL
Future economic benefits arising from assets that are not capable of being individually identified and separately recognized

IFRS
International Financial Reporting Standards

IMPAIRMENT LOSS
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable value

NET PROFIT MARGIN
Net profit divided by Group net revenue in %

OPEX
Operating expenses, also called non-manufacturing expenses, including R&D, SG&A and other general expenses

ORGANIC GROWTH
Organic growth is the growth excluding the effect from business combination and currency effects

PAY-OUT RATIO
Dividend paid divided by net profit over the same period in %

REVENUES
Sales, see p. F20

ROA
Return on assets; net profit divided by average assets in %

ROCE
Return on capital employed; earnings before interest and taxes divided by average capital employed in %

ROE
Return on equity; net profit divided by average equity in %

SALES
See ‘sale of goods’ on p. F20

TOTAL SHAREHOLDER RETURN (TSR)
Profit or loss realized by an investment at the end of a specified calendar year. TSR includes capital gains/losses from increases/decreases in stock price as well as received dividends

WACC
Weighted average cost of capital

WRITE-DOWN
See impairment loss

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Nelmara Arbex
Deputy Chief Executive
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