# 2017 First-half results

**Conference presentation for investors, analysts & media**

Basel, 17 August 2017

straumanngroup

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The availability and indications/claims of the products illustrated and mentioned in this presentation may vary according to country.

# First-half highlights

**Marco Gadola, CEO**

straumanngroup

## Creating growth opportunities in and beyond our space

| REVENUE GROWTH | PROFITABILITY | KEY DRIVERS |
|---|---|---|
| +14% organic[1] | 25.7% EBIT margin | Total solutions |
| Q2: +14% organic; +16% in CHF<br>H1: +14% organic; +18% in CHF | Strong volume growth drives margin improvement of 90bps | Dynamic growth in non-premium, driven by Neodent expansion and boosted by consolidation of Medentika;<br>Premium business driven by BLT |
| **SCOPE EXPANSION** | **TECHNOLOGY** | **OUTLOOK** |
| Orthodontic dentistry | Digital power base | On track |
| Full acquisition of ClearCorrect;<br>38% stake in Geniova | Acquisition of Dental Wings, investment in Rapid Shape & strategic partnerships to support implant, restorative & orthodontics businesses | …to deliver underlying revenue and profitability growth as guided |

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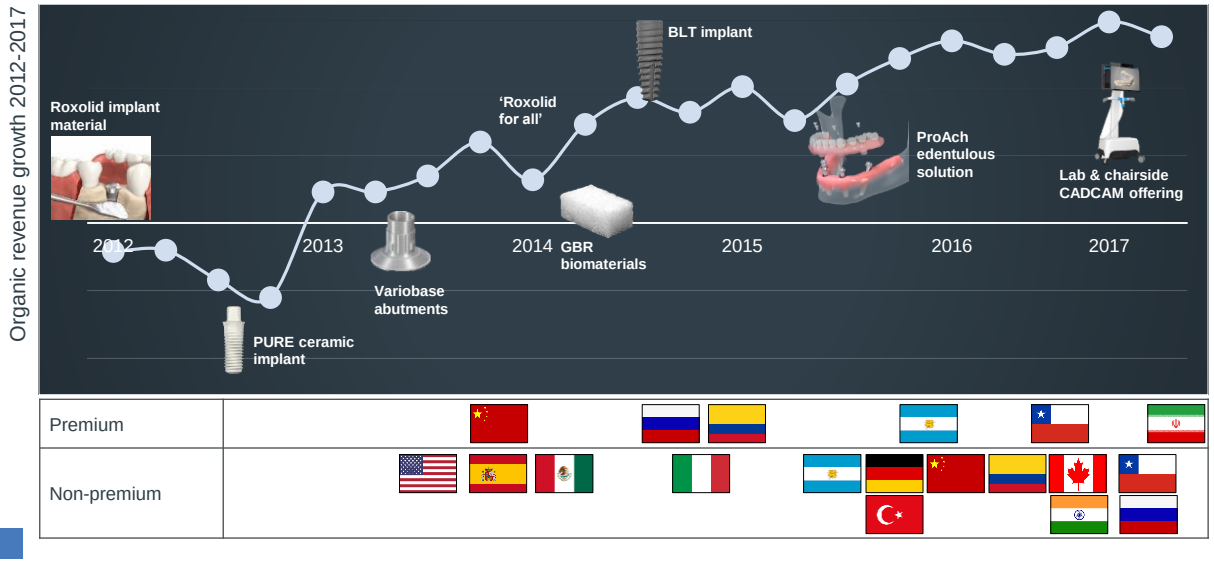
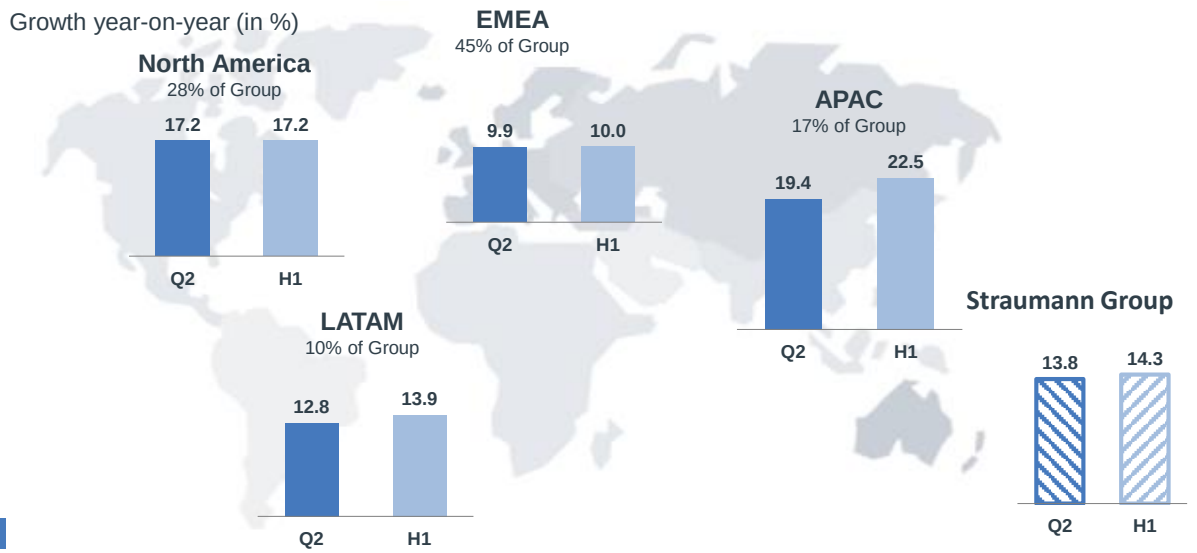
[1] Organic growth – i.e. excluding the effects of currency fluctuations and acquired/divested business activities
[2] Guidance expectations barring unforeseen events/circumstances

# Above-market growth driven by new products and entry into new geographies & segments





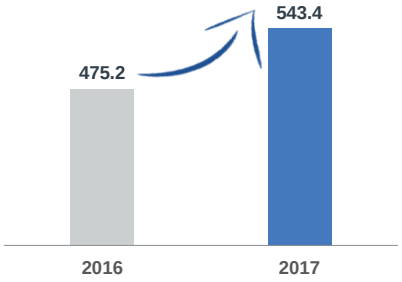

# High growth rates in Q2 following record first quarter



# Further margin expansion

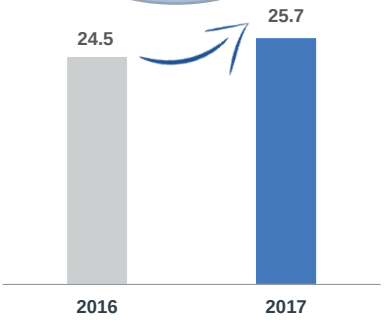
**Revenue growth**
*excl. acquisition and FX effects*

**+14%**
**organic**



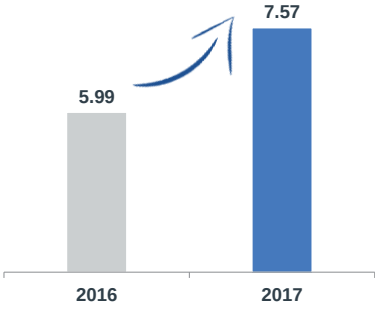

**Underlying EBIT margin (%)**
*excl. exceptionals & FX effects*

**+120bps**
**EBITDA +130pbs**




**Earnings per share**
*excl. one-time effects[1]*

**+26%**

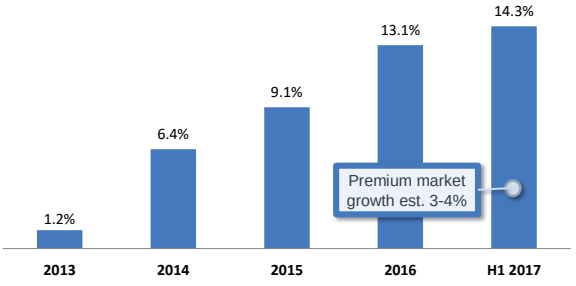



[1] 2017 EPS benefited from a CHF 24-million one-time effect related to the business combination of Medentika in Germany. 2016 EPS benefited from a one-time deferred tax asset gain of CHF 41 million resulting from the merger of Straumann Brazil with Neodent. Both effects are not cash relevant.

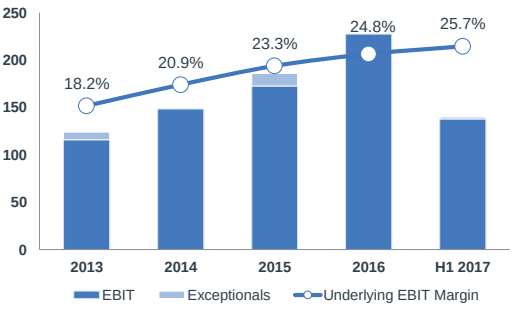


# Strong topline growth drives steady margin improvements

Organic revenue growth: 5-year




Operating profit and margin: 5-year




- Over the past five years, revenue has risen 10% per annum and EPS 26% on average
- ROCE reached 50% in H1 2017
- With an equity ratio of 55%, the Group remains solidly financed to invest in further growth opportunities

# Business and regional review

**Peter Hackel, CFO**

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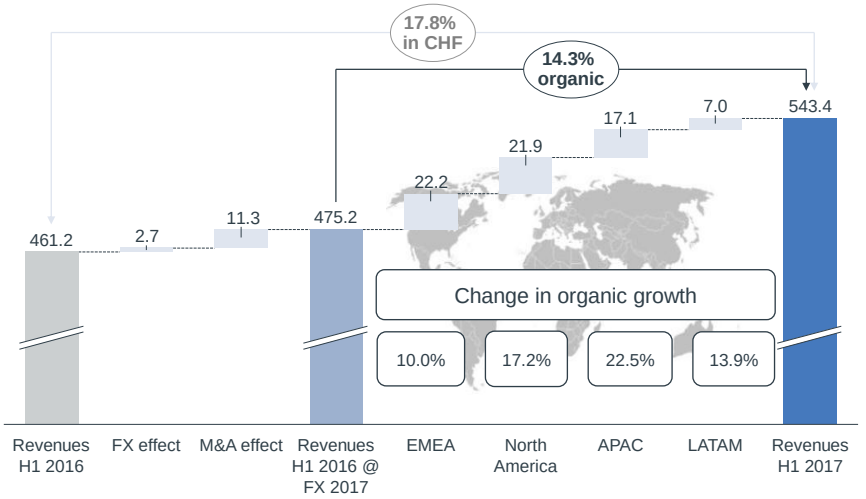
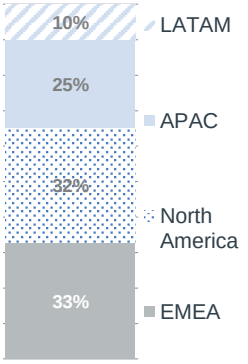
## Strong expansion across all regions

Revenue development (CHFm, rounded)



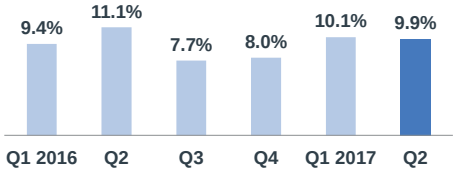

Regional share of organic growth



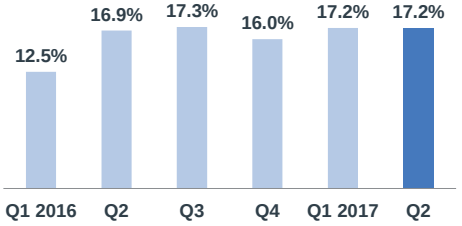
# EMEA robust – North America still on fast track

**EMEA**


Revenue change (organic)




**North America**


- EMEA maintained its pace in Q2 despite two fewer selling days (Easter effect)
- All businesses contributed to the positive development; digital equipment business also added to the growth following the presentation of new solutions at the IDS
- Strong results in Russia, the UK, Saudi Arabia and Eastern Europe; Germany above prior year

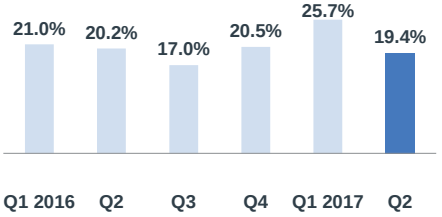
- North America kept strong pace
- Double-digit growth over six consecutive quarters, outpacing the market
- Straumann's new 2.9mm BLT implant well received
- Medentika's cost-effective prosthetic solutions launched in the US



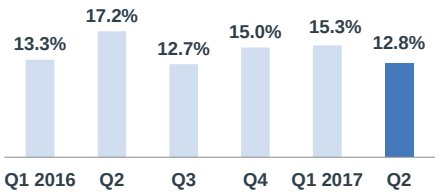
# Strong growth continues in Asia and Latin America

**APAC**


Revenue change (organic)




**Latin America**


- Largest regional country, China, was again the main growth driver
- Anthogyr addition adds to growth
- Demand for Straumann products was robust in Japan; other subsidiaries in the region performed well

- Growth in Q2 (+13%) eased slightly, reflecting the higher prior-year period
- Dynamic growth in Mexico
- Positive uptake of Straumann BLT and Neodent Aqua implants

# Double-digit growth across all businesses

## Implants

## Restorative

## Biomaterials

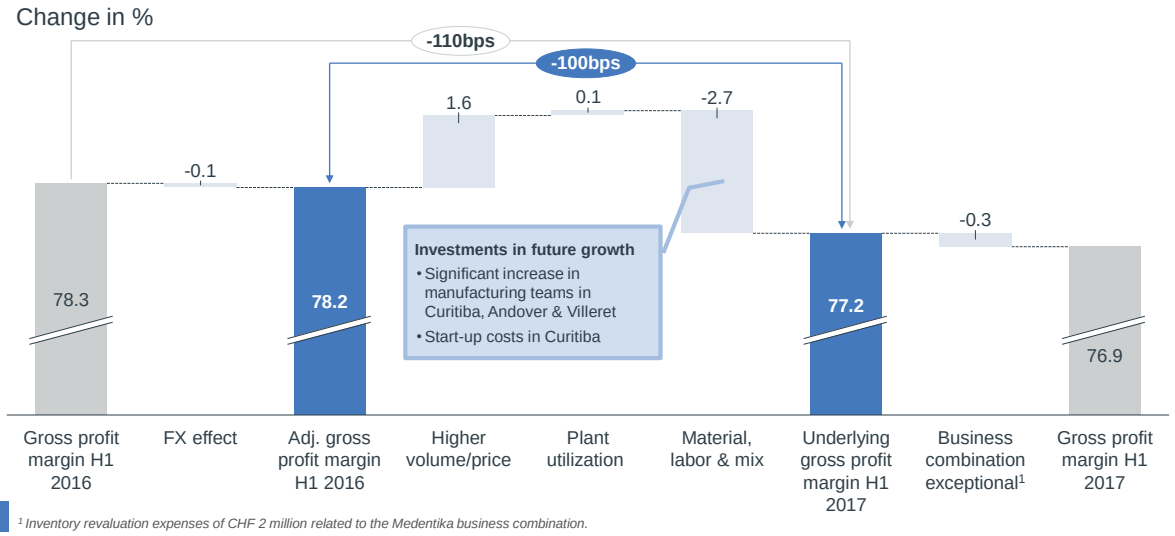


# Key financials at a glance

| in CHF million (rounded) | H1 2017 | | | H1 2016 | | | Δ % / bps |
|---|---|---|---|---|---|---|---|
| | Reported | Exceptionals | excl. Exceptionals | Reported | Exceptionals | excl. exceptionals | excl. exceptionals |
| **Revenue** | 543.4 | | | 461.2 | | | |
| **Organic growth in %** | *14.3%* | | | *13.5%* | | | |
| **Gross profit** | 418.0 | (2.0) | 420.0 | 361.2 | | | *16%* |
| **margin** | *76.9%* | | *77.2%* | *78.3%* | | | *( 110 bps)* |
| **EBITDA** | 156.1 | | 158.0 | 129.2 | | | *22%* |
| **margin** | *28.7%* | | *29.0%* | *28.0%* | | | *100 bps* |
| **EBIT** | 137.8 | | 139.8 | 114.4 | | | *22%* |
| **margin** | *25.4%* | | 25.7% | 24.8% | | | *90 bps* |
| **Gain on consolidation** | 25.0 | 25.0 | 0.0 | | | | |
| **Share of result of associates** | (2.6) | | (2.6) | (0.6) | | | |
| **Taxes** | (17.1) | 0.6 | (17.7) | 22.0 | 40.5 | (18.4) | |
| **Net profit** | 140.8 | | 117.2 | 134.9 | | 94.5 | *24%* |
| **margin** | *25.9%* | | *21.6%* | *29.3%* | | *20.5%* | *110 bps* |
| **Basic EPS** | 9.11 | | 7.57 | 8.55 | | 5.99 | |
| **Free cash flow** | 45.2 | | | 55.0 | | | *(18%)* |
| **margin** | 8.3% | | | 11.9% | | | |

Exceptional CHF 23m gain in H1 2017 related to the Medentika business combination (CHF 24m after tax), which includes inventory revaluation expenses of CHF 2m (COGS) and a CHF 25m fair value gain (financial result).
In H1 2016, net profit was lifted by a one-time effect of CHF 41 million related to the capitalization of deferred tax assets in Brazil.

# Gross margin constrained by capacity expansion and higher share of third-party products

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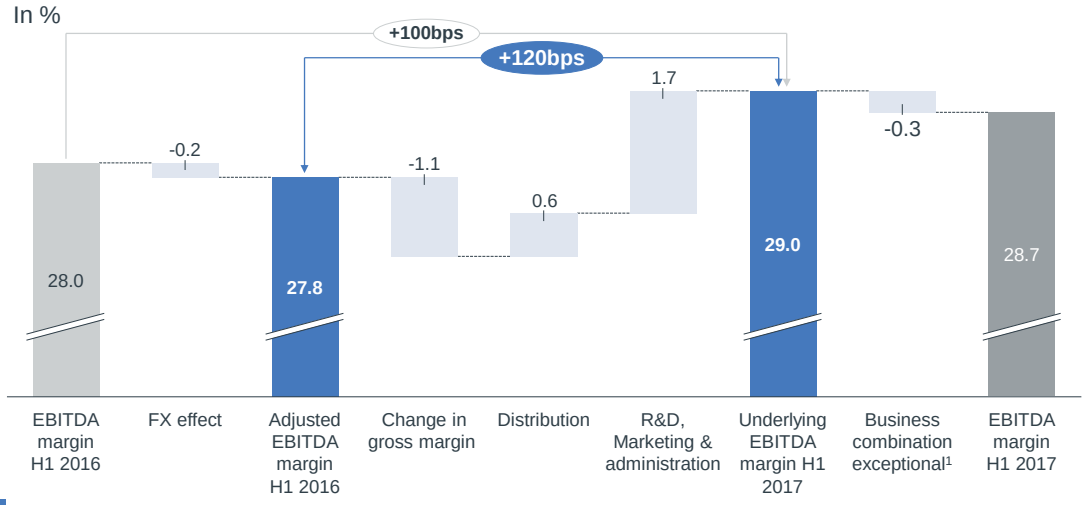
[1] *Inventory revaluation expenses of CHF 2 million related to the Medentika business combination.*

# Underlying profitability improves – EBITDA up 120bps

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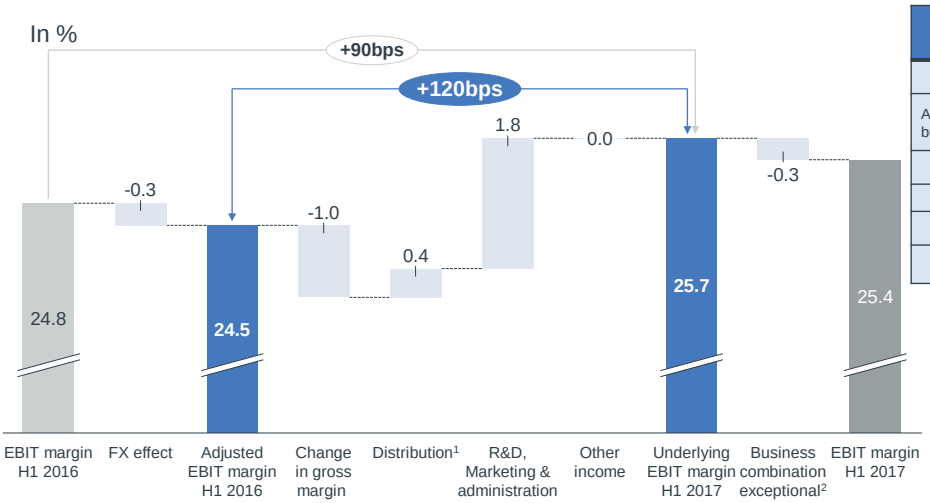
[1] *Inventory revaluation expenses of CHF 2 million in the 'costs of goods sold' related to the Medentika business combination.*

# Leveraging sales & HQ infrastructure – EBIT +120bps




| D&A in CHFm | H1 2016 | H1 2017 | *% of sales* |
|---|---|---|---|
| Regular D&A | 12.4 | 13.9 | *2.6%* |
| Amortization related to business combinations: | | | |
| Neodent | 2.8 | 3.3 | *0.8%* |
| Medentika | - | 0.8 | |
| Equinox | - | 0.3 | |
| *Change yoy* | | | *+57%* |

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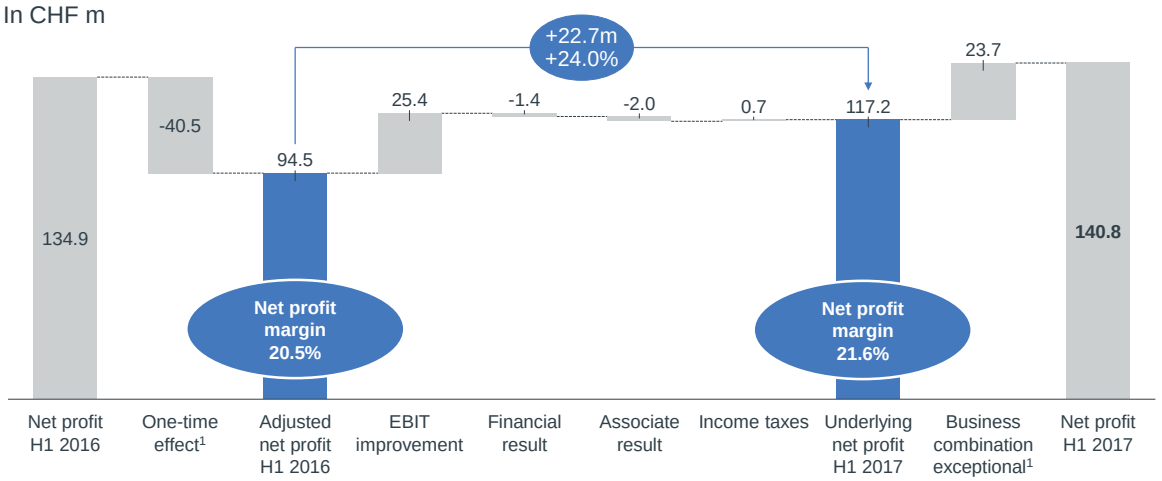
*[1] Distribution costs include amortization expenses of CHF 4m for customer-related intangible assets of Neodent, Medentika and Equinox. [2] Inventory revaluation expenses of CHF 2 million in the 'costs of goods sold' related to the Medentika business combination.*

# Net profit surges 24%

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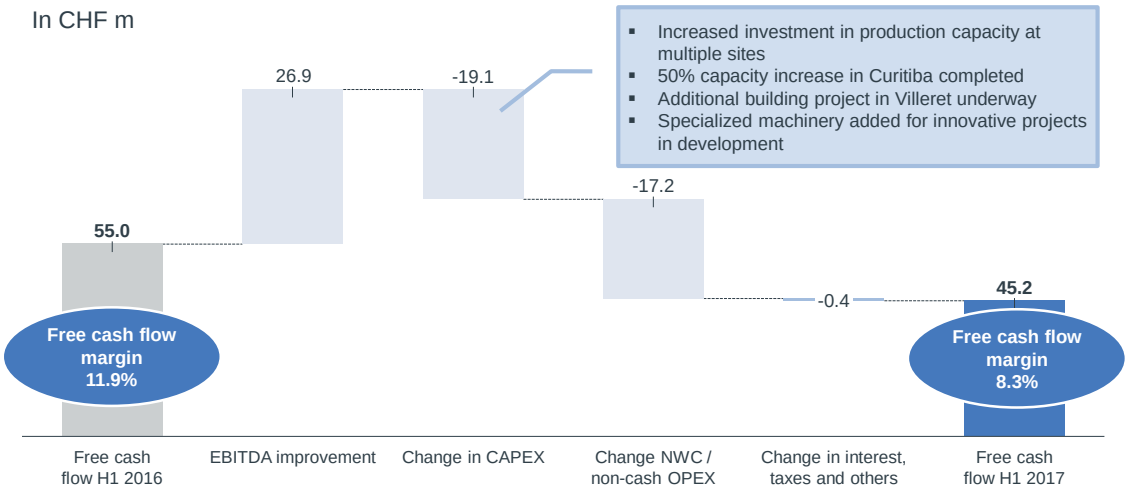
*[1] 2017 EPS benefited from a CHF 24-million one-time effect related to the business combination of Medentika in Germany. 2016 EPS benefited from a one-time deferred tax asset gain of CHF 41 million resulting from the merger of Straumann Brazil with Neodent. Both effects are not cash relevant.*

# Free cash flow reflects investments in production, portfolio and geographic expansion

In CHF m




- Increased investment in production capacity at multiple sites
- 50% capacity increase in Curitiba completed
- Additional building project in Villeret underway
- Specialized machinery added for innovative projects in development

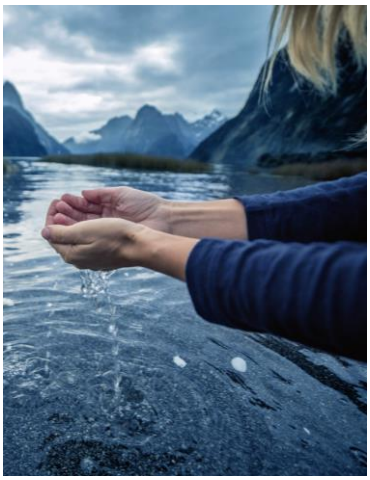
19 *Chart shows cash-relevant changes January-June 2017 compared with the same period a year ago.*

# Entering new businesses and segments to expand our addressable market

**Marco Gadola, CEO**

straumanngroup

# Strategic priorities of the Straumann Group



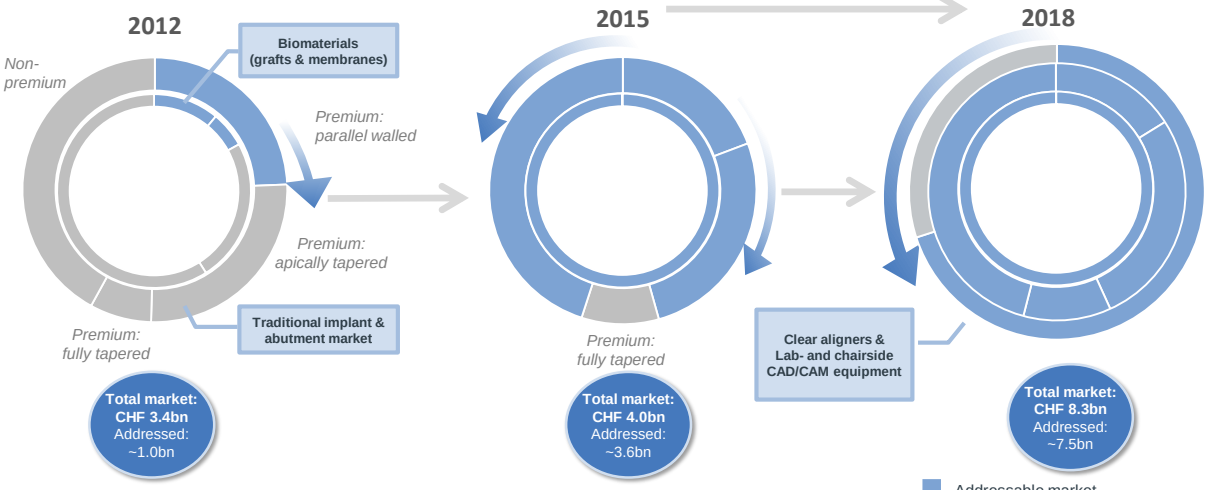
- Drive our high performance STMN Group culture and organization
- Target unexploited growth markets & segments
- Expand scope to become a Total Solution Provider for esthetic dentistry

Adapted



# Continuously expanding our addressable market

Milestones: *Variobase abutment* | *BLT implant* | *Neodent consolidation* | *Lab- and chairside CAD/CAM systems* | *Clear Aligners* | *Fully-tapered implant expected*




Addressable market

Areas not covered by Straumann

[1] Straumann Group incl. Neodent, Medentika and Anthogyr China [2] Implant dentistry market segment includes implant fixtures, abutments and related instruments; information based on DRG 2015 and Straumann estimates

# Stepping into orthodontics

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## 75% of the population have misaligned teeth

**Teenage & adult population[1]**

Primary focus on mild-to-moderate malocclusion

| | | |
|---|---|---|
| 25% | No treatment required[1] | |
| 15% | Purely esthetic needs | Rarely addressed |
| 45% | Mild to severe; may require some orthodontic correction | Increasingly addressed |
| 15% | Orthodontic treatment required | Fully addressed in developed countries |

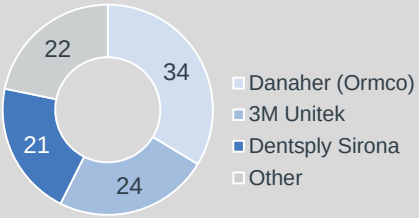
[1] Source: William Blair and National health & Nutrition Examination Survey (NHANES III)

# Global orthodontic market overview

## Conventional wires & brackets

USD 0.8 bn

Est. volume share in %

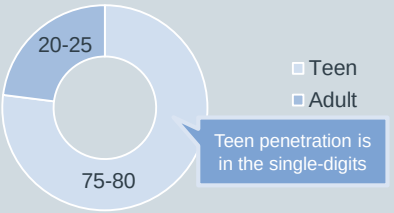



- Low single-digit growth
- Lower margin business
- Material supply represents small value portion of overall treatment

## Clear aligners

Up to USD 1.5 bn

Cases distribution in %




- Double-digit growth
- Leading player: Align Technology
- Competitors: ClearCorrect, Danaher Ormco, 3M, Great Lakes, Orthocaps, Orthos Fachlabor, Scheu Dental, Dentsply Sirona, Orametrix

25 Sources: Robert W. Baird 2015, William Blair 2017, Stiefel 2017, Global Industry Analysts, Inc., Leerink 2017 and company reports.

# Substitution technologies – a key to our success


26 [1] Source: Stiefel, 2017

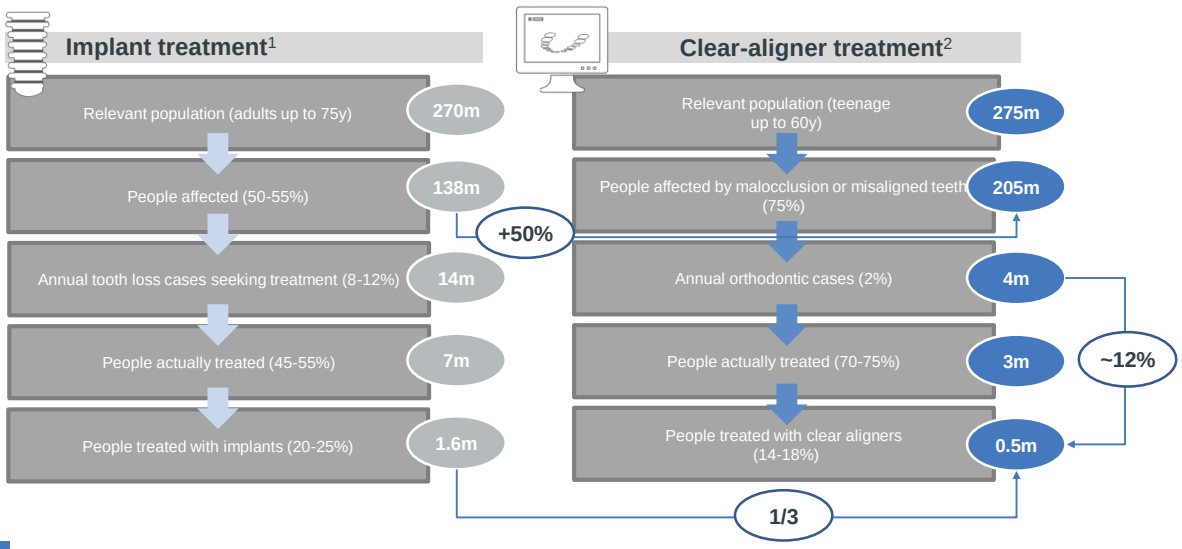
# The case for clear aligners

- Practically invisible, discreet
- Removable (e.g. for eating and cleaning) for up to two hours a day
- Costs to patient comparable to other orthodontic options; approx. USD 3500-5500 depending on application
- Increasing popularity among teenagers, who make up 3/4 of all orthodontic patients, although these cases account for only 1/4 of the market
- Implants & orthodontics are increasingly part of the same treatment plan (repositioning prior to implant placement)
- The ortho. market has many commonalities with implant dentistry & CADCAM prosthetics, but is several years behind




# Huge number of potential patients for aligners & implants

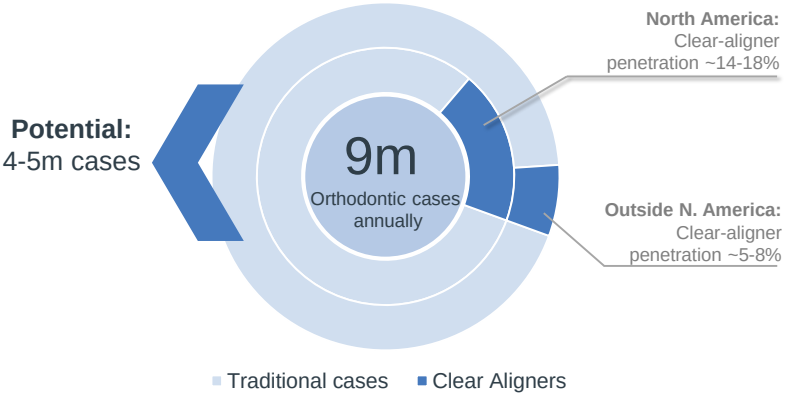
## Dental implant vs. clear-aligner penetration in North America




*Source: [1] Straumann proprietary study based on 5000 US respondents, conducted by AFG Research. [2] World Statistics, Global Industry Analysts, Inc. 2016, company reports.*

# Clear-aligner segment underpenetrated

Clear aligners vs. conventional braces & wires: worldwide cases per year




## Clear aligner adoption drivers

- More dentists trained (GPs & orthodontists)
- More GPs offer/promote treatment
- Current users expand business (utilization rate)
- Attention to esthetics increasing
- Geographic availability
- Teenager segment penetration
- Product improvement (ease-of-use, more indications)
- Digitalization simplifies workflow and drive penetration

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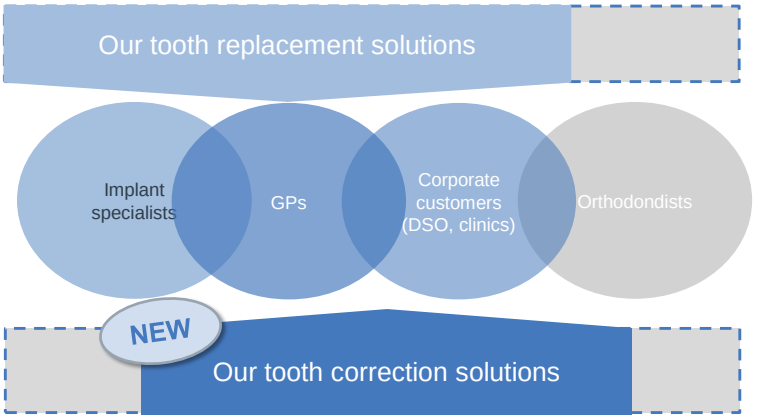
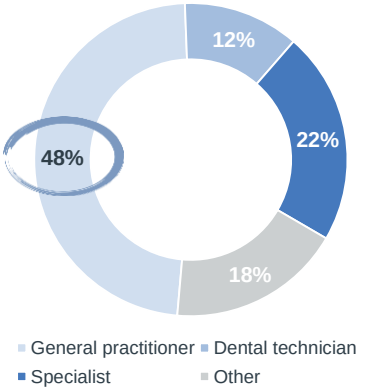
*Source: World Statistics; Global Industry Analysts Inc. 2016; company fillings as well as broker research reports: Robert W. Baird 2015, William Blair 2017, Stiefel 2017, Leerink 2017.*

# Creating opportunities for GPs




Straumann's customer base by segment (FY 2016)

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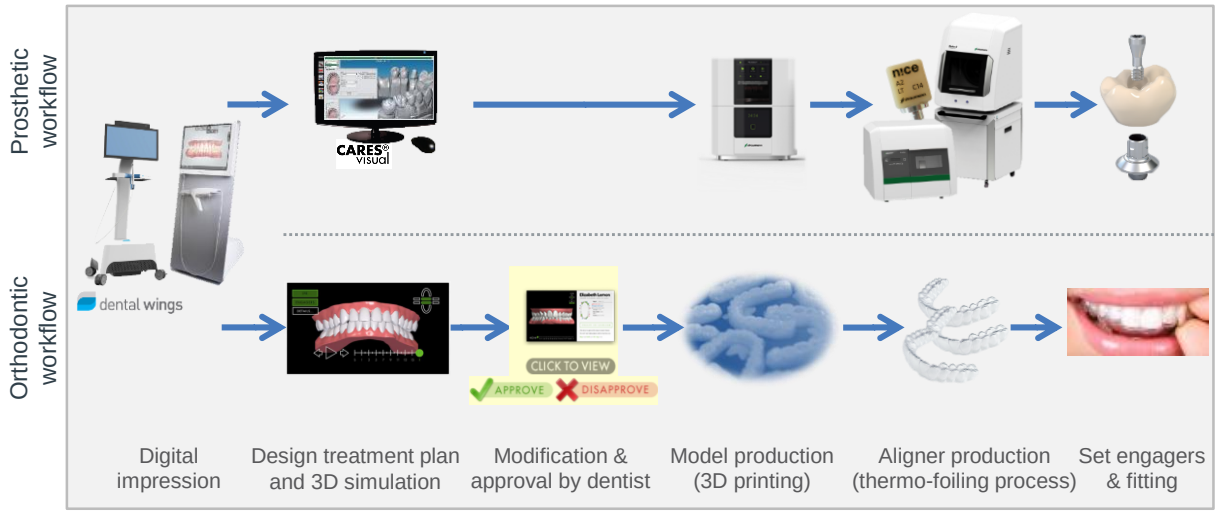
## Commonalities in restorative and clear-aligner workflows

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## ClearCorrect joins the Straumann Group

- One of the leading providers of full clear-aligner tooth-correction solutions
- Privately-held; fast-growing; 2016 sales: USD 32m
- Products sold directly in North America and through distributors in Australia, the UK and other countries
- Approx. 200 employees; HQ in Round Rock, Texas
- Straumann acquires all outstanding shares in ClearCorrect Holdings Inc. and subsidiaries for total consideration of approximately USD 150m
- Completion of acquisition expected by year-end

ClearCorrect™

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ClearCorrect™

click here to watch video

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## Partners of choice


- Timely entry into clear aligner field
- Critical mass: a leading aligner manufacturer with a base of >15K treatment providers
- Incremental growth opportunities
- Expertise in orthodontics

ClearCorrect™

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- Global distribution & marketing network
- Brand leverage
- Regional production locations
- Digital technology (Dental Wings, Rapid Shape, 3Shape and other partners)

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## Geniova complements ClearCorrect

GENIOVA
THE FAST ALIGNER

- Young dynamic company in Madrid, Spain
- Straumann provided a capital injection of CHF 3.2m to support Geniova's expansion strategy in return for:
  - 38% stake
  - right to become the exclusive distributor of Geniova products
- Transaction completed

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## Pioneering hybrid approach

GENIOVA
THE FAST ALIGNER

- Transparent copings connected by nickel-titanium wire, combining the advantages of fixed-orthodontic-appliance therapy and clear aligners
- Painless, esthetic, hygienic, easily removable when required
- Produces movement only in the teeth that need correction
- Broad range of treatment cases
- Reduced treatment duration and cost by comparison with classic aligners
- FDA 510(k) approved
- Commercially available in initial markets; still in start-up phase

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# Digitalization – connecting everything

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## Adding the full power of Dental Wings

- A leading provider of digital dentistry technologies and the core of the Straumann CARES portfolio
- Solutions cover full digital workflow:
  - intraoral and model scanning,
  - implant planning,
  - prosthesis design and manufacturing,
  - operations management and communication software
- Revenues of CAD 28m in 2016; >160 employees
- Founded 2007; HQ in Montreal; offices in Germany, France, China; products distributed in >45 countries
- Straumann acquires remaining 45% for approx. CAD 50m



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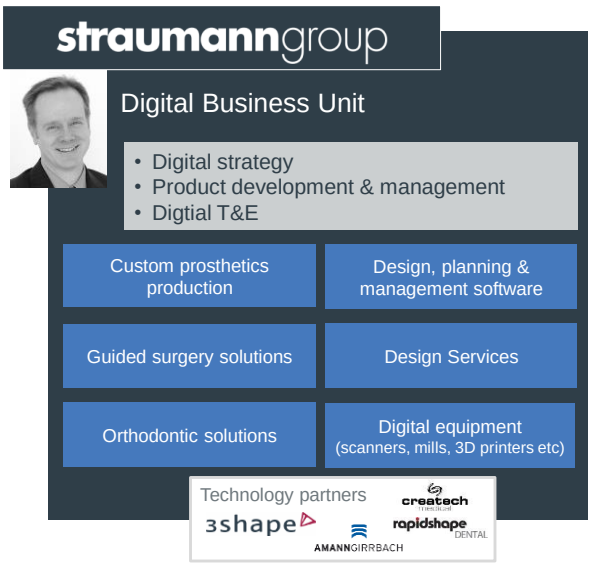
## Rapid Shape deal completed; Straumann P Series 3D-printers ready for launch

- Acquisition of 35% stake in Rapid Shape, a leader in 3D-printing technologies, completed
- Straumann-branded P20, P30 & P40 3D-printers integrated into CARES & Dental Wings workflows and entering limited market release
- Full market release in October

39 Footnote

## Creating one of the industry's most powerful digital teams

- New dedicated Digital Business Unit to become fully operational January 2018
- Combines existing Straumann Group CADCAM development & production teams with Dental Wings & ClearCorrect
- >500 employees worldwide
- Mike Rynerson, CEO of Dental Wings, joins Straumann's Executive Management to lead new business

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# Focus on DSOs

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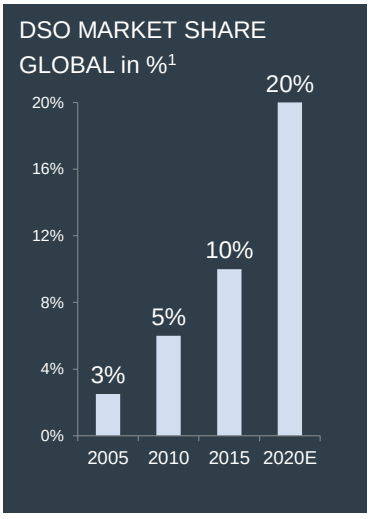
## Creating opportunities from the rise in corporate dentistry

- DSO market growing at 20% annually
  - Represents >10% of global implant market
  - DSO share is projected to double by 2020
- Driving implant penetration
  - Top 100 DSOs place >1.5m implants p.a., in countries like Spain >40% of implants are placed by DSOs
- Driving innovation
  - Transforming dental-care delivery model
  - Treatment workflows
  - Materials, prosthetic solutions
  - Patient outreach
  - Patient services

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[1] Research by Deutsche Bank

# Dedicating resources to DSOs

- Group well positioned to lead this segment
  - Comprehensive premium/non-premium solutions; education, value-added services, digital equipment, orthodontic solutions, high portfolio flexibility
  - Unified global business approach – one supply chain with direct distribution in most countries
- Dedicated unit to build & serve corporate accounts
  - Fully leverage Group brands and services
  - Change engagement model from preferred supplier to strategic partner; move from selling products & technologies to offering winning business concepts
- New unit to become fully operational by Jan. 2018 lead by Petra Rumpf as Executive Vice President DSOs




# Leveraging synergies between premium and non-premium to create growth opportunities

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## Bringing premium & non premium together under Group brand to simplify and create selling opportunities


- Premium and non-premium brands brought closer together under the Straumann Group umbrella
- Simplification of internal processes and legal set-up
- Premium and non-premium sales teams able to offer full range of biomaterials & CADCAM solutions
- Instradent activities coordinated at the regional level rather than centrally

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## A total solution provider for tooth replacement and esthetic dentistry

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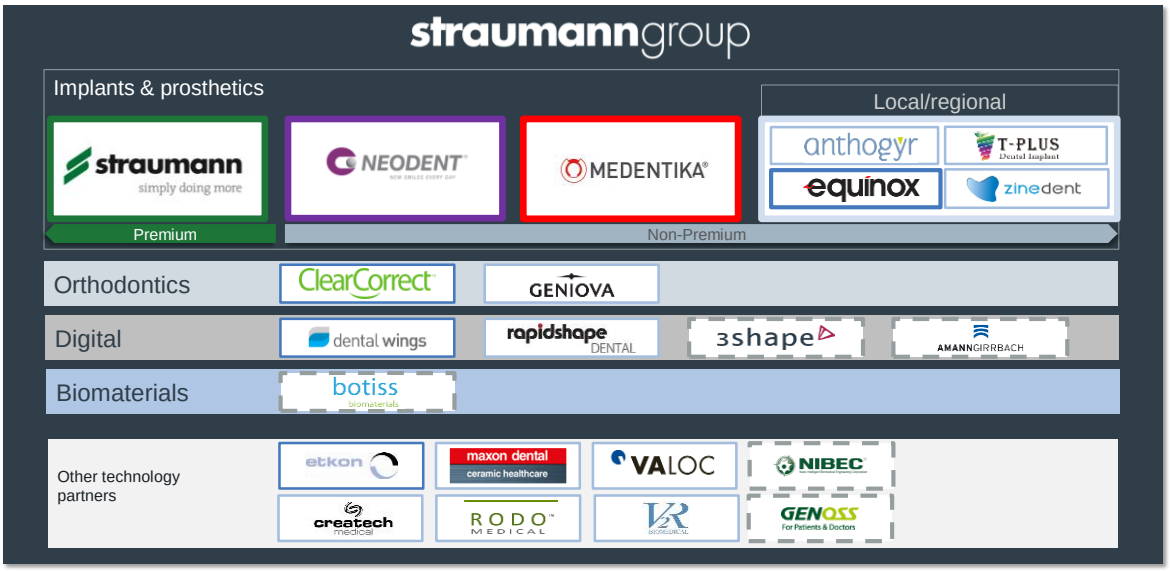
# New Group set-up

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Fully consolidated  Associate (equity method)  Partnership

# Competitive landscape

| | DVT/ CBCT | Clear Aligners | Traditional wires & brackets | Surgical planning | Biomaterials | Implants | Intraoral scanner | CADCAM chairside milling | CADCAM in-lab milling | 3D printers |
|---|---|---|---|---|---|---|---|---|---|---|
| **Straumann Group[1]** | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Danaher | ✓ | (✓) | ✓ | ✓ | ✓ | ✓ | (✓) | ✓ | | |
| Dentsply Sirona | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (✓) |
| Henry Schein | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | (✓) |
| Align Technology | | ✓ | | | | | ✓ | | | |
| Zimmer Biomet | | | | ✓ | ✓ | ✓ | | | ✓ | |
| 3M ESPE | | | ✓ | | | (✓) | ✓ | | ✓ | |
| Planmeca | ✓ | | ✓ | | | | ✓ | ✓ | ✓ | ✓ |

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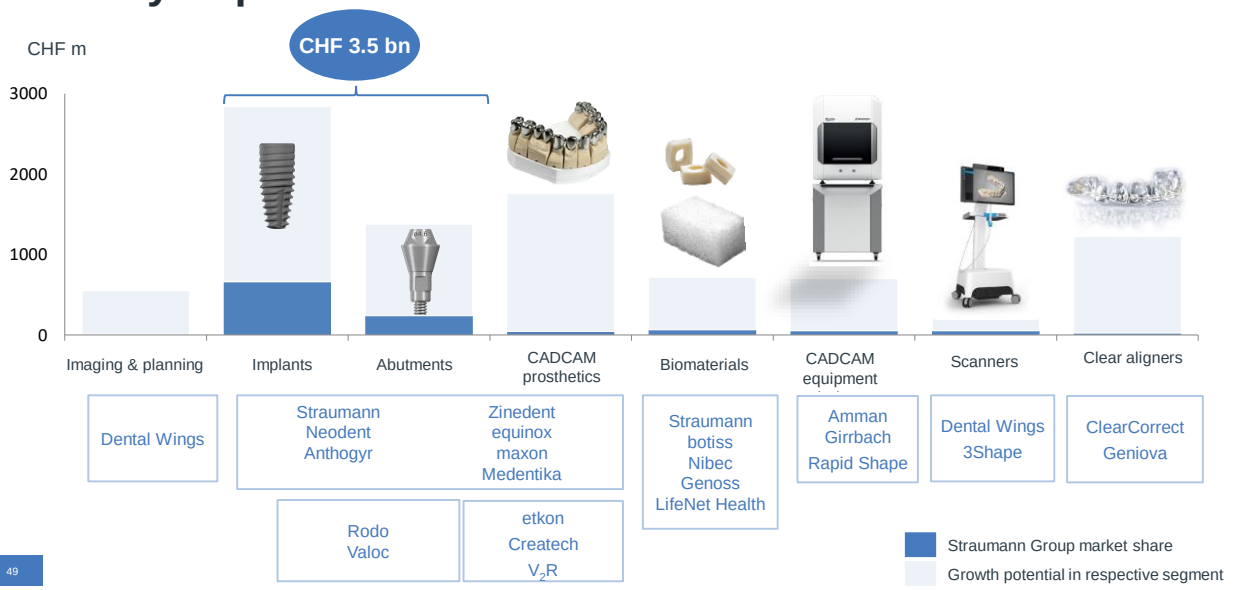
*Source: Global Industry Analysts Inc., Straumann estimates. Straumann Group incl. ClearCorrect and Geniova.*  *Legend: ✓ Full offering (✓) partially offered. Availability may vary regionally.*

# Plenty of potential in a market worth >CHF 8 bn

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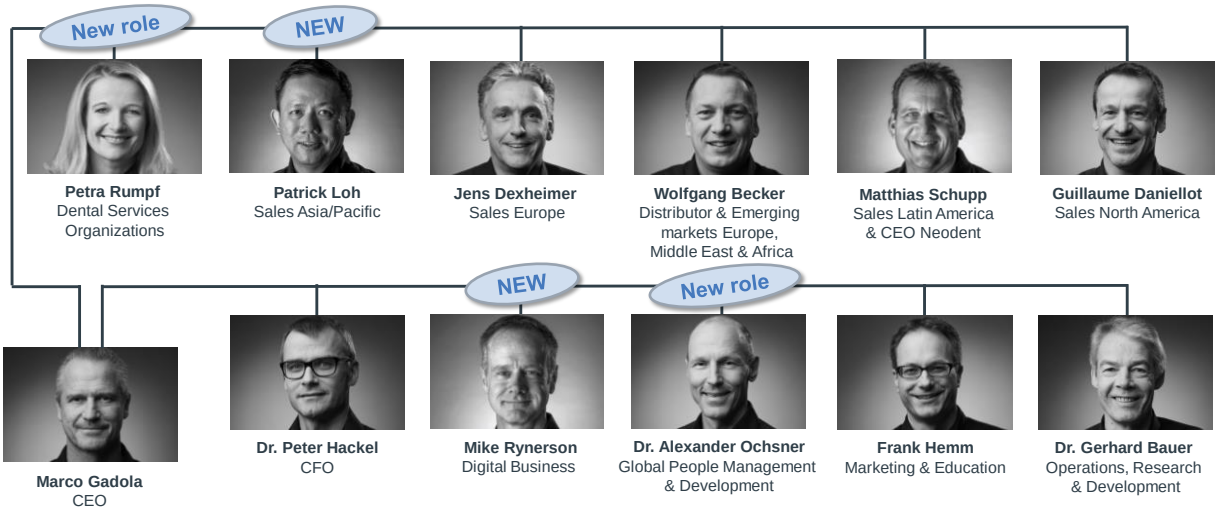
# EMB expanded: added focus on digital and corporate dentistry and people development

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# Outlook 2017

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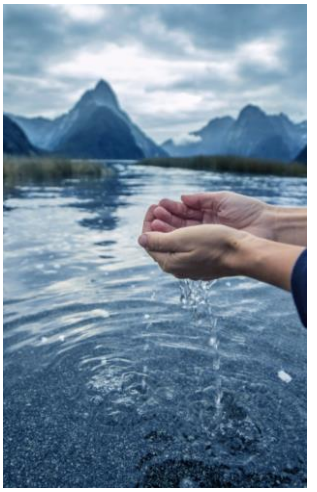
## Our 2017 guidance
### Barring unforeseen circumstances

| | |
|---|---|
| Market growth | We expect the global implant market to grow at approx. 3-4% |
| Our revenue growth | Confident that we can continue to outperform by achieving organic[1] revenue growth in the low double-digit range |
| Profitability | Further improvements in the underyling[1] operating profit margin despite further investments in strategic growth initiatives |



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[1] *Excl. currency and acquisition effects (ClearCorrect, Dental Wings, Geniova, Medentika and Equinox).*

# Questions & answers

Q&A

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## Calendar of upcoming events

| 2017 | Event | Location |
|---|---|---|
| **17 August** | **Half-year results conference** | **Straumann Group Headquarters, Basel** |
| 21 August | Investor meetings | New York |
| 22 August | Investor meetings | Zurich |
| 22 August | Investor meetings | Boston |
| 23 August | Investor meetings | Frankfurt |
| 23 August | Investor meetings | Toronto |
| 11 September | Investor meetings | Edinburgh |
| 12 September | Investor meetings | London |
| 14 September | UBS Best of Switzerland Conference | Ermatingen (CH) |
| **26 October** | **Q3/9M revenue publication** | **Webcast** |
| **2018** | | |
| **15 February** | **Full-year 2017 results conference** | **Straumann Group Headquarters, Basel** |
| **04 April** | **AGM 2018** | **Messe Basel** |

| Social media | Type | Source |
|---|---|---|
| Analyst Talk | Executive interviewed by analysts | straumann.com (Investors) / youtube.com |
| StraumannIR | Investor Relations Twitter | @StraumannIR |

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# Growth strategy pays off

| *in CHF million* | 2012 | 2013 | 2014 | 2015 | 2016 | H1 2017 | *5-year average* |
|---|---|---|---|---|---|---|---|
| Revenue | 686.3 | 679.9 | 710.3 | 798.6 | 917.5 | 543.4 | |
| **Organic revenue growth in %** | **-1.0** | **1.2** | **6.4** | **9.1** | **13.1** | **14.3** | *8.8* |
| *Acquisiton / Divesture effect in %* | *-0.6* | *-0.8* | *0.0* | *9.5* | *0.8* | *2.8* | *2.5* |
| Change in l.c.% | -1.6 | 0.4 | 6.4 | 18.6 | 13.9 | 17.1 | 11.3 |
| *FX effect in %* | *0.5* | *-1.3* | *-1.9* | *-6.1* | *1.0* | *0.7* | *-1.5* |
| **Growth in CHF %** | **-1.1** | **-0.9** | **4.5** | **12.4** | **14.9** | **17.8** | *9.7* |
| | 2012 | 2013 | 2014 | 2015 | 2016 | H1 2017 | *4-year CAGR* |
| Gross profit b. exceptionals | 534.4 | 535.9 | 558.7 | 628.0 | 718.5 | 420.0 | *7.7* |
| *Underlying margin* | *77.9%* | *78.8%* | *78.7%* | *78.6%* | *78.3%* | *77.3%* | |
| **EBIT b. exceptionals** | **102.1** | **123.8** | **148.3** | **185.7** | **227.2** | **139.8** | *22.1* |
| *Underlying margin* | *14.9%* | *18.2%* | *20.9%* | *23.3%* | *24.8%* | *25.7%* | |
| Underlying net profit[1] | 72.7 | 107.9 | 130.9 | 144.7 | 186.8 | 117.2 | *26.6* |
| *Underlying margin* | *10.6%* | *15.9%* | *18.4%* | *18.1%* | *20.4%* | *21.6%* | |
| Earnings per share (adjusted) | 4.71 | 6.98 | 8.42 | 9.19 | 11.94 | 7.57 | *26.2* |
| | 2012 | 2013 | 2014 | 2015 | 2016 | H1 2017 | *4-year CAGR* |
| Operating cash flow | 114.6 | 151.5 | 146.2 | 185.6 | 184.7 | 77.5 | *12.7* |
| Capital expenditure | (19.4) | (12.6) | (18.8) | (35.2) | (46.7) | (32.8) | |
| **Free cash flow** | **95.2** | **139.2** | **128.4** | **151.1** | **138.7** | **45.2** | *9.9* |
| **Number of employees (year-end)[1]** | **2'517** | **2'217** | **2'387** | **3'471** | **3'797** | **4'227** | *10.8* |

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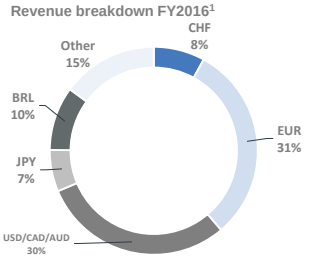
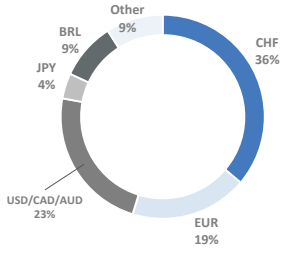
*[1] In March 2015 Straumann acquired the remaining 51% stake of Neodent (Brazil) which added 930 employees to the Group. In 2017, the incorporation of Equinox in India and Medentika in Germany added 160 employees. Note: 4-year CAGR = Full-year 2012-2016; 5-year average = 2013 – H1 2017*

# Straumann's currency exposure

Revenue breakdown FY2016[1]

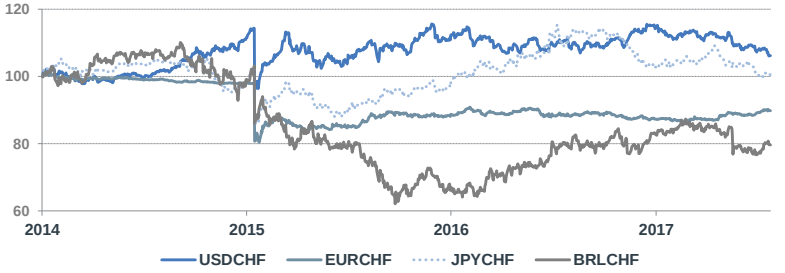



Cost breakdown FY2016[1]




| Average exchange rates (rounded) | | | | | FX sensitivity (+/- 10%) on full-year... | |
|---|---|---|---|---|---|---|
| | | H1 2016 | H1 2017 | Latest trend | Revenue | EBIT |
| 1 | EURCHF | 1.10 | 1.08 | ↗ | +/- 29m | +/- 18m |
| 1 | USDCHF | 0.99 | 0.99 | ↘ | +/- 23m | +/- 11m |
| 100 | BRLCHF | 26.90 | 30.99 | ↘ | +/- 9m | +/- 3m |
| 100 | JPYCHF | 0.86 | 0.88 | ↘ | +/- 6m | +/- 4m |

Development of Straumann's main exchange rates since 2014

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[1] These distribution charts represent the total net revenues and the total COGS, as well as OPEX in the various currencies. All numbers are rounded and based on FY 2016 figures.

# Overview of the orthodontics market

## Braces & brackets[1]

*Conventional brackets & wires*

- Metal

- Ceramic/polymer

- Lingual[2]

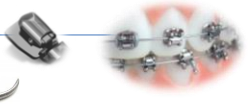
*Aligners*

- Clear aligners

*Esthetic solutions*

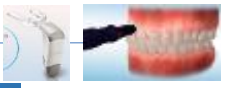
## Other

- Consumables



- Instruments

- Acceleration devices



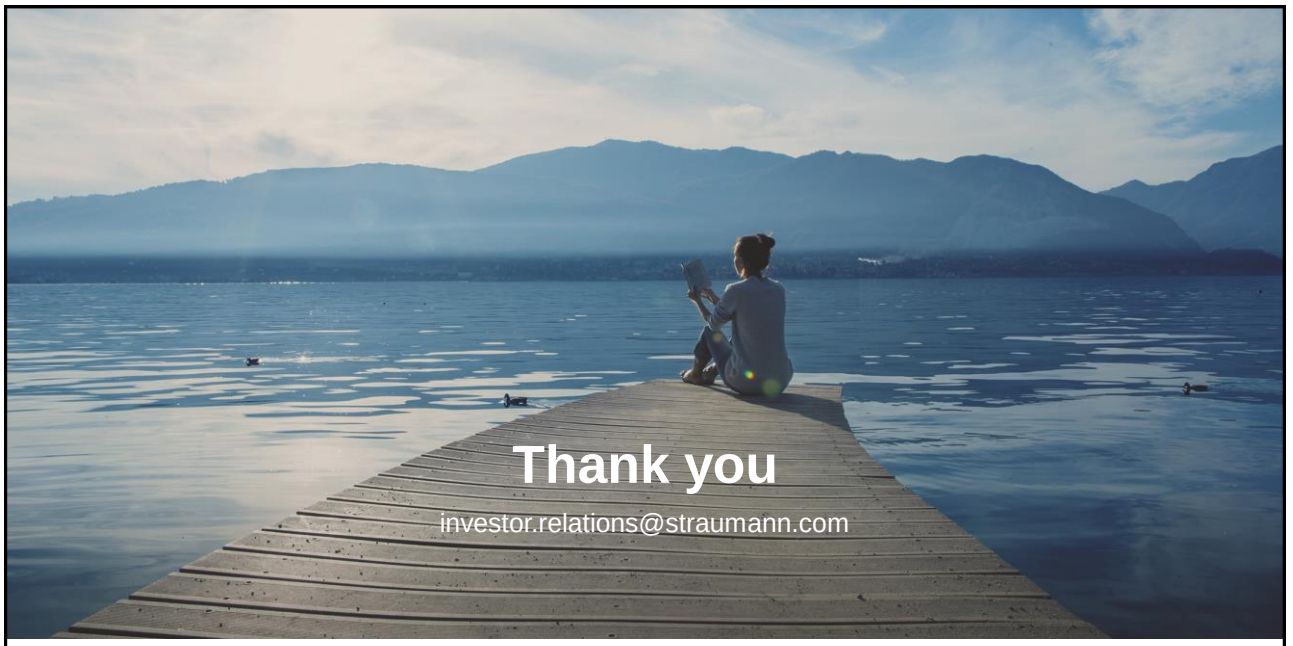
- Retention device

- Ortho and CAD software

- Scanners & services

1) Definition according to Azoth Analytics' report: Global Invisible Braces Market: Trends, Opportunities and Forecasts
2) Includes Straumann's palatal implant



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