

# WE CREATE OPPORTUNITIES

**For learners:** Education courses; ITI Academy; Straumann 'Smart' education concept; corporate forums at key events; ITI Study Clubs • **For specialists:** Peer-to-Peer Program events • **For general practitioners:** Education partnerships; Straumann intra-oral scanner; chairside milling • **For dental labs:** Straumann Variobase abutments; Straumann premilled abutments; Straumann Motion2 in-lab milling machines; Straumann nIce glass ceramic; extended connectivity to Straumann CARES digital workflow; cost-effective abutments for all leading implant systems through etkon iDent and Medentika; distribution agreement with Zirkonzahn & Planmeca • **For compromised patients:** Roxolid small diameter and short implants; research in diabetes • **For the disadvantaged:** Charitable dental care programs in underdeveloped countries; Straumann AID; dental scholarships in Cambodia and Nicaragua • **For young professionals:** Straumann-botiss Young Pro Award; Young Professionals Program • **For women in dentistry:** workshops; mentoring • **For employees:** new jobs created; International Talent Program; apprentice program; training programs; Straumann Academy; global pulse perception study • **For investors:** total shareholder return of 32% in 2016; dividend raised to CHF 4.25 • **For inventors:** 100 ideas through our innovation portal • **For research:** 77 publications on studies in peer-reviewed journals • **For patients in general:** more than 1.5 million patients treated; new smiles with restored confidence • **For edentulous patients:** Straumann Novaloc retention system; Straumann Pro Arch • **For impatient patients:** Smile-in-a-box solution; shorter time to teeth with SLActive tapered implants for accelerated loading • **For patients wanting metal free solutions:** Straumann PURE ceramic monotype implants (and ceramic prosthetics) • **For tomorrow's patients:** A stocked innovation pipeline • **For cost conscious patients:** A broad range of attractively priced solutions with Neodent, Medentika and other Straumann Group brands • **For bone & tissue regeneration:** botiss and Straumann biomaterials; Emdogain for wound healing • **For cultural change:** Cultural Journey project; 29 I-WE workshops • **For entrepreneurs:** Investment in V2R Biomedical • **For customers in emerging markets:** Acquisition of Equinox in India; entry into the Chinese non-premium segment with Anthogyr; subsidiaries in Russia and Argentina • **For you** to read more about us...

# Performance highlights 2016

## At a glance

### KEY FIGURES

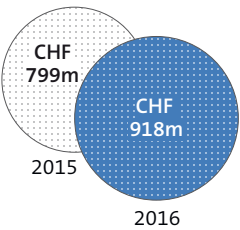
(in CHF million)

	2016	2015	Change (%)
Revenue	918	799	15
Gross profit	719	615	17
Operating profit (EBIT)	227	173	32
excl. exceptionals	227	186	22
Net profit	230	72	221
excl. exceptionals	187	145	29
Cash generated from operating activities	185	186	(0)
Capital expenditure	46	35	33
Free cash flow	139	151	(8)
Basic EPS (in CHF)	14.68	4.52	225
excl. exceptionals	11.94	9.19	30
Employees (at year end)	3 797	3 471	9

### REVENUE GROWTH (ORGANIC)

+13%

### TOTAL REVENUE



### EBIT MARGIN

25%

Up 150 base points

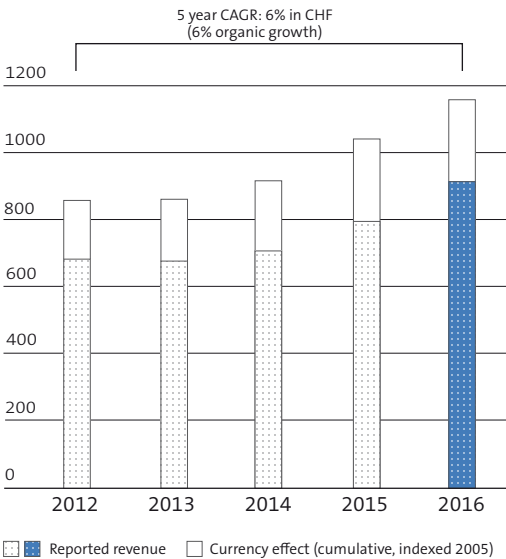
### NET PROFIT MARGIN (EXCL. EXCEPTIONALS)

20%

Up 230 base points

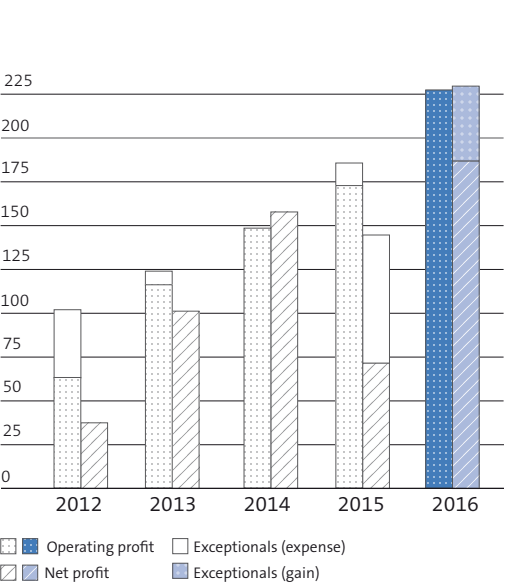
### REVENUE

(in CHF million)

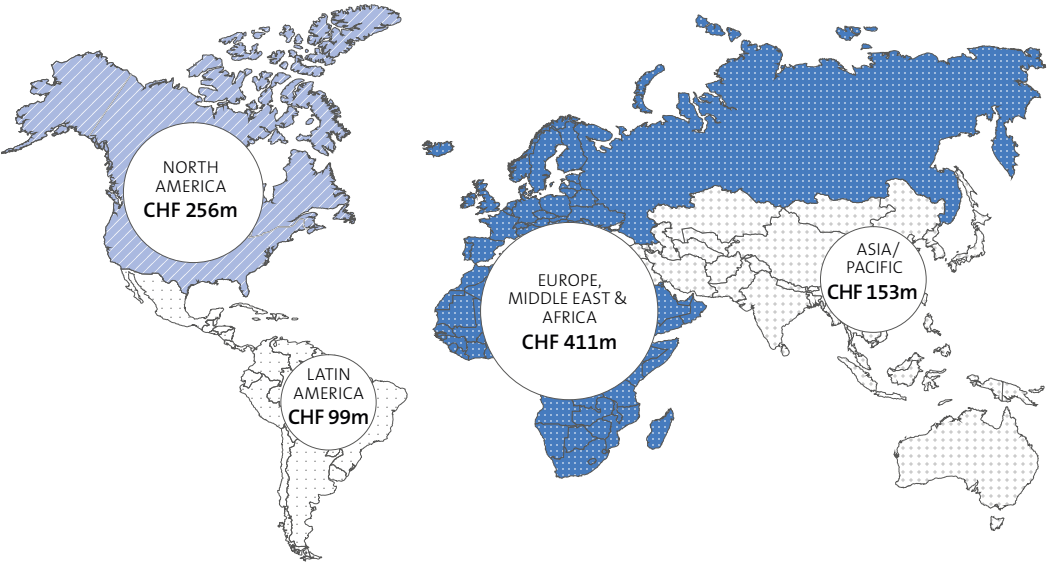


### OPERATING AND NET PROFIT

(in CHF million)



REVENUE BY REGION



ORGANIC GROWTH BY REGION

NORTH AMERICA

LATIN AMERICA

EMEA

ASIA/PACIFIC

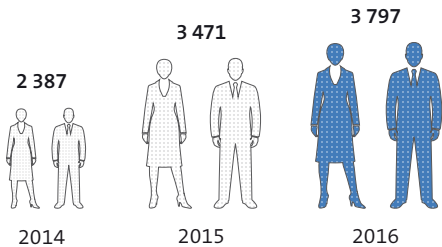
+16%

+15%

+9%

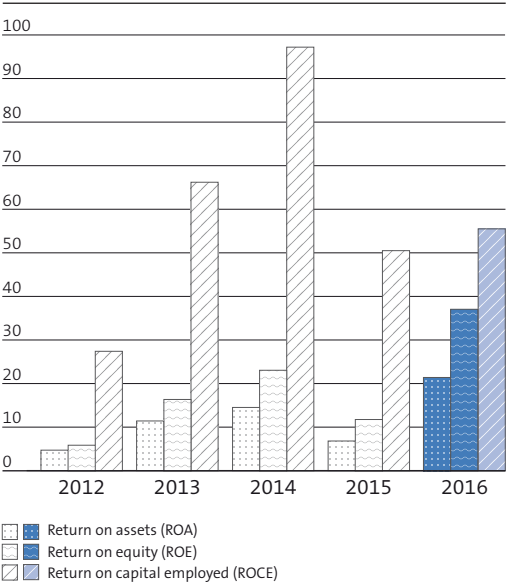
+20%

EMPLOYEES



+326  
Employees

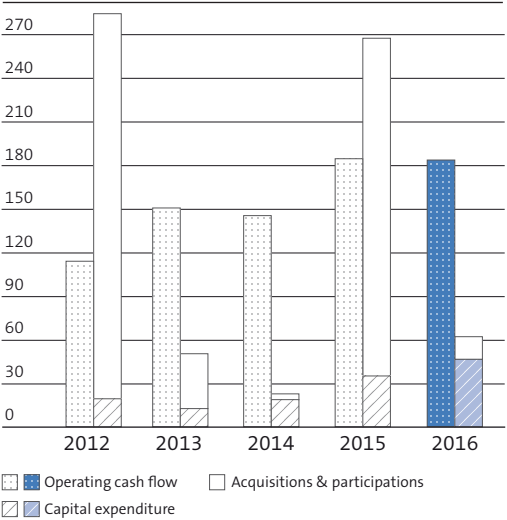
PROFITABILITY  
(in CHF million)



EQUITY RATIO

58%

CASH FLOW AND INVESTMENTS  
(in CHF million)

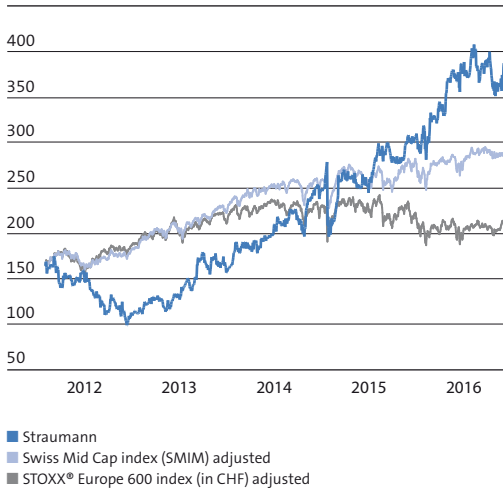


FREE CASH FLOW MARGIN

15%

## SHARE PRICE DEVELOPMENT

(in CHF)



## SHARE INFORMATION

(in CHF)	2016	2015
Earnings per share (EPS) <sup>1</sup>	11.94	9.19
Ordinary dividend per share	4.25 <sup>2</sup>	4.00
Payout ratio	36%	44%
Share price at year end	397.50	305.00

<sup>1</sup> Excluding exceptionals and one-time effects

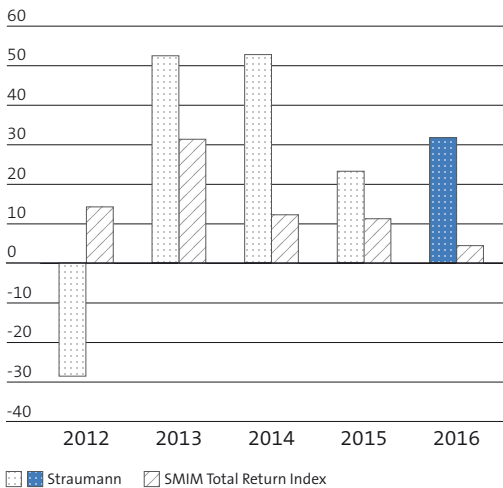
<sup>2</sup> Payable in 2017 subject to shareholder approval

## SHARE PRICE

+30%

## TOTAL SHAREHOLDER RETURN

(in %)



## TOTAL SHAREHOLDER RETURN

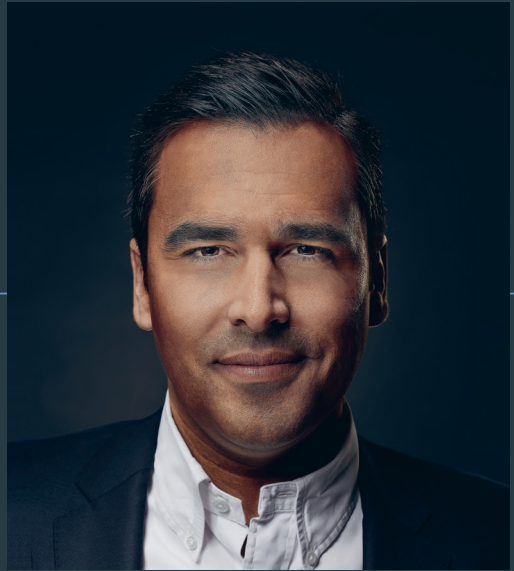
32%

# WE CREATE OPPORTUNITIES FOR



PATIENTS

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SPECIALISTS

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DENTAL LABS

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#### GHISLAINE – NURSE

“I’ve always told my children that if you are polite and smile it will open many doors in life. But before my dental operation, I rarely smiled and avoided speaking because I didn’t want people to see my teeth. It wasn’t a problem with people I knew well, but I am a nurse and have to work close to people. If you cannot smile at a patient when you walk into a ward, it closes a door and puts a strain on the way you relate and work. Thank goodness I don’t have that any more”. Ghislaine was one of 15 patients who received complete tooth replacements in the charitable ‘One Day a Smile’ event at the Afopi clinic near Paris. New fixed teeth have changed their lives. They have rediscovered the joy of eating. Poor digestion, stomach pains and bad breath have gone. One woman who had been unemployed because of her teeth and low self-confidence soon found a job, while another patient has seen his business grow. Instead of covering their mouths to speak, they laugh with confidence and contentment.

#### DR PEDRO GONÇALVES – MEDICAL ADVISOR EUROPE

One of our most successful initiatives to create opportunities in the specialist segment in 2016 was the Straumann Peer-to-Peer Program, which coaches, develops and shares new products and surgical techniques with dental professionals who are already experts in implant dentistry. With Dr Pedro Gonçalves, a highly experienced and recognized dentist, joining Straumann in 2016, the Peer-to-Peer Program team increased its outreach significantly. The team staged seven surgical-prosthetic events on three continents, helping new customers to become proficient with Straumann solutions, such as the digital workflows with BLT, guided surgery, immediate loading, and the new, exciting Novaloc retention system.

#### BRANDON DICKERMAN – CERTIFIED DENTAL TECHNICIAN, DICKERMAN DENTAL PROSTHETICS

Brandon Dickerman had little desire to follow his grandparents, parents and aunt into the family’s dental-laboratory business near Boston, Massachusetts, USA. But having completed studies in geography and anthropology, he was unable to decide on a career and took up his grandfather’s offer to join the company on a temporary basis seven years ago. One of his major assignments was to integrate Straumann’s computer-guided surgery system, CoDiagnostix, into the lab’s workflow. Being a computer talent with a wealth of technical skills learned in the lab, he quickly became an expert. Using the Straumann CARES system, 3D printers and in-lab mills, the lab today offers a fully integrated prosthetic service for computer guided surgery, in addition to a full prosthetic range. Straumann recognized Brandon’s potential and helped him to develop teaching and presentation skills. He now instructs fellow technicians and dentists across the United States in prosthetic-driven computer-guided surgery and was a Corporate Forum speaker at the 2016 annual meetings of the Academy of Osseointegration and American Academy of Periodontology. Our collaboration with the Dickermans has opened opportunities for his personal growth and for both our businesses to expand – especially in digital dentistry.

# Letter to shareholders



Marco Gadola (Chief Executive Officer) and Gilbert Achermann (Chairman of the Board)

## DEAR SHAREHOLDER,

2016 was another very good year for the Straumann Group as we achieved our strongest performance in eight years in terms of revenue growth, operating profit margin and market share gains. We strengthened our leading position in the premium segment and we moved up to rank among the world's top three implant companies in the non-premium segment. We entered new markets and segments, launched new products and solutions and created new jobs bringing our global team to approximately 3 800 employees.

Most importantly we helped to create smiles for innumerable patients around the world, restoring their confidence, improving their quality of life and creating new opportunities for them. Based on the

volumes of products sold, every 10 seconds someone somewhere in the world was treated with a Straumann Group product in 2016.

As this report illustrates, we also created opportunities for other stakeholders – from customers and employees to partners, communities and investors, not forgetting the opportunities we created for our own business.

## BUSINESS AND FINANCIAL PERFORMANCE GROWTH IN ALL DIRECTIONS

All of these activities translated into organic revenue growth of 13%. Including acquisitions and a slightly positive currency effect, Group revenue rose 15% in Swiss francs to CHF 918 million. This is remarkable in the context of the global market for tooth replacement, which has grown at 3–4% in the past two



years. With our organic growth accelerating from 9% in 2015 to 13% in 2016, we have left our competitors behind.

By region, North America (+16%<sup>1</sup>) was our largest growth contributor and Asia/Pacific our fastest (+20%<sup>1</sup>). We sold more implants in Latin America (+15%<sup>1</sup>) than anywhere else and we continued to grow solidly in Europe, Middle East and Africa (+9%<sup>1</sup>), which is our largest region by value.

Almost two thirds of our growth was generated by the implants business, where the main contributor was our Bone Level Tapered (BLT) range. Since its launch at the end of 2014, BLT has gained an estimated 4% share of the large conical implant segment and now accounts for a quarter of the Straumann implants we sell. At the same time, our attractively priced range of non-premium implants also grew strongly, capturing business from competitor brands and making the second largest contribution to our growth.

The other key drivers were our high-strength implant material Roxolid and our SLActive implant surface technology, which reduces healing times. The main advantage of these features and BLT is that they significantly shorten tooth replacement time. They are now available in all major markets except China, where regulatory approvals are still pending.

2016 marked the 30th anniversary of our Tissue Level SLA implant, which has been described as 'our best employee' because it has worked more hours, achieved more sales and served more customers than any other. It commands great respect, is one of the best documented implants on the market and still catches the limelight in top scientific publications<sup>2,3,4</sup>.

For the first time in several years, our restorative business returned to double-digit growth, reflecting our intense efforts over the past two years to become the partner of choice for dental labs. Sales of prosthetics – both standard and CAD/CAM customized – developed very positively. Our simple, cost-effective Variobase abutments, which can be restored in milling centers, labs and even dental practices, contributed to this, while our new intraoral scanner and in-lab milling solutions added to growth in digital solutions.

Variobase, BLT and Pro Arch are all young product ranges, which collectively contributed more than two thirds of our growth.

Our smallest business, biomaterials, was the fastest growing. Thanks to our successful collaborations with botiss and other partners, we are able to offer regenerative solutions in most markets and are well positioned in each category, with a full range of bone graft and soft tissue regeneration materials. One highlight in 2016 was the launch of Emdogain to enhance oral wound-healing, reducing pain, swelling, and risk of complications while improving esthetic outcomes and patient satisfaction.

### PROFITABILITY TARGETS EXCEEDED

Another notable achievement is that our growth did not come at the expense of profitability. We continued to invest in research to create new and better treatments. We developed new designs, processes, and procedures to improve existing solutions and to make implant dentistry more accessible, affordable, comfortable, convenient and reliable. We also invested in new training and education concepts to increase the provider base and ensure the successful use of our products. And we invested in new jobs, personal development and cultural change to sustain our success in the future.

Despite these and significant investments in new markets and segments we still delivered our target for margin expansion. Our underlying operating and net profit rose 22% and 29%, respectively, with the corresponding margins reaching 25% and 20%. Underlying basic earnings per share climbed from CHF 9.19 to CHF 11.94.

### SOLIDLY FINANCED TO INVEST IN FURTHER GROWTH OPPORTUNITIES

We also invested in new partnerships, strategic acquisitions and production expansion. Capital expenditure rose to CHF 46 million. Free cash flow reached CHF 139 million, CHF 40 million of which was used for acquisitions. We purchased a block of our own shares for CHF 200 million, which together with the dividend pay-out of CHF 63 million were the main financing activities.

As a result, cash and cash equivalents at year-end amounted to CHF 164 million. With an equity ratio of

58% we remain solidly financed to invest in further growth opportunities.

### AN EXCELLENT RETURN

Our strong performance, strategy, market potential and other fundamentals are all reflected in the share price which rose 30% to close the year at CHF 397.50 – substantially outperforming the SMIM index for a fourth consecutive year.

Based on the results and positive developments in 2016, the Board proposes a dividend increase to CHF 4.25 per share, payable on 13 April 2017. Going forward, the Board's intention is to increase the dividend per share subject to further good performance.

### MARKET DEVELOPMENTS AND TRENDS

We estimate that the global market for tooth replacement grew at 3–4% in 2016 and that the implant dentistry segment is worth CHF 3.5 billion. Having outperformed consistently in recent years, we reinforced our leadership position with a market share of approximately 23%. Our share in the restorative and regenerative dentistry segments is lower but they are closely connected with implants and we can leverage our sales force and technology network to capture cross-selling opportunities and generate attractive margins. Collectively, the markets we address are worth approximately CHF 7 billion.

The main trends seen in recent years continued in 2016, including the gender shift, the growing number of GPs placing implants, the growth of corporate dentistry and the increase in digitalization.

### ADDRESSING THE NEEDS OF FEMALE DENTISTS, GENERALISTS AND CORPORATES

In previous annual reports, we have drawn attention to the fact that more women are becoming dentists than men and are less likely to own practices or become implantologists<sup>5,6</sup>. Early integration of implant dentistry in the dental curriculum as well as career planning, coaching and female mentoring programs are important aspects<sup>7</sup> that featured in our focus on female dentists in 2016.

The number of general dentists placing implants continues to grow<sup>8</sup>. Our tissue level implant system is designed to simplify procedures and enable them

to refer patients to a specialist for implant placement and then complete the restoration themselves. To gain further access to this group and to support teaching and mentoring we collaborate with leading institutes and offer education in collaboration with the ITI. Furthermore, our highly skilled representatives and our international young professionals program position Straumann to be the partner of choice for women and general dentists.

Another important trend has been the expansion of dental service organizations (DSOs), which range from groups of local practices to international networks of fully integrated clinics. Having gained a foothold in this segment in 2015, we actively targeted DSOs in 2016 and won key accounts in Europe by offering comprehensive, tailored solutions with multiple brands and price levels all from one company.

### EMBRACING DIGITALIZATION

Digitalization is changing almost everything we do. In production we implemented digital workflows and stepped closer to our goal of paperless factories. In treatment workflows – which are already digitalized – we added new functionality and connectivity as well as planning, scanning and milling tools. In education we developed the Smart concept of blended learning using online modules so that dentists can study when and where they want. We also made good progress with our e-shop, achieving our frequency and turnover targets in most countries. And we began investing in tools and capabilities to tap into the huge opportunities offered by digital marketing and social media.

### STRATEGIC GOALS AND EXECUTION

Our goal for the years to come is to be the leading global provider in tooth replacement, which means meeting medical needs, making treatment possible for more people, enhancing the standard of care and offering greater flexibility and value to customers. Our strategy to achieve this focuses on three key priorities:

- Drive a high-performance culture and organization
- Target unexploited growth markets and segments
- Become a total solution provider in tooth replacement.

These translate into clearly defined initiatives, which are assessed continuously and are reflected in the major activities featured in our full Annual Report.

### A CULTURE OF HIGH PERFORMANCE

Our future success depends on the ability to outperform consistently, to innovate and create opportunities, and to improve continually. Culture is the key to this. Having set and communicated the targets for our ideal culture in 2014, we started our Cultural Journey with a program of training modules, workshops, and other initiatives to stimulate the 'player-learner' mindset and core behaviours that will drive cultural change, foster high performance and create an even better place to work. By the end of 2016, more than a third of our staff had taken part in this program and we extended our goal to include all employees by the end of 2018.

Cultural transformation takes several years but we already have clear indications of our progress. For example, in our 2016 global staff survey 88% of respondents said they actively supported our Cultural Journey and 65% observed positive changes in our culture. Further evidence of this strategy in action is found in our operational performance, full innovation pipeline, and execution of strategic priorities as well as our track record in forging partnerships and building talent. This scorecard reflects the motivation, creativity, openness and dynamism that our Cultural Journey is producing.

### GROWING IN UNDER-PENETRATED MARKETS AND SEGMENTS

Several new partnerships and acquisitions improved Straumann's geographical reach in 2016. One pressing goal was to enter the fast-growing non-premium segment in China. Facing lengthy regulatory procedures with our own brands, we invested in the French implant company Anthogyr, which provided us with a registered system, an established business and a dedicated sales team.

The acquisition of Equinox fulfilled our long-held ambition of entering the fast-growing implant market in India, where each year only two implants are placed per 10 000 population. Equinox is the country's third-ranking implant company and offers a launch platform for the Straumann brand. On the other side of the

world, we opened subsidiaries in Argentina and Chile serving both the premium and non-premium segments. Closer to home, we entered the non-premium segment in Turkey in a joint venture with our former distributor. We also reorganized in Europe to free up resources for expansion in Russia, Eastern Europe and the Middle East, and to establish completely new markets e.g. in Africa.

### A LEADING POSITION IN THE FAST-GROWING NON-PREMIUM SEGMENT

We are determined to extend our lead in the premium segment by offering innovative products and services backed by research, education and a global service structure, and by entering or building new markets. At the same time, the non-premium segment is growing faster and accounts for more than a third of the global market. To maintain overall leadership we need to be strong in all sectors, offering complete product solutions at a wide range of prices.

In just a few years, we have become a top-tier player in the non-premium segment by building a portfolio of value brands and driving their international expansion. Intradent, the platform we use for this, generated triple-digit growth in 2016. With an established footprint in North America, Iberia and Italy, Intradent added subsidiaries in the Czech Republic and the UK as well as a European hub to accelerate entry into new markets and to provide customer services, commercial management functions, warehousing and distribution facilities.

Our intention to obtain a controlling stake in the Korean implant company MegaGen by exercising our convertible bond and share purchase option was hampered when MegaGen initiated arbitration. The delay and diminished spirit of collaboration turned our attention to partners like Anthogyr and Zinedent. Another attractive partner is Medentika, in which we now have a controlling interest. In 2016, we took over their distribution business in Germany and thus entered the value segment in that key market.

### A TOTAL SOLUTION PROVIDER

To compete against conglomerates in a consolidating and fast-changing industry, our strategy is to become a total solution provider for tooth replacement, including conventional and digital solutions

for all major indications. This strategy is not unique and the keys to our success are in agility and speed of execution.

Our core implant business, which offers a comprehensive range of implant designs with multiple material, surface and price options is complemented by a broad range of standard and CAD/CAM prosthetics, a comprehensive range of biomaterials, and plug-and-play, open-platform digital technology that supports the entire workflow.

To complete the portfolio we have developed products and solutions in house and have brought in new technologies by investing in highly innovative companies and building partnerships. For instance, our strategic partnership with botiss and other suppliers enables us to offer a full range of biomaterials to support implant procedures. The tie between us deepened in 2016, when we agreed to take over distribution of botiss products in Germany.

We now offer not only our own family of implants, abutments and restorations, but also a broad range of attractively priced, high quality prosthetics for competitor implants – through Medentika (standard prosthetics) and our new etkon iDent CAD/CAM service. The strategy of partnering also opened the door to a large number of previously inaccessible dental labs when we signed an agreement allowing Zirkonzahn, an international supplier of lab solutions and prosthetics, to distribute our Variobase solutions.

We are currently launching nlce, our unique glass ceramic material that offers considerable advantages (e.g. high-end esthetics and excellent handling properties) for labs and dentists. In addition to using our own sales and distribution channels, we have granted global distribution rights to Planmeca, a global leader in dental equipment, software and CAD/CAM solutions, to help build the brand globally.

Perhaps our most exciting progress has come in the digital arena. Through our partnership with Dental Wings we entered the intra-oral scanner business, while with Amann Girrbach we began selling CARES-compatible in-lab milling machines under the Straumann brand. The combination of our compact

milling machine and intra-oral scanner enables us to offer a highly competitive chairside solution.

In 2017, we will offer validated digital solutions that cover the full tooth replacement workflow including guided-surgery, a choice of intra-oral scanners, CAD/CAM equipment and services, as well as central, in-lab and chairside milling options.

These steps, together with the innovative education concepts and services we have developed, bring us close to achieving our strategic goal of becoming a total solution provider.

## STRAUMANN GROUP – UNITING GLOBAL EXCELLENCE IN DENTISTRY

Our steps to become the global provider in tooth replacement have brought a number of companies and partners into Straumann and we have become a global Group of national and international companies and brands. To provide a common identity, we have introduced 'Straumann Group' as our overarching brand, with a distinct visual identity and positioning. This unites and adds value for all our brands and partners, allowing them to leverage Straumann's global reputation without compromising our premium brand.

## A GOOD EMPLOYER AND CORPORATE CITIZEN

The breadth and depth of our success clearly demonstrate the quality and dedication of our staff, and the value of our conscious shift toward a high-performance mindset and culture. Our global team increased by 326 to approximately 3800 employees, reflecting the incorporation of new businesses and investments in growth markets, projects, production, and R & D to drive our strong development pipeline.

In recognition of the continued strong performance, the Board decided early in 2016 to fully reinstate the variable incentive schemes used in Switzerland prior to the exchange-rate shock and awarded an unreduced bonus for the prior year. We strongly feel that the loyalty and efforts of our employees as well as the continuous improvements they achieved fully merit these initiatives.

We also remained committed to sustainable development and value creation. This means running our

operations efficiently and using natural resources effectively to avoid waste and minimize our impact on the environment. It also encompasses our support for charitable programs in 15 countries with the goal of making dental healthcare available to underprivileged people.

## OUTLOOK

Last year, continuing consolidation in our industry raised the question of whether the Straumann Group would have the critical mass to retain its leadership in the field. At that time we were confident that we would. Today, that confidence has been strengthened by the quality of our performance, strong brand, global reach and broad portfolio, not to mention our track record in creating winning partnerships.

The fact that we are nearing our strategic goal of becoming a total solution provider has led us to consider the next steps, which might involve broadening our current business scope and creating opportunities in adjacent fields. This will be an important focus in 2017 as we continue to seek and evaluate new opportunities for acquisitions, partnerships and scope expansion. We will increase our focus on digitalization, customer base shifts, materials and technology.

Continuing to build a high performance culture will remain our key priority. To avoid complacency coming from success, we will concentrate on maintaining a sense of urgency and will continue to challenge the things we do with an increasingly open mind. We shall also keep vigilant and agile to adapt to our fast-changing environment. Most important, we are determined to make change happen rather than simply reacting to it.

Barring unforeseeable circumstances, we expect the global implant market to grow at a similar rate in 2017 and we are confident that we can continue to outperform by achieving organic growth in the high-single-digit range. Despite further investments in strategic growth initiatives and assuming that currency exchange rates remain fairly stable, we expect our topline growth and operational leverage to lead to further improvements in our organic<sup>9</sup> operating profit margin.

On your behalf, we would like to thank all our employees around the world for their personal commitment, engagement and hard work in 2016. On behalf of the Board we also thank you, our shareholders, for your ongoing support and confidence in our company.

Yours sincerely,



**Gilbert Achermann**  
Chairman of the  
Board of Directors



**Marco Gadola**  
Chief Executive Officer

7 February 2017

## REFERENCES/FOOTNOTES

- 1 Organic growth.
- 2 Buser D 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.
- 3 Derks J et al.: Effectiveness of implant therapy analyzed in a Swedish population: early and late implant loss. *J Dent Res* 2015; 94(3) 445–515.
- 4 Derks J et al.: Effectiveness of implant therapy analyzed in a Swedish population: prevalence of peri-implantitis. *J Dent Res* 2016, 95(1) 43–49.
- 5 FDI Oral Health Atlas p. 61.
- 6 Distribution of dentists in the US, by region and state, 2009. American Dental Association. 2011 Apr.
- 7 Boll A, Gehrke P: Gender aspects of implant dentistry: opportunities and career paths. *Z Zahnärztl Implantol* 2014;30:267–287.
- 8 Exevia, 2014, based on market research data in Germany, Italy, Spain and the US.
- 9 Excluding the effects of the Medentika and Equinox acquisitions.

# WE CREATE OPPORTUNITIES FOR



WOMEN  
IN DENTISTRY

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EMERGING  
MARKETS

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DENTAL SERVICE  
ORGANIZATIONS

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#### DR LAURENCE ADRIAENS – PRIVATE PRACTITIONER

The opportunities for women to combine a career in implantology with family and personal interests are limited. Dr Laurence Adriaens is a dentist who has achieved both. Having grown up in Belgium, she qualified as a dentist and completed postgraduate studies in periodontics and implantology at the University of Bern in Switzerland. Today, she and her husband run a private practice in Mallorca and have used Straumann implants exclusively for nine years. Devoted to giving her patients the best possible care, she has a passion for deepening and sharing her knowledge, which is why she agreed to become the Director of ITI study clubs in Palma de Mallorca. “Straumann is always finding solutions with new technologies, new products and excellent education – which is hard to find as a professional.” Dr Adriaens was an enthusiastic participant at Straumann’s Women in Dentistry workshop in 2016, one of several initiatives to create opportunities for this group of professionals who will be the major providers of dental care in the future.

#### DR SHAHVIR NOORYEZDAN – FOUNDING OWNER AND CEO OF EQUINOX, HEAD STRAUMANN INDIA

Dr Shavir Nooryezdan is a practicing clinician with his own dental clinic in Mumbai. He is also a recognized authority in the field of implant and restorative dentistry. Seeing the great need and opportunity for affordable and effective tooth replacement solutions in India, he established his own implant production company in 2005. At the same time he began training dentists in implantology. In the meantime, his company, Equinox, has become the third largest provider of dental implants in India. To take it to the next step, he wooed Straumann as an investor and global partner. In 2016, Straumann acquired the company and engaged Dr Shavir to head and drive the Straumann business in India. His expertise and networks, together with the infrastructure established by Equinox, offered Straumann the opportunity to enter the Indian market with its premium implant brand.

#### KEVIN MOSHER – CEO OF CLEAR CHOICE

When the ClearChoice Group of clinics made Straumann a preferred partner almost two years ago, it opened the door to several new opportunities in North America, the world’s largest market for tooth replacement. First, it provided the Group with entry into the fast-growing segment of dental service organizations and clinic chains. Second, it endorsed our Neodent range, which had just been launched in the US. Since equipping the ClearChoice clinics, our business with them has grown rapidly. As an innovative total solution provider offering products, services and more that cater to various budgets and needs, Straumann is also a partner for opportunities. One of the visionaries to see this and to open that door was Kevin Mosher, CEO of Clear Choice.

# Consolidated income statement

(in CHF 1 000)	Notes <sup>1</sup>	2016	2015
Revenue	4	917 517	798 600
Cost of goods sold		(198 987)	(183 662)
Gross profit		718 530	614 938
Other income	21	2 376	2 161
Distribution costs		(211 004)	(173 439)
Administrative expenses		(282 726)	(271 092)
Operating profit		227 176	172 568
Finance income	24	35 260	44 115
Finance expense	24	(38 607)	(60 326)
Loss on consolidation of Neodent	24	0	(63 891)
Share of results of associates	7	(1 603)	(12 268)
Profit before income tax		222 225	80 198
Income tax expense	18	7 375	(8 687)
NET PROFIT		229 600	71 511
Attributable to:			
Shareholders of the parent company		229 600	70 679
Non-controlling interests		0	832
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	25	14.68	4.52
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	25	14.60	4.47

<sup>1</sup> For further information please see the Financial Report, published as a separate volume.



# Consolidated statement of financial position

## ASSETS

(in CHF 1 000)	Notes	31 Dec 2016	31 Dec 2015
Property, plant and equipment	5	119 320	105 478
Intangible assets	6	314 027	246 500
Investments in associates	7	61 284	48 232
Financial assets	8	49 907	54 396
Other receivables		4 013	2 751
Deferred income tax assets	18	84 119	43 730
<b>Total non-current assets</b>		<b>632 670</b>	<b>501 087</b>
Inventories	9	101 957	76 113
Trade and other receivables	10	181 645	140 598
Financial assets	8	1 105	1 059
Income tax receivables		8 522	9 142
Cash and cash equivalents	11	164 024	318 297
<b>Total current assets</b>		<b>457 253</b>	<b>545 209</b>
<b>TOTAL ASSETS</b>		<b>1 089 922</b>	<b>1 046 296</b>

## EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2016	31 Dec 2015
Share capital	12	1 588	1 572
Retained earnings and reserves		632 093	603 398
<b>Total equity attributable to the shareholders of the parent company</b>		<b>633 681</b>	<b>604 970</b>
Straight bond	13	199 632	199 520
Other liabilities	15	13 759	6 975
Financial liabilities	14	831	618
Provisions	16	24 511	28 832
Retirement benefit obligations	20	46 763	44 496
Deferred income tax liabilities	18	2 078	1 503
<b>Total non-current liabilities</b>		<b>287 574</b>	<b>281 944</b>
Trade and other payables	17	138 702	124 173
Financial liabilities	14	440	925
Income tax payable		12 739	15 572
Provisions	16	16 785	18 712
<b>Total current liabilities</b>		<b>168 666</b>	<b>159 382</b>
<b>Total liabilities</b>		<b>456 241</b>	<b>441 326</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 089 922</b>	<b>1 046 296</b>

# Consolidated cash flow statement

(in CHF 1 000)	Notes	2016	2015
Net profit		229 600	71 511
Adjustments for:			
Taxes charged	18	(7 375)	8 687
Interest and other financial result		2 574	3 181
Foreign exchange result		2 156	(259)
Fair value adjustments		(1 382)	5 356
Loss on consolidation of Neodent		0	63 891
Share of results of associates	7	1 603	12 268
Depreciation and amortization of:			
Property, plant and equipment	5.22	22 852	25 579
Intangible assets	6.22	9 171	9 455
Change in provisions, retirement benefit obligations and other liabilities		(5 761)	(10 482)
Share-based payments expense	19.23	4 242	3 599
Gains on disposal of property, plant and equipment		0	109
Working capital adjustments:			
Change in inventories		(19 856)	(740)
Change in trade and other receivables		(33 203)	6 383
Change in trade and other payables		11 623	14 310
Interest paid		(4 626)	(4 461)
Interest received		2 305	3 373
Income tax paid		(29 180)	(26 162)
Net cash from operating activities		184 743	185 598

(in CHF 1 000)	Notes	2016	2015
Purchase of financial assets		(348)	(9 479)
Purchase of property, plant and equipment		(39 170)	(32 063)
Purchase of intangible assets		(7 526)	(3 114)
Purchase of investments in associates		(15 706)	(14 206)
Acquisition of a business, net of cash acquired		(24 703)	8 083
Contingent consideration paid		(782)	(3 153)
Proceeds from loans		6 244	3 149
Disbursement of loans		(2 931)	(1 401)
Dividends received from associates		894	3 388
Net proceeds from sale of non-current assets		642	700
Net cash used in investing activities		(83 386)	(48 096)
Purchase of shares of non-controlling interests		0	(224 532)
Transaction costs paid		(426)	(813)
Dividends paid to the equity holders of the parent	26	(63 152)	(58 564)
Dividends paid to non-controlling interests		0	(5 016)
Proceeds from finance lease		0	18
Proceeds from exercise of options		14 062	13 321
Sale of treasury shares		2 228	912
Purchase of treasury shares		(209 763)	0
Net cash used in financing activities		(257 051)	(274 674)
Exchange rate differences on cash held		1 421	(3 952)
Net change in cash and cash equivalents		(154 273)	(141 124)
Cash and cash equivalents at 1 January	11	318 297	459 421
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	164 024	318 297

# WE CREATE OPPORTUNITIES FOR



STUDENTS

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GENERAL  
DENTISTS

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EMPLOYEES

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#### DENIS JOSÉ SALGADO RODRIGUEZ – STUDENT

In Nicaragua, unemployment is high, wages are very low and few people can afford to study. Denis José Salgado Rodriguez grew up there in extreme poverty. Instead of attending school, he washed car windshields until he was taken in by a home belonging to the Nuestros Pequeños Hermanos™ (NPH) charity. For the past 10 years Straumann has sponsored the Sonrisa foundation, a charity that provides dental care to children in NPH homes. At 15, Dennis watched the visiting dentist in action and set his heart on becoming one. In the following years, the dentist saw his talent and commitment and asked Straumann to offer him a scholarship. “This incredible gift changed my life and gave me belief in a better future. I am now in my fourth year at dental school and still cannot believe that someone would give me such a great opportunity. I am trying to share the goodness I have received by helping to provide free treatment to others. Straumann gives people the chance of a better life and I dream of learning to place implants to help others.”

#### DR LIAT MOORE – GENERAL DENTIST

Having spent 13 years as an associate practitioner, Dr Liat Moore successfully established her own family dental practice in Norwell, Massachusetts, which is particularly impressive in view of her limited resources and business experience, not to mention the competitive environment and the fact that she is also a single mom to three young children. Dr Moore is committed to continuous education and strives to keep up on the latest trends in dentistry. The opportunity of teaming up with a specialist for implant placement makes it possible for her to offer modern tooth replacement options, which she restores prosthetically. In 2016, Dr Moore participated as a restoring dentist in one of Straumann's peer-to-peer events, in which her patients received the latest in implant technology and computer guided surgery. Straumann's innovative dental implant system has created opportunities for countless general dentists to offer implant solutions by referring their patients to a specialist for the surgery. Having started like this many go on to specialize and place implants.

#### CARMEN BRUMANN – ACCOUNTANT

When she joined Straumann from school as an apprentice, Carmen Brumann hardly expected to enter a world of opportunities. But together with her colleagues we have helped her create and realize several. Eager to improve her skills and prospects she embarked on a three-year business school course in general management alongside her full-time job. Recognizing her commitment and hard work, the company supported and sponsored her and she graduated with a top grade. Having started work immediately after leaving school, she wanted to take six months out to for a world tour and we were pleased to continue her employment when she returned. In 2014, she went on an international assignment to Straumann UK and took on a higher responsibility when she returned to Basel. In 2016, she made a significant contribution to establishing our new European Finance Center and, as the year came to a close, she was on a special assignment in Spain. Carmen is a true ‘player / learner’ and a ‘down-to-earth’ example of the high-performance culture Straumann is adopting – which explains why she was distinguished by her colleagues as the best exponent of our core behaviors in 2016.

# Five-year overview

## OPERATING PERFORMANCE

(in CHF million)	2012	2013	2014	2015	2016
	Restated				
Net revenue	686.3	679.9	710.3	798.6	917.5
Growth in %	(1.1)	(0.9)	4.5	12.4	14.9
Gross profit	531.5	535.9	558.7	614.9	718.5
Margin in %	77.5	78.8	78.7	77.0	78.3
Operating result before depreciation and amortization (EBITDA)	119.5	148.4	176.2	207.6	259.2
Margin in %	17.4	21.8	24.8	26.0	28.3
Growth in %	(24.1)	24.3	18.7	17.8	24.9
Operating result before amortization (EBITA)	91.5	122.6	153.1	182.0	236.3
Margin in %	13.3	18.0	21.5	22.8	25.8
Growth in %	(30.6)	33.9	24.9	18.9	29.8
Operating profit (EBIT)	63.1	115.8	148.3	172.6	227.2
Margin in %	9.2	17.0	20.9	21.6	24.8
Growth in %	(21.1)	83.6	28.1	16.4	31.6
Net profit	37.5	101.2	157.8	71.5	229.6
Margin in %	5.5	14.9	22.2	9.0	25.0
Growth in %	(47.1)	169.8	56.0	(54.7)	221.1
Basic earnings per share (in CHF)	2.43	6.55	10.15	4.52	14.68
Value added/economic profit <sup>1</sup>	(7.7)	52.7	113.7	27.1	182.2
Change in value added	(37.4)	60.4	59.3	(86.6)	155.1
Change in value added in %	(125.9)	785.3	109.2	(76.2)	572.5
as a % of net revenue	(1.1)	7.8	16.0	3.4	19.9
Number of employees (year-end)	2 517	2 217	2 387	3 471	3 797
Number of employees (average)	2 530	2 308	2 302	3 232	3 615
Sales per employee (average) in CHF 1 000	271	295	309	247	254

<sup>1</sup> Figures as reported in the financial reports

## FINANCIAL PERFORMANCE

(in CHF million)	2012	2013	2014	2015	2016
	Restated				
Cash and cash equivalents	140.5	383.8	459.4	318.3	164.0
Net working capital (net of cash)	63.0	57.3	64.9	63.3	123.9
as a % of revenue	9.2	8.4	9.1	7.9	13.5
Inventories	63.6	62.3	69.2	76.1	102.0
Days of supplies	152	161	149	155	171
Trade receivables	91.8	93.2	106.8	125.2	148.9
Days of sales outstanding	49	49	51	53	55
Balance sheet total	776.9	1 019.7	1 160.8	1 046.3	1 089.9
Return on assets in % (ROA)	4.7	11.4	14.5	6.8	21.5
Equity	601.7	631.4	736.8	605.0	633.7
Equity ratio in %	77.4	61.9	63.5	57.8	58.1
Return on equity in % (ROE)	5.9	16.4	23.1	11.8	37.1
Capital employed	187.7	162.3	142.9	341.8	476.2
Return on capital employed in % (ROCE)	27.4	66.2	97.2	50.5	55.5
Cash generated from operating activities	114.6	151.5	146.2	185.6	184.7
as a % of revenue	16.7	22.3	20.6	23.2	20.1
Investments	(286.1)	(50.6)	(22.8)	(44.5)	(87.9)
as a % of revenue	41.7	7.4	3.2	5.6	9.6
thereof capital expenditures	(19.4)	(12.6)	(18.8)	(35.2)	(46.7)
thereof business combinations related	(0.7)	0	(4.0)	4.9	(25.5)
thereof investments in associates	(266.0)	(38.0)	0	(14.2)	(15.7)
Free cash flow	95.2	139.2	128.4	151.1	138.7
as a % of revenue	13.9	20.5	18.1	18.9	15.1
Dividend	57.9	58.2	58.6	63.2	65.1 <sup>1</sup>
Dividend per share (in CHF)	3.75	3.75	3.75	4.00	4.25 <sup>1</sup>
Pay-out ratio in % (excluding exceptionals)	75.7	53.3	37.1	43.4	35.6

<sup>1</sup> To be proposed to the shareholder's AGM in 2017

# WE CREATE OPPORTUNITIES

‘Create opportunities’ is one of eight core behaviours that we believe will drive and sustain our success. It is fundamental to innovation, entrepreneurship and sustainability and we chose to emphasize it in 2016. Opportunities create value and annual reports focus

on value creation. This report highlights some of the countless opportunities our company and employees created in 2016, adding value for our stakeholders around the world today and tomorrow.

## ABOUT THE STRAUMANN GROUP

The Straumann Group (SIX: STMN) is a global leader in tooth replacement solutions that restore smiles and confidence. It unites global and international brands that stand for excellence, innovation and quality in tooth replacement and esthetics, including Straumann, Intradent, Neodent, and Medentika, etkon and other fully or partly owned companies and partners. In collaboration with leading clinics, institutes and universities, the Group researches, develops, manufactures and supplies dental implants, instruments, CAD/CAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss.

Headquartered in Basel, Switzerland, the Group employs approximately 3800 people worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

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## BOARD OF DIRECTORS

**Gilbert Achermann;** Chairman

**Dr h.c. Thomas Straumann;** Vice Chairman

**Dr Sebastian Burckhardt;** Audit Committee, Secretary of the Board

**Roland Hess;** Audit Committee (Chair)

**Ulrich Looser;** Compensation Committee (Chair), Audit Committee

**Dr Beat Lüthi;** Compensation Committee

## EXECUTIVE MANAGEMENT BOARD

**Marco Gadola;** Chief Executive Officer

**Dr Peter Hackel;** Chief Financial Officer

**Dr Gerhard Bauer;** Head Research, Development & Operations

**Wolfgang Becker;** Head Distributor & Emerging Markets EMEA

**Guillaume Daniellot;** Head Sales North America

**Jens Dexheimer;** Head Sales Europe

**Frank Hemm;** Head Customer Solutions & Education

**Dr Alexander Ochsner;** Head Sales Asia/Pacific

**Petra Rumpf;** Head Intradent & Strategic Alliances

**Matthias Schupp;** Head Sales Latin America, CEO of Neodent

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