

# Markets



● Subsidiaries ○ Distributors

So far, only a fraction of the implant dentistry market worldwide has been developed. Straumann considers the North American market to have the best potential for growth. **We are the market leader in Europe and Asia, and recently became No. 3 in North America.**

## Strong global presence

Through its subsidiaries Straumann commands a strong presence in eleven European states and three countries in North and South America. Its two most important markets are Germany and the United States. Straumann generates around 83% of its sales through its subsidiaries, while the bulk of the remaining 17% of sales, which Straumann generates via distributors, originate in Japan and Italy. In 2003, Straumann increased its customer base across all segments by 20% to approximately 72,000 users worldwide.

The market for implant-supported tooth replacement continues to develop dynamically with an estimated increase of 18%. By comparison, Straumann has outperformed the market and increased its market share again. Straumann recorded strong results in 2003, with growth of 28% in local currencies or 25% in Swiss francs to CHF 344 million. The newly acquired company Biora contributed CHF 10 million or 3% of total sales.

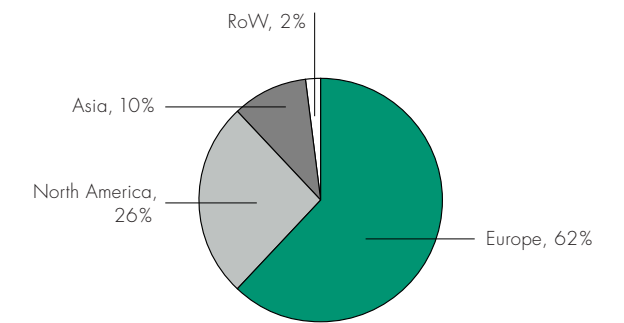
With an estimated market share of 25% Straumann is the world's No. 2 dental implant company. The market continues to be dominated by five major manufacturers, who together control over 80% of the market. In addition, there are a large number of small manufacturers pursuing regional or national niche strategies. For new players, the barriers to entry into the international market are considered high due to the technological expertise, services, customer loyalty, and close personal ties between manufacturers, universities, and dentists.

## Market leadership in Europe

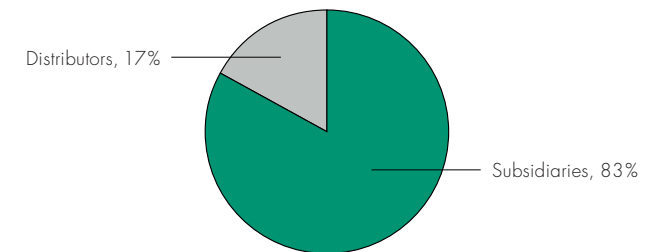
In Europe, where Straumann is the market leader, sales increased by 29% (+26% in local currencies) to CHF 214 million. The Company's results in Germany are particularly impressive, as Straumann generates a large proportion (25%) of consolidated sales in what is at present a difficult market. As the market leader with a market share of over 35%, Straumann still managed to record growth of 25% (+20% in local currencies) to CHF 85 million in this country. The other regions in Europe achieved average increases of approximately 25–30% in local currencies. In Sweden, Straumann achieved an exceptional increase of 64%, which is due to the change in the statutory health insurance policies concerning the reimbursement of implant-supported treatment for people over 65 years.

With the exception of Sweden and the Netherlands, treatment costs are not covered by statutory health insurance in most countries. As part of the ongoing health reforms in Germany, conventional tooth replacement methods are expected to be excluded from basic health insurance coverage as of 2005. Straumann expects to benefit from this new situation in the medium-term, as implant-based treatment methods can then be offered under the same financing conditions as conventional treatment methods.

## Sales by region



## Sales by distribution channels



## North America – our key growth market

Sales in North America grew by 20% (+39% in local currencies) to CHF 90 million, lifting Straumann one rank to No. 3 as against last year, with a market share of almost 20%. In our view, the North American region has the best potential for growth and is thus one of the most important markets strategically. In addition, the number of restorations performed using implants in the US is just half the number in Europe still.

This is why we intend to systematically strengthen our activities in this region with the construction of a high-capacity production facility and a training center for customers in addition to our existing sales organization. We will also further expand our North American sales force, which we increased from 50 to 75 in the year under review and which we intend to double over the next two years. Straumann has already held a number of courses in the new training center in California with great success. This is an important step forward in our expansion strategy, as it means we have been able to improve customer support and delivery capacity on the West Coast of the United States since the beginning of 2003.

## The leader in Japan

Straumann has successfully maintained its lead in Japan. Sales amounted to CHF 30 million, a year-on-year increase of 11%. Daishin Trading Ltd. in Osaka is the exclusive distributor for the Straumann product range. Our success is based on a close 20-year partnership with Daishin. Outside its main markets Japan and Korea, Straumann is also active in Taiwan, Hong-kong, China, Indonesia, Thailand and Singapore, although these countries still provide a comparatively small portion of the overall sales in Asia. Overall, the regional market share is estimated at almost 30%.

## Market positions

Region	1	2	3	4
Europe	█			
North America			█	
Asia	█			
Others			█	

“At 35–40%, the US market is the biggest in the world and has the largest potential for growth due to its very low penetration rate. We want to generate 35–40% of our sales in this market within the next five years.”

Gilbert Achermann

## New brand strategy

Straumann’s name and what it stands for is an important asset that we strive to live up to. Our customers, employees, and shareholders associate our brand with an image of our Company. In the year under review, we decided to simplify our brand structure with the aim of increasing brand awareness. All Straumann brand names, such as product names, will now be based on the Straumann umbrella brand. The ITI® Dental Implant System is being renamed the Straumann® Dental Implant System, and Biora’s activities will be conducted under the Straumann Biologics label. This decision was based on a careful review of our brand strategy. It also allows Straumann to support the initiative of its partner organization, the ITI, to strengthen the ITI scientific brand in the areas of research, development, and education.

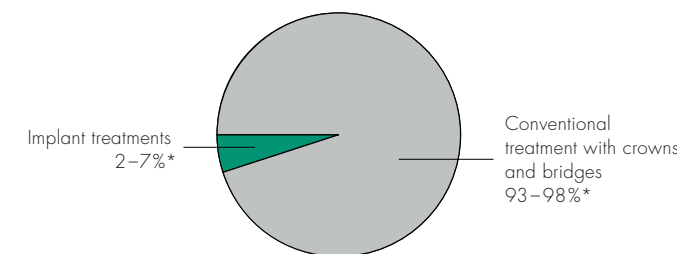
## Market growth for dental implants expected

The increasing awareness amongst patients and dentists of the opportunities offered by implant solutions and the improved functionality, esthetics, and life expectancy of implants in comparison with conventional methods of treatment will drive the market, along with the low global penetration rate of 2–7%.

Overall, around 57% of the population in the industrialized world is missing at least one tooth, but only a quarter undergo treatment. What is more, these patients are mostly treated using conventional methods. Dental implants, however, offer significant advantages: a better functionality and esthetics, no bone resorption due to unloaded bone, no damage to neighboring healthy teeth, and longer viability.

Many dentists often do not know about implants, as implant dentistry is still not a core subject of university dentistry curriculum in many countries. In-depth training and professional development are required before dentists are able to perform implant treatment. Many general dentists with broad access to patients mainly use conventional methods, but are able to receive training in implant dentistry as part of their professional development and in the courses offered at Straumann. Compared with specialists, they perform fewer implant procedures and refer complex cases to their specialist colleagues.

## Low penetration rate of tooth restorations with implants



in % of all treatment methods for tooth replacement  
\* country dependent, source: Straumann estimates



Straumann’s comprehensive range of training and professional development courses is an important tool in spreading awareness of dental implant treatment methods and their advantages amongst dentists. The consistency and quality of Straumann’s sales and training organization are therefore important competitive advantages. Much still needs to be done in terms of educating patients, as many are not aware of the possibilities of using implants for tooth replacement. Here too, Straumann is helping increase awareness by providing patient brochures and conducting information campaigns. Demographic trends are another driving factor for growth in tooth replacement, as the proportion of the population over 60 years of age is increasing. This is the age group most affected by tooth replacement treatment.

The combination of all these factors strengthens our confidence that the global market will continue to offer opportunities for a healthy growth of over 15% in the coming years.