2016 Full-year report – Media Release

Straumann Group posts revenue growth of 13% (organic) with further operating-margin expansion

- Full-year revenue climbs 15% in Swiss francs to CHF 918 million
- Organic[1] growth of 13% in Q4, driven by double-digit increases in all businesses
- Underlying EBIT margin expands 150 base points to almost 25%, driven by strong volume growth
- Net profit reaches CHF 187 million (margin: 20%) excluding exceptional one-time tax gain[2]
- Increased investments in production and portfolio expansion; solid cash flow
- Board proposes dividend increase to CHF 4.25 per share (2015: CHF 4.00)

KEY FIGURES

(in CHF million)	FY 2016 reported	FY 2016 excl. exceptional[2]	FY 2015 reported	FY 2015 excl. business combination exceptionals[3]
Revenue	**917.5**		**798.6**	
Change in CHF %	*14.9*		*12.4*	
Change in l.c.%	*13.9*		*18.6*	
Change in organic growth %[1]	*13.1*		*9.1*	
Gross profit	**718.5**		**614.9**	**628.0**
Margin in %	*78.3*		*77.0*	*78.6*
Change in %[4]	*16.9*		*10.1*	*12.4*
EBITDA	**259.2**		**207.6**	**220.7**
Margin in %	*28.3*		*26.0*	*27.6*
Change in %[4]	*24.9*		*17.8*	*25.3*
Operating profit (EBIT)	**227.2**		**172.6**	**185.7**
Margin in %	*24.8*		*21.6*	*23.3*
Change in %[4]	*31.6*		*16.4*	*25.2*
Net profit	**229.6**	**186.8**	**71.5**	**144.7**
Margin in %	*25.0*	*20.4*	*9.0*	*18.1*
Change in %	*221.1*	*29.1*	*(54.7)*	*(8.3)*
Basic EPS (in CHF)	**14.68**	**11.94**	**4.52**	**9.19**
Free cash flow[5]	**138.7**		**151.1**	
Margin in %	*15.1*		*18.9*	
Number of employees (year-end)	**3797**		**3471**	

[1] The term 'organic' in this release means 'excluding the effects of currency fluctuations and acquired/divested business activities'. As of 1 March 2015, the Neodent business was fully consolidated and led to an acquisition effect in the Latin American region.

[2] Exceptionals: in 2016, net profit was lifted by a one-time effect of CHF 43m (corresponding to CHF 2.74 earnings per share) related to the capitalization of deferred tax assets in Brazil.

[3] Charges in 2015 related to the Neodent business combination amounted to CHF 77m (CHF 73m after tax), which includes inventory revaluation expenses of CHF 13m and a CHF 64m net loss below the EBIT line.

[4] Change versus 'reported' values in prior year.

[5] i.e. net cash from operating activities, less capital expenditures, plus net proceeds from property, plant and equipment.

Basel, 16 February 2017: The Straumann Group reported a strong performance in 2016 as revenue grew 15% in Swiss francs to CHF 918 million, fuelled by double-digit increases across all businesses. Organic growth reached 13%, with North America (+16%) contributing the largest portion, and Asia/Pacific posting the strongest relative growth (+20%).

The Group invested significantly in new markets and segments, its strong R&D pipeline and production capacity expansion but still achieved further improvements in underlying profitability, as operating and net profit rose 22% and 29%, respectively, with the corresponding margins reaching 25% and 20%. At CHF 230 million (earnings per share: CHF 14.68), net profit actually exceeded operating profit by CHF 3 million due to a one-time tax gain of CHF 43 million resulting from the merger of Straumann Brazil with Neodent.

Marco Gadola, Chief Executive Officer, *commented: "In 2016 we outpaced the market significantly and posted our strongest performance in eight years. All our businesses reported double-digit organic growth. We gained market share thanks to our BLT implant, our comprehensive range of biomaterials and lab solutions, and the attractively-priced alternatives that we offer through Instradent. Strategic acquisitions and partnerships have taken us into new geographies and segments. We have also invested in innovation and future growth projects as well as the people to drive them and the capabilities to produce them. At the same time, we have expanded our profitability. Since 2012 we have increased our operating margin by 10 percentage points. These achievements reflect the engagement and hard work of our staff and are evidence of the high-performance culture we are building to sustain our success."*

STRATEGIC PROGRESS / NEWS HIGHLIGHTS

Straumann Group brand – uniting global excellence in dentistry

In the pursuit of its strategy to become the leading provider of tooth replacement solutions, Straumann has become a global Group of national and international companies and brands. To provide a common identity, the company has introduced 'Straumann Group' as its overarching brand with a distinct visual identity and positioning.

Straumann Group unites its brands and partners, adding value by allowing them to leverage the global reputation of Straumann without compromising the premium brand. It also allows companies/partners to maintain their unique character, identity and culture. Similarly, it enables further differentiation of the Straumann premium brand with its distinct green visual identity. As the names of products, brands, legal entities etc. will not change, no significant investment is necessary.

A leading position in the fast-growing value segment

While the premium segment remains the key focus, the Group made very good progress throughout the year with its strategy to target unexploited growth markets and to penetrate the fast-growing non-premium segment.

It began operations in Argentina and Chile, offering premium and non-premium solutions through new subsidiaries. It made inroads into Turkey with Zinedent and gained immediate access to the fast-growing non-premium segment in China with Anthogyr.

As the year came to an end, the Group acquired Equinox to become a leading implant company in India. It also announced its entry into the non-premium segment in Germany by taking over Medentika as of 1 January 2017.

In 2016, the Group's non-premium business platform, Instradent, generated triple-digit growth driven by its established business in North America, Iberia and Italy as well as new subsidiaries in the UK and Czech Republic. These activities, combined with the power of Neodent, have elevated the Straumann Group to a top-three rank in the global value segment.

A power base for innovation and comprehensive solutions
To compete against conglomerates in a consolidating and fast-changing industry, Straumann's strategy is to become a total solution provider for tooth replacement. In order to fill portfolio gaps and to bring in new technologies, the Group continues to build partnerships and to invest in highly innovative companies. Furthermore, the Group rolled out numerous products, solutions and services and replenished its pipeline.

In Q4, it announced a joint venture with maxon motor to develop and produce fully ceramic implants using injection moulding technology. The Group also signed distribution agreements with Planmeca – to drive the global commercialization of the novel glass ceramic material Straumann n!ce, and Zirkonzahn – to gain broader access to dental labs for Straumann Variobase abutments.

Global team expands as Group increases production and invests in future growth
Over the full year, the Group's global team increased by 326 to 3797 employees, reflecting the incorporation of new businesses and investments in growth markets/projects and in production to cater for strong volume growth. Consequently, the bulk of the new positions were in sales (mainly in emerging markets) and manufacturing. Approximately 70 new jobs were created in Switzerland, mainly in production and R&D, to drive the Group's strong development pipeline.

BUSINESS PERFORMANCE

The **implant business** was the main contributor to growth throughout the year. Volumes expanded at a double-digit rate, led by the Bone Level Tapered (BLT) implant range and the high-performance implant material Roxolid®. More than 20% of Straumann implants sold in 2016 were tapered and the trend continues. BLT enables Straumann to address the large conical implant segment, where high primary stability is important especially in accelerated treatment protocols. Based on independent market research, the share of tapered implants worldwide is greater than 70%. Since its launch in 2015, BLT has gained an estimated 4% volume share of this segment.

The Group's intense efforts over the past two years to become a total solution provider for dental labs have led to sustained double-digit growth in the **restorative business.** Sales of prosthetics – both standard and CADCAM – developed very positively. The success of Straumann's flexible Variobase abutments, which can be restored in a milling center, in the lab or even in the dental practice, together with campaigns to promote original connections, contributed to this, while Straumann's new intraoral scanner and Amann Girrbach milling solutions added to growth in digital solutions.

The Group's smallest business, **biomaterials**, was the fastest growing. Thanks to successful collaborations with botiss and other partners, the Group has been able to roll out comprehensive guided-bone regeneration solutions internationally and now plays in each category of the biomaterials market. One additional highlight in 2016 was the approval and launch of Emdogain in oral soft-tissue wound healing.

The Group succeeded in improving its share of the biomaterials market and has exclusive distribution rights for botiss products in most countries. In 2017/18, the two partners will work to add biomaterials in countries where they are not yet available.

REGIONAL PERFORMANCE

REVENUE BY REGION

(in CHF million)	Q4 2016	Q4 2015	FY 2016	FY 2015
Europe, Middle East & Africa (EMEA)	**105.6**	**99.2**	**410.8**	**375.0**
Change in CHF in %	*6.4*	*(0.5)*	*9.5*	*(3.6)*
Change organic in %	*8.0*	*8.3*	*9.1*	*6.1*
% of Group total			*44.8*	*47.0*
North America	**67.5**	**57.9**	**255.7**	**216.9**
Change in CHF in %	*16.6*	*8.9*	*17.9*	*12.3*
Change organic in %	*16.0*	*6.6*	*15.6*	*8.3*
% of Group total			*27.9*	*27.2*
Asia / Pacific	**41.0**	**33.6**	**152.5**	**122.9**
Change in CHF in %	*22.1*	*17.7*	*24.1*	*15.2*
Change organic in %	*20.5*	*20.0*	*19.7*	*19.4*
% of Group total			*16.6*	*15.4*
Latin America	**28.3**	**22.6**	**98.5**	**83.7**
Change in CHF in %	*25.3*	*313.6*	*17.6*	*292.9*
Change in local currencies in %	*15.0*	*461.2*	*22.8*	*396.5*
Change organic in %	*15.0*	*16.8*	*14.6*	*11.0*
% of Group total			*10.7*	*10.5*
GROUP	**242.4**	**213.3**	**917.5**	**798.6**
Change in CHF in %	*13.7*	*14.1*	*14.9*	*12.4*
Change in local currencies in %	*13.0*	*19.8*	*13.9*	*18.6*
Change organic in %	*13.0*	*10.3*	*13.1*	*9.1*

Europe recorded very satisfying growth
The Group's largest region, EMEA, performed well in 2016 in spite of the market's relative maturity. Posting its strongest performance since the economic crisis in 2008, the region grew 9% organically and 10% in Swiss francs to CHF 411 million.

All businesses contributed to this positive trend, fuelled by BLT and Variobase abutments. Biomaterials also contributed, benefiting from the botiss distribution business in Germany, which Straumann took over in Q3. The Group also made good progress in the dental-chain segment.

In Q4, organic growth reached 8% with the strongest results in the UK, Russia, and Scandinavia. Demand was also strong in Austria, Italy, and France.

North America: Main contributor to growth
North America gathered momentum in 2016, posting organic revenue growth of 16% and contributing a third of the Group's overall growth. Bolstered by the stronger dollar, growth in Swiss francs reached 18%, bringing regional net revenue to CHF 256 million or 28% of the Group total.

The performance was driven by strong demand across all businesses and by new customers, many of whom were attracted by Roxolid, BLT and Pro Arch solutions for edentulous patients. Variobase abutments also helped to win customers and drive lab sales.

The region kept up the pace in Q4, with organic growth of 16% lifting revenue to CHF 67 million. Instradent launched the Medentika range of cost-effective prosthetic solutions in the US and made further gains in the value segment.

Dynamic performance in APAC powered by China and Japan
Asia/Pacific posted another dynamic performance with full-year revenue climbing 20% in organic terms and 24% in Swiss francs to CHF 153 million. While most of the growth was generated in the largest markets, China and Japan, all other subsidiaries grew at a double-digit rate.

The recent launches of BLT, SLActive, Roxolid, Pro Arch and Straumann's CADCAM milling service all contributed to strong growth in Japan. The first three also contributed to strong performances in Australia and Korea.

Growth increased sequentially from 17% in Q3 to 21% in Q4 despite a higher baseline in the previous year. More than half was generated in China, which continued to benefit from the dynamic market, the Group's hybrid distribution model and the initial contribution of the Anthogyr business.

Double-digit growth in Latin America despite difficult market environment
In Latin America, organic revenue growth reached 15%, which is particularly impressive in view of the economic situation and general weakness in its largest market, Brazil. Growth in Swiss francs amounted to 18% lifting regional revenue to CHF 98 million.

Against the trend, the Group achieved strong growth in Brazil, thanks to the successful sales store model, comprehensive logistics network, uptake of BLT, increased share of upper-priced Neodent products, and digital solutions.

Mexico grew dynamically due to strong demand in both the premium and non-premium businesses and the launch of Straumann's CADCAM service. Colombia and Argentina both made initial contributions to regional growth.

In Q4, organic growth reached 15%, with revenue reaching CHF 28 million or 12% of the Group. Growth was mainly driven by the positive uptake of both Straumann BLT and Neodent Aqua implants as well as the demand for the new digital offering. In addition to the performance in Brazil, the revenue expansion in Mexico was particularly impressive.

OPERATIONS AND FINANCES

Early in 2016, Straumann Brasil Ltda was merged into Neodent. As a result, Neodent will benefit from future tax savings and has recognized a deferred tax asset, leading to a one-time profit of CHF 43 million in 2016. In the prior-year, the consolidation of Neodent resulted in several one-time effects, which reduced gross/operating income by CHF 13 million and net profit by CHF 73 million. These effects are defined as 'exceptionals' and the key financial figures are shown both on a 'reported' and an 'underlying' (i.e. excluding exceptionals) basis in order to facilitate the performance comparison.

Double-digit volume expansion lifts gross profit

Strong demand for Straumann's premium and value products lifted gross profit by 17% to CHF 719 million, corresponding to a margin of 78%. The comparative margin in 2015 excluding exceptionals was 30 base points higher, reflecting a lower share of value and third-party products. Double-digit volume increases over the past three years have made it necessary to invest in capacity expansion, which led to higher production costs.

EBIT margin expands further

Distribution costs, which comprise salary and commission fees for the direct sales force as well as logistics expenses, increased by CHF 38 million to CHF 211 million as the company continued to invest in high-growth markets and projects. This includes amortization expenses of CHF 6 million for customer-related intangible assets of Neodent.

Administrative expenses, which include Marketing, Research & Development, General Management and Support functions, rose CHF 11 million to CHF 283 million. The increase includes a low-million expense for the transfer of finance functions to a European accounting services center in Germany and start-up costs related to Instradent's European hub as well as the 12-month effect of the Neodent business, which was consolidated in March 2015. In addition, the Group strengthened its R&D capabilities in Basel to drive the stream of promising pipeline projects and to provide supporting clinical documentation. In spite of all these items, administrative expenses decreased as a percentage of revenue by 3 percentage points to 31%, thanks to tight cost control.

Thanks to these operating improvements, earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals increased CHF 39 million to CHF 259 million. The respective margin reached 28%, which represents an underlying improvement of 70 basis points.

After amortization and depreciation charges of CHF 32 million, operating profit amounted to CHF 227 million compared with CHF 173 million (CHF 186 million underlying) last year. The underlying EBIT margin increased from 23% in 2015 to almost 25% in 2016.

One-time tax gain adds to strong net profit
Interest expenses of CHF 3 million related to the CHF-200-million corporate bond outstanding were paid in 2016. However, the financial result improved by CHF 13 million compared with the prior year, when the financial result was impacted by fair-value adjustments of various financial instruments.

Straumann's share of results from its associate[6] partners (Medentika, Dental Wings, Createch, Anthogyr, T-Plus, Valoc, V2R, and Zinedent) increased by CHF 11 million.

Income taxes in 2016 reached a positive CHF 7 million after a one-time tax gain. Excluding this, tax expenses would have amounted to CHF 35 million, reflecting an underlying tax rate of 16%.

Taking all these factors into account, the Group generated net profit of CHF 230 million, which amounted to CHF 187 million (margin: 20%) before the one-time tax gain. Underlying (basic) earnings per share grew 30% to CHF 11.94 (2015: CHF 9.19).

Solid free cash flow of CHF 139 million
Net cash from operating activities of CHF 185 million remained roughly at the prior-year level. The result was constrained by higher inventory levels due mainly to the extension of the Group's product range (including digital equipment) and the opening of new subsidiaries and Instradent organizations. Apart from this, dynamic topline growth in emerging and distributor markets was followed by an increase in accounts receivable from 53 to 55 days of sales outstanding.

The Group invested in production capacity expansion at various sites, increasing CAPEX by CHF 12 million to a total of CHF 46 million. The combination of these effects meant that free cash flow reached CHF 139 million, bringing the respective margin to 15%.

Increased dividend and further investments in the value segment
A portion of the free cash flow was used to acquire the Equinox business in India and a minority stake in the French implant manufacturer Anthogyr as part of the Group's strategy to invest in the non-premium segment. In addition, the Group took over the exclusive distribution of botiss products in Germany. Collectively, these investments amounted to CHF 40 million. Total cash used in investing activities reached CHF 83 million.

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[6] NB: the equity method of accounting is applied for companies in which Straumann holds a non-controlling stake. The associate result is shown net-of-tax and after amortization of intangibles.

In April, the shareholders' AGM approved a dividend increase to CHF 4.00 per share, resulting in total payout of CHF 63 million. This and the acquisition of 531 632 Straumann shares for a total consideration of CHF 200 million in an accelerated book-building process were the main components of the cash used for financing activities, which totaled CHF 257 million.

As a result, cash and cash equivalents at the end of December amounted to CHF 164 million, CHF 154 million lower than a year previously. With the equity ratio at 58% the Straumann Group remains solidly financed to further invest in strategic growth initiatives.

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.

New Board members proposed

At the upcoming Annual General Meeting (AGM) on 7 April 2017, the Board will propose Regula Wallimann and Monique Bourquin for election to the Board. This is to fill the gaps left by Stefan Meister, who stepped down in May, and Roland Hess, who is retiring and will not stand for re-election.

Mrs Wallimann's candidature was announced and her CV presented in the Group's first-half business report.

Monique Bourquin has a strong track record in General Management, Finance, Marketing and Distribution gained from her career in consulting and the consumer-goods industry. Having worked with PwC, Rivella and Mövenpick, she joined Unilever in 2002. After four years as a Country Manager, she became CFO for the GAS region from 2012 to 2016. She has served on the Board of Directors of Emmi since 2013 and is a member of their Market and Audit Committees. She is also on the Board of the Swiss marketing association GfM.

Aged 50, Monique Bourquin is Swiss and graduated from HSG, University of St. Gallen, Switzerland. She lectures in the Executive MAS program of the Swiss Federal Institute of Technology (ETH) in Zurich.

Further information will be sent to the shareholders prior to the AGM.

OUTLOOK 2017(barring unforeseen circumstances)

The Straumann Group expects the global implant market to grow at a similar rate (3-4%) in 2017 and is confident that it 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, the expected revenue growth and operational leverage should lead to further improvements in the (organic[7]) operating profit margin.

About Straumann
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, Instradent, Neodent, and Medentika, etkon and other fully/partly owned companies and partners.

In collaboration with leading clinics, institutes and universities, the Group researches, develops, manufactures and supplies dental implants, instruments, CADCAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss.

Headquartered in Basel, Switzerland, the Group employs 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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2016 Annual Report
The 2016 Annual Report as well as the Financial Report can viewed and downloaded using the following web link: http://annualreport.straumann.com

Media and analysts' conference
Straumann's 2016 full-year results conference will take place at 10.30h Swiss time in Basel today. The event will be webcast live on the internet (www.straumann.com/webcast). The audio webcast of the conference call will be available for the next month.

Presentation slides
The corresponding conference visuals are available at www.straumann.com/Straumann-2016-FY-Presentation.pdf and on the Media and Investors pages at www.straumann.com.

The telephone conference can be accessed at:
Europe & RoW: +41 (0)58 310 50 09
UK: +44 (0)203 059 58 62
USA: +1 (1) 631 570 56 13

[7] Excluding the effects of the Medentika and the Equinox acquisition

UPCOMING CORPORATE / INVESTOR EVENTS

Date	Event	Location
2017		
16 February	**Full-year 2016 results conference**	**Basel HQ**
17 February	Analyst breakfast	London
17 February	Investor meetings	London
21 February	Investor meetings	Singapore
27 February	Investor meetings	Zurich
28 February	Investor meetings	London
15 March	Investor meetings	Boston / New York
16 March	Investor meetings	New York
20 March	Investor meetings	Frankfurt
23 March	IDS breakfast meeting	Cologne
29 March	Kepler Cheuvreux Swiss Seminar	Zurich
29 March	**Deadline to register for AGM**	**n/a**
07 April	**AGM 2017**	**Messe Basel**
11 April	Dividend ex-date	**n/a**
27 April	**First-quarter results**	**Webcast**

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

Disclaimer
This release contains certain forward-looking statements that reflect the current views of management. Such statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Straumann Group to differ materially from those expressed or implied in this release. Straumann is providing the information in this release as of this date and does not undertake any obligation to update any statements contained in it as a result of new information, future events or otherwise.

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