

Dear Fellow Shareholder:

DELIVERING ON COMMITMENTS

Over a year ago, I was asked to consider taking the helm of Align Technology — a rare company that had created a revolutionary product suited to bring fundamental change to an industry. As I assessed the products and opportunities at Align I came to the same conclusions that each of you did when you invested in this company: great product, vast market potential and proof of concept in the growing legion of successfully treated patients.

I accepted the position, along with the stewardship of your investment, knowing that the challenge was to align the resources of the Company with its enormous opportunity and lead the Company to near-term stability and long-term prosperity. During 2002, every aspect of our operation was analyzed, priorities were set, seasoned management hired, and new strategies adopted. A new structure emerged, and by year-end many of the necessary changes had taken place.

Streamlining operations. Operationally, we are a much leaner organization than we were a year ago. Our centralized manufacturing initiatives in Costa Rica are complete and have proven to be more successful and beneficial to our cost structure and quality control than we had anticipated. We have eliminated all operations in Pakistan and the United Arab Emirates and upgraded our diagnostic, treatment and manufacturing technologies substantially. Difficult decisions were made to make the company more focused and streamlined. The number of employees now stands at just over 650,

compared to more than 1100 at the beginning of 2002. All told, we eliminated more than \$12 million in our annual operating expenses.

Manufacturing advances. Significant technology injection into our manufacturing processes has decreased our product turnaround time to approximately three weeks. Technology improvements and increased case volume, coupled with management of spending, reduced product costs by nearly 50 percent during 2002. In summary, we have ensured operations match near-term profitability goals and sales projections while maintaining scalability.

Applying our marketing initiatives to this opportunity may have posed the greatest challenge in 2002. There was debate within both the academic and professional orthodontic communities about the offering of our product to dentists. Our answer is that through education and understanding of the appropriate application of Invisalign®, both orthodontic and dental practices can expand and prosper, and more patients will have access to and can benefit from orthodontic care and treatment.

Establishing priorities. Because of the opportunity and the richness of the U.S. market, we have adjusted our priorities to first focus on North America. Internationally, our challenge has been to invest appropriate resources into suitable regions. We have dramatically reduced the pace of expansion