2012 Full-year results – Media Release

Straumann reports full-year revenues of CHF 686m

- *Solid growth in North America offsets sluggish Europe, while Asia/Pacific remains stable*
- *Gross profit margin improves 130 base points to 78%; EBIT margin at 15%, excluding exceptionals*
- *Reported profits reduced by impairment and other exceptional charges[1]*
- *Vision 2020 and market fundamentals intact*
- *Neodent performs in line with expectations*
- *Unchanged dividend of CHF 3.75 per share proposed*
- *New CEO to drive performance*

KEY FIGURES

(in CHF million)	FY 2012 reported	FY 2012 excluding exceptionals[1]	FY 2011 reported	FY 2011 excluding exceptionals[1]
Revenue	**686.3**		**693.6**	
Change in CHF%	(1.1)		(6.0)	
Change in l.c.%	(1.6)		4.1	
Change in l.c. % (excl. iTero[2])	(1.0)			
Gross profit	**531.5**	**534.4**	**528.5**	
Margin in %	77.5	77.9	76.2	
Change in %	0.6	1.1	(10.0)	
EBITDA	**117.4**	**130.4**	**157.4**	
Margin in %	17.1	19.0	22.7	
Change in %	(25.4)	(17.2)	(25.7)	
Operating profit (EBIT)	**61.0**	**99.5**	**79.9**	**120.1**
Margin in %	8.9	14.5	11.5	17.3
Change in %	(23.7)	(17.2)	(51.4)	(26.9)
Net profit	**36.4**		**71.0**	
Margin in %	5.3		10.2	
Change in %	(48.6)		(45.9)	
Basic EPS (in CHF)	**2.36**		**4.54**	
Free cash flow[3]	**95.2**		**121.1**	
Margin in %	13.9		17.5	
Change in %	(21.4)		(21.5)	
Number of employees (year-end)	**2517**		**2452**	

[1] In this release 'exceptionals' comprise the following: In 2011, the impairment of intangible assets in Japan of CHF 40m (and related tax effect); in 2012, the goodwill impairment of CHF 21m relating to the global regenerative business; and charges of CHF 18m related to the Group's cost optimization program and severances.
[2] Growth corrected to accommodate the discontinuation of distribution of iTero intra-oral scanners announced in October 2012.
[3] Defined as net cash from operating activities less capital expenditures plus net proceeds from property, plant and equipment.

Basel, 21 February 2013: In 2012, the Straumann Group achieved revenue of CHF 686 million, which was almost 2% below the prior year in local currencies (l.c.) or just 1% below in Swiss francs, reflecting the first overall positive currency effect since 2007. North America was the key revenue driver, complemented by double-digit growth in China and Latin America. Unfortunately, these solid performances were not enough to compensate for sluggish sales in Europe, Japan and the Middle East.

Despite an improvement of 130 base points in the gross margin (78%), reported operating income (EBIT) dipped to CHF 61 million corresponding to a reported margin of 9%. Excluding exceptionals (i.e. an impairment charge of CHF 21 million related to the regenerative business, and one-time charges of CHF 18 million due to cost optimization initiatives and severances) operating income would have reached CHF 100 million (versus CHF 120 million in 2011), with a corresponding margin of almost 15%.

Reported net profit reached CHF 36 million and basic earnings per share amounted to CHF 2.36 (CHF 4.54 in 2011).

Gilbert Achermann, Chairman & Acting CEO commented:
"We continued to grow our business in North America, and other key growth markets like China and Brazil, but their strong performances were not enough to offset shortfalls in our main region, Europe. With softer sales and our cost base geared for growth, our margins dropped to a level that requires rigorous cost management at all levels and a new style of resolute leadership to implement change expediently and consistently. We have taken measures to address this and are determined to improve our operating margin to a significantly higher level in the mid term. The Board is confident that, with the addition of Marco Gadola as new CEO, the organization will deliver this."

BUSINESS PERFORMANCE

Amid tough conditions in Europe and parts of Asia, Straumann's implant business succeeded in stabilizing sales at the prior year's level. The restorative business (CADCAM/digital) was slower in 2012 compared to the strong previous year. By contrast, Straumann's smallest business, Regeneratives, posted good growth.

European recovery not yet in sight

Economic deterioration, austerity and high unemployment, especially in southern Europe, dampened consumer confidence, reducing traffic at dental practices and leading patients to delay treatment or take cheaper, inferior options. Large markets like Spain and Italy, which are fragmented and highly permeated by cut-price competitors, suffered the biggest declines as the gap widened between markets in depressed economies and those in more prosperous areas.

European revenues dipped 5% (l.c.) to CHF 378 million, corresponding to 55% of the Group total. The currency effect was negative but amounted to just 1 percentage point, helped by the minimum Euro exchange rate set by the Swiss National Bank.

Growth continues in North America

Straumann's second largest region, North America, achieved solid full-year growth of 6% (l.c.). After years of decline, the US dollar picked up against the Swiss franc, lifting growth by 6 percentage points to 12% in Swiss francs. As a result, revenue in North America reached a record CHF 174 million, corresponding to 25% of Group revenue. This performance was driven by solid demand for implants and regeneratives.

Mixed picture in Asia/Pacific
15% or CHF 104 million of Group revenue was generated in Asia/Pacific. This was stable year on year in local currencies but up 3% in Swiss francs thanks to currency tailwind. The largest regional market, Japan, was dragged down by a weakening economy and damaging media reports about implant dentistry, from which it will take time to recover. The Korean market, which is highly penetrated and saturated by cut price local manufacturers continued to be very challenging. As noted previously, China was the region's key performer – with strong growth throughout.

Rest of the World (RoW) overshadowed by turmoil in Middle East
The region referred to as the 'Rest of the World' contributes approximately 4% of Group revenue, most of which is generated in Brazil, Mexico, and the Middle East. In 2012, revenue declined 3% in l.c. or 7% in Swiss francs, to CHF 31 million.

The contraction was due largely to the Middle East, where dentistry like many other sectors, has suffered the effect of socio/political upheaval, embargoes, and cuts in private and government spending.

By contrast, the largest market in the RoW region, Brazil, generated strong growth – both for Straumann and for Neodent.

REVENUE BY REGION

(in CHF million)	Q4 2012	Q4 2011	FY 2012	FY 2011
Europe	**93.7**	**100.7**	**378.1**	**404.4**
Change in CHF%	(7.0)	(9.2)	(6.5)	(9.1)
Change in l.c.%	(6.3)	(3.4)	(5.1)	0.2
North America	**43.3**	**42.4**	**173.7**	**155.6**
Change in CHF%	2.1	2.8	11.7	(5.5)
Change in l.c.%	0.0	12.0	6.4	10.2
Asia / Pacific	**24.4**	**25.0**	**103.9**	**100.7**
Change in CHF%	(2.1)	3.0	3.2	0.2
Change in l.c.%	(1.0)	5.7	(0.3)	5.5
Rest of the World (ROW)	**6.4**	**7.5**	**30.5**	**32.9**
Change in CHF%	(14.9)	4.7	(7.3)	19.6
Change in l.c.%	(10.4)	11.1	(3.0)	26.0
GROUP	**167.8**	**175.6**	**686.3**	**693.6**
Change in CHF%	(4.4)	(4.4)	(1.1)	(6.0)
Change in l.c.%	(4.2)	1.8	(1.6)	4.1
Change in l.c. % (excl. iTero[4])	(3.3)		(1.0)	

OPERATIONS AND FINANCES

Gross margin improves to 78%
Excluding exceptionals of CHF 3 million, gross profit stood at CHF 534 million, CHF 6 million higher than in 2011, thanks to price increases, manufacturing efficiency gains, and a favorable business mix (lower scanner sales). Collectively these compensated for the reduction in volumes. The corresponding gross margin thus expanded 170 base points to 78%.

[4] Growth corrected to accommodate the discontinuation of distribution of iTero intra-oral scanners announced in October 2012.

Operating profit excluding exceptionals reaches almost 15%

Reported Selling, General & Administrative (SG&A) costs rose to CHF 424 million mainly due to a goodwill impairment of CHF 21 million – related to an up-scaling of the Regenerative business – and a charge of CHF 15 million – related to the cost optimization program and severances. Excluding these exceptionals, SG&A increased CHF 16 million to CHF 387 million; CHF 5 million of the increase were related to the reorganization project and the Neodent transaction in the first half of the year.

Research & Development investments increased to CHF 49 million or 7% of revenue, reflecting the Group's commitment to innovation. It also reflects the fact that Straumann has expanded its development activities in digital solutions, in addition to maintaining a stocked pipeline.

Due to the abovementioned items, earnings before interest, tax, depreciation, amortization (EBITDA) and before exceptionals slid CHF 27 million to CHF 130 million, or 19% of sales.

After ordinary amortization and depreciation charges of approximately CHF 35 million, operating profit (EBIT) excluding exceptionals amounted to CHF 100 million in comparison with CHF 120 million in 2011. Currency movements had no significant impact. The corresponding EBIT margin was 15%, slightly less than 3 percentage points lower than in the prior year.

Net profit constrained by impact of exceptionals

The net financial result was slightly positive compared with a negative CHF 2 million in 2011. The contributions from Neodent and Dental Wings (of which Straumann holds 49% and 44% respectively) are disclosed in the income statement under 'share of result from associates'. Together they contributed a positive CHF 7 million. However, considering amortization charges resulting from the purchase-price allocation, the share of profit from the two entities was a negative CHF 6 million[5]. Going forward, these investments are expected to be accretive to IFRS earnings in 2013.

Income taxes came to CHF 19 million, CHF 12 million higher than in 2011, when the tax rate of 9% was considerably reduced as a result of the impairment in Japan.

Taking the aforementioned factors and exceptionals into account, reported net profit amounted to CHF 36 million, with the corresponding margin reaching 5%. Basic earnings per share amounted to CHF 2.36.

Improved working capital

Net cash from operating activities decreased 18% to CHF 115 million, owing to: higher tax payments in the period, severance contributions, and increased operating expenses. Year on year the 'change in net working capital' improved by CHF 7 million due to a reduction in trade receivables and an increase in payables. With capital expenditure remaining more or less constant at CHF 19 million, free cash flow amounted to CHF 95 million and the respective margin was 14%.

The purchase consideration for the 49% stake in Neodent amounted to CHF 261 million. Straumann also paid CHF 5 million for the 14% increase in its stake in Dental Wings. These were paid in cash. The equity ratio amounted to 82% at the end of 2012.

[5] In 2012, the IFRS value was particularly impacted by a one-time expense on the fair-value adjustment of the inventory.

Net cash used for financing activities totaled CHF 63 million after the payment of CHF 58 million for the ordinary dividend. Consequently, cash and cash equivalents at the end of 2012 amounted to CHF 141 million.

Unchanged dividend
The Board of Directors will propose an ordinary dividend of CHF 3.75 per share to the Shareholders at the Annual General Meeting on 5 April 2013.

Cost reductions from headcount reduction to appear in 2013
In the fourth quarter, the Group announced a reduction of 150 positions worldwide – through transfers, natural fluctuation, early retirement and redundancies. The latter have been approached with due regard to the company's social responsibilities. Initial reductions were made in 2012 with the remainder to follow in 2013.

OUTLOOK 2013 (barring unforeseen circumstances)
Straumann's performance is expected to face continuing constraints due to the economy and consumer sentiment in Europe, while growth markets like North America, China and Brazil should continue to perform well. Straumann will continue to invest selectively in such growth markets.

Based on the overall business fundamentals, strategic plan and the outcome of its cost optimization program, the Group assumes that it will be able to deliver improved profit levels in 2013, even if the market remains sluggish. In the mid term, it aims to return to solid growth and a significantly higher operating margin.

Annual Report 2012
The pre-print version of Straumann's 2012 Annual Report is now available at annualreport.straumann.com as well as through the Media and Investors pages at www.straumann.com.

About Straumann
Headquartered in Basel, Switzerland, Straumann (SIX: STMN) is a global leader in implant, restorative and regenerative dentistry. In collaboration with leading clinics, research institutes and universities, Straumann researches, develops and manufactures dental implants, instruments, prosthetics and tissue regeneration products for use in tooth replacement and restoration solutions or to prevent tooth loss. Straumann currently employs approximately 2500 people worldwide and its products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

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This release contains certain 'forward-looking statements', which can be identified by the use of terminology such as 'future', 'vision', 'assumption', 'will', 'goal', 'opportunity', 'long-term', 'value creation', 'potential', 'propose', 'well positioned', 'to succeed', 'aims', 'continue', 'outlook', or similar wording. Such forward-looking statements reflect

the current views of management and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied. These include risks related to the success of and demand for the Group's products, the potential for the Group's products to become obsolete, the Group's ability to defend its intellectual property, the Group's ability to develop and commercialize new products in a timely manner, the dynamic and competitive environment in which the Group operates, the regulatory environment, changes in currency exchange rates, the Group's ability to hire and retain key talented individuals, to generate revenues and profitability, to realize its expansion projects in a timely manner, and to maintain its business relationships with suppliers, customers and other third parties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. Straumann is providing the information in this release as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

Media and analysts' conference

Straumann's full-year 2012 financial results conference will take place at 10.00h Swiss time in Basel today. The event will be webcast live on the internet (www.straumann.com/webcast). The recorded webcast will be available for the next month.

Presentation slides
The corresponding conference visuals are available at www.straumann.com/Straumann-2012-FY-Presentation.pdf and on the Media and Investors pages at www.straumann.com.

Annual Report 2012
The pre-print version of Straumann's 2012 Annual Report is available under the following link annualreport.straumann.com and on the Media and Investors pages at www.straumann.com.

In addition, the conference can also be accessed by telephone at the following dial-in numbers:
+41 (0) 91 610 56 09 (Europe & RoW)
+44 (0) 203 059 58 62 (UK)
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Upcoming corporate/investor events

26 February 2013	Investor meetings, Zurich
05 April 2013	**2013 Annual General Meeting ('Congress Center', Basel)**
25 March 2013	Exane BNP Paribas Healthcare conference, Paris
26 March 2013	Investor meetings, London
27 March 2013	Investor meetings, Edinburgh
09 April 2013	**Dividend ex-date**
12 April 2013	**Dividend payment date**
30 April 2013	**First quarter results (webcast/conference call)**
02 May 2013	Investor meetings, Frankfurt
28 May 2013	Investor meetings, New York
29 May 2013	Investor meetings, Toronto
30 May 2013	Deutsche Bank Healthcare conference, Boston
20 August 2013	**Half-year results conference, Basel**

Details on upcoming investor relations activities are published on www.straumann.com (Investors > Events).

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Consolidated statement of financial position

Assets

(in CHF 1 000)	31 Dec 2012	31 Dec 2011
Property, plant and equipment	97 362	110 588
Investment properties	6 680	7 500
Intangible assets	75 595	100 740
Investments in associates	249 239	6 624
Financial assets	354	857
Other receivables	2 415	2 534
Deferred income tax assets	24 235	26 410
Total non-current assets	**455 880**	**255 253**
Inventories	63 636	67 010
Trade and other receivables	104 447	109 898
Financial assets	6 240	982
Income tax receivables	1 900	1 069
Cash and cash equivalents	140 504	377 053
Total current assets	**316 727**	**556 012**
Total assets	**772 607**	**811 265**

Equity and liabilities

(in CHF 1 000)	31 Dec 2012	31 Dec 2011
Share capital	1 568	1 568
Retained earnings and reserves	629 638	669 550
Total equity attributable to the shareholders of the parent company	**631 206**	**671 118**
Other liabilities	7 149	6 862
Financial liabilities	34	64
Provisions	13 467	8 817
Retirement benefit obligations	2 849	1 164
Deferred income tax liabilities	10 888	12 343
Total non-current liabilities	**34 387**	**29 250**
Trade and other payables	93 964	89 656
Financial liabilities	25	1 758
Income tax payables	10 423	18 449
Provisions	2 602	1 034
Total current liabilities	**107 014**	**110 897**
Total liabilities	**141 401**	**140 147**
Total equity and liabilities	**772 607**	**811 265**

The financial statements above are an extract of the audited statements published in Straumann's 2012 Financial Report.

Consolidated income statement

(in CHF 1 000)	2012	2011
Revenue	**686 253**	**693 581**
Cost of goods sold	(154 733)	(165 044)
Gross profit	**531 520**	**528 537**
Other income	1 763	2 673
Selling and administrative costs	(423 607)	(412 274)
Research and development costs	(48 666)	(39 016)
Operating profit	**61 010**	**79 920**
Finance income	16 693	29 078
Finance expense	(16 057)	(31 570)
Share of result of associates	(5 743)	179
Profit before income tax	**55 903**	**77 607**
Income tax expense	(19 465)	(6 655)
Net profit	**36 438**	**70 952**
Attributable to:		
Shareholders of the parent company	36 438	70 952
Basic earnings per share (in CHF)	**2.36**	**4.54**
Diluted earnings per share (in CHF)	**2.36**	**4.54**

Consolidated statement of comprehensive income

(in CHF 1 000)	2012	2011
Net profit	**36 438**	**70 952**
Net foreign exchange loss on net investment loans	(3 559)	(2 200)
Income tax	286	547
Net	(3 273)	(1 653)
Exchange differences on translation of foreign operations	(14 881)	(7 342)
Net movement on cash flow hedges	2 281	(405)
Income tax	(296)	53
Net	1 985	(352)
Other comprehensive loss for the year, net of tax	**(16 169)**	**(9 347)**
Total comprehensive income for the year, net of tax	**20 269**	**61 605**
Attributable to:		
Shareholders of the parent company	20 269	61 605

Consolidated cash flow statement

(in CHF 1 000)	2012	2011
Net profit	**36 438**	**70 952**
Adjustments for:		
Taxes charged	19 465	6 655
Interest and other financial result	166	(631)
Foreign exchange result	5 534	(4 286)
Fair value adjustments	(3 668)	4 191
Share of result of associates	5 743	(179)
Depreciation and amortization of:		
Property, plant and equipment	27 104	25 198
Investment properties	300	300
Intangible assets	7 488	11 726
Impairment of investment properties	520	0
Impairment of intangible assets	21 000	40 239
Change in provisions, retirement benefit obligations and other liabilities	3 406	(7 943)
Share-based payments expense	3 348	3 706
Loss/(gain) on disposal of property, plant and equipment	113	(96)
Working capital adjustments:		
Decrease in inventories	2 207	5 042
Decrease/(increase) in trade and other receivables	3 350	(1 537)
Increase/(decrease) in trade and other payables	5 292	(5)
Interest paid	(728)	(592)
Interest received	651	1 696
Income tax paid	(23 169)	(14 220)
Net cash from operating activities	**114 560**	**140 216**
Purchase of property, plant and equipment	(15 051)	(13 795)
Purchase of intangible assets	(4 375)	(5 627)
Purchase of investments in associates	(265 973)	(6 092)
Contingent consideration paid	(740)	(431)
Dividends received from associates	503	0
Net proceeds from sale of non-current assets	88	329
Net cash used in investing activities	**(285 548)**	**(25 616)**
Dividends paid	(58 033)	(58 762)
Proceeds of finance lease	732	783
Repayment of finance lease	(244)	(655)
Proceeds from exercise of options	0	846
Transaction costs paid	(995)	0
Purchase of treasury shares	(6 637)	(34 741)
Sale of treasury shares	1 687	2 682
Net cash used in financing activities	**(63 490)**	**(89 847)**
Exchange rate differences on cash held	(2 071)	2 697
Net (decrease)/increase in cash and cash equivalents	**(236 549)**	**27 450**
Cash and cash equivalents at 1 January	**377 053**	**349 603**
Cash and cash equivalents at 31 December	**140 504**	**377 053**

Consolidated statement of changes in equity

2012

(in CHF 1 000)

	Attributable to the shareholders of the parent company						
	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
Balance at 1 January 2012	**1 568**	**42 267**	**(30 261)**	**3**	**(70 532)**	**728 073**	**671 118**
Profit for the period						36 438	**36 438**
Other comprehensive income				1 985	(18 154)		**(16 169)**
Total comprehensive income	**0**	**0**	**0**	**1 985**	**(18 154)**	**36 438**	**20 269**
Transactions with equity owners						(995)	**(995)**
Dividends paid		(23 987)				(34 046)	**(58 033)**
Share-based payment transactions						3 348	**3 348**
Purchase of treasury shares			(6 637)				**(6 637)**
Sale of treasury shares			2 923			(787)	**2 136**
Balance at 31 December 2012	**1 568**	**18 280**	**(33 975)**	**1 988**	**(88 686)**	**732 031**	**631 206**

2011

(in CHF 1 000)

	Attributable to the shareholders of the parent company						
	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
Balance at 1 January 2011	**1 568**	**68 070**	**(2 310)**	**355**	**(61 537)**	**689 484**	**695 630**
Profit for the period						70 952	**70 952**
Other comprehensive income				(352)	(8 995)		**(9 347)**
Total comprehensive income	**0**	**0**	**0**	**(352)**	**(8 995)**	**70 952**	**61 605**
Reallocation required by Swiss Law		3 186				(3 186)	**0**
Exercise of options			1 252			(406)	**846**
Dividends paid		(28 989)				(29 773)	**(58 762)**
Share-based payment transactions						3 637	**3 637**
Purchase of treasury shares			(34 741)				**(34 741)**
Sale of treasury shares			5 538			(2 635)	**2 903**
Balance at 31 December 2011	**1 568**	**42 267**	**(30 261)**	**3**	**(70 532)**	**728 073**	**671 118**

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