Gilbert Achermann, Chairman of the Board of Directors

Dear Shareholder,

As a company we have learned, innovated, adapted, relinquished, matured and persevered in 2020. Above all, we have understood the value of bringing and keeping people, ideas and things together when traditional approaches are no longer possible. This is why #TogetherStrong aptly describes how we progressed through and emerged from this extraordinary year.

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In 2020, building on five years of double-digit growth, we made a promising start until March, when dental practices closed temporarily or were limited to essential treatment. During the crisis months our focus was on safety, business continuity, mitigating financial impacts and helping dentists get back to treating patients. When lockdowns eased, revenue picked up, lifted by pent-up demand. Considering the disruptions and taking the record-level results from 2019 as a comparison, we achieved solid results in 2020. Organic revenue was down 6%, while strong currency headwind widened the gap in Swiss francs to 11% as revenue reached CHF 1.4 billion.

Guillaume Daniellot, Chief Executive Officer

The pandemic put our original objectives for improved profitability in 2020 beyond reach. However, thanks to rapid mitigation of near-to-mid-term financial impact, including operating cost reductions, subsidized working-hour reductions, global restructuring and postponed investments, we alleviated the heavy pressure on profitability. Our core EBITDA, EBIT and net profit margins reached 29.5%, 23.4% and 18.3% respectively, which is very presentable in the circumstances. We commend our Finance team for their work and for securing liquidity to ensure continuity, including CHF 480 million raised through two straight bonds to refinance a maturing bond and for general corporate purposes.

We were able to continue investing in innovation to provide faster, better treatments.

Thanks to the remarkable efforts of our colleagues in Operations, we maintained services and product availability throughout the year. Our core gross profit reached CHF 1.0 billion with a margin of almost 73%. Combined with cost reductions and reduced activities (e.g. travel and promotional events) we were able to continue investing in innovation to provide faster, better treatments with additional predictability, comfort and convenience. We also continued to invest in developing our people (p. 64 ff.) and production (p. 72 ff.).

Thanks to our agile response, we outperformed the market.

REBOUNDING ACROSS REGIONS AND BUSINESSES

By year-end, organic growth had returned to all regions (see p. 35 ff.). APAC rebounded to high-teen growth in Q4 to complete the year almost in line with 2019. EMEA and North America reported mid-single digit declines, while Latin America, facing the biggest challenge, achieved 85% of its 2019 revenue.

The value implant, digital and orthodontics businesses all achieved full-year organic growth, the latter reporting the highest increase. Premium implants, our largest revenue driver, were constrained by the pandemic's impact on predominantly premium affluent markets. Notwithstanding, strong sales of innovative products like Straumann's BLX implant led to share gains in the immediacy and other segments. Sales of intraoral scanners also rose, reflecting the increasing trend in digital dentistry.

Our passion to create value through strategic partnerships and acquisitions was undiminished. To complement our orthodontics business, we acquired a 75% stake in DrSmile, one of Europe's fastest-growing specialists in direct-to-consumer marketing of clear aligner solutions fully backed by experienced clinicians. We also invested in Promaton, a software company developing artificial intelligence applications to support diagnosis and treatment planning. To expand in the emerging Romanian market, we acquired the established distributor Artis Bio Tech. Collectively, these investments amounted to approximately CHF 46 million with further payments expected in the coming years. We continued to expand manufacturing capacity (CHF >50 million) which, together with investments in information technology and other fixed assets, resulted in capital expenditures of CHF 82 million (CHF 150 million in 2019). Cash from operating activities amounted to CHF 377 million (CHF 378 million in 2019) and free cash flow reached CHF 295 million (CHF 230 million in 2019).

MARKETS, ENVIRONMENT – TRENDS

We estimate that the global market for implant dentistry is worth approximately CHF 4 billion[1], after contracting by 10–15% due mainly to the pandemic lockdown. Thanks to our agile response, we outperformed the market. The drivers of mid- and long-term market growth remain valid and include innovation, the growing and aging population, awareness of esthetics, increasing availability and affordability.

Our second largest market, clear aligners, is worth approximately CHF 3.5 billion[2] (see p. 33 f.) and was growing at 20% prior to COVID-19. In 2020, it was almost flat due to the lockdown interruptions. Nevertheless, it represents one of the most attractive areas in dentistry due to the significant advantages of clear aligners over conventional wires and brackets, including appearance, patient compliance and convenience. Growing awareness and wider availability will drive penetration rates.

ESTHETIC DENTISTRY – BRINGING EVERYTHING TOGETHER

Esthetic dentistry thus offers significant opportunity for sustainable business growth in the future and continues to be our strategic focus. To incorporate emerging trends and new realities, we fine-tuned our three strategic priorities in 2020 (p. 17 ff.).

PRIORITY ONE: DRIVING OUR HIGH PERFORMANCE STRAUMANN GROUP CULTURE AND ORGANIZATION

Culture is at the heart of execution, driving results and creating value, which is why it remains our key priority. Our culture continues to foster agility, embrace change, encourage entrepreneurism, focus on execution and deliver high performance. These attributes enabled us to navigate the crisis as an opportunity rather than a threat.

The engagement of many dedicated, talented people who brought progress and solid results in tough conditions deserves recognition and reward.

Entering 2020, we were geared for strong growth, having doubled our workforce over the three prior years. With revenues tumbling 70% at the pandemic's peak, we quickly had to align our costs – most of which are personnel. In addition to subsidised working-hour reductions and reduced compensation (including voluntary cuts by the Board and senior management), we regrettably had to lay off approximately 9% of our global workforce. Our key objective was to conduct this in a responsible, fair and timely manner, without compromising the company's ability to rebound rapidly. We are deeply thankful for the professionalism and understanding of all our colleagues, especially those whose positions were discontinued. We are also grateful for the suggestions, solidarity and selflessness of our colleagues who helped to minimize the impact on jobs. At year end, our global team totaled 7340, including 360 who were added through strategic acquisitions and newly created positions.

Diversity, inclusion and belonging bring new perspectives, foster innovation, provide market insights and add value. The diversity, skills and experience of our leadership team have broadened (see p. 93 ff.), and our global staff includes more than sixty nationalities in more than a hundred countries. In spite of the challenging times, our annual staff survey showed a high level of engagement, pride in working for Straumann Group, excitement in the future and confidence in the meaning and purpose of our work (see p. 65).

The engagement of many dedicated, talented people who brought progress and solid results in tough conditions deserves recognition and reward. Due to the extraordinary circumstances in 2020, their exceptional efforts are not necessarily reflected in our ordinary financial performance indicators. For such cases, the Board of Directors decided to award a discretionary short-term incentive at 80% of target to all eligible employees[3].

With regard to the 2017 long-term incentive which vested in April 2020, we met the 3-year objectives for total shareholder return (+14% CAGR) and EBIT growth (CHF +50 million), resulting in a capped maximum award for senior management (see p. 115 ff.).

PRIORITY TWO: ACCELERATING GROWTH IN CORE IMPLANT MARKETS AND STRATEGIC SEGMENTS

The market for tooth replacement offers significant opportunity. In premium implants, we have a strong innovation pipeline and global rollout program. In value implants, we have a broad range covering all price tiers and the capability to expand these brands internationally.

Pursuing our goal of leading the immediacy segment, which accounts for roughly a quarter of the 27 million dental implants placed annually, we continued the global rollout of Straumann BLX. Straumann's new Zygoma implant system (see p. 25), which we launched virtually, will support BLX's growth trajectory. Our innovative TLX implant, which entered its clinical program (see p. 25), and our Smile in a Box solution also contribute to this objective.

Our culture continues to foster agility, embrace change, encourage entrepreneurism, focus on execution and deliver high performance.

To increase affordability, especially in emerging markets, we continued the global rollout of our challenger brands Neodent, Anthogyr and Medentika. For the lower value segment, we launched our new NUVO brand in initial markets and our Korean partner brand, Warantec, in China.

Event cancellations and restrictions on travel and meeting did not diminish our efforts to win customers. Through strong innovation, launches and intense online efforts (including education, virtual symposia, and summits – see p. 60 ff.), we attracted customers and strengthened our market positions. We continued to serve customers directly through our subsidiaries and also to address the corporate segment by partnering with Dental Service Organizations (DSOs). Despite lockdowns, we expanded our existing DSO business and built new partnerships. One highlight was our online global DSO summit with 50 CEOs from leading DSOs representing 31 000 clinicians in 28 countries.

PRIORITY THREE: CREATING A LEADING ECOSYSTEM FOR ESTHETIC DENTISTRY

Our third strategic priority combines the desire for dental esthetics with seamless digital experiences. Our goal is to connect all our digital solutions, services and equipment with partners and third parties, providing frictionless customer-centric solutions (see p. 18 ff.). To drive this strategy, we established dedicated Digital and Orthodontics business units and recruited high-caliber executives to lead them. Both businesses grew in 2020.

We are confident that we will emerge as an even stronger brand and partner of choice.

In orthodontics, ClearCorrect launched new software and an innovative high-performance material to enhance convenience, increase comfort and shorten treatment. We also entered the exciting arena of online consumer marketing with DrSmile. Intraoral scanners are a key to our digital ecosystem and the gateway to digital dentistry. In October, we completed the integration of 3Shape TRIOS intraoral scanners with the Straumann Group's software solutions and services. Now these highly popular scanners can connect seamlessly with Straumann's orthodontic, restorative, implant, chairside, and digital dentistry solutions. We also gained global distribution rights for the attractively priced Medit intraoral scanners, which complement our range and strengthen our position as a global partner of choice for integrated intraoral scanning solutions.

CONTINUED COMMITMENT TO LONG-TERM VALUE CREATION

We remain committed to sustainable development and value creation. This means running our operations efficiently using natural resources effectively and minimizing our environmental impact (see p. 58). Our commitment also encompassed 20 charitable projects in 2020, offering dental care and humanitarian relief in 13 countries (see p. 69 ff.).

Our strong business fundamentals and growth opportunities are reflected in our share price, which continued to outperform the Swiss equity market and rose 8.5% to CHF 1031 at year-end, while the SMI and SMIM indices closed up 3.3% and 0.8%, respectively. Ours is the second-best performing share in the SMIM universe over the past five years. With our market capitalization exceeding CHF 15 billion, we joined the Swiss Leader Index, which comprises the largest 30 securities in the Swiss equity market.

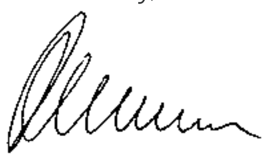
Based on the 2020 results, the Board of Directors proposes a stable dividend of CHF 5.75 per share, payable on 15 April 2021, and intends to continue increasing the dividend in the future, subject to further good performance.

OUTLOOK (BARRING UNFORESEEN CIRCUMSTANCES)

By year-end, dental practices around the world had resumed normal work, albeit with efficiency reduced by additional protective measures. Patient confidence had also strengthened. The sharp rise in infections around New Year led to new lockdown measures in key markets. However, visits to dentists for all treatments remain possible in most places, and with mass vaccination underway we do not expect a deterioration in the dental markets, although economic recession may reduce disposable income and deter patients from seeking elective non-reimbursed treatments. The breadth of our portfolio, our global reach, the quality and engagement of our people, and our progress in 2020 make us confident that we will emerge as an even stronger brand and partner of choice when the general economy and consumer confidence return to normal. We aim to achieve organic revenue growth in the high-single-digit percentage range. Profitability (core EBIT) is expected to improve versus 2020.

On behalf of the Board and our colleagues, we would like to thank you, our shareholders, for your ongoing support and confidence in our company.

Yours sincerely,



Gilbert Achermann
Chairman of the Board of Directors

Guillaume Daniellot
Chief Executive Officer

12 February 2021

Notes and references

1 iData, Decision Resources Group and Straumann bottom-up estimates in 70 countries.
2 Industry reports, Strauman bottom-up estimates in >40 countries.
3 EMB compensation subject to approval at the AGM in April 2021.