PUSHING BOUNDARIES

2018 ANNUAL REPORT

straumanngroup

CONTENTS

PUSHING BOUNDARIES

… aptly describes the Straumann Group's activities, especially in 2018.

Once again, we outperformed and generated record levels of revenue and income. We broadened our partnerships, portfolio and customer base. Through innovation and by entering new segments and geographies, we redefined the limits of our addressable market and created further opportunities for future growth. Eager to acquire new talents, we extended the size and diversity of our global team. Through all of these activities, we added value for more stakeholders.

But perhaps most importantly, we continued to push boundaries in terms of treatment possibilities, outcomes, affordability, availability and convenience – all in line with our vision: more than creating smiles, restoring confidence.

Straumann's Annual Reports for online users
http://annualreport.straumann.com

Performance highlights

Group key figures (in CHF million)

	2018	2017 (restated)	Change (%)
Revenue	1 364	1 112	23
Gross profit	1 019	841	21
excl. exceptionals	1 028	842	22
EBITDA	395	324	22
excl. exceptionals	404	326	24
Operating profit (EBIT)	343	283	21
excl. exceptionals	351	285	23
Net profit	278	282	(2)
excl. exceptionals	274	230	19
Cash generated from operating activities	277	217	28
Capital expenditure	110	74	47
Free cash flow	169	145	17
Basic EPS (in CHF)	17.24	18.04	(4)
excl. exceptionals	16.99	14.65	16
Employees (at year end)	5 954	4 881	22

+23%
REVENUE GROWTH

+23%
EBIT
(excl. exceptionals)

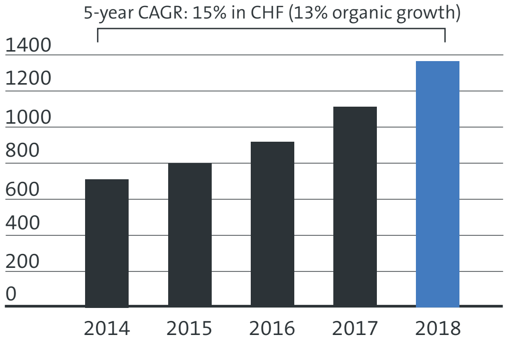
+19%
NET PROFIT
(excl. exceptionals)

Overview of exceptional effects
The following effects are treated as 'exceptionals' to facilitate a like-for-like comparison. The term 'underlying' in this report refers to accounting figures excluding these effects.

Non-cash-relevant effects from acquisitions and business combinations in 2018:
- The acquisition of Batigroup led to an exceptional inventory-revaluation expense of CHF 8.8m, which is reported under 'Costs of goods sold', as well as a tax benefit of CHF 1.9 million.
- The Group increased its ownership in Createch Medical from 30% to full ownership. This led to a consolidation gain of CHF 3.8m below the EBIT line.
- The Group increased its stake in T-Plus from 49% to 58% and consolidated the business. This led to a consolidation gain of CHF 6.9 million below the EBIT line.

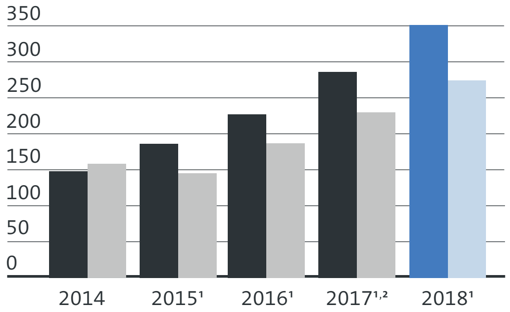
In 2017, the Group restated its consolidated financial statements retrospectively to reflect changes in the fair values of identifiable assets and liabilities due to the final purchase-price allocation of ClearCorrect in September 2017. The adjustment reduced EBIT by CHF 0.3 million but increased net profit by CHF 6.6 million.

Revenue (in CHF million)
More on pp. 36 ff.



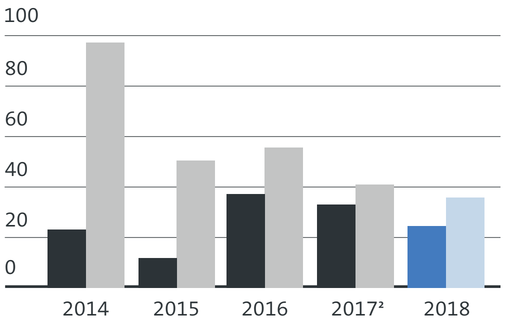
Reported revenue

Operating and net profit (in CHF million)
More on pp. 37 ff.



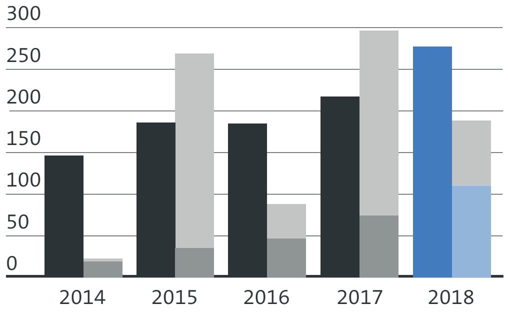
Operating profit (EBIT)
Net profit

Profitability (in %)
More on pp. 49 ff.



Return on equity (ROE)
Return on capital employed (ROCE)

Cash flow and investments (in CHF million)
More on pp. 39 ff.



Operating cash flow
Acquisitions & participations
Capital expenditure

13%
5-Y ORGANIC REVENUE GROWTH

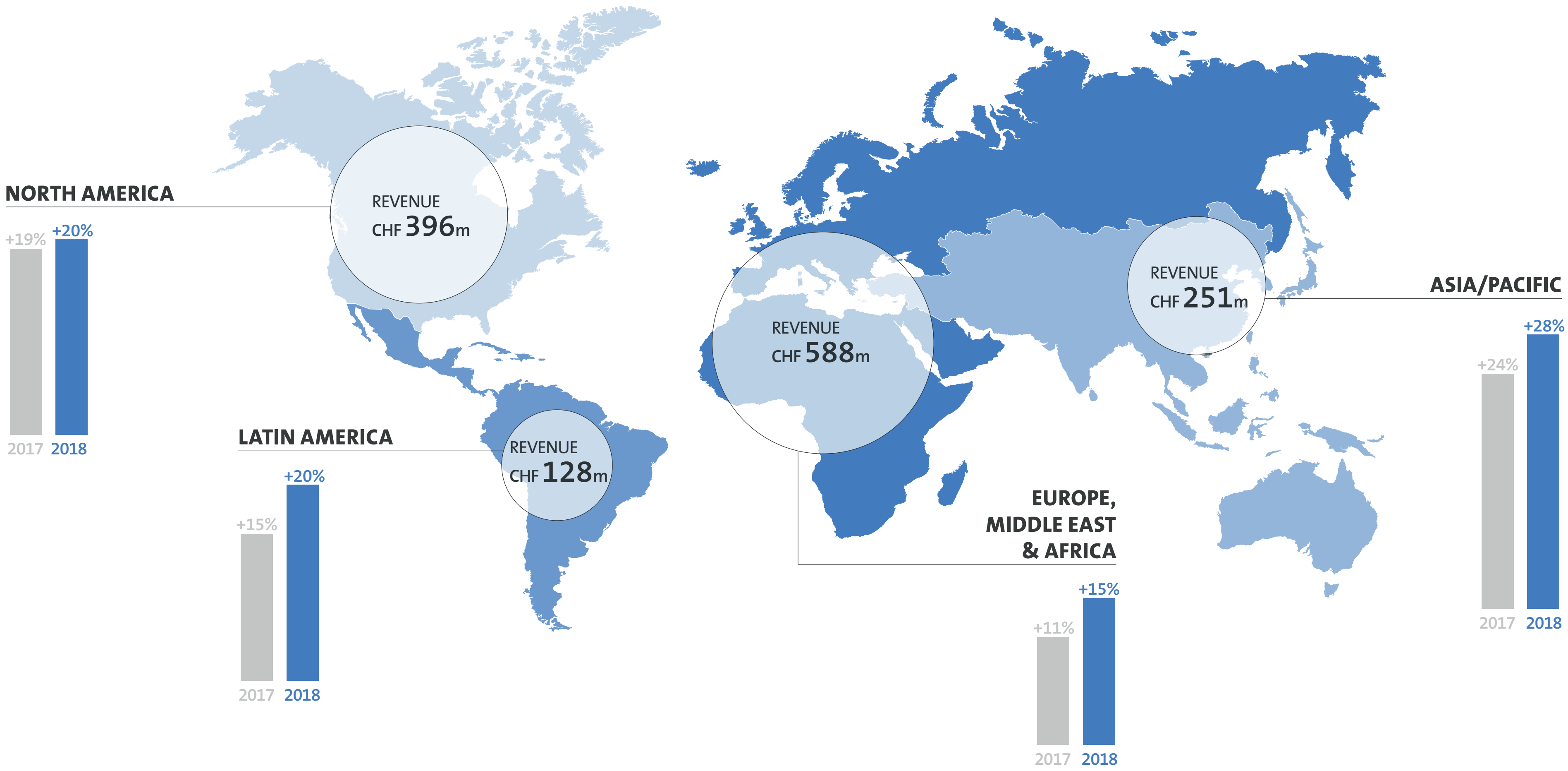
12%
FREE CASH FLOW MARGIN

>1bn
CHF GROSS PROFIT

1 Excluding exceptionals.
2 Restated.

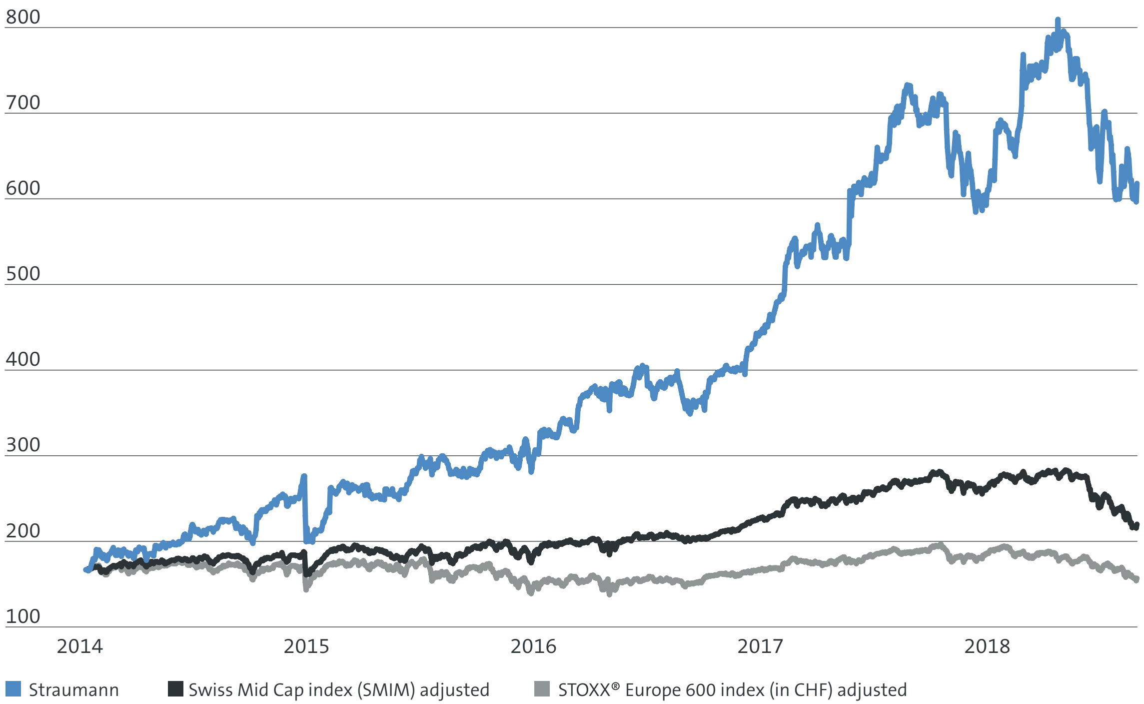
Organic growth by region

The Group made excellent progress in fast-growing emerging markets like China, Russia, Brazil and Turkey. The largest regional contribution to growth came from EMEA, which grew 15% organically and is our biggest region. The other three regions all grew at or more than 20%.

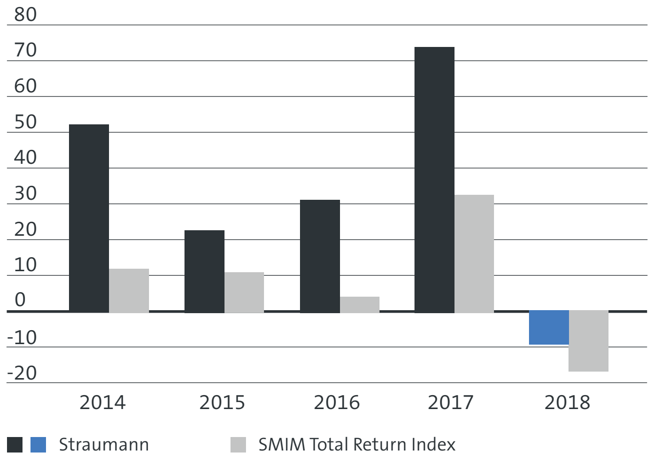


Share information

Relative share price development (in CHF)



Total shareholder return (in %)



Share information (in CHF)

	2018	2017
Earnings per share (EPS)[1]	16.99	14.65
Ordinary dividend per share	5.25[2]	4.75
Payout ratio[1]	31%	32%
Share price at year end	618.00	688.50

1 2017 restated; excluding exceptionals and one-time effects.
2 Payable in April 2019 subject to shareholder approval.

DEAR SHAREHOLDER

In 2018, the Straumann Group achieved its strongest growth since 2005, lifting revenue 23% to CHF 1.36bn. Excluding external growth and currencies, the underlying increase amounted to 19%. Fuelled by the strong growth, our gross profit crossed the CHF-1-billion threshold for the first time, enabling us to invest further in research and development to provide faster, better treatments with additional reliability, comfort and convenience. On top of this, we continued to invest in people (pp. 67 ff.). Despite these developments and the increased share of lower-margin products in our portfolio, we achieved our profitability targets, as our underlying EBITDA, EBIT and net profit margins reached 30%, 26% and 20% respectively.

We achieved our strongest growth since 2005.

Adding to our organic growth, we acquired several companies and invested in a number of others (see pp. 144 ff.). Collectively, these transactions amounted to approx. CHF 120m. We also invested heavily in production and infrastructure, increasing capital expenditure to CHF 110m. Notwithstanding, cash from operating activities climbed to CHF 277m and free cash flow rose to CHF 169m.

Despite investments and increased share of lower-margin products, we achieved our profitability targets.

IMPRESSIVE GROWTH IN ALL OUR REGIONS AND BUSINESSES

The pace of growth increased in all our regions, fuelled by emerging markets like Brazil, China, Russia, and Turkey. With organic growth of 28%, Asia-Pacific was our fastest growing region for a fourth consecutive year. Both North and Latin America reported 20% increases, while Europe, Middle East & Africa climbed 15% and – being our largest region – was our biggest contributor to revenue growth (see pp. 42 ff).

By business, implants generated almost half our growth, as both our premium and non-premium businesses performed well. We continued to converge these activities under the Straumann Group umbrella, increasing simplicity and accelerating the international roll-out of our non-premium brands.

Implants generated almost half our growth, as both our premium and non-premium businesses performed well.

The restorative business, which comprises prosthetics and abutments, delivered good results, driven by our standard and Variobase abutments, as well as our multi-platform solutions for competitor implant systems.

Biomaterials sales continued to thrive, lifted by the highly successful launch of our botiss range in Brazil. To strengthen our ties with botiss, we invested in a 30% stake in the company.

Our digital business unit grew impressively in its first year of operation, driven by demand for intra-oral scanners, 3D printers and clear aligners. ClearCorrect grew dynamically and prepared to launch in European markets, Brazil and parts of Asia. To gain immediate access to the huge Chinese market, we obtained distribution rights for a registered, state-of-the-art clear-aligner system that we plan to launch in the first half of 2019.

We won customers across the board, reflecting the attractiveness of our solutions, the power of our marketing and the effectiveness of our sales approach. The strategic initiative to create a dedicated unit to serve dental service organizations has been very successful as we won large contracts to supply chains that collectively comprise several hundred clinics.

We won customers across the board.

UNLOCKING CONSIDERABLE POTENTIAL IN ATTRACTIVE MARKETS

Our main market, implant dentistry, grew in the mid-single digits and is worth approximately CHF 4bn globally[1]. We outperformed it by a factor of three and increased our leading share to 25%. Driven by demographics, affordability, availability, esthetics and awareness, the market offers considerable potential and is expected to outpace the overall dental market. One of the most attractive areas in dentistry is the clear-aligner market, which is worth approximately CHF 2bn and is growing at more than 20% (see p. 33).

By expanding into new segments and by filling portfolio gaps, we have more than trebled our addressable market in the past five years to approximately CHF 13bn.

EXECUTING OUR GROWTH STRATEGY

Our strategy to address these markets and to drive future sustainable success is built around three unchanged key priorities (see pp. 19 ff.).

DRIVING A HIGH PERFORMANCE CULTURE AND ORGANIZATION

The first priority focuses on culture, which drives results and creates value. For the past five years, the 'player-learner' mindset has shaped our company and helped us to excel. While staff engagement is very high, our annual staff survey revealed the need to work for example on collaboration, communication and coaching to unleash the full potential of our organization. This is the focus of Cultural Journey 2.0, which began in September.

In the past five years, we have more than trebled our addressable market.

We created approximately 700 new jobs worldwide, of which more than a hundred were in Switzerland. With the addition of more than 350 colleagues through acquisitions, our increasingly diverse global team comprised almost 6000 employees at year-end. The quality, dedication and hard work of our staff drive our success. We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. Despite the dip in 2018, we surpassed the 3-year objective for total shareholder return of 7%, which determines the long-term incentive (LTI). However, our senior management voluntarily agreed to forgo their grants in 2015 and therefore received considerably less compensation in 2018 (see p. 125).

We have invested significantly in career development in recent years, including key succession plans. In January 2019, we announced that Guillaume Daniellot, Head Sales North America, will succeed Marco Gadola as CEO in 2020, when the latter will be proposed for election to the Board of Directors. We are fortunate to make this transition in a position of strength and are delighted that we can fill the CEO position with an internal candidate.

We have invested significantly in career development in recent years, including key succession plans.

TARGETING UNEXPLOITED GROWTH MARKETS AND SEGMENTS

Our efforts to target unexploited growth markets and segments were intense and fruitful. In addition to opening new subsidiaries and branches, we made further inroads into the non-premium implant segment, launching new products and expanding Neodent's presence to more than 50 countries. In addition, we acquired three competitor distributors and gained control of T-Plus in Taiwan and Zinedent[2] in Turkey.

To address the fully-tapered implant segment, which accounts for roughly a quarter of the 25 million dental implants placed annually, we developed Straumann BLX (see p. 47) and launched various other implants to target the immediacy, ceramic and other segments.

BECOMING A TOTAL SOLUTION PROVIDER IN ESTHETIC DENTISTRY

Our strategy to compete against large conglomerates that cover the entire dental field is to provide total solutions in esthetic dentistry, which includes offering conventional, semi- and fully-digital tooth replacement solutions for all major indications, while supporting our customers in establishing efficient workflows that benefit their patients.

Our strength in innovation and our ability to form partnerships enabled us to complement our offering in 2018, for example with Straumann's BLX, Mini Implant, and PURE ceramic 2-piece. We also enhanced our digital solutions by improving hard and software, as well as connectivity. Through our investment in Dental Monitoring, we entered the exciting field of remote monitoring using artificial intelligence and smart phone technology (see p. 13).

With a view to expanding our current scope even further, we began to pilot a portfolio of in-licensed products that focus on the needs of general dentists, including innovative caries treatments as well as novel approaches to preventing tooth and implant loss.

INNOVATIVE CHANGE-MAKERS

Straumann introduced three next-generation implant systems during the year, demonstrating the strength of our innovation pipeline. As change-makers, we promote innovation in all our activities: for example, producing implants by ceramic injection molding and by using virtual reality applications in marketing and education.

Our entrepreneurial, open-minded culture has also enabled us to complement our internal pipeline with external innovations, for example with Dental Monitoring, Z-Systems and Createch, which has become our center of excellence for CADCAM innovation.

As change-makers, we promote innovation in all our activities.

COMMITTED TO LONG-TERM VALUE CREATION

We remain committed to sustainable development and value creation. This means running our operations efficiently and using natural resources effectively to avoid waste and minimize our impact on the environment (see pp. 78 ff.). It also encompasses our charitable projects that offer dental healthcare to underprivileged people in 14 countries (see pp. 72 ff.).

After several years of positive development, the SMI Mid (SMIM) fell 17% in 2018. Our share price declined 10%, despite our outstanding results, solid balance sheet and prosperous outlook. Consequently, we had to live with a total shareholder loss of 9.5% (CHF 66 per share) after five very successful years in which Straumann has been the second best performing stock in the SMIM, outperforming by an average of 23%.

2018 marked the 20th anniversary of the company's initial public offering (IPO) and we would like to express our special appreciation to those shareholders who have accompanied us from the start of this exciting and rewarding journey. Since the IPO, the total return including dividend re-investments, has been more than 3500% – the highest for any stock traded on the Swiss stock exchange in this period[3].

Based on the positive results in 2018 and the favourable outlook, the Board of Directors proposes a further dividend increase to CHF 5.25 per share, payable on 11 April 2019.

OUTLOOK – CONTINUED OUTPERFORMANCE

Our continuing strong growth and significant outperformance confirm that we are executing an appropriate strategy. We have planned for continuity and succession and have set the stage for sustainable future growth by developing differentiated solutions, expanding our organization and by entering new markets and attractive fields.

We have responded to market and technology trends by building internal capabilities and forging partnerships. We will continue to create opportunities that are aligned with our strategic priorities, always vigilant and agile to adapt to a fast-changing environment. Fostering a high-performance culture will remain our key priority – as change makers, we are determined to continue pushing boundaries.

In the past five years, our shares have outperformed the SMIM by 23%.

Based on the positive results and the favourable outlook, the Board of Directors proposes a further dividend increase to CHF 5.25 per share.

Barring unforeseeable events and circumstances, we expect the global dental implant market to grow at about 4–5% in 2019 and are confident that we can continue to outperform and gain share by achieving organic revenue growth in the low-teen percentage range. Assuming fairly stable currency exchange rates, the expected organic revenue growth and operational leverage should lead to further improvements in the EBITDA and EBIT margins, in spite of further investments in Sales & Marketing and Research & Development[4].

On your behalf, we would like to thank all our employees for their commitment, engagement and hard work in 2018. On behalf of the Board, we also thank you, our shareholders, for your ongoing support and confidence in our company.

Yours sincerely,

Gilbert Achermann
Chairman of the Board
of Directors

Marco Gadola
Chief Executive Officer

7 February 2019

We are confident that the Group can continue to outperform and gain market share.

Notes and references

1 Decision Resources Group 2017-18, iData 2017 and Straumann bottom-up estimates in 70 countries.
2 Acquired on 2 January 2019.
3 Data sources: Bloomberg; Handelszeitung, December 2018.
4 These profitability objectives exclude exceptional effects related to acquisitions, as well as the impact of adopting IFRS 16 (lease accounting).

A Dental Monitoring scan takes less than two minutes and is done according to a schedule determined by the orthodontist, usually weekly.

PUSHING BOUNDARIES:

Artificial intelligence

In April, we invested in Dental Monitoring (DM), a highly innovative company specialized in remote dental monitoring systems. DM's technology enables dentists to monitor orthodontic treatment progress without the patient having to visit the practice. Using a smart phone, the patient uploads pictures into DM's system, which uses artificial intelligence to detect even minor changes in tooth alignment. It then notifies the dentist, allowing for timely intervention and efficient treatment adjustments. In addition to avoiding unnecessary check-up visits, it can accelerate orthodontic treatments by identifying the point at which the patient is ready to progress to the next corrective step.

The system is being developed further to detect tooth decay and to monitor oral health in general. Artificial intelligence could support the full spectrum of our activities including corrective, preventive, restorative and replacement dentistry, which is why DM is such a valuable partner.

MANAGEMENT COMMENTARY

Straumann Group in brief
Our business and vision

WHO WE ARE, WHAT WE DO AND WHERE WE DO IT

Headquartered in Basel, Switzerland, the Straumann Group is a global leader in tooth replacement and orthodontic solutions. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Straumann, Neodent, Medentika, ClearCorrect, Dental Wings and other fully- or partly-owned companies and partners.

The Group develops, manufactures and supplies dental implants, instruments, biomaterials, CAD-CAM prosthetics, digital equipment, software, and clear aligners for applications in replacement, restorative, orthodontic and preventive dentistry. Its principal production sites are in Switzerland, the US, Brazil and Germany.

As a total solution provider for esthetic dentistry, the company takes a holistic approach, offering training, support and a wide range of services to dental practitioners, clinics and laboratories all over the world. It is recognized as a leading innovator and works together with universities, clinics, research institutes, networks and communities to enhance the standard of patient care. Through a unique collaboration with academic networks like the International Team for Implantology (ITI) and the Latin American Institute of Dental Research and Education (Instituto Latino Americano de Pesquisa e Ensino Odontológico ILAPEO), Straumann supports research and offers training and education to dental professionals.

The Group employs around 6000 people worldwide. Its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners. More than 90% of the business is conducted directly through fully-owned subsidiaries.

OUR VISION

Confidence relates to all our activities; it is built on trust, integrity, respect, communication, transparency, collaboration and delivering what we promise. For our customers, it means peace of mind, because our solutions are predictable and durable. For our employees, confidence means secure, rewarding jobs. For our shareholders, it means sustainable returns from a highly ethical business. For


Straumann Group is a global leader in tooth replacement and orthodontic solutions. Beyond creating smiles, our aim is to restore confidence in patients around the world.

Our vision: More than creating smiles, restoring confidence – we want to be the partner of choice in esthetic dentistry.

the communities in which we operate, confidence means that we care for the world around us as a responsible corporate citizen. For all our stakeholders it means that Straumann is a reliable partner.

We want to be the first place that people come to do business, to find genuine solutions, to turn ideas into reality, to learn, master, succeed and improve lives. This is what being the partner of choice means for us.

We are committed to being the total solution provider in esthetic dentistry, offering education, innovation, quality, support, expertise, clinically proven long-term success, and peace of mind.

At the same time, we are a global leader in the non-premium segment, making high quality implant and prosthetic solutions more affordable to a broader population through our Anthogyr, Equinox, Medentika, Neodent and Zinedent brands.

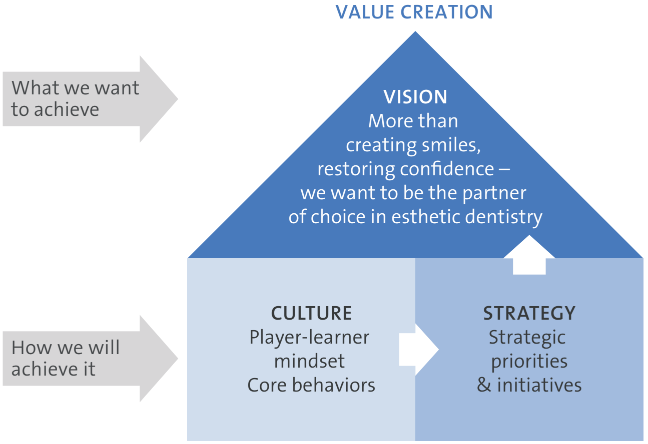
We are also committed to being the partner of choice in biomaterials, digital dentistry and clear aligners.

A PLAYER-LEARNER MINDSET

The right mindset is a prerequisite for the high-performance culture we are striving to build. Our main thrust over the past four years has been to inspire and foster a player-learner mindset throughout our workforce. Player-learners inspire trust; they are energized and embrace change; they listen, find out, share, collaborate, take risks, find solutions, learn by doing, encourage and celebrate.

To help our employees achieve their best, we strive for a culture that builds trust and collaboration, fosters diversity, promotes learning and engagement, and encourages people to take both responsibility and ownership. This is why we have defined a set of core behaviours that apply for everyone in the Straumann Group. These behaviours are listed in our Code of Conduct, which was updated in 2018 and applies for the entire Group including recently acquired businesses. The Code of Conduct is designed to ensure that the companies and individual employees of the Straumann Group conduct business in a legal, ethical and responsible manner, in compliance with international and local laws, regulations and requirements.

Our company home



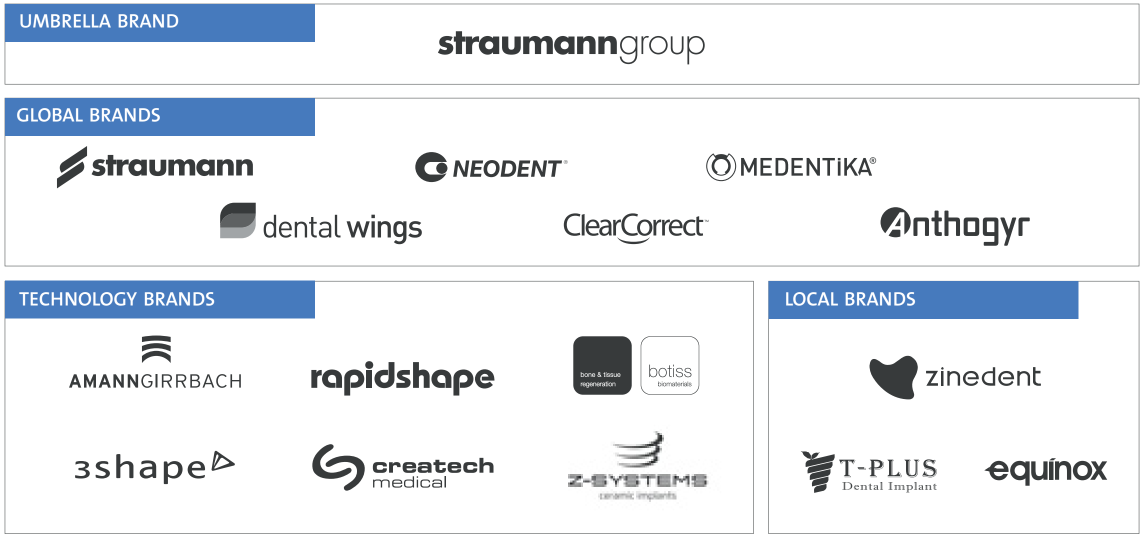
Making vision a reality
The way to a sustainable future is mapped out in our three 'strategic priorities' (see p. 19 ff.), which form the backbone of our strategy. Making it happen is a matter of culture and behavior. Thus, vision, strategy and behavior form the figurative building of our company home.

OUR BRAND

STRAUMANN GROUP – UNITING GLOBAL EXCELLENCE IN DENTISTRY

Our journey into new segments, geographies and technologies has turned Straumann into a global group of national and international brands, companies and partners. The Straumann Group umbrella brand unites them and provides a common identity, which generates value for the individual brands, companies and partners. It allows them to benefit from Straumann's global reputation – without compromising the Straumann premium brand, which has retained its distinctive identity and positioning.

The Straumann Group umbrella brand enabled us to bring our premium and non-premium businesses closer together. To simplify processes, we created a single e-shop for all brands, and we are able to provide our digital solutions and biomaterials to all customers irrespective of which implant system they purchase from us.



The Straumann Group unites various global and local or regional product brands with a number of fully or partially owned companies and independent partners, which provide technology and manufacturing expertise.

Anthogyr's state-of-the-art production facility manufactures attractively-priced implant systems, which the Group sells in emerging markets like China and Russia.

PUSHING BOUNDARIES:

Segment expansion

While the premium implant segment continues to offer significant growth potential, it accounts for just about one half of all dental implants sold today. To open further growth opportunities, we began investing in non-premium brands in 2012 and have built an international portfolio that includes the Neodent, Medentika, equinox, and Zinedent brands.

In 2018, we extended our portfolio by broadening our collaboration with Anthogyr in France and gaining control of T-Plus in Taiwan. The former strengthens our position in the upper value price range in Europe and in emerging markets like Russia and China. The latter gives us access to the fast-growing lower value segment in China and Taiwan.

Both companies are well positioned for international growth, supported by the Group's global network and expertise. They complement our implant portfolio, which covers a broader price range in more countries than any other implant company.

Strategy in action
Esthetic dentistry: beyond tooth replacement

Having broadened our scope from tooth replacement to esthetic dentistry in 2017, our three strategic priorities remained unchanged in 2018.

Our strategy is built on three key priorities, which translate into a number of clearly defined initiatives and deliverables. These are continuously tracked and adjusted as necessary. They are not disclosed but are reflected in the investments, launches, pipeline, partnerships, achievements and other activities featured in this report. The Group's continuing strong growth and significant outperformance confirm that our strategy is appropriate and that we are focusing on execution. Notwithstanding, we do not take our success for granted. In order to drive a high performance culture, we continue to embrace change, raise bars and push boundaries.

STRATEGIC PRIORITIES UNCHANGED

DRIVE OUR HIGH PERFORMANCE STRAUMANN GROUP CULTURE AND ORGANIZATION

This remains our key priority because culture is at the heart of execution; it drives results and creates value.

Examples of this strategic priority in action in 2018	
Culture	• High investment in Cultural Journey • Cultural Journey 2.0 initiated • Code of Conduct revised and core behaviours integrated • Staff survey: 77% response rate; high engagement: >90% proud to work for Straumann Group and love what they do.
People	• Increased investment in personal development, career/succession planning • Online and other tools developed to accelerate global training program as organization grows rapidly • Culture emphasized in employer branding, recruiting, onboarding and rewards activities.

Our strategy is appropriate and well executed.

TARGET UNEXPLOITED GROWTH MARKETS AND SEGMENTS

Our efforts to target unexploited growth markets and segments were intense and fruitful. In addition to opening new subsidiaries and branches, we made further inroads into the non-premium implant segment.

Examples of this strategic priority in action in 2018	
Geographic reach	• New subsidiaries in Peru, South Africa and Thailand
Non-premium	• Neodent now available in 50+ markets • Third-party distributors acquired (e.g. Batigroup in Turkey) • Controlling stake in T-Plus to enter the lower value segment in China
Biomaterials	• Entry into large Brazilian market • 30% stake in botiss biomaterials
Corporate dentistry	• Expanded team; business with large DSOs won; strong growth, segment share gains

Our efforts to target unexploited growth markets and segments were intense and fruitful.

EXPAND SCOPE TO BECOME A TOTAL SOLUTION PROVIDER FOR ESTHETIC DENTISTRY

To compete against conglomerates that cover the entire dental spectrum, our strategy is to provide complete conventional, semi- and fully-digital solutions in esthetic dentistry, while supporting our customers in establishing efficient workflows that benefit their patients. Our strength in innovation and ability to create partnerships enabled us to complement our offering in 2018 and to explore opportunities for scope expansion.

Examples of this strategic priority in action in 2018	
Differentiating solutions	• Immediacy & edentulous: global rollout of Neodent Grand Morse; development and limited release of Straumann BLX; launch of Straumann and Medentika mini implants • Ceramic: Straumann PURE two-piece implant launched; investment in Z-Systems & exclusive rights for next-generation 100% ceramic system • Digital: rollout of Trios3 intraoral scanners; Zirconzahn milling solutions; expanded connectivity to Straumann workflow • CADCAM: milling centre opened in China; full acquisition of Createch – high-end frameworks/prosthetics for multiple systems
Orthodontics	• ClearCorrect international roll-out prepared • Preparations to enter Chinese clear-aligner market with ZhengLi Technology • Partnership with Dental Monitoring (remote monitoring, artificial intelligence)
Prevention	• Pilot portfolio of in-licensed products focused on general dentists' needs, including novel approaches to preventing tooth and implant loss

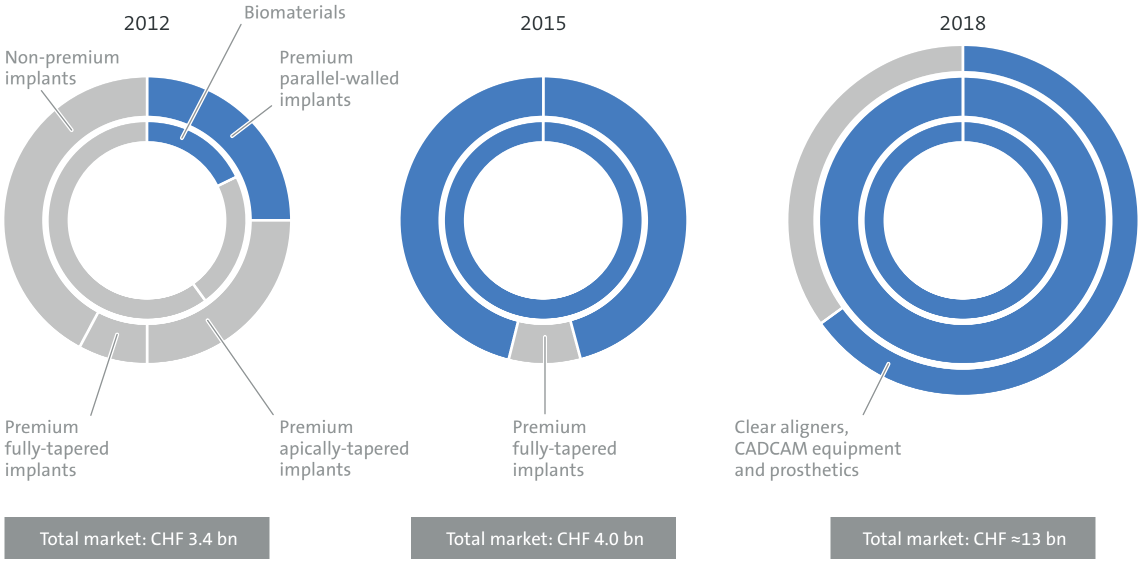
Innovation and partnerships complemented our offering in esthetic dentistry.

STRATEGY DELIVERS SUSTAINABLE GROWTH

Through internal development, acquisitions, investments and partnerships, we have significantly expanded our addressable market, which has more than trebled over the past three years (see chart below) and still offers considerable growth potential (see p. 34).

Straumann Group's expanding addressable market

Milestone launches/events:	Variobase abutment	BLT implant	Neodent consolidation	Lab and chairside CADCAM systems	Clear aligners	Fully-tapered implant expected



In 2012, we focused on a market worth CHF 3.4 billion, of which we were able to address segments worth a total of just CHF 1 billion because our portfolio was limited to premium parallel-walled implants, standard CADCAM prosthetics and a limited range of biomaterials. With Neodent, we stepped into the non-premium segment and our partnership with botiss and other partners gave us a complete portfolio of biomaterials. Straumann BLT and Neodent implants provided access to the large tapered-implant segment. By 2015, we had expanded our addressable market to CHF 4.0 billion. The addition of lab- and chairside-milling solutions and our entry into clear aligners in 2017 further increased our addressable market to CHF 13 billion.

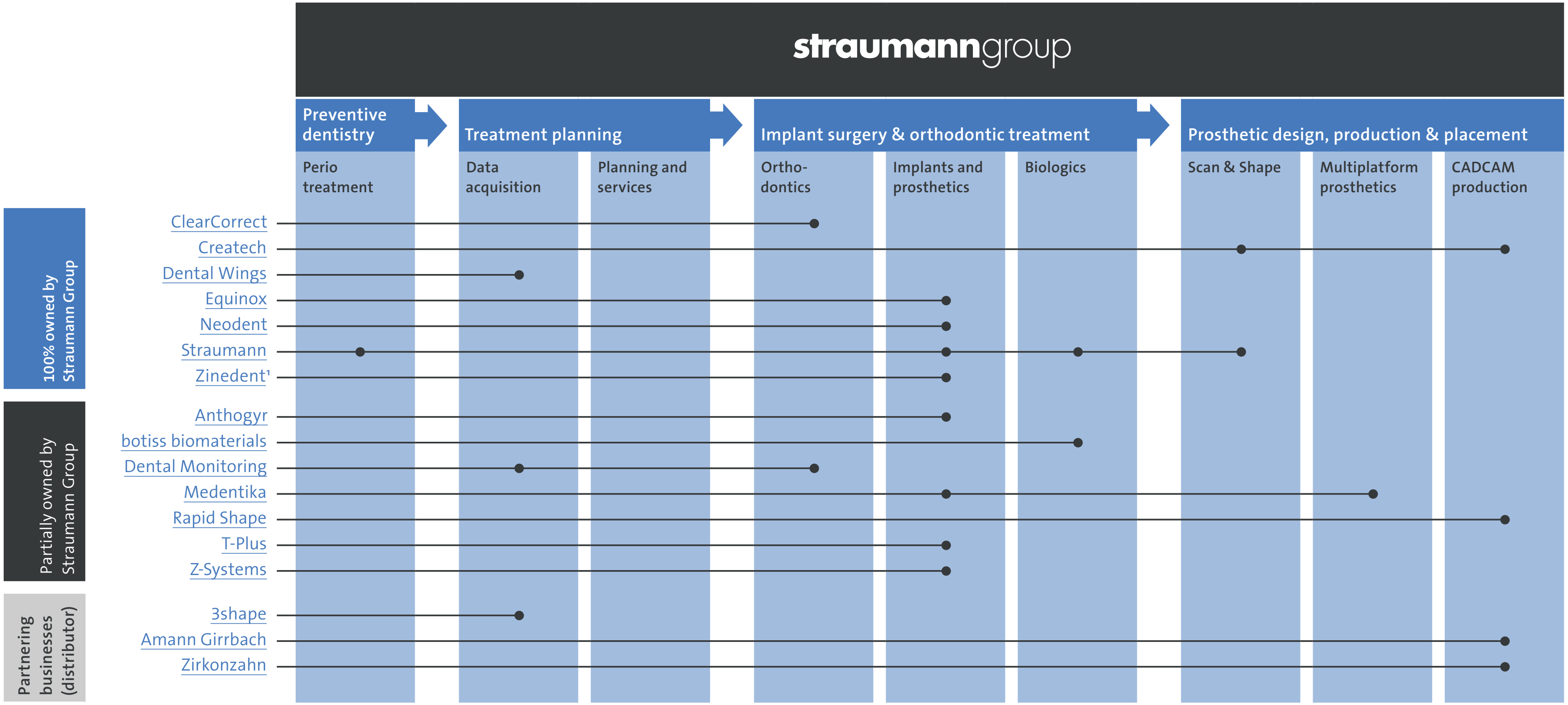
We have set the stage for sustainable future growth and will continue to create opportunities that are aligned with our strategic priorities, always vigilant and agile to adapt to a fast-changing environment.

We have set the stage for sustainable growth and continue to create opportunities that are aligned with our strategic priorities.

Products, solutions and services

Click here for complete product information

For more than six decades, Straumann has been innovating, developing, testing and refining products that address patient needs and contribute to their quality of life. Our product range includes dental implant systems, prosthetics, digital equipment and solutions, biomaterials and caries treatments. As a Group, we strive to provide total solutions across segments, enhancing convenience and efficiency, and adding value, comfort and security for customers and patients.



This chart shows the Group's main brands, the degree of ownership and how they each support the dental treatment cycle from prevention to replacement and restoration.

1 Since 1 January 2019.

MEETING CUSTOMER NEEDS

In line with the Group's strategic priorities, we launched numerous key products in 2018 to penetrate unexploited markets and segments, including the following:

2018 Main product launches	Benefit and added value
Surgical	
Straumann BLX implant (Limited market release)	• New fully tapered implant for all bone types and indications, especially for immediacy • Excellent osseointegration and bone maintenance properties • Designed to shorten treatment duration
Straumann Mini Implant System	• Very small diameter one-piece, apically-tapered tissue level Roxolid SLA mini implants • Designed for narrow edentulous ridges and immediate procedures • Stabilizes removable partial or full dentures • Coated prosthetic connection for excellent wear resistance
Straumann PURE CI	• Two-piece ceramic implant for increased prosthetic flexibility • Fully digital workflow, suitable for guided implant placement
Neodent GM (International roll out)	• Complete new implant system with a fully tapered design for all clinical needs • Comprehensive and easy-to-use prosthetics
Medentika Quattrocone (5mm diameter)	• More options and optimized solutions for several indications • Increased diameter of the implant due to customer requests
Medentika Minicone	• Very small diameter one-piece, apically-tapered design to stabilize dentures • Minimally invasive protocol, often used without a flap and grafting procedure • Superior attachment system with coated surface
Restorative	
Medentika ASC Flex Ti-Base	• Ti-base for angled screw channels in demanding situations • Cuttable even in digital workflows
Digital	
3Shape TRIOS 3 intraoral scanning solutions in North America	• Hi-end intraoral scanner, complementing Straumann's range of scanners and software solutions
TRIOS Design Studio	• Software offering seamless chairside workflow to trios users
Straumann CADCAM facility in China	• Tooth-borne prosthetics for the Chinese market
Dental Monitoring distribution	• Remote monitoring using smart phones and artificial intelligence algorithms for timely intervention and adjustments, making treatments more efficient
Prevention	
GP portfolio (pilot)	Various products to prevent tooth and implant loss and to support esthetic treatments

To complement the Group's products and solutions, we offer a broad range of services.

To complement the Group's products and solutions, we offer a broad spectrum of services under the Straumann brand, such as:

- Comprehensive service packages tailored to the specific needs of future dentists or those who have recently started their careers, with professional practice-oriented and individual support
- Information concepts to address trends in patient information behavior, in order to support dentists in reaching patients who wish to learn more about treatment
- Exclusive access to a great variety of practice-oriented training materials related to the treatment of straightforward implant cases
- Blended learning opportunities, including online modules and hands-on tuition

To provide services of this kind our staff requires a comprehensive understanding of the dental business and our products. Extensive staff training is therefore an important aspect of our service offering.

The provision of clinical documentation and educational material is one of many added services.

PUSHING BOUNDARIES:
Minimal invasiveness

Very small diameter monotype implants offer a cost-effective, immediate and minimally invasive solution for edentulous patients who have reduced horizontal bone. More than a million such implants were placed in 2017 and they are rapidly gaining popularity – not least because they can avoid bone grafting procedures which would be necessary with wider implants.

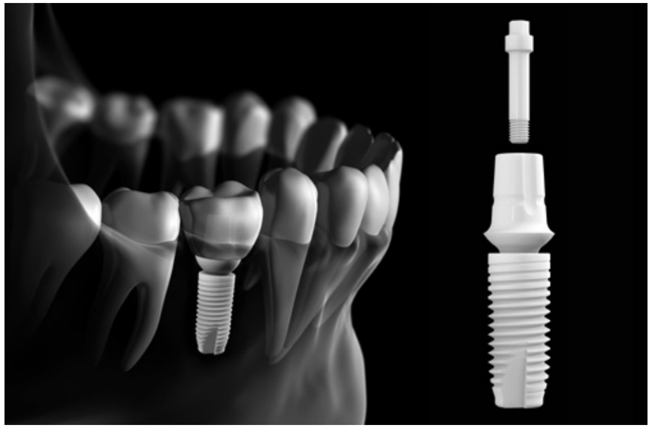
In October, we launched a premium mini implant system that pushes several boundaries. Unlike other implants in this category, it is made of our high-strength Roxolid and is just 2.4 millimeters in a diameter. It has an SLA surface to enhance osseointegration and is designed for immediate placement protocols with reduced drilling.

It also features a built-in Optiloc prosthetic retention system, which is made of special wear-resistant materials for exceptional long-term performance and low maintenance. With all of these features, it sets a new standard for mini implants.

Restoring smiles and confidence – especially in older edentulous patients.

Innovation
Turning ideas into innovations

Straumann has been a leading innovator in the field since the pioneering days of implant dentistry. As in previous years, we continued to invest significantly in research and development in 2018 to fuel our pipeline and to bring significant benefits to patients and customers. As change-makers, we promote innovation in all our activities – for example the use of ceramic injection molding in manufacturing and virtual reality in marketing and education. Our entrepreneurial, open-minded culture has also enabled us to 'import' innovation, for example with Dental Monitoring, Z-Systems and Createch, which has become our center of excellence for CADCAM innovation.



Straumann SNOW, the first two-piece screw-retained dental implant to be free of metal and plastic, developed by our partner Z-Systems.

DRIVING INNOVATION ACROSS THE GROUP

Innovative products, processes and solutions are key drivers of our global success. Their seed ideas come from various sources. Our goals are to leverage synergies, pool resources and share new technologies (e.g. in manufacturing) without diluting the focus of our individual brands nor compromising the premium brand. We therefore take a systematic approach, balancing 'core', 'adjacent' and 'breakthrough' projects with the probability of commercial success, time to market, and other considerations. This ensures that we focus on ideas that are most likely to succeed and enables us to allocate them to the most appropriate center of competence and brand.

Our entrepreneurial, open-minded culture has enabled us to 'import' innovation.

BRINGING INNOVATIONS TO CUSTOMERS AND PATIENTS

Straumann's BLX (see p. 47), Mini Implant (see p. 25) and the two-piece Straumann PURE Ceramic Implant are some of the innovations that we introduced in 2018. In addition, we are offering novel technologies and products, that our partners have developed: for instance the first screwed two-piece ceramic implant system that is free of metal and plastic, as well as innovative caries treatments that avoid drilling and filling, and systems that use artificial intelligence to monitor treatment progress (see p. 13). The table below highlights the development pipeline projects that we worked on in 2018 with a view to launch in 2019.

Examples on development projects scheduled for introduction/rollout starting in 2019

Project	Key benefit target
Surgical	
New implant designs	Less invasive procedures, focus on immediacy (shorter time to teeth), additional indications
Line extensions implants	Fill portfolio gap with posterior solution and line extension
Ceramic portfolio extension	Highly esthetic and complete metal-free ceramic; advanced implant design
New drill system	Shortens chair time, minimizes heat generation, suitable for all surgical protocols
Modular cassette	Convenient, compact and customizable, facilitates interaction between surgeons and assistants
Prosthetics	
Angulated solutions	Enhanced screw-retained prosthetic solutions for tilted implants, focus on CAD/CAM
Ti-base portfolio	Universal abutment with cuttable chimney, angled abutment for demanding cases, CADCAM option
Edentulous	
Edentulous solution offerings	Patient-centric approach; broad choice of options, fixed and removable, including mini implants; focus on immediate procedures
MPS portfolio	Portfolio extension covering additional competitive brands, attractively priced alternative to in-market competitive product
Digital dentistry	
Straumann Virtual Clinic	Smartphone app for patients to enhance patient information and treatment acceptance
Integrated planning and design service	Time saving and efficiency gains for various customers along the workflow
CADCAM materials	More options, enhanced esthetics, 'one stop shop'
3D printer and scanners	Ease of use, affordability, optimized scanners and software
Smile in a Box	Fewer treatment visits, faster and more efficient implant placement
Improved Clear aligner material	Patient comfort, esthetics
Biomaterials	
Periodontal pocket treatment	Minimally invasive, easy to perform
Preventive dentistry	
Next generation dentistry	Innovative treatments for caries, periodontal disease and peri-implantitis

Markets
Further market share gains – new segments tapped

THE GLOBAL DENTAL SUPPLY AND EQUIPMENT MARKET

The dental supply and equipment market is an attractive subsector of the medical device sector and ranges from instruments, adhesives and filling materials to imaging hardware and practice equipment. It also includes specialty segments like implant dentistry, endodontics, biomaterials, CADCAM equipment, prosthetics, and orthodontics. The total dentistry market was valued at CHF 26–28 billion in 2018 (see chart on the right) and is growing rapidly, driven by the aging and growing population, increasing prosperity, awareness of oral health, and innovation.

IMPLANT DENTISTRY

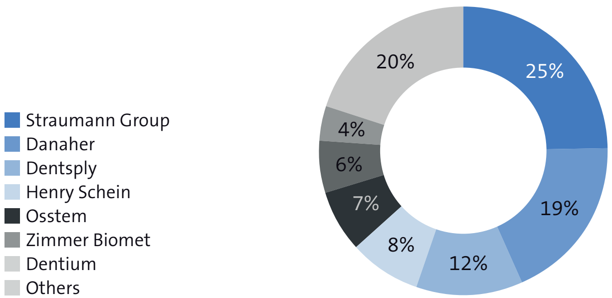
The Straumann Group's main market is implant dentistry[1], which is estimated to be worth approximately CHF 4 billion globally[2] (or CHF 4.5 billion including healing screws, temporary abutments and copings). It grew in the mid-single digit percentage range in 2018, driven almost entirely by volume growth. Having outperformed for several years, we lead the implant market with a share of 25%. Three quarters of the market are controlled by the leading six companies, while the rest is divided among several hundred manufacturers, most of whom operate on a regional basis and compete in the non-premium segment. The latter has been growing faster than premium, due to the increase in manufacturers, the lack of reimbursement schemes, and stronger growth in emerging markets where procedure prices and disposable income are lower. The non-premium brands collectively account for approximately half of the worldwide implant market.

Having focused exclusively on premium implants, Straumann entered the non-premium segment in 2012 and, by acquiring various brands, now offers a broad range of solutions in both the upper and lower value price segments. Since then, the Group has gained a leading position in the non-premium segment, although its market share is still only in the mid-single percentage range and therefore offers an attractive growth potential in the coming years.

Having outperformed, we lead the implant market with a share of 25%.

Dental market overview

	Total dentistry	Implant dentistry[1]
Market	CHF ≈26–28 bn	CHF 4.5 bn
Straumann share	5%	25%
Straumann position	#7	#1



1 Implant dentistry market segment includes implant fixtures, abutments, temporary abutments, healing screws, copings and related instruments; information based on Decision Resources Group and Straumann data.

THE TAPERED IMPLANT SEGMENT

Dental implants can be distinguished by their shape. Tapered implants offer high primary stability and are the preferred choice of many clinicians in extraction-socket indications and immediacy protocols or when patients have a soft bone morphology. More than 70% of dental implants sold in 2017 had a tapered design. Parallel-walled implants, on the other hand, are valued for their periodontal performance (soft tissue attachment properties) and have been documented for more than 30 years. The Straumann brand dominates the latter category, while our Neodent brand focuses on tapered implants.

In 2014, Straumann entered the premium tapered segment with its apically-tapered BLT implant, which has spurred growth and enabled us to outpace the market. In 2019 the full market release of Straumann BLX, our innovative fully-tapered implant, is expected to add to this success. Together with Neodent's new GM line, it will enable the Group to penetrate the fastest growing implant segment and is expected to win further market share.

From left to right: Straumann's parallel-walled Bone Level implant (introduced in 2007), the apically-tapered BLT implant (2014), and the fully-tapered BLX implant (2018).

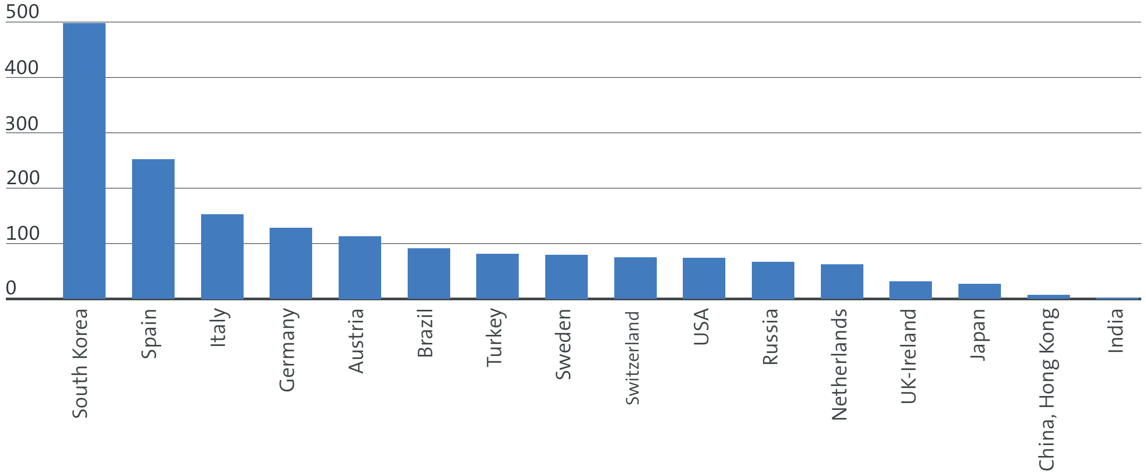
CONSIDERABLE POTENTIAL

Independent researchers expect implant dentistry to continue outpacing the overall dental market. In the world's largest dental market, the US, more than 120 million people are missing at least one tooth, yet just one and a half million are treated each year (corresponding to 2.7 million implants). This is low in absolute terms and in comparison with other countries. Our analysis shows that only one in four medically eligible US residents who seek treatment for tooth loss actually receive implants. In Germany, the penetration level is approximately 30%, while in Switzerland, it is close to 40%[3]. The tooth replacement market therefore offers considerable potential and its principal growth drivers are:

- Demographics – in an ageing population, more elderly people need tooth replacement
- Affordability – the middle class is growing in developing countries
- Treatment provision – rising number of trained dentists who are confident placing implants
- Awareness – patients are better informed about the negative effects of poor oral health
- Esthetics – the trend in people choosing cosmetic treatments and dental implants is growing and consumer expectations are rising.

Straumann BLX and Neodent GM will enable the Group to penetrate the fastest-growing implant segment.

Implant penetration: Patients treated annually (per 10 000 adult population)



With very few exceptions, tooth replacement is an out-of-pocket expense. In South Korea, reimbursement was gradually introduced for senior citizens in 2014. This, together with the fact that more than 70% of the dentists in the country place implants, explains the high penetration rate. By contrast, large economies like China and India remain heavily underpenetrated due to a lack of qualified dental professionals.

As the chart above shows, the number of patients treated per 10 000 adult population in the US is only half that of Italy and only a third that of Spain, the largest European market. This illustrates the considerable growth potential there. Penetration in other highly populated countries like the UK, India, China and Japan is also clearly below average, offering strong upside potential in the coming years.

The population in the US aged 65 and older is projected to more than double from 46 million today to over 95 million by 2060 corresponding to 15% and 24% of the population respectively[4]. According to the American College of Prosthodontists (ACP)[5], about 23 million people in the US are completely edentulous and another 12 million are edentulous in one arch. Ninety percent of edentulous people in the US use simple, gingiva supported dentures. Most are unable to afford implant solutions. To serve this market, we launched a cost-effective mini-implant line in 2018. This type of implant is easy to place and has been gaining popularity. It is estimated that more than a million were placed in 2017[6].

BIOMATERIALS

The Straumann Group is also active in the global market for oral biomaterials, which include bone-augmentation materials, membranes, fleeces, sponges and soft-tissue regenerative products. As biomaterials are used in a large proportion of dental implant procedures, market growth is linked to that of implant and bone ridge preservation treatments (although biomaterials are used less with mini and short implants and in immediacy protocols).

In 2018, the worldwide market for oral biomaterials was estimated to be worth more than CHF 600 million[7]. Over the past five years, the Group has significantly expanded its biomaterials franchise through partnerships (botiss, Genoss, and Nibec) and today is a top-5 global player in this market.

Today, the Group is a top-5 global player in the biomaterials market.

CADCAM EQUIPMENT

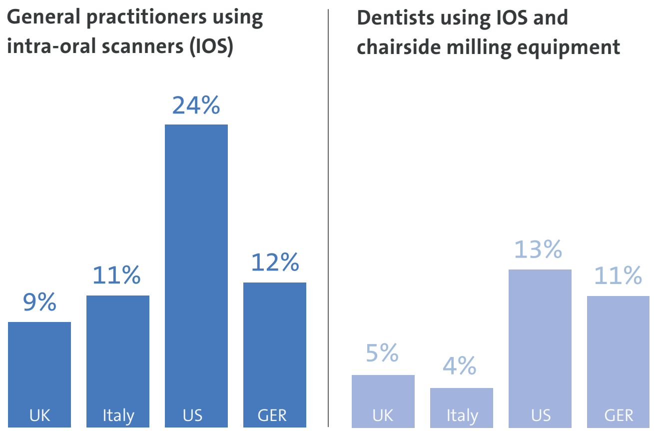
The development of digital hardware makes it possible to design and mill abutments, crowns, bars, and bridges (commonly referred to as prosthetics) using computers, saving time and increasing accuracy. Digital implant workflows are becoming increasingly important for clinicians, dental technicians and patients. We estimate that the global market for CADCAM dental equipment, which comprises optical scanners as well as milling and 3D printing equipment, is worth CHF 1.2 billion, including new installations as well as upgrades and replacements.

Dental CADCAM systems fall into three categories:

- Chairside systems, where scanning, design and milling are all performed in the dental practice
- In-lab systems for scanning, design, and manufacture on medium-sized milling machines
- Central milling, in which lab scanners connect to an external milling center that uses sophisticated, heavy milling machines.

Straumann has been an established player in the centralized milling segment for more than a decade and entered the lab and chairside milling segments in 2016. Penetration of the latter is still modest in spite of the speed, convenience and patient acceptance of intraoral scanning. Even in advanced markets like the US and Germany, fewer than one in four dental practices use intra-oral scanners and few have invested in chairside milling systems (see chart on the right), which indicates the large potential for growth in this segment. By contrast, many dental labs have gone digital and have invested in digital production equipment and systems[8].

Large potential for growth in digital equipment



Source: Straumann proprietary GP survey in US, DE, IT, and UK; samples size >200 dentists.

We are convinced that the future of dentistry lies in digital workflows. Technology and software are evolving rapidly and there are clear signs that digital transformation is already underway. Intra-oral scanners are becoming increasingly intuitive and versatile and will become the gateway to the digital dental universe. Multiple studies have shown that digital impressions are more accurate[9], faster[10] and more comfortable than taking physical impressions. In the US, 50% of dental labs use CADCAM and nearly all larger labs accept digital scans from their referring dentists. More than 80% of larger labs have a complete CADCAM system including scanner, milling system, and sintering furnace because they have the financial resources and a high throughput[11]. This is why we are constantly developing our current range and offer an integrated, open architecture portfolio, with leading chairside and in-lab scanning and milling technology, 3D in-lab printing and central milling. All are supported by cutting-edge software and validated workflows that cover the tooth-replacement and orthodontic spectrum.

We are convinced that the future of dentistry lies in digital workflows.

PROSTHETICS

The CADCAM prosthetics market is estimated at more than CHF 3.8 billion[12] and comprises crowns, inlays, onlays, bars, and bridges designed on a computer and manufactured with a milling machine or an additive process. Tooth-borne restorations, such as single crowns, inlays and small bridges, account for the largest part. While CADCAM production is growing strongly, most crowns and bridges are still porcelain-fused-to-metal or press ceramics made in a time-consuming manual process. Market research[13] indicates that general dentists usually obtain CADCAM crowns and bridges from local labs, and most use models or impressions to order the restorations.

The CADCAM prosthetics market is estimated at more than CHF 3.8 billion.

This segment is expanding due to the increase in local laboratories offering CADCAM services and the growing popularity of individualized prosthetics, which have esthetic and clinical advantages over traditional pre-fabricated abutments and custom castings. Another driver is the popularity of cost-effective titanium-base implant abutments, like Straumann's Variobase, which allow customers to produce their own prosthetics through an open software platform while still ensuring an original interface between the implant and the abutment brand.

Internal and independent surveys show that patients are increasingly willing to invest in treatments that not only restore function, but also improve appearance. CADCAM makes it possible to use strong, highly esthetic translucent glass-ceramics or hybrid materials and Straumann competes in the materials market with its innovative proprietary glass ceramic, n!ce.

DYNAMIC CLEAR ALIGNER MARKET

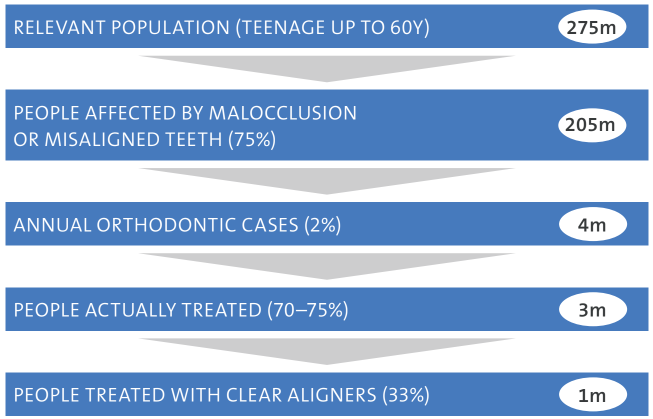
Approximately two in five children in North America have crooked teeth and 10% have severe malocclusion. Tooth displacement is far more common among teenagers than in younger children because of the greater number of erupted teeth. More than 60% have severe tooth displacement and approx. 17% have either lingual or buccal crossbite.[14] Of the three million orthodontic cases actually treated in North America in 2018, the majority received conventional wires and brackets, while approximately one third received modern clear-aligner solutions (see chart on the right). Conservative estimates state that 50–60% of all patients with misaligned teeth could theoretically be treated with clear-aligner solutions. Outside North America, penetration rates are considerably lower. Internationally, fewer than 5% of dentists offer clear aligners.[15] The global market for clear aligners is estimated to be worth approximately CHF 2 billion and is growing in excess of 20%, representing one of the most attractive areas in dentistry. Clear aligners' market dynamics are spurred by their significant advantages over conventional wires and brackets mainly related to esthetics, patient compliance, cleaning, teeth stains and convenience. The growing awareness of these advantages among dentists and patients and the broader availability (through general dentists and direct-to-consumer offerings) of the solutions will lead to higher penetration rates in the future.

We entered this attractive field in 2017 by acquiring ClearCorrect and investing in Geniova. In 2018, we invested in, and partnered with Dental Monitoring, a pioneer of remote monitoring systems using mobile phone technology to support clear aligner treatment and add convenience for dentists and patients. The system relies on artificial intelligence technology, which we believe will significantly change dentistry in the future. Beyond accelerating orthodontic treatment outcomes, automated algorithms could enhance diagnoses and prevention, both in general and implant dentistry.

PREVENTIVE DENTISTRY

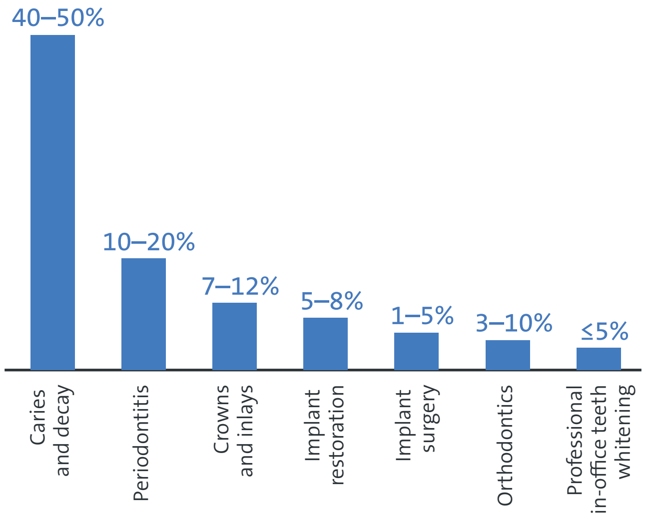
Dental caries is a significant global health problem that affects 60–90% of schoolchildren and the vast majority of adults[16]. The increasing world population and life expectancy will drive the need for treatment. Although oral care, the use of fluoride and regular check-ups have helped to reduce the prevalence and severity in developed countries[17], periodontal disease is the sixth-most prevalent disease worldwide[18] and a majority of adults are affected by mild to moderate periodontitis[19]. In Germany, one in two adults aged 35 to 44 suffers from periodontal disease, 43% of whom have moderate disease, while 10% are severe cases[20]. In the US, the total prevalence of periodontitis in adults aged 30 years and older was 47% in 2012, and the prevalence of moderate and severe disease was 39%[21].

Underpenetrated clear-aligner market (US & Canada)



Source: World Statistics, Global Industry Analytics Inc, 2016, company reports.

Percentage of patients treated by general dentists by indication



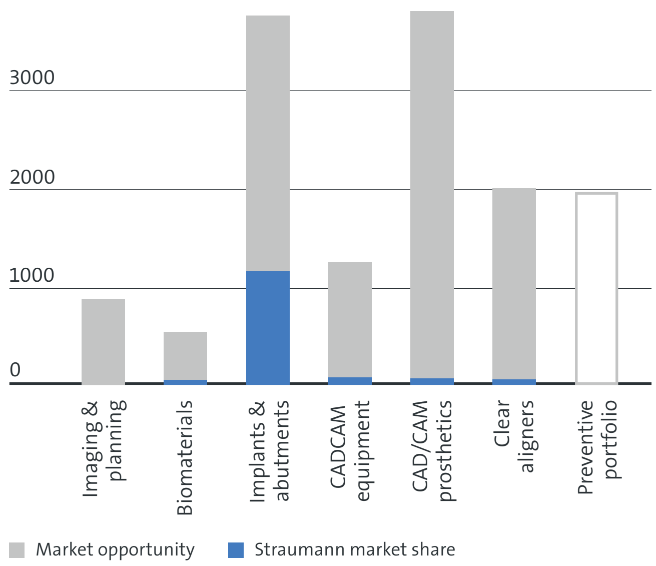
Source: Straumann proprietary GP survey in US, DE, IT, and UK; samples size >200 dentists.

The significant medical need and opportunity in fields related to our existing businesses provided the rationale for exploring the preventive dentistry market. The need for improved treatment concepts is further underpinned by our field research[22] that outlines the most frequent treatment forms in a general dentist practice (see chart on the previous page). General dentists on average treat 4–5 times more patients for decay than with implants. Periodontal treatments are twice as frequent. At the end of 2018, we obtained distribution rights for a number of innovative products for treating diseases that lead to decay, tooth loss or implant failure. The portfolio addresses the needs of general practitioners and we began to pilot approaches for selling it through our existing channels.

ADDRESSING MARKETS COLLECTIVELY WORTH CHF 13 BILLION

Having concentrated on premium parallel-walled implants for many years, we have significantly broadened our scope through internal development, acquisitions, investments and partnerships, with the goal of offering complete solutions in both replacement and esthetic dentistry. As a result, our addressable market has expanded significantly, more than tripling in the past three years to approximately CHF 13 billion (see chart on the right). If the aforementioned pilot project leads us to enter preventive dentistry globally, it would expand our addressable market by an additional CHF 2 billion.

Large potential in markets worth CHF 13 billion (in CHF million)



Notes and references

1 Including implant fixtures, abutments and instruments.
2 Decision Resources Group 2017–18, iData 2017 and Straumann bottom-up estimates in 70 countries.
3 Straumann proprietary survey.
4 Population Reference Bureau (www.prb.org).
5 American College of Prosthodontists, 2018 (www.gotoapro.org/facts-figures).
6 iData 2017.
7 Decision Resources Group 2017–18, iData 2017 and Straumann bottom-up estimates in 70 countries.
8 Research by KeyGroup 2018, Frost & Sullivan 2017.
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10 Yuzbasioglu et al., BMC oral health, 2014.
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12 Decision Resources Group 2017–18, iData 2017 and Straumann estimates.
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17 Poul Erik Petersen and Hiroshi Ogawa, Community Dental Health, 2016.
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19 Dye, 2012; Petersen and Ogawa, 2012.
20 The fifth German oral health study, 2016.
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22 Exevia, 2018, based on market research data in Germany, Italy, Spain and the US.

Safeguarding beautiful healthy smiles – the goal of preventive dentistry.

PUSHING BOUNDARIES:
Our scope

With a view to expanding into the field of prevention, we have obtained rights to distribute a number of innovative treatments for diseases that lead to dental decay, tooth loss or implant failure. They include digital diagnostics for early caries detection and two non-invasive products that reduce the need for drilling and filling in order to treat caries and to remove the decay it causes. The portfolio also features biomaterials to diagnose, treat or prevent periodontitis and peri-implantitis.

All these products focus on the needs of general practitioners (GPs). We have begun to pilot approaches in the UK, Germany, and Italy for selling them through the same channel as our clear aligners, tooth-borne CADCAM prosthetics, digital equipment and other GP products.

Business performance
Group

STRONGEST GROWTH IN 13 YEARS

In 2018, the Group posted its strongest annual growth since 2005, as revenue grew 23% in Swiss francs to CHF 1.364 billion. Organic growth accounted for 19%-points and acquisitions[1] contributed 4%-points (CHF 39 million).

Along with this impressive growth, we achieved further improvements in profitability, despite significant investments in people, innovative technologies, regulatory support, and infrastructure. Underlying[2] EBITDA rose 24%, with the respective margin reaching 30%. Reported net profit adjusted for revaluation gains due to business combinations amounted to CHF 274 million, 44 million higher than in the prior year. On an underlying basis, net profit increased 19%, bringing the corresponding margin to 20% and basic earnings per share to CHF 16.99 (2017: CHF 14.65).

Along with impressive growth, we achieved further improvements in profitability.

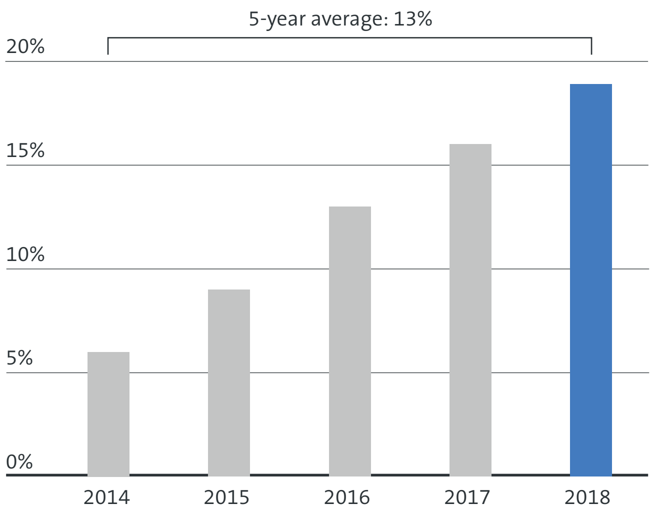
BUSINESS PERFORMANCE

The full-year performance was driven by implants, which posted double-digit growth throughout and generated half of the Group's growth. All implant lines including the ceramic range contributed to this, with the strongest growth coming from Straumann's BLT line. The Group's non-premium implant business also developed well, especially in North America and emerging markets, while the uptake was slower than expected in some parts of Europe.

Our restorative business delivered good results, with standard and Variobase abutments outpacing implant growth. Further impetus came from the digital business, driven by buoyant demand for intraoral scanners and 3D printers. The clear-aligner business grew dynamically in its established markets (Australia, the UK and the US) with the number of new cases growing at more than 50%.

Sales of biomaterials also advanced at a double-digit rate and accelerated in August, when supplies of our tissue-regeneration product, Emdogain, resumed in the key US market. Demand for Straumann's bone-graft and membrane products was good throughout the year.

Organic revenue growth



OPERATIONS AND FINANCES

We have adjusted the Group's 2017 consolidated financial statements retrospectively to reflect changes in the fair values of the identifiable assets and liabilities due to the final purchase price allocation for the ClearCorrect acquisition in September 2017. These changes reduced the 2017 EBIT by CHF 0.3 million and increased net profit by CHF 6.6 million.

In 2018, the following non-cash-relevant effects arose from acquisitions and business combinations:

- The acquisition of Batigroup on 1 January 2018 led to an exceptional inventory revaluation expense of CHF 9 million (reported under 'Costs of goods sold') as well as a tax benefit of CHF 2 million.
- In July 2018, we increased our ownership in Createch Medical, a leading provider of high-precision CADCAM dental prosthetics, from 30% to full ownership. Prior to this, the business was included in 'share of results of associates'. The business combination led to a consolidation gain of CHF 4 million below the EBIT line (see Financial Report Note 4 for details).
- In November 2018, we increased our stake in T-Plus from 49% to 58% and consolidated the business. This led to a consolidation gain of CHF 7 million.

All of these effects are treated as 'exceptionals' to facilitate a like-for-like comparison. The term 'underlying' refers to accounting figures excluding these effects.

DOUBLE-DIGIT VOLUME EXPANSION LIFTS GROSS PROFIT

Strong implant volume growth lifted gross profit above the CHF 1 billion threshold for the first time. It increased 22% to CHF 1028 million, with the underlying margin at 75% – in line with the first half despite the negative flip in the currency impact in the second half. Year-on-year, the gross margin was 40 base points lower than in 2017, primarily due to the less favorable business mix. In pursuit of our strategy to provide complete integrated solutions, we generated strong demand for our digital equipment and clear-aligner solutions, which have a lower gross margin than implants.

Strong implant volume growth lifted gross profit above the CHF 1 billion threshold.

EBITDA MARGIN JUST LESS THAN 30%

'Distribution expenses', which comprise sales-force salaries, commissions, and logistics costs, rose CHF 41 million to CHF 291 million as the company incorporated the aforementioned acquisitions and invested further in its distribution network. Despite these important investments, distribution costs decreased by 120 base points relative to sales. This was the key improvement driver of operating profit margin.

R&D, marketing and general overhead costs, which are grouped under 'Administrative expenses' in the income statement, increased by CHF 78 million to CHF 389 million, mainly due to the incorporation of ClearCorrect and Batigroup, as well as additional expenses to comply with the upcoming changes to the medical device regulations. As a percentage of sales, administrative expenses increased 60 base points. R&D investments increased in absolute terms but remained stable at 5% of sales.

Taking all the aforementioned items into account, earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals increased 24% to CHF 404 million, lifting the underlying margin 35 base points to just under 30%.

In recent years, we have built new manufacturing facilities and continue to increase the capacity of our existing sites significantly. As a consequence, depreciation expenses increased by CHF 5 million. Amortization expenses rose CHF 7 million, mainly for customer and technology-related intangible assets connected to recently acquired businesses. After depreciation and amortization charges of CHF 52 million, underlying operating profit (EBIT) amounted to CHF 351 million (reported: CHF 343 million) compared with CHF 285 million in the same period of 2017. The underlying EBIT margin increased 20 base points to almost 26%.

NET PROFIT RISES 19%

Underlying net financial expenses increased from CHF 3 million (reported: CHF 19 million) in the prior year to CHF 17 million, reflecting higher hedging costs in 2018 due to increased volatility, foreign-exchange losses in some emerging markets, and a lower interest result. The strong performance of Batigroup following its acquisition led to a revaluation of the present value of future earn-out payments.

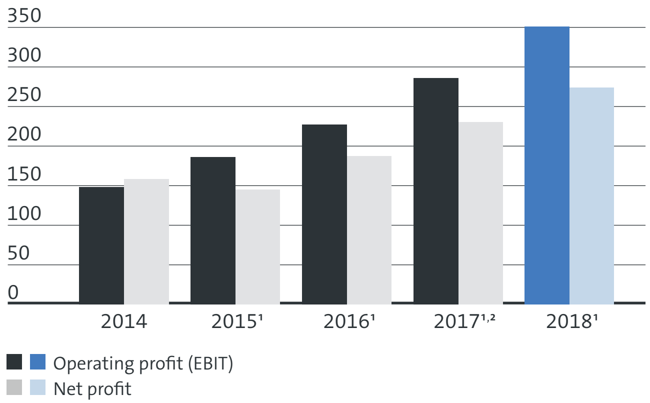
The exceptional gains related to the consolidation of T-Plus and Createch amounted to CHF 11 million. The Group's share of results from associates[3] was a negative CHF 10 million, similar to the prior year. This reflects an impairment charge of CHF 8 million for RODO Medical, which was due to a delay in the development and commercialization of the company's prosthetic-retention system.

Underlying income-tax expenses rose by CHF 8 million due to the increase in profits. Tax expenditure amounted to CHF 49 million, or CHF 51 million excluding the aforementioned exceptional tax-benefit of CHF 2 million. The underlying income-tax rate was stable at 15%, which is consistent with our long-term guidance.

To cater for strong volume growth we invested significantly in production capabilities and capacity expansion.

Net profit excluding exceptionals rises 19% to CHF 274 million.

Operating and net profit (in CHF million)



1 Excluding exceptionals.
2 Restated.

As a result of all the above items, underlying net profit increased 19% to CHF 274 million, with the corresponding margin reaching 20%. Basic earnings per share rose more than CHF 2 to CHF 16.99.

FREE CASH FLOW CLIMBS TO CHF 169 MILLION

Cash flow from operations increased 28% to CHF 277 million, due to the rise in operating income. This corresponds to a solid cash conversion rate[4] of 102%. Cash generation would have been even higher, had it not been for the increase in net working capital as a result of the strong topline growth. Trade receivables and inventories increased in absolute terms, while 'Days of supply' decreased by 9 days and 'Days of sales outstanding' remained unchanged.

We invested CHF 93 million in production and infrastructure, which is 40% more than the prior year and covers new machinery, new properties and building expansion. In spite of this, free cash flow amounted to CHF 169 million and the respective margin reached 12%. CHF 73 million was used for acquisitions. Taking CAPEX, financial investments and other items into account, cash used for investing activities in 2018 amounted to CHF 199 million.

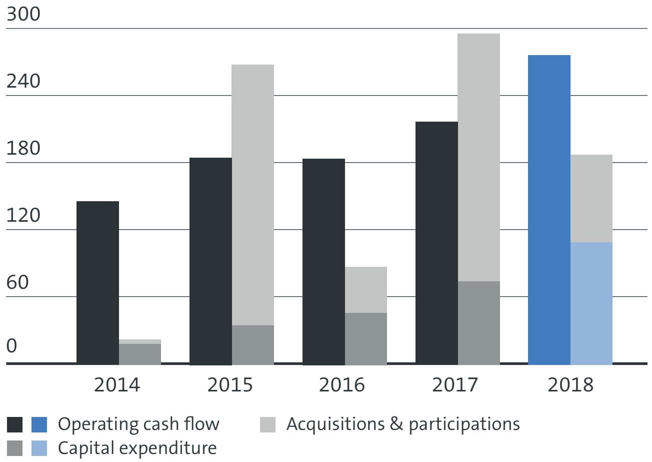
The cash position at year-end remains solid at CHF 279 million, which exceeds our interest-bearing liabilities by CHF 17 million.

DIVIDEND INCREASE PROPOSED

Based on the excellent results in 2018, the Board proposes a further dividend increase to CHF 5.25 per share (2017: CHF 4.75), payable on 11 April 2019.

Free cash flow margin reached 12% despite investments.

Cash flow and investments (in CHF million)



SUMMARY OF MAIN INVESTMENTS

INVESTMENTS IN DISTRIBUTORS

We acquired our local distributors in South Africa and Turkey and integrated them into newly created Group subsidiaries enabling us to serve customers directly and to invest in building the market. We also acquired two third-party distribution companies – Same Day Solution (SDS) in Portugal and M.I.S. Canada, gaining new customers for Straumann Group products. Both companies are being integrated into our local sales organizations. Collectively, these investments amounted to approximately CHF 35 million.

INVESTMENTS IN THE LOWER VALUE IMPLANT SEGMENT

Towards year-end, we obtained control over the Taiwanese implant manufacturer T-Plus by increasing our stake from 49% to 58%, allowing us to gain a foothold in the lower value implant segment in Taiwan and China. Details of the transaction are disclosed on pp. 144 ff.

INVESTMENTS IN TECHNOLOGY PARTNERS

In April, we acquired a 9% stake in Dental Monitoring, gaining global distribution rights for their remote monitoring system and securing a partner with expertise in artificial intelligence in dentistry. In July 2018, we increased our ownership in Createch Medical, a leading provider of high-precision CADCAM dental prosthetics, from 30% to full ownership. At the same time, we acquired a 30% stake in botiss, our biomaterials partner. Later in the year, we purchased a 34% stake in Z-Systems, a leader in ceramic dental implant systems. We obtained exclusive distribution rights in most major markets for their next generation fully ceramic implant system. These investments collectively amounted to CHF 80 million, part of which was granted as long-term loans.

INVESTMENTS IN INFRASTRUCTURE

To meet the strong increase in demand for our products, we invested approximately CHF 72 million in land, buildings and machinery, mainly for our production plants in Switzerland, Brazil and the US. Together with IT hard/software and other investments in fixed assets, capital expenditures reached an all-time high of CHF 110 million.

OTHER INVESTMENTS

Information on investments in distribution, including selling activities, research and development as well as tangible and intangible assets, are presented in the financial report. Investments in people are covered in the sections on Employees and Compensation.

Key performance figures

	2018		2017
	Reported	Excluding exceptionals[2]	Restated and excl. exceptionals[5]
Revenue (CHF m)	1 364		1 112
Gross profit margin (%)	74.7	75.4	75.8
EBITDA margin (%)	29.0	29.6	29.3
EBIT margin (%)	25.1	25.8	25.6
Net profit margin (%)	20.4	20.1	20.7
Free cash flow margin (%)	12.4		13.0

Notes

1 The following acquired or consolidated businesses contributed to the Group's results in 2018: Createch, ClearCorrect, Dental Wings, Batigroup and T-Plus.

2 Exceptionals in 2018 relate to the acquisition of Batigroup, including an inventory revaluation expense of CHF 9m (COGS) and the related tax benefit of CHF 2m. The Createch and T-Plus takeovers resulted in a consolidation gain of CHF 11m.The term 'underlying' refers to accounting figures excluding these effects.

3 Associate companies in 2018 comprise: Abutment Direct, Anthogyr, botiss, Dental Monitoring, Geniova, maxon dental, Rapid Shape, Rodo Medical, V2R, Valoc, Z-Systems, and Zinedent. The equity method of accounting is applied for these companies, in which Straumann holds non-controlling stakes. The associate result is shown net of tax and after amortization of intangibles.

4 Relationship between operating cash flow and net profit.

5 The final purchase price allocation of the ClearCorrect acquisition in September 2017 led to changes in the fair values of the identifiable assets and liabilities acquired. The Group has adjusted the 2017 consolidated financial statements retrospectively to reflect these changes.

Business performance
Regions

Throughout 2018, we outperformed the market significantly and gained share in all regions. The performance was led by Asia/Pacific and the Americas, which all grew organically at more than 20%.

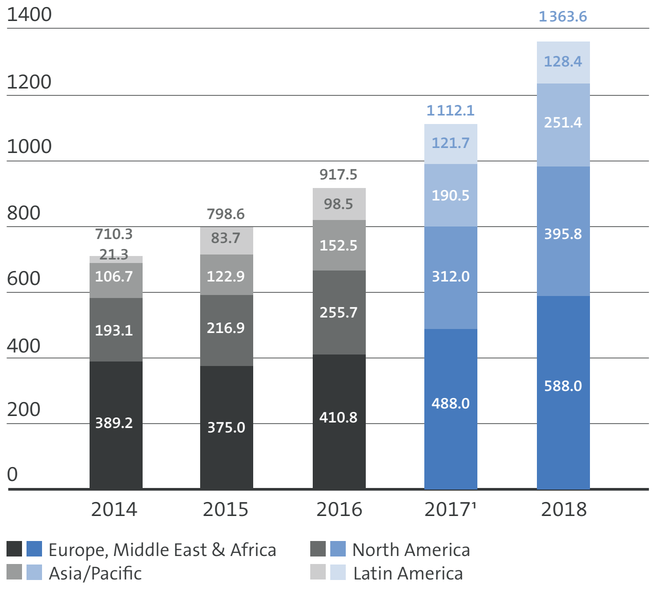
While the pace in EMEA was a little slower, the performance was no less remarkable because the region includes the most mature markets. In the previous year, EMEA achieved double-digit growth for the first time in a decade. The remarkable performance continued in 2018 as organic growth rose to 15%, which – together with its size – made it the largest contributor to our overall growth.

Regional sales performance by quarter (in CHF million)

	Q1	Q2	Q3	Q4	Total 2018	Total 2017
Europe, Middle East & Africa	147.0	156.9	122.1	162.0	588.0	488.0
Change in CHF %	21.3	27.5	14.0	18.6	20.5	18.8
Change (organic[1]) in %	9.8	17.0	11.9	19.3	14.6	11.3
North America	90.3	99.8	93.2	112.4	395.8	312.0
Change in CHF %	22.4	32.3	29.4	23.9	26.9	22.0
Change (organic[1]) in %	17.2	19.0	19.5	23.6	20.0	18.7
Asia/Pacific	58.8	66.1	61.3	65.2	251.4	190.5
Change in CHF %	27.9	40.6	34.2	25.8	32.0	24.9
Change (organic[1]) in %	25.0	32.5	33.1	21.2	27.8	23.6
Latin America	28.0	34.5	30.9	35.0	128.4	121.7
Change in CHF %	10.5	9.2	(6.4)	10.3	5.5	23.6
Change (organic[1]) in %	21.5	20.0	13.0	26.5	20.2	14.6
TOTAL	324.1	357.3	307.5	374.6	1 363.6	1 112.1
Change in CHF %	21.7	29.0	19.3	20.5	22.6	21.2
Change (local currencies) in %	20.2	25.9	22.6	23.6	23.1	19.8
Change (organic) in %	15.3	20.4	18.1	21.6	18.9	15.7

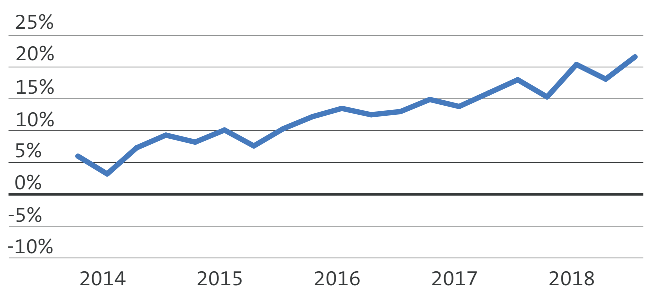
1 Excluding the effects of currencies and acquisitions (mainly ClearCorrect, Dental Wings, BatiGroup).

Regional sales performance by year (in CHF million)



1 Restated.

Five-year quarterly revenue growth (organic)



Europe, Middle East & Africa
Lifted by expansion in emerging markets

Our largest region extended its excellent prior-year performance, thanks to increased demand for premium and non-premium implants, strong digital sales, the acquisition of distributors in Portugal, South Africa and Turkey, the consolidation of Dental Wings and the stronger Euro.

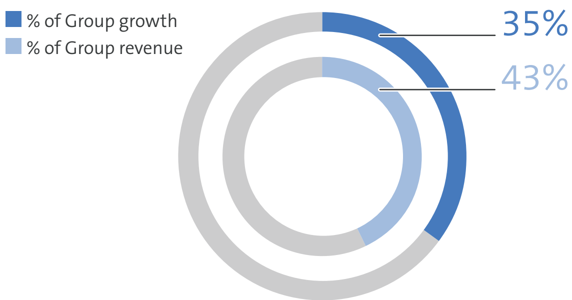
Russia, Turkey, the Baltics, Nordics and Middle East all achieved particularly good results and our three largest markets reported good growth, although Italy had to contend with economic uncertainty. Sales were buoyant in the large majority of our distributor markets.

We took advantage of large congresses to present clinical findings and to launch new products including Straumann's new implant lines, Neodent's Grand Morse and Medentika's implant range. In pursuit of our strategy to penetrate unexploited markets and segments, we:
- expanded our sales team, product range and presence in Russia
- launched Neodent in 10 countries
- converted the customers of acquired distributors to Straumann Group products
- entered new distributor markets in Eurasia and Africa
- piloted ClearCorrect in several markets and
- entered an agreement to supply clear aligners to one of the largest dental chains in the region.

In addition to investing in our sales organizations, we added resources in Regulatory Affairs to ensure readiness for the new European Medical Device Regulation that will come into force in 2020.

EMEA REGION

EMEA CONTRIBUTION TO GROUP



ORGANIC GROWTH	CHANGE IN CHF	REVENUE
+15%	+21%	CHF588m

LARGEST REGIONAL MARKETS
1. Germany
2. Spain
3. Italy

North America
Further customer gains

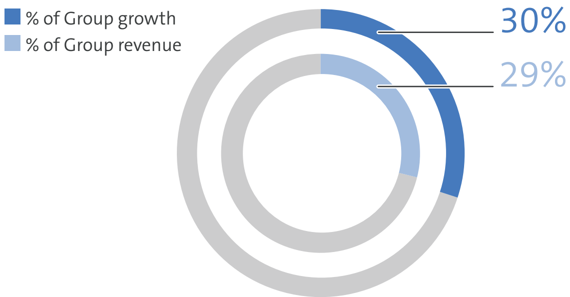
In North America, we achieved another strong year as organic revenue growth reached 20% for the first time in 14 years. The acquisition effect (mainly related to ClearCorrect) contributed a further 8%-points to growth. Both the US and Canada contributed to this performance, which was driven by further customer gains and strong demand for premium and non-premium implant systems.

Straumann's BLT implant was a key growth driver. We have sold more than 800 000 in the region since its launch in 2014. The non-premium business also contributed to growth, fuelled by the launch of Neodent's Grand Morse implant range and the roll-out of Medentika's cost-effective prosthetic solutions.

Sales of biomaterials were robust, despite an interruption of Emdogain supplies related to manufacturing changes. Digital solutions also performed well, driven by CADCAM prosthetics and lifted by the launch of intra-oral scanners and milling equipment. Our dynamic clear-aligner business added further impetus as we leveraged our sales teams and increased territory coverage both in the US and Canada. To meet current and future demand, we expanded ClearCorrect's manufacturing facility in Round Rock and increased implant production capacity in Andover.

NAM REGION

NAM CONTRIBUTION TO GROUP



ORGANIC GROWTH

+20%

CHANGE IN CHF

+27%

REVENUE

CHF396m

LARGEST REGIONAL MARKETS

1. USA
2. Canada

Asia/Pacific
China continues to power dynamic region

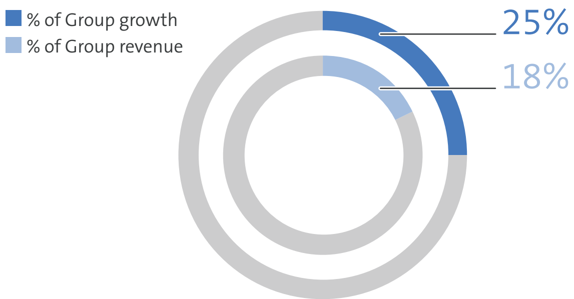
With another dynamic performance driven by all our subsidiaries, Asia/Pacific was our fastest growing region for a fourth consecutive year. We expanded geographically by opening a subsidiary in Thailand and gained further share in the premium implant segment of many markets, especially in India.

The main powerhouse, however, continued to be China, where Straumann benefitted from salesforce expansion and intensified training/education activities. This is significant because a only very small proportion of the dentist population in China has received training in implant dentistry. Another important strategic initiative was to strengthen our foothold in the fast-growing non-premium segment. We did this by rolling out Anthogyr's fully-tapered implant, and by taking control of T-Plus in Taiwan to address the third-tier segment. In addition, we opened a CADCAM milling center in China, which is now our second in Asia. Elsewhere, the implant business grew well in Japan and Korea and we entered the non-premium segment in Australia and Southeast Asia by launching Neodent.

Asia Pacific offers huge opportunities for our clear-aligner business, and we conducted a successful pilot trial with ClearCorrect in Japan. To gain immediate access to the Chinese market, which is the second largest in the world, we obtained distribution rights for a registered, state-of-the-art clear-aligner system that we plan to launch in the first half of 2019.

APAC REGION

APAC CONTRIBUTION TO GROUP



ORGANIC GROWTH

+28%

CHANGE IN CHF

+32%

REVENUE

CHF251m

LARGEST REGIONAL MARKETS

1. China
2. Japan
3. Australia

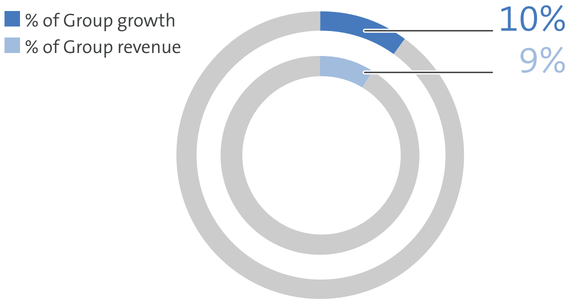
Latin America
Confidence boost lifts economy

The Group's performance in Latin America shone out against a background of economic difficulty and sluggish markets. Driven by strong demand for both Neodent and Straumann products, organic growth climbed to more than 20%, but currency weaknesses – most notably the Brazilian Real – reduced this to 6% in Swiss francs. The very successful launch of botiss biomaterials in Brazil and Mexico added to growth and exceeded our expectations. A further contribution came from Peru, where the Group opened its sixth subsidiary in the region.

In the largest market, Brazil, confidence improved after the elections in the latter part of the year. As a result, business picked up significantly and sales of higher-priced products, like Neodent GM, improved. This helped Brazil to post double-digit revenue growth for the full year, while the other countries all reported very dynamic increases. With the Neodent brand now available in 56 countries, we continued to invest significantly in capacity, infrastructure and people in the region to drive and sustain growth going forward. We also established a production unit for clear aligners and started activities to launch ClearCorrect.

LATAM REGION

LATAM CONTRIBUTION TO GROUP



ORGANIC GROWTH
+20%

CHANGE IN CHF
+6%

REVENUE
CHF128m

LARGEST REGIONAL MARKETS
1. Brazil
2. Mexico
3. Colombia

The promotional campaign for BLX features a young girl who has the confidence to calm a mighty lion, symbolizing the powerful confidence that users experience with Straumann's new implant.

PUSHING BOUNDARIES:
Creating confidence

Four years ago, we launched our successful Straumann BLT implant in response to patient requirements for shorter implant treatment times. BLT has been a key growth driver and still has significant potential but, being apically-tapered, it does not address the entire range of indications in the immediacy segment, which accounts for one in every four implants placed. In 2015, we therefore began working with the world's top experts to develop an entirely new fully-tapered implant that would deliver a new level of confidence not just in immediacy but also in a broad range of other indications.

The result is the Straumann BLX, which is designed for optimum primary stability in all bone classes and predictable outcomes, even in complex cases. To make life simpler, its entire prosthetic range uses the same connection, while its unique advanced design, combined with our Roxolid and SLActive technology, creates a new generation implant system which is integrated in a complete range of digital and prosthetic solutions for all indications.

Business performance
Financials

Five-year overview – operating performance

(in CHF million)	2014	2015	2016	2017 (restated)	2018
Net revenue	710.3	798.6	917.5	1 112.1	1 363.6
Growth in %	4.5	12.4	14.9	21.2	22.6
Gross profit	558.7	614.9	718.5	840.5	1 019.2
Margin in %	78.7	77.0	78.3	75.6	74.7
Operating result before depreciation and amortization (EBITDA)	176.2	207.6	259.2	323.5	395.0
Margin in %	24.8	26.0	28.3	29.1	29.0
Growth in %	18.7	17.8	24.9	24.8	22.1
Operating result before amortization (EBITA)	153.1	182.0	236.3	298.6	365.0
Margin in %	21.5	22.8	25.8	26.9	26.8
Growth in %	24.9	18.9	29.8	26.3	22.3
Operating profit (EBIT)	148.3	172.6	227.2	283.3	342.6
Margin in %	20.9	21.6	24.8	25.5	25.1
Growth in %	28.1	16.4	31.6	24.7	21.0
Net profit	157.8	71.5	229.6	282.2	277.8
Margin in %	22.2	9.0	25.0	25.4	20.4
Growth in %	56.0	(54.7)	221.1	22.9	(1.6)
Basic earnings per share (in CHF)	10.15	4.52	14.68	18.04	17.24
Value added / economic profit[1]	113.7	27.1	182.2	214.5	189.6
Change in value added	59.3	(86.6)	155.1	32.3	(24.8)
Change in value added in %	109.2	(76.2)	572.5	17.7	(11.6)
as a % of net revenue	16.0	3.4	19.9	19.3	13.9
Number of employees (year-end)	2 387	3 471	3 797	4 881	5 954
Number of employees (average)	2 302	3 232	3 615	4 305	5 580
Sales per employee (average) in CHF 1 000	309	247	254	258	244

1 Figures as reported in the financial reports.

Five-year overview – financial performance

(in CHF million)	2014	2015	2016	2017 (restated)	2018
Cash and cash equivalents	459.4	318.3	164.0	281.8	278.7
Net cash (net debt)	255.1	117.2	(36.9)	23.2	16.8
Net working capital (net of cash)	64.9	63.3	123.9	187.7	235.4
as a % of revenue	9.1	7.9	13.5	16.9	17.3
Inventories	69.2	76.1	102.0	152.1	182.1
Days of supplies	149	155	171	174	165
Trade receivables	106.8	125.2	148.9	191.9	231.3
Days of sales outstanding	51	53	55	56	56
Balance sheet total	1 160.8	1 046.3	1 089.9	1 697.0	1 864.6
Return on assets in % (ROA)	14.5	6.8	21.5	20.3	15.6
Equity	736.8	605.0	633.7	1 077.0	1 204.3
Equity ratio in %	63.5	57.8	58.1	63.5	64.6
Return on equity in % (ROE)	23.1	11.8	37.1	33.0	24.4
Capital employed	142.9	341.8	476.2	908.0	1 011.6
Return on capital employed in % (ROCE)	97.2	50.5	55.5	40.9	35.7
Cash generated from operating activities	146.2	185.6	184.7	217.3	277.1
as a % of revenue	20.6	23.2	20.1	19.5	20.3
Investments	(22.8)	(44.5)	(87.9)	(296.5)	(188.2)
as a % of revenue	3.2	5.6	9.6	26.7	13.8
thereof capital expenditures	(18.8)	(35.2)	(46.7)	(74.4)	(109.7)
thereof business combinations related	(4.0)	4.9	(25.5)	(178.8)	(22.2)
thereof investments in associates	0	(14.2)	(15.7)	(43.3)	(56.3)
Free cash flow	128.4	151.1	138.7	144.7	169.4
as a % of revenue	18.1	18.9	15.1	13.0	12.4
Dividend	58.6	63.2	65.1	75.1	83.1[1]
Dividend per share (in CHF)	3.75	4.00	4.25	4.75	5.25[1]
Pay-out ratio in % (excluding exceptionals)	37.1	43.4	35.6	32.4	30.9

1 To be proposed to the shareholder's AGM in 2019.

Share performance
Beating the benchmark again

On the back of an exceptional stock market year in 2017, many stocks rose further in the first eight months of 2018 to reach historic peaks. Companies generally benefitted from expansionary monetary policies in many countries and tax cuts in the US. However, the longest bull-market in history was stifled by rising interest rates, trade tariff disputes between China and the US, economic slow-down in Italy, Turkey and China, political uncertainty in Germany, and floundering BREXIT negotiations.

Throughout the year, the Straumann Group delivered excellent results, raising its forward-looking guidance twice (in Q2 and Q3), as sales and profits exceeded its expectations. Despite the strong fundamentals, convincing growth story and raised earnings estimates, the company's valuation became a victim of the negative stock-market trend and the price-earnings ratio contracted considerably in the second half of the year. This was also fuelled by investor concerns that the company's growth trajectory could suffer in a potential economic recession, because there is generally no public healthcare reimbursement for dental implants or clear aligners.

As a result, the share price declined 10% in 2018, while the SMIM index (comprising the 30 largest midcap stocks in Switzerland) fell 17%. The relative outperformance put Straumann in the upper third of the index. Over the past five years, Straumann has been the second best performing stock in the SMIM and has outperformed by an average of 23%. In 2018, total pre-tax shareholder return amounted to a loss of 9.5% or 66 francs per share. The average daily closing price in 2018 ranged from CHF 585 to CHF 810, with the year-end closing price at CHF 618. In line with the overall market, daily stock volatility increased 4 percentage points to 26%. Average stock exchange trading volumes in 2018 decreased 3% to 45 590 shares, related mainly to the gradual increase of multilateral trading facilities, which do not trade via the Swiss stock exchange.

Stock exchange information

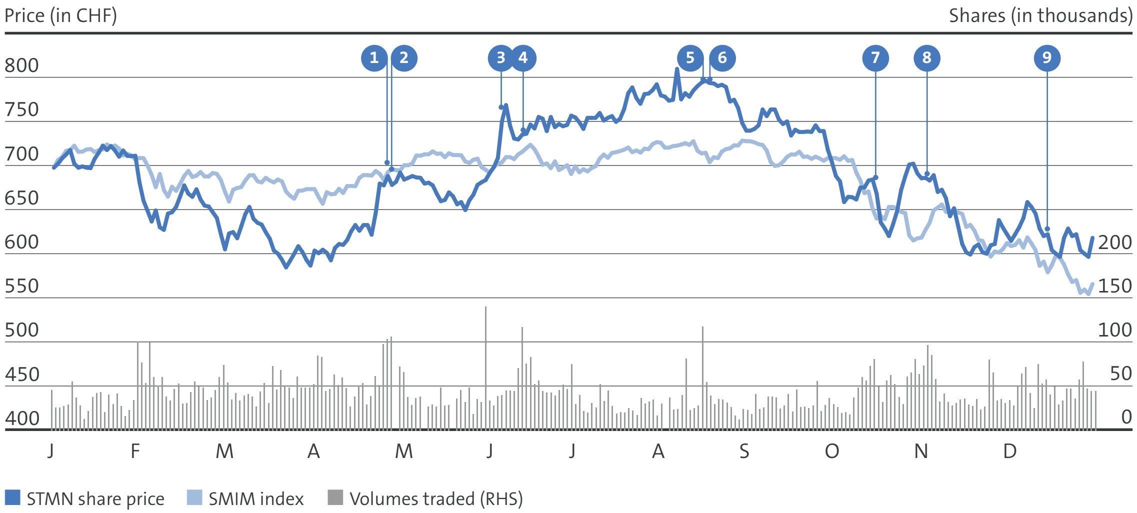
Listing	SIX Swiss Exchange (STMN)
Bloomberg	STMN SW
Reuters	STMN.S
Investdata	STMN
Ex date	9 April 2019
Payment date	11 April 2019
Security ID	001 228 007
ISIN	CH 0012 280 076

Share price data (in CHF)

	2018		2017	
	Value	Date	Value	Date
First trading day	697.50	3 Jan	394.50	3 Jan
Lowest[1]	584.50	26 Mar	394.50	3 Jan
Highest[1]	809.50	15 Aug	733.00	24 Nov
Last trading day (tax value)	618.00	31 Dec	688.50	29 Dec
Average	687.58		553.50	
Total shareholder return, gross of tax	(9.5%)		74.3%	
Share price performance	(10.2%)		73.2%	
Market capitalization at year end (CHF million)[2]	9 785		10 887	

1 Value reflects daily closing price.
2 Treasury shares are excluded from calculation.

Share price development



1 27 Apr Kepler Cheuvreux upgrades to Buy

2 30 Apr Strong Q1 results - Straumann raised its full-year guidance

3 6 Jun Goldman Sachs upgrades to Neutral

4 13 Jun UBS upgrades to Buy

5 14 Aug Further acceleration as H1 organic revenue climbs 18%; EBITDA margin reaches 30%

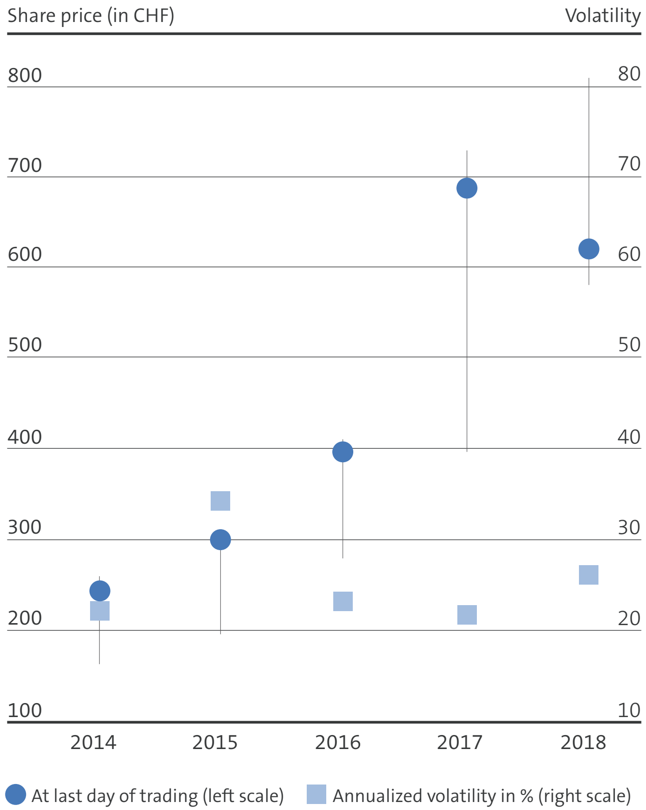
6 16 Aug Company resumes supply of Emdogain in the USA

7 11 Oct Straumann launches another string of new products at the EAO congress

8 30 Oct Straumann sustains strong performance in Q3 and lifts sales guidance again

9 10 Dec Morgan Stanley upgrades to Overweight

Trading information



Risk management
A framework for creating sustainable opportunities

We are committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value.

RESPONSIBILITIES AND ORGANIZATION

The Straumann Group applies a globally standardized process for identifying and managing possible developments within and outside the Group that could jeopardize its sustained growth, profitability and objectives. Risk monitoring and control are management objectives. The Group's Chief Financial Officer (CFO) is also the Chief Risk Officer (CRO) and is responsible for risk management.

Our risk assessment and management is embedded in a comprehensive internal control framework, which we address through a holistic, disciplined and deliberate approach. It matches that of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used. For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout our Internal Control System (ICS) framework. Various tools and aids are used to assess and manage risks. For instance, foreign exchange risks are managed with an SAP Treasury tool, while external consultants are used on a regular basis to assess insurance coverage risks.

RISK REPORTING

We produce a comprehensive corporate risk assessment report annually (or ad hoc if necessary), which serves as a working document for the coming year and includes key risks that are critical for the Group's business. A specific scenario is developed for each risk topic, including existing and new measures and controls. The risks are ranked and prioritized. Action plans are defined and the implementation of measures to reduce risk is monitored. The significance of a risk scenario is estimated in terms of EBIT cumulated over three years. Certain risks are assessed according to qualitative criteria, e.g. risks to the Group's reputation.

Risk management approach

Straumann's risk assessment takes into account:
• Operational risks
• Strategic risks
• Compliance-related risks
• Financial market risks
• Other internal risk factors
• Other external risk factors

Corporate risk assessment report

The report covers the following topics:
• Risk description
• Assessment of possible damage
• Occurrence probability
• Risk monitoring and counteracting measures

Risk assessment report process

Step	Execution
Preparation	Chief Risk Officer
Discussion	Executive Management Board
Risk assessment and discussion based on report	Audit Committee with Chief Risk Officer and Senior Management
Key findings presented to Board	Chief Risk Officer

The reporting of key risks is based on fixed value limits. Pressing risks that emerge very rapidly are discussed by the Board on short notice.

INTERNAL AUDIT

The tasks of Internal Audit are:

- to provide independent assurance to the Board of Directors that key risks of the organization are under control
- to support Management in ensuring compliance, operational efficiency and control effectiveness across the Group.

In a consulting role, its main tasks are:

- to assess internal processes and controls
- to propose recommendations and improvements

The objective is to safeguard the Group's tangible and intangible assets and to evaluate the effectiveness of its risk management and governance processes.

Since 2017, KPMG has been mandated with the Straumann Group's Internal Audit function (see p. 97), with the CFO/CRO as the administrative contact person. In 2018, Internal Audit performed seven audits at global and local levels, according to the program approved by the Audit Committee of the Board of Directors.

RISK ASSESSMENT

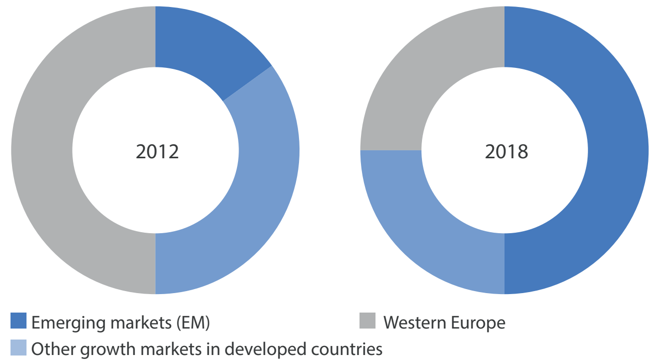
STRATEGIC RISK

MARKET ENVIRONMENT

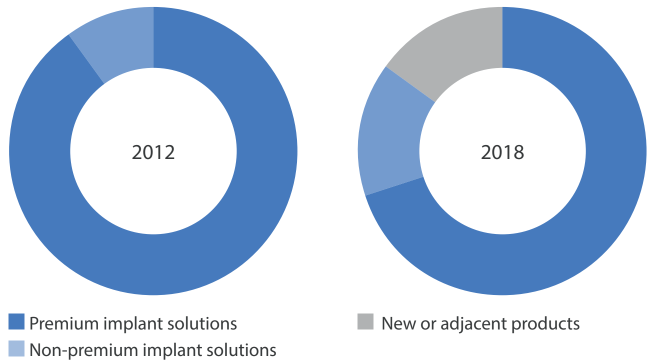
The Straumann Group is active in specialty segments of the dental industry. Based on the aging population, the rising number of professionals trained and increasing awareness, there are no discernible reasons why these segments should not continue to offer attractive growth prospects in the long term (see pp. 28 ff.). However, the economic uncertainties seen in recent years might continue for some time and affect the prospects of market growth.

Our future revenues depend on market reach and expansion as well as on our ability to defend and increase our business with existing customers, to enlarge our customer base, to develop innovative solutions that meet customers' needs and bring them to market in a timely manner.

Share of implant volumes



Product portfolio break-down (in value)



New market entrants and price pressure from discounters pose a potential threat to established premium brands (see charts on the previous page). We conduct analyses of competitors based on our own and external market intelligence to counteract such risks and to evaluate our opportunities. Examples of managing and addressing this risk in 2018 are: innovations like our BLX and Mini Implant system, the continued penetration of the non-premium segment with our existing brands, the acquisition of T-Plus (see p. 18), as well as our scope expansion into orthodontics and preventive dentistry.

OPERATIONAL RISK

LEGAL RISKS

We operate in a competitive market, in which legal compliance, agreements and intellectual property rights are of significant importance.

ClearCorrect is involved in a litigation against Align Technologies over several patent disputes in Texas, and the Group is involved in an IP dispute against Dentsply Sirona and a dispute against Cap-Net Securities regarding the recognition of converting warrants into shares from ClearCorrect.

Apart from this, in 2018, the Group settled its patent dispute with Nobel Biocare in the USA, which involved an early version of the Neodent Drive CM implant. Nobel Biocare agreed to take no further action and to dismiss its pending court action. Straumann was not required to pay any compensation and Neodent's new GM implant range is unchallenged.

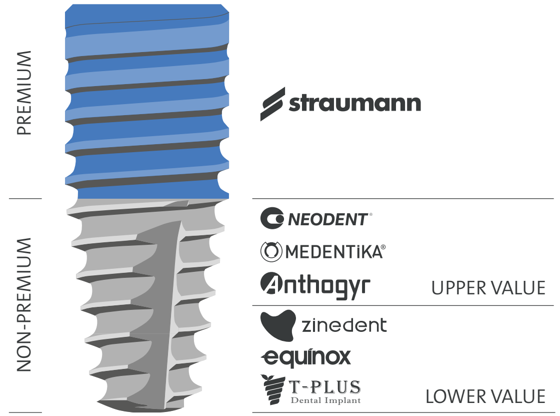
CYBER SECURITY RISK

Reliable, correct and safe handling of information is essential to our business. Risk and security management are therefore an integral part of the Group's IT strategy. The main objectives are:

- To achieve business goals while reducing IT risks through security controls and by the creation of security awareness among employees and management
- To safeguard data and to protect and guarantee the integrity of the Group's digital assets and infrastructure around the world
- To ensure the availability of IT services (applications and systems) as required by business processes and stakeholders.

The Group's IT risk and security management framework is derived from widely used industry standards, such as GMP, COBIT and the ISO/IEC 27000 series, to manage cyber and IT security risks, threats and controls, taking ethical, legal, economic and social principles into consideration.

Illustration of the Straumann Group implant brand map



Reliable, correct and safe handling of information is essential to our business.

The Group's IT Risk and Security Management Committee approves and adopts the information security strategy as well as essential business-critical implementations. The Committee meets regularly and includes the CFO/CRO, the Head of Corporate Process Excellence and Applications (CPEA), the Head of Corporate Information and Communication Technologies (ICT), as well as the IT Risk & Security Manager, who is responsible for:

- Assessing IT security threats and their business value
- Mitigating IT risks (including data loss and corruption)
- Evaluating IT service continuity plans
- Verifying the effectiveness and efficiency of IT security controls and hardening IT assets security
- Improving IT security awareness for all employees
- Maintaining security policies, procedures and supporting standards in alignment with (core) business processes
- Establishing IT security key performance indicators and reporting structures.

MANUFACTURING AND SUPPLIER RISK

The Group has spread its manufacturing risk by establishing production centers for key products on different continents. The significant expansion of Straumann's and Neodent's production facilities as well as the establishment of additional CADCAM milling and printing centers help to mitigate this risk. In addition, the recent acquisitions of several implant companies provide the Group with implant manufacturing facilities in Asia and the EU.

With regard to suppliers, we pursue a second source strategy which offers a high degree of independence from single suppliers. Straumann and Neodent production facilities keep about a year's stock of titanium, the key material for our implant systems, to avoid any bottleneck in the chain of supply and demand.

ETHICAL SUPPLY CHAIN

Our Code of Conduct for Suppliers, which was revised in 2016, refers to working conditions, human rights protection, business ethics, legal compliance, and environmental protection in the supply chain. A signed copy of the Code is requested in instances where a potential conflict has been identified, e.g. for raw material suppliers in countries where child labor might be an issue. Almost all of our principal raw material suppliers have signed the Code.

Recent acquisitions provide the Group with implant manufacturing facilities in Asia and the EU.

We pursue a second source strategy which offers a high degree of independence.

PRODUCT RISK AND TREATMENT OUTCOME

We seek to minimize product risks by using state-of-the-art techniques for product risk management, and we conduct long-term product surveillance. These processes are frequently reviewed by regulatory agencies to confirm that internationally recognized standards are met. Furthermore, we conduct pre-clinical and clinical trials, followed by controlled, selective introductions where appropriate. We also offer a comprehensive range of educational courses, at all levels, in all countries where our products are sold.

FINANCIAL RISK (see also Financial Report)

EXCHANGE RATE RISK

As the majority of our business is international and since we prepare our financial statements in Swiss francs, fluctuations in exchange rates affect both the Group's operating results and the reported values of the assets and liabilities. The Group is primarily exposed to the euro, the US dollar, the Brazilian real, the Chinese renminbi and the Japanese yen.

The Board of Directors reviews and approves the policy for managing these risks. Group Treasury is responsible for the execution and reporting to the Executive Management Board.

The key objective is to permanently hedge the foreign currency transactional exposure. The aim is to have only local currency transactions in the countries and subsequently manage foreign currency exposures at Group headquarters. The limitation and management of the translation exposure is a secondary priority. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Group's gross transactional booked exposure at year-end is presented in the table on the right.

CREDIT RISK

Credit risk refers to the ability of our customers to settle their obligations as agreed. There are no significant concentrations of credit risk within the Group.

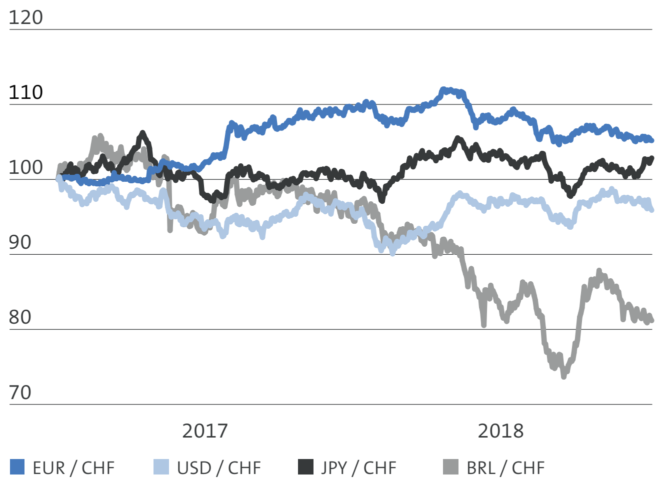
COUNTERPARTY RISK

Counterparty risk encompasses issuer risk on marketable securities, settlement risk on derivative and money-market contracts, and credit risk on cash and time deposits. Exposure to these is closely monitored and kept within predetermined parameters.

Group currency breakdown & gross transactional booked exposure (TBE at year end)

	Sales	Cost	TBE
CHF	6%	29%	n/a
EUR	29%	22%	25%
USD/CAD/AUD	31%	26%	43%
BRL	8%	9%	2%
JPY	5%	3%	13%
Others	21%	11%	17%

Currency chart (Dollar, Euro, Yen, Real)



Further information on financial risk management is provided in Notes 30 and 31 (see pp. 167 ff.) of the consolidated financial statements.

INSURANCE POLICIES

The Group covers its inherent key business risks in the same way that it covers product or employer liability risks and property loss through corresponding insurance policies held with reputable companies.

PENSION LIABILITY RISKS

The Group offers its staff competitive pensions. The pension funds are managed locally and invested by independent financial institutions. The investment strategy of the Swiss pension fund, which represents the largest pension plan of the Group, is determined by the Group's Pension Fund Commission and is executed by the financial institution. Neither the Group nor its trustees are allowed to influence the specific investment decisions. The pension funds publish regular reports for all members.

COMPLIANCE RISK

It is essential for the Group to ensure that the company in general, as well as its employees, conduct business in a legal, ethical and responsible manner. To this end, we updated and expanded our Code of Conduct for employees in 2018. The Code is mandatory for all Group employees, who are also required to report any breaches. Infringements of the Code are tracked, and appropriate measures are taken against cases of non-compliance.

LEGAL COMPLIANCE

We manage and ensure compliance with laws and regulations by implementing internal policies, processes and training, and by monitoring legal and regulatory developments throughout the Group worldwide. Our compliance management in particular covers areas such as anti-corruption, data protection and privacy, anti-trust and insider trading as well as finance legislation. Our management system is set-up to be fully compliant with the Sunshine legislation in the United States and France, not least through implementing a data collection system and corresponding policies and guidelines.

REGULATORY AND QUALITY COMPLIANCE

Medical device companies are facing growing scrutiny from regulators around the world as well as increasing requirements for documented evidence in order to demonstrate compliance. To avoid the risks associated with regulatory compliance for medical devices, we have a qualified team of experts in regulatory and quality assurance.

We updated and expanded our Code of Conduct for employees in 2018.

Focused quality objectives and key performance indicators together with comprehensive audit programs – both internal and for suppliers – are used to assure compliance and to identify opportunities for improvement. The Group also runs a continuing education program to streamline processes.

In 2018, Group subsidiaries in the US, Canada, Japan, and Germany were inspected by the local authorities. No major observations were identified. We also passed all Notified Body audits at our manufacturing and design/development sites, which are required to maintain the certification status of the quality and environmental management systems. Overall, there were no critical issues with any authorities.

We passed all Notified Body audits at our manufacturing and design/development sites.

Some of our design and manufacturing sites use the Medical Device Single Audit Program (MDSAP), a global approach to auditing and monitoring the manufacture of medical devices, which could improve compliance internationally. The MDSAP allows a recognized Auditing Organization to conduct a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements of the regulatory authorities participating in the program:

- Therapeutic Goods Administration of Australia
- Brazil's Agência Nacional de Vigilância Sanitária
- Health Canada
- Japan's Ministry of Health, Labour and Welfare, and the Japanese Pharmaceuticals and Medical Devices Agency.

We continue to challenge our quality by mock FDA inspections at the FDA-registered establishments. To ensure the readiness of our people and processes at our certified sites, we have also conducted unannounced internal audits and dedicated audits of our technical files.

There were no critical issues with any authorities.

Straumann continues to collaborate with Neodent, ClearCorrect, Medentika, Equinox in the area of quality compliance and regulatory affairs.

Several regulatory authorities continue to inspect manufacturers in foreign countries. We are prepared for this and have built experienced teams of regulatory and compliance experts in Basel, the US, China, Japan, Korea and Brazil. As a consequence, the successful registrations of our BLX implant system portfolio (worldwide), our two-piece ceramic implant, mini implants and the new packaging of BoneCeramic were achieved through excellent collaboration between our experts in Basel and our colleagues in the regions.

The new Medical Device Regulation (MDR) issued in Europe means greater surveillance, more involvement of competent authorities for higher-class products, longer approval times, access to technical documentation, tests on products, and unannounced audits. Notified Bodies have declined in number and their control has increased. Stricter requirements and regulations are also expected in smaller markets, which will increase the need for enhanced compliance and safe and efficient products. The Group has already initiated a project to comply with the new European Regulation for Medical Devices. We are sharing our approach and action plan throughout the Straumann Group. In order to maintain company readiness to introduce new products on the market under MDR, planning for remediation is essential.

The Group has already initiated a project to comply with the new European Regulation for Medical Devices.

REPUTATION RISK

Like other leading manufacturers, the Group is exposed to the risk of damaged public perception of its products and solutions by third parties. This might be the result of poor implant placement, competitors' inferior quality implants and other solutions, or unethical business practices. Many Straumann Group country organizations belong to associations of manufacturers of medical and/or dental products, such as FASMED in Switzerland, Comident in France and ABIMO in Brazil (Neodent). These associations are dedicated to the advancement of medical technology and its safe and effective use.

SUSTAINABILITY REPORT

Sustainability approach and materiality

MATERIALITY ASSESSMENT AND REVIEW

In a strategic materiality assessment, Straumann identified the most relevant topics for business success as well as stakeholder interests. By addressing these material topics, we ensure long-term performance, monitor high-level risks and opportunities, and strengthen stakeholder relationships. To review our materiality assessment, we conduct interviews with senior managers across the company every year. The interviews align with the principles of the Global Reporting Initiative (GRI) for defining report content.

The materiality map on the right provides an overview of topics determined to be most material for our business success (horizontal axis) and interests expressed by our stakeholders (vertical axis). In 2018, we made slight adjustments to our materiality map. Due to continued growth and extension of our supplier base, as well as the growing importance of dental service organizations which place a high value on a responsible supply chain, the relevance of 'Supplier Human Rights and Environmental Assessment' increased. In addition, due to the General Data Protection Regulation (GDPR) adapted by the EU in 2018, 'Customer Privacy' gained relevance. Finally, the level of interest concerning 'Charitable Programs' decreased slightly.

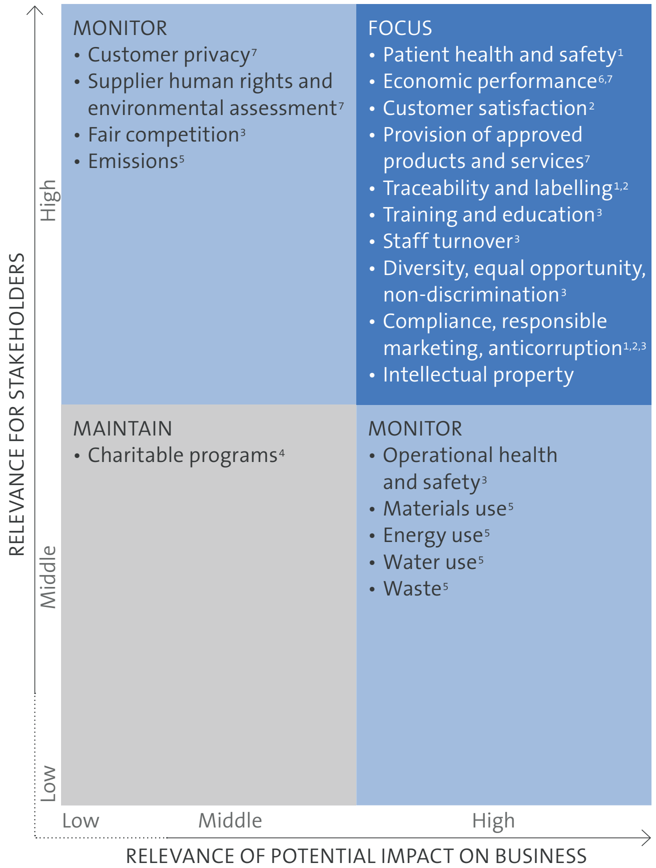
STAKEHOLDER ENGAGEMENT

At Straumann, open communication and interactive dialogue with stakeholders is an important part of corporate responsibility. Stakeholders include investors, customers, employees, community members, and the environment. Our varying stakeholders place greater value on different aspects of our performance. Shareholders are interested in share-price development and good governance, while responsible investment professionals are also keen on performance in sustainability aspects. Interests expressed by customers include assistance from Straumann in growing their business and establishing specialist reputations, while dental service organizations focus on affordability and an ethical supply chain. Employee feedback highlights professional development and a healthy work-life balance. Charitable partner organizations are interested in continuing sponsorship relations and agreed goals. Finally, moral obligations demand conservation of our environment.

In this report, we discuss processes and results of performance-relevant dialogues with our most important stakeholders. Our material sustainability topics are addressed in the following sections on customers, employees, communities, and environment.

This page addresses GRI disclosures 102–43, 102–44, 102–46, 102–47.

Sustainability materiality map



Information on material sustainability topics is provided in the following places:
1 Risk Management, pp. 52 ff.
2 Customers, pp. 62 ff.
3 Employees, pp. 67 ff.
4 Communities, pp. 72 ff.
5 Environment, pp. 78 ff.
6 Operational performance, pp. 36 ff.
7 Appendix, Global Reporting Initiative, pp. 185 ff.

Customers
Further gains thanks to our total solutions and price options

FURTHER CUSTOMER GAINS

We succeeded in further expanding our customer base in 2018 through:

- starter training and education courses
- innovation, value-added services, total solutions
- attractively priced, high quality alternatives to competitors' products
- geographic expansion (e.g. in Chile, Iran, Peru and Taiwan)
- acquisitions (e.g. Createch and T-Plus)
- forward integration (distribution companies acquired in Canada, Portugal, South Africa and Turkey).

There was no significant shift in the geographic distribution of our customers. The general dentist segment grew the most, while the specialist segment remained stable, reflecting a continuation of the trend we have observed in recent years.

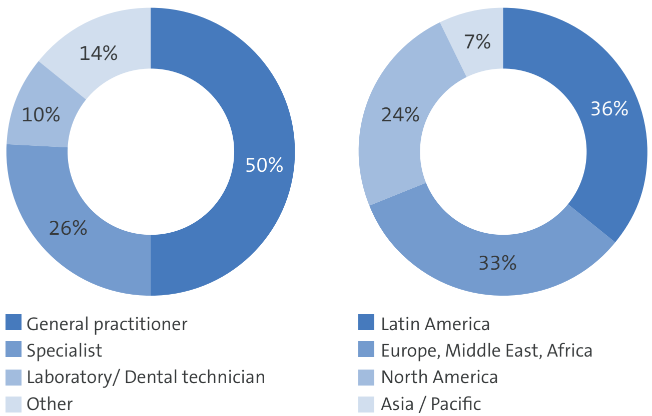
MORE CORPORATIONS IN OUR CUSTOMER LANDSCAPE

The rise in corporate customers and the consolidation of small practices is another significant trend, particularly in North America and Europe. Dental chains and networks range from groups of local practices to international networks of fully integrated clinics with significant purchasing power and influence – a single dental service organization (DSO) can comprise more than 200 clinics employing teams of dentists and technicians and serving many thousands of patients each year.

As consolidation continues, a larger portion of our business is determined by a smaller number of corporations with special needs, including premium and non-premium implant ranges, orthodontic solutions, private-label lines, logistics services, support for international expansion, increased efficiency, digital workflows, guided surgery, simpler, faster treatments, and support through education to ensure quality and to train young dentists.

The Straumann Group is well positioned to address the needs of corporate customers and to capture the significant business opportunity they offer. In 2018, we doubled the size of our dedicated global

Straumann's customers by segment (left) and by region (right)



The Straumann Group's customers are spread over more than 100 countries and include general dentists, specialists (oral surgeons, periodontists, prosthodontists, orthodontists), dental technicians and laboratories, as well as corporate customers such as dental service organizations (DSOs), distributors, hospitals, and universities (labelled 'others' in this chart). A single DSO can represent hundreds of clinics and dentists.

DSO unit and the business grew dynamically as we won a number of preferred supplier contracts with large DSOs in various regions, endorsing the quality, range and attractiveness of our products and services.

SERVING CUSTOMERS DIRECTLY

We serve customers directly through our teams of sales and marketing professionals, most of whom are highly trained sales representatives or service staff. This adds value for customers and helps us to identify, manage and learn from their needs. In 2018, we continued our global training program to enhance the effectiveness of our sales representatives and to help our customers improve their businesses.

We won a number of preferred supplier contracts with large dental service organizations in various regions.

CUSTOMER EDUCATION – A KEY TO SUSTAINABILITY

Long-term success and patient satisfaction depend on product performance and the education and experience of the treatment provider. Straumann offers a broad educational program around the world, covering all proficiency levels and relevant specialties. Teaching is provided mainly by ITI specialists in collaboration with leading universities. Neodent also offers a broad educational program covering all levels and relevant specialties with its partner, the ILAPEO.

We advanced the pilot introductions of our SMART education concept. Together with the ITI's Online Academy, which now comprises more than 100 modules, it offers blended learning opportunities, including online modules and hands-on tuition. This makes it a useful tool for starters, DSOs, and universities as well as specialist customers who need to train their referring partners to use Straumann products. SMART is sold together with products or as part of a training course package.

We also continued the Straumann Peer-to-Peer Program, which extends from personal coaching to clinical events where highly experienced surgeons share techniques and experience with their peers. The success of this program prompted the creation of independent centers of excellence in all our regions, which we evaluate and certify.

Straumann offers a broad educational program around the world, covering all proficiency levels and relevant specialties.

EDUCATION SYMPOSIA EXEMPLIFY OUR TRAINING OUTREACH TO CUSTOMERS.

Navigating the rapidly changing landscape of dentistry can be complex. To help guide customers in optimizing their implant practices and digital workflows, Straumann hosted three education symposia across North America in 2018. Nearly 3000 dental professionals attended these events, which were also an opportunity to showcase Straumann's industry expertise and leadership. The initiative drew on synergies with education partners like the ITI and proved to be a good source of revenue.

BUILDING THE NEXT GENERATION OF CUSTOMERS

The ability to attract young professionals to implant dentistry also has significant bearing on the sustainability of our success. Perception-pulse studies in the past revealed that their most common expectation from companies like ours is help in building a reputation and a business. The prestigious Straumann-botiss Young Pro Award is one of several initiatives that do this. The first prize is 10 000 euros and the top three applicants are invited to participate and present at the botiss bone and tissue days in Berlin (see picture on the right).

ADDRESSING THE SHIFT IN GENDER

As more women are graduating from dental school than men[1,2], we have intensified our Women's Implantology Network initiative (WIN) to bring female practitioners and academics together in order to network, encourage, support, mentor and gain deeper insights into their needs. WIN membership rose to almost 500 in 2018 and we began preparations for the first international WIN conference in Malta in 2019.

CUSTOMER DIALOGUE

Large-scale perception-pulse studies are costly and have limited value for us – compared with our primary sources of customer feedback, which include:

- direct contact through our sales force
- scrupulous complaint management, evaluation and reporting
- market acceptance tests and limited market releases (LMRs), to gain feedback from customers prior to product launch – for example the LMR of Straumann BLX (see p. 47), which featured an online tracker for doctors to post perceptions, experience and feedback, providing us with useful insights into product use and service
- post-launch tests (e.g. to check the effectiveness of our marketing messages) and expert meetings including customers who have been involved during development.

The feedback gained through these channels is processed and used to refine products and their use.

Proud recipients of the 2018 Straumann-botiss Young Pro Award. The first prize went to Dr Piero Papi, a Research Fellow from Italy, for his research on the use of tissue-graft products in gum regeneration, while Dr Amruta Joshi, a private practitioner from India, received the second prize for her work on recombinant platelet-derived growth factor-BB in periodontal regeneration.

Towards the end of the year, we commissioned a study in ten countries to assess Straumann's brand image and loyalty. The study included 1550 participants and yielded a wealth of insights. The result was excellent, although brand differentiation from competitors is an area for improvement.

THE DIGITAL APPROACH TO CUSTOMERS

E-COMMERCE AND DIGITAL MARKETING

In 2018, we invested further in e-commerce platforms and launched a single Straumann Group e-shop for all our brands, adding convenience for customers. More than a third of our business comes through the e-shop, which increases efficiency and efficacy. E-commerce and digital platforms tell us about customer purchasing patterns and enable us to address their needs proactively. In 2018, we developed a new platform with automated marketing capabilities that provides tailored information to customers depending on their online interest and behaviour. It also automates customer mailings and promotional campaigns, etc.

We invested further in e-commerce platforms and launched a single Straumann Group e-shop for all our brands.

Digital marketing campaigns are increasingly important for reaching customers, addressing their information needs and collecting feedback. We use social media channels to target hundreds of thousands of users with customized marketing campaigns. The reach and cost-effectiveness make these channels particularly attractive, and in 2018 we began broadcasting our scientific forums and symposia via social media channels, significantly widening our addressable audience, which was previously limited to on-site congress participants.

We are also investing significantly in software tools and new capabilities like mobile 'apps' for customer education, which are likely to change the patient's role in care and treatment. Our investment in and partnership with Dental Monitoring in 2018 is the latest example (see p. 13).

SAFEGUARDING COMPLIANCE IN THE INTEREST OF PATIENTS

Our Global Sales Compliance Program has been in place since 2009 and is one of several safeguards to ensure compliance with regulations relating to the sale of our products and services. Further supporting our commitment to the patients' interests, much of the scientific information used to endorse our products is peer-reviewed.

Footnotes

1 Distribution of dentists in the US, by region and state, 2009. America Dental Association. 2011 Apr.

2 FDI Oral Health Atlas p. 61.

PUSHING BOUNDARIES:
Charitable care

Since the outbreak of civil war in Syria in 2011, an estimated 1.5 million Syrians fled carnage and devastation in their home country and took refuge in neighboring Jordan. Living without resources in make-shift conditions, they don't have the luxury of a balanced diet and neglect oral hygiene. The prevalence of tooth decay is high and, even if they had access to dental treatment, most people could not afford it.

Andi Herzog, a Swiss airline pilot, saw this urgent need while working voluntarily with the NOIVA foundation. He approached Straumann with a visionary idea of buying a transport container and equipping it as a mobile dental clinic that would be staffed by local dentists and would provide treatment for refugees on the Syrian border. Straumann agreed to support the project which became a reality some months later. A decommissioned military field hospital was acquired, refurbished by volunteers and fitted with dental chairs and equipment. On arrival in the Middle East it was saddled onto a truck and went into operation in northern Jordan with a sponsored team of local dentists shortly before Christmas. It is our privilege to support them, NOIVA and all our charitable partners in pushing the boundaries of human kindness.

This young Syrian refugee was helped by the NOIVA foundation; his portrait adorns the mobile clinic alongside the Straumann Group logo (see p. 72).

Employees
Stretching boundaries of diversity and personal development

MORE THAN A THOUSAND NEW COLLEAGUES TO DRIVE FUTURE GROWTH

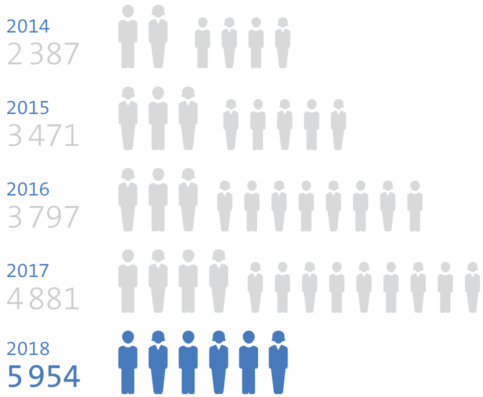
People and culture are the Group's greatest assets and we continued to invest signficantly in both during 2018. With our business expanding strongly, we created approximately 700 new jobs worldwide, which – together with acquisitions – increased our global workforce by more than a thousand. The majority of new positions were in production (in Brazil, Switzerland and the US) and in sales (e.g. in China, Germany, and the US). We created 115 jobs in Switzerland, underlining our commitment to Straumann's roots and the value of our Swiss brand. Most of these positions are in production and R&D. Acquisitions added more than 350 employees in Turkey, Iberia, Taiwan, South Africa and North America. As a result, the strength, diversity and spread of our global team increased further, and at year end it was about to cross the 6000 threshold.

DIVERSITY AND CULTURE

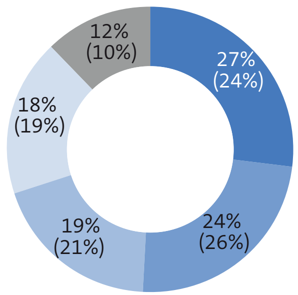
Apart from the creation of new jobs, our largest investment in people was in our Cultural Journey to promote the player-learner mindset and culture that foster constructive behavior, collaborative leadership and high performance. Over the past five years the Cultural Journey has shaped our company and helped us to achieve excellent results, sustainable market outperformance, and significant market share gains. Including all our staff in the current global training program is increasingly challenging because of the speed at which the organization is growing. To address this and the risk of cultural dilution, we expanded our onboarding program and invested in new modules and on-line tools to accelerate training by offering blended learning on the job, in the classroom and individually.

These are features of Cultural Journey 2.0, which began in September 2018. It also includes a new program for leaders, called 'Leading from above the line', which builds on the player-learner mindset at the foundation of our cultural journey. The new program will start in 2019 and will be taught in the first year by the EMB, who will act as role models. The program and Journey will put greater emphasis on behaviors that are related to emotions (rather than logic) – where, according to feedback, we have a deficit which prevents us from fully leveraging our potential.

Employees

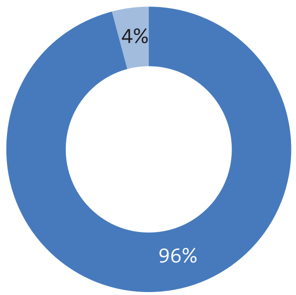


Employees by region



- Rest of EMEA
- Latin America
- Switzerland
- North America
- Asia/Pacific

Employment



- Full time
- Part time

Numbers in brackets refer to 2017.

KEEPING A FINGER ON THE ORGANIZATION'S PULSE

These insights were gained from workshops and various other sources including our global staff survey (see below). Regular meetings between the Executive Management and various focus groups provide open, constructive dialogue as well as direct feedback on staff engagement. During the year, numerous general staff meetings were held with the CEO in various countries, in addition to a series of informal small group sessions at our headquarters in Basel. In addition, we began to globalize our quarterly HQ staff information meetings by broadcasting them to the whole organization.

Our annual staff survey is an important indicator of cultural progress and staff engagement. In 2018, the response rate increased to 77% and ratings were more or less in line with the high levels in 2017. More than 90% of respondents said they are proud to work for the Straumann Group, love what they do and feel their work contributes to the overall success of the company.

However, there was no improvement in lower rated areas like feedback, collaboration and personal development. Departmental meetings have been held throughout the organization to follow up on these and qualitative issues raised. Several actions have been initiated including investments in tools to foster knowledge-sharing and communication.

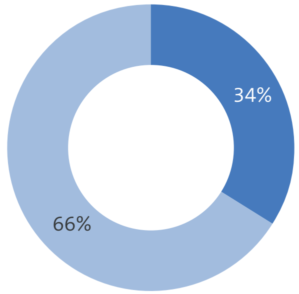
PERSONAL DEVELOPMENT

The increase in size and complexity make it difficult to know individuals, to understand their aspirations and to see opportunities for internal development. To bridge this gap, we have digitalized talent and succession management using a platform on which employees manage their own profile/CV including skillsets, mobility, interests and experience etc. This gives everyone the opportunity to present her/himself and enables HR and top management to know their aspirations and to discuss/develop internal career paths. The platform also allows employees to give recognition to colleagues and to nominate them for oustanding behavior.

DEVELOPING SKILLS AND ENSURING SUCCESSION

Training and development are essential to meet the requirements for an international company in the medical device industry and are keys to attracting and retaining top performers. In addition to introductory product and technical training, we continued to offer updates and refreshers to staff who have been with the company for some time. Aside from staff training and education, we maintained our apprenticeship, internship and Corporate Graduate Programs in 2018, with the aim of offering jobs to as many participants as possible.

Employees added by business and geography



Organic expansion
Approximately 700 employees were added, of which around 250 work in production in Brazil, Switzerland and the US. Other notable job additions were in Switzerland and in the sales organizations in China, Germany, and the US.

Acquired businesses
More than 350 employees joined the Group as a result of acquisitions in Turkey, Iberia, Taiwan, South Africa and North America.

>90% of survey respondents are proud to work at Straumann, and love what they do.

Our 18-month Global Development Program identifies and develops future leaders with a view to filling our succession pipeline. It is for members of junior to middle management who have leadership talent and aspirations. It currently includes eight participants and involves real-life business assignments, assessments and mentoring by top management.

Our Strategic Management Development (SMD) process involves senior management, staff members in key positions, and future leaders. It reviews leadership, performance, behavior, and career potential as a basis for development, deployment, and succession planning. In addition, fifteen of our senior managers participated in a new Global Talent Development program which we have started in collaboration with an external consultant.

As in previous years, our goal is to fill the majority of business-critical and key management positions with internal candidates. One example of this is the nomination of an internal successor to the CEO.

ATTRACTING NEW TALENT

To attract and engage the brightest talent, we developed a new employer branding concept in 2018 tagged '#ChangeMakers', which combines Straumann's tradition of innovation with our player-learner mindset and culture of agility, informality, openness and other distinctive attributes. It advertises our interest in people who embrace change and are passionate about progress. At the same time, we developed state-of-the-art recruiting tools and enhanced our presence on social media platforms, attracting a growing number of followers.

DIVERSITY AND EMPLOYEE PROTECTION

A diverse team adds value and supports our ability to serve an increasingly diverse customer base. We monitor diversity with regard to age, gender, origin and educational background. Gender diversity is generally strong, with 44% female employees. Our policy is not to discriminate between genders with regard to compensation.

'#Power-up: Women@Straumann' is a new initiative that evolved in 2018 to help our female colleagues grow in their careers and to navigate successfully in male-dominated environments. It includes workshops, mentoring, networking, learning and skill-building. This internal initiative reflects the Group's successful external program to support women dentists.

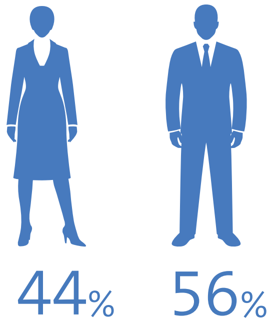
Gender diversity is generally strong with 44% female employees. These four colleagues work at our production site in Sweden.

Human resources key figures

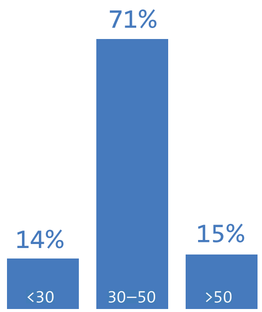
Parameter		Unit	2018	2017	2016
Staff size	Employees	Total headcount Full-time equivalents	5 954 5 874	4 881 4 811	3 797 3 729
Employment type	Part-time employees	% of headcount	4	4	6
Gender diversity	Women in general staff (excl. Mgmt)	%	46	47	50
	Women in management[1]	%	32	31	25
	Women in SMD pool[2]	%	31	26	31
Training and education	Investment in staff learning[3]	CHF million	2.9	3.9	3.1
	Average annual training & learning	Days/employee	4	4	4
Turnover and absence	Staff turnover[4]	%	13	12	12
	Absence rate due to sickness[5]	%	4	4	3
	Absence rate due to workplace accidents[5]	%	0	0	0
	Work-related fatalities	Number	0	0	0
Employee protection	Reported cases of discrimination/ harassment	Number	2	3	0

1 Job position "Manager" and all levels above.
2 Strategic Management Development group.
3 Only direct expenses for internal and external training activites are counted here. Salaries paid to employees while in in training are additional and are not included.
4 Includes resignations and terminations.
5 Switzerland only. Proportion of absence time compared to target working hours.

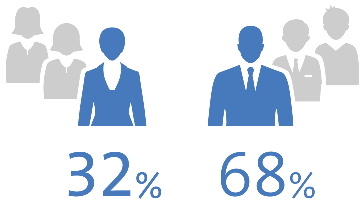
Gender



Age



Leadership by gender



Staff structure by category and age group (in %)

Age	<30	30–50	>50	Unit	2018
General staff (excl. Management)	14	59	11	% of headcount	84
Management[1]	0	12	4	% of headcount	16
TOTAL	14	71	15		100

1 Job position "Manager" and levels above.

Freedom of association is allowed throughout the company in compliance with laws and regulations. There is a general preference for informal employee dialogue, and labor contracts are negotiatied individiually rather than by collective bargaining.

Health and safety training and awareness are given due importance throughout the Group, and no workplace fatalities or serious accidents were reported in 2018.

RESPONSIBILITY AND ETHICS

At the end of 2018, we revised our Group Code of Conduct, which is an integral part of our employment contracts and is designed to ensure that all our people conduct business in a legal, ethical and responsible manner. It is mandatory for every Straumann Group employee and includes requirements for good corporate citizenship, including respect for people, property and the environment. With the publication of the new revision, clear responsibility for local implementation was assigned to each Country Head. In 2018 nine Code of Conduct violations were reported including two cases of discrimination. Appropriate disciplinary actions were taken including seven dismissals.

This page addresses GRI disclosure 102–41.

Communities
Bringing smiles to those in need

MAKING A MEANINGFUL DIFFERENCE

The provision of safe, effective, lasting solutions that enhance well-being and quality of life is our biggest contribution to the community, and over the years, Straumann Group solutions have helped dental professionals to create smiles and restore confidence in millions of people around the world. Nevertheless, we know that millions of others lack access to even the most basic dental care. This is the motivation behind our charitable activities, which focus on dentistry, where we can make a meaningful difference.

CLEAR PRINCIPLES AND GOALS

Our Corporate Sponsoring Committee evaluates requests and initiatives according to clearly defined principles and policies. We set clear goals and look for continuity as well as sustainability in the projects we support, which is reflected in our long-standing relationships and commitments. In 2018, we evaluated 67 requests and supported 14 projects in as many countries (see table on p. 74).

CONTINUITY AND SUSTAINABILITY

Most of our projects have been running for several years and two that we entered in 2018 are also long-term commitments. Our charitable projects include:

- Straumann AID (Access to Implant Dentistry), our global initiative to help underprivileged patients who are in need of treatment but cannot afford it. This program has been running since 2007 and relies on collaboration with dentists who provide treatment without charge, while we donate the relevant products.
- The National Foundation for Ectodermal Dysplasia (NFED), a US-based non-profit organization that helps ED patients and their families. In addition to other symptoms, ED patients typically have severely malformed or missing teeth from infancy. We provide free implants and prosthetics in addition to financial support for the NFED, which has been our partner since 2004.
- Neo Sorissos (New Smiles), Neodent's mobile dental clinic in Brazil, has now been on the road for two years. Staffed by 200 volunteer dental professionals it has travelled 13 000 kilometers to 25 cities and served over 5000 patients free of charge.

Syrian refugees in Jordan are about to receive much-needed dental care from the mobile NOIVA Dental Clinic, supported by Straumann (see p. 66).


The Hautpierre Sans Frontières project offering treatment, consulting and training in Labé, Guinea.

- The NOIVA project to build and operate a mobile dental clinic to offer dental treatment to Syrian refugees along the Jordan border (see p. 66). This is a new project that we plan to sponsor for several years.

BIG HEARTS FOR YOUNG TEETH

The Sonrisa project provides free dental treatment to orphaned children in Nicaragua and has received our support since 2006. We continued to support a team of surgeons to treat children with cleft palates in Indonesia and, through two Swiss-based charities, we began projects to provide dental treatment and education to children in poor regions of Myanmar and Vietnam. The Rebuilding Smiles initiative in Australia provides free dental work to children and women who have suffered dental injury in domestic violence.

HELPING NEEDY PATIENTS

We continued to support basic dental care initiatives in Uganda, Cambodia and Guinea. Nearer to home, we donated the implants and related components to the 2018 One Day a Smile event run by the Afopi Clinic in France. Over a period of 3 days, this offered complete tooth replacement to 15 needy patients. In Switzerland, we created the 'Stiftung schönes Lächeln' ('Beautiful smile foundation') in collaboration with the main Swiss University clinics to help seniors on limited income who need implant treatment.

SUPPORT FOR YOUNG DENTISTS

We continued to fund scholarships to young dental students who are connected with charitable projects that we support in Cambodia and Nicaragua. These students are already serving their communities in small local clinics. In addition, we regularly underwrite dental school students from North America and Europe who spend part of their vacations to offer free dental care to patients in underprivileged areas, many of whom have never seen a dentist.

All of these projects focus on dentistry and promote the Group's reputation among its stakeholders as a caring, responsible corporate citizen. This supports our business and thus adds value for our shareholders. We are grateful to our dental partners – many of whom are volunteers – for their devotion and for ensuring that the funds are used efficiently.

The 'One-day-a-smile' event at the Afopi clinic in France gave 15 patients total teeth replacements. The Straumann Group donated all the implants and related components.

In 2018, Straumann created the 'Stiftung schönes Lächeln' ('Beautiful smile foundation') in Switzerland to make implant treatment affordable for patients with limited financial means.

Main initiatives and projects sponsored by Straumann in 2018

Region	Lead partner	Objective[1]	Status/results
Global	Straumann AID	Free implants and materials for needy individuals, supporting volunteer dentist	Ongoing since 2007
Australia	Australian Dental Association Rebuilding Smiles	Free dental treatment to women and children affected by domestic violence.	Ongoing since 2017
Brazil	Neodent	Neo Sorrisos mobile clinic, dental care for underprivileged individuals	Ongoing since 2016, ≈3000 patients treated in 2018
Cambodia	Hope for All Clinic	Dental student scholarships and clinic support	Ongoing since 2007, 3 students fully supported
France	AFOPI One Day a Smile	Complete tooth replacement for needy edentulous patients	More than 350 implants donated, 15 patients treated
Guinea	Hautpierre Sans Frontières	Free dental treatment for adults and children suffering from traumas and deformities.	Ongoing
Indonesia	Dharma Wulan Foundation	Treatment for children suffering from dento-facial (cleft) deformities	150 children treated in 2018. Ongoing
Jordan	NOIVA Foundation	Mobile dental clinic treating Syrian refugees	Ongoing
Myanmar	600 Kids, Switzerland	Dental treatment for children in the delta region	Five-year project started in 2016, preventive care for 3200 school children. Ongoing
Nicaragua	Sonrisa Foundation, Switzerland	Free dental care for orphaned children; support dental student scholarship	Ongoing since 2006
South Korea	The Smile Charity Foundation	Dental care for handicapped people	
Switzerland	Stiftung schönes Lächeln	Affordable implant treatment for seniors with limited means	Started in 2018
Uganda	Dental Volunteers	University of Bonn dental students service project	Completed 2018
USA	National Foundation for Ectodermal Dysplasia	Financial, treatment and PR	Support ongoing since 2004
Vietnam	Dariu Foundation	Building kindergarden incl. preventive dental program	Construction started in 2017

1 In each case clear prerequisites and goals were set.

Global production & logistics

High quality, service and efficiency maintained as we push boundaries to cater for full launch program and strong growth

In 2018, we introduced no fewer than three new implant systems: a two-piece ceramic implant, a mini-implant and a fully-tapered implant. All three are made from hi-tech materials, feature special surface technology and call for highly specialized manufacturing capabilities – for example every Straumann ceramic implant undergoes a 360-degree stress test to ensure reliability, while our Mini Implant features a built-in connection with a special coating and inserts to minimize wear and maintenance. Our BLX has a highly innovative intricate design and is one of the most advanced fully tapered implants.

In addition to establishing manufacturing lines for these implants as well as their prosthetic and auxilliary components, we had to ramp up production and logistics of our existing ranges to cope with our double-digit growth. Our digital business also introduced new equipment, materials and software. We succeeded in meeting increased demand without compromising our high quality standards and service levels. At the same time, we achieved impressive cost reductions and significant productivity gains.

We succeeded in meeting increased demand without compromising our high quality standards and service levels.

CAPACITY EXPANSION

While the construction of our new building in Villeret got underway, we addressed the urgent need for space by moving machinary to a rented facility nearby. This freed up space for additional turning machines and allowed us to set up an independent Global Process & Technology Center that will support our strategy and accelerate the planned introduction of new implant systems in the coming years.

We also increased production space and equipment in Andover (USA) and added turning machines in Curitiba (Brazil), where we are also constructing a new building to house production for a new lower value implant brand.

Straumann's implant production in Andover (US), where we added space and equipment.

Our new CADCAM milling center in Shenzhen (China) went into operation and we integrated Createch's plant in Mendaro, Spain. This offers additional capacity for manufacturing highly sophisticated screw-retained bars and bridges and provides a full design service to lab customers. Apart from this, we installed 3D printing equipment at all our CADCAM centers for producing models and drill guides.

NEW TECHNOLOGIES

New technologies enable us to produce increasingly sophisticated designs and to increase cost efficiency. Our project to produce ceramic implants by injection molding advanced: we made substantial progress towards large scale production and developed a process to increase the material density and strength. These are significant steps towards our goal of producing an esthetic, high strength implant with excellent osseointegration characteristics and a versatile prosthetic system at a very competitive cost.

To reduce production costs in the future, we identified and evaluated a new generation of turning machines and a combined turning-milling machine that can produce both implants and prosthetic parts. We also made significant improvements to our glass ceramic production line, adding new shades to the portfolio, increasing yield, and reducing costs.

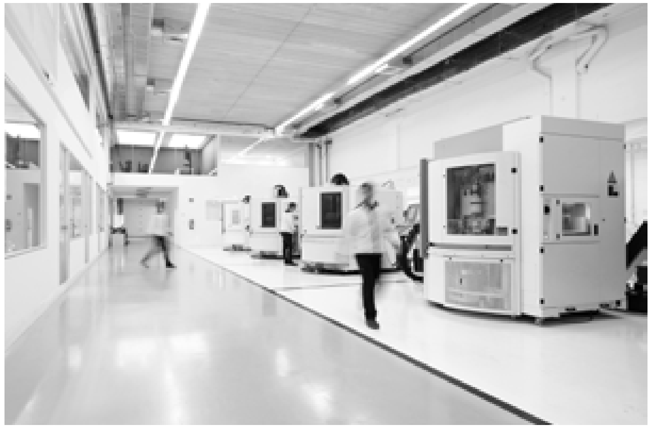
UPGRADING INFRASTRUCTURE

We continued our standardization strategy, implementing various management systems to support manufacturing execution, product verification and validation, design sharing, technology transfer, project management, process standardization and inter-departmental collaboration.

SUPPLY CHAIN MANAGEMENT

In addition to managing volume growth and the large number of new products, the main challenges for Logistics and Planning were coping with the significant growth, supplying new distributors and supporting new subsidiaries. Further process improvements and capacity expansion enabled us to maintain high service levels, while an efficient drop-shipment process prevented bottlenecks.

Neodent's manufacturing site in Curitiba, Brazil, where a new building and turning machines were added.



Createch's high tech prosthetic production facility in Mendaro, Spain.

Straumann Group production sites in 2018

Location	Products	Markets	Certification
Villeret, Switzerland (Straumann)	Implant systems	Global	ISO, FDA, Anvisa, MHLW
Andover, USA (Straumann)	Implant systems	Global	ISO, FDA, Anvisa, MHLW
Curitiba, Brazil (Neodent)	Implant systems	Global	ISO, FDA, Anvisa
Renningen, Germany (Medentika)	Implant systems	Global	ISO, FDA, MHLW
New Taipei City, Taiwan (T-Plus)	Implant systems	Taiwan, China, US	TFDA, GMP, CE, CFDA, FDA, Korean FDA, ISO 13485
Mumbai, India (Equinox)	Implant systems	India, neighboring countries	ISO
Markkleeberg, Germany (Straumann)	CADCAM prosthetics	Europe	ISO
Arlington, USA (Straumann)	CADCAM prosthetics	US	FDA
Createch, Spain (Straumann)	CADCAM prosthetics	Spain (Europe>)	ISO, FDA
Narita, Japan (Straumann)	CADCAM prosthetics	Japan (Asia)	ISO
Shenzhen, China (Straumann, Dental Wings)	CADCAM prosthetics, Digital equipment	China, Global	CFDA
Montreal, Canada (Dental Wings)	Digital equipment	Global	ISO, FDA, Anvisa, MHLW, HC, MFDS, TGA
Round Rock, USA (ClearCorrect)	Clear aligners	Global	ISO, FDA
Malmö, Sweden (Straumann)	Biomaterials	Global	ISO, FDA, Anvisa, MHLW

To reduce production costs in the future, we identified and evaluated a new generation of turning and milling machines.

Environment
Growing with care

High performance cultures use energy and materials efficiently, avoiding waste wherever possible. Beyond this, we believe that environmental stewardship is an essential part of sustainable development that has to be tackled globally. With the rapid expansion of our operations in recent years, we have pushed the boundaries of our environmental reporting to include recently-acquired production facilities. We review our environmental performance regularly to understand the impact of our operations and to identify opportunities for reduction. We are committed to operating in an environmentally responsible manner and focus on the areas where we have the greatest leverage. Our key priorities are currently materials efficiency, energy and water consumption, and waste management.

Our business scope has broadened significantly and so too, has our product portfolio.

GOING BEYOND COMPLIANCE

As a supplier of medical devices, the Straumann Group complies with stringent regulations, including the analysis of raw materials and rigorous protocols for quality control to ensure the safety and effectiveness of the products we make. All manufacturing processes are fully documented to provide traceability.

In addition to complying with regulations, we track our energy consumption and resulting greenhouse gas emissions, certify our environmental management systems to ISO 14001, and communicate our progress over time. To provide further transparency, we participate in the Climate Change program of the Carbon Disclosure Project (CDP). In 2018, we again reached the “Awareness” level of disclosure, which is awarded to companies for transparent reporting and emission reduction efforts. Care for the environment is included in our Code of Conduct for all employees and our Supplier Code of Conduct promotes the same goals.

Our key priorities are materials efficiency, energy and water consumption, and waste management.

UNDERSTANDING OUR IMPACT

Our business scope has broadened significantly in recent years and our product portfolio has expanded considerably. Today we produce titanium and ceramic dental implants; ceramic, metal, and polymer prosthetic elements; polymer orthodontic aligners; and biomaterials for tissue regeneration. In addition, we distribute scanning equipment, milling machines, 3-D printers and related materials. Some of these are manufactured by third parties.

Our principal products are dental implants, which are produced on CNC turning machines from titanium rods or titanium-zirconium alloys. In the manufacturing process, we use cutting oil as a coolant, followed by sand-blasting, acid etching, cleaning, packaging, and sterilization. Our production processes make up our most significant internal environmental impact, followed to a much lesser extent by activities in research and development.

As we do not produce dental filling materials or surgical equipment, our impact is relatively minor compared with a number of companies in the dental field. We do not use significant amounts of heavy metals such as mercury, lead, or manganese, which are usually present in the production processes of manufacturers serving the dental industry.

EXPANDING THE PRODUCTION NETWORK

This report is based on data for our Group headquarters in Basel, Switzerland, and our production sites currently in operation: Villeret in Switzerland; Markkleeberg and Renningen in Germany; Malmö in Sweden; Andover, Arlington, and Round Rock in the United States; Curitiba in Brazil; Narita in Japan; Montreal in Canada; and Shenzhen in China. It also includes data from Createch's production facility in Mendaro, Spain, which we fully acquired during the year. As part of the Group's growth strategy in 2018, we hired additional staff at almost all production sites.

In 2018, we made the following additions to our implant system production:
- In Villeret, 10 new production lines became operative.
- In Curitiba, 12 additional production lines were installed in the existing facility, and more will be added in 2019.
- In Andover, we expanded our production facility with 9 new machines, with more to follow in 2019.

Additions to our digital and CADCAM business included:
- In Markkleeberg, 3D-printing and selective laser melting processes were implemented.
- In Arlington, production capacity was expanded by about 20% with new machines.
- In Round Rock, we rented additional floor space to satisfy increased demand.
- In Narita, we purchased additional equipment and expanded milling capacity.

We added more than 30 manufacturing lines to our implant system production.

MATERIALS, WASTE, AND WATER

Consumption of titanium remained fairly stable overall. While implant volumes increased, the use of titanium for CADCAM prosthetics at our existing sites went down, reflecting the trend towards local milling by customers, a shift towards modern materials like zirconia and improvements in raw material yield by increasing nesting density, i.e. arranging items to obtain the largest number of prosthetics from each disc of raw material. The increase in photopolymer consumption was due to the strong growth in our clear-aligner business.

Acid consumption rose due to the growth in implant volumes, while additional machinery led to a marked rise in the consumption of oils and cleaning solvents. We were able to counter this by reducing oil consumption and recycling significantly in Markkleeberg, thanks to a new, more efficient lubricant. We countered the increase in solvent consumption by implementing an environmentally friendly tumbling process for washing models and aligners in Round Rock.

Waste increased strongly in 2018, due to our continued production expansion and revenue growth. In addition, the installation and run-in of new equipment and machines resulted in additional waste. On the other hand, we were able to reduce our water consumption significantly, even though we increased production and added more people. This was mainly achieved by upgrading the water supply system in Curitiba, which increased the efficiency of treatment and dosing.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

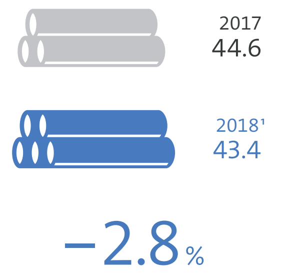
Our energy consumption rose as our production activities and revenue increased. The increase in personnel in existing facilities, together with environmental awareness, reduced electricity as well as heating energy consumption per capita. In Villeret, we also replaced conventional lighting with LEDs and implemented a serialization of the cooling system, which led to further energy savings. Our greenhouse gas emission rates mirrored the increase in energy consumption.

Even though we increased production and added more people, we reduced our water consumption.

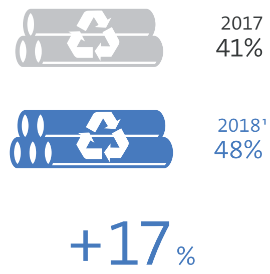
Environmental key performance indicators

		Performance indicator	Unit	2018 (incl. new sites)	2018 (excl. new sites)	2017 (excl. new sites)
Product raw materials	Titanium	Consumption	tons	44.6	43.4	44.6
		Recycling (consumption minus product)	tons	21.4	20.9	18.3
	Cobalt chrome	Consumption	tons	8.7	5.9	6.6
		Recycling	tons	4.6	3.5	2.2
	Zirconia	Consumption	tons	4.6	4.5	4.7
	Photopolymers	Consumption	tons	42.6	42.6	27.4
Operating materials	Various oils	Consumption	tons	122.6	120.8	120.1
		Recycling	tons	52.5	51.5	77.7
	Cleaning solvents	Consumption	tons	60.8	60.7	49.7
		Recycling	tons	33.1	33.1	30.1
	Acids	Consumption	tons	84.3	84.3	67.6
	Paper	Consumption	million sheet	6.6	6.6	6.8
		Per capita[1]	sheet/employee	2 273	2 305	2 885

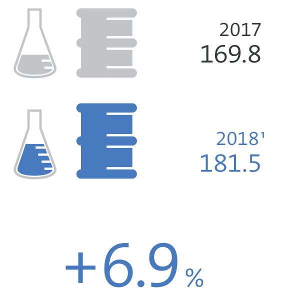
Titanium consumption
(tons)



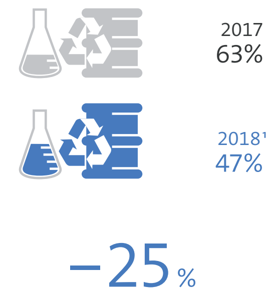
Titanium recycling
(%)



Oils and solvents consumption
(tons)



Oils and solvents recycling
(%)

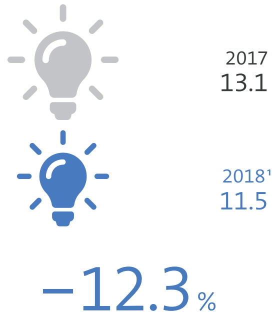


1 Figures exclude new sites.

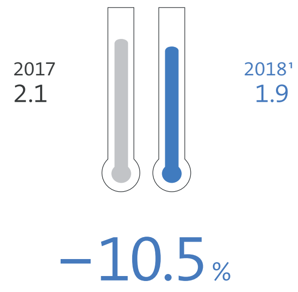
		Performance indicator	Unit	2018 (incl. new sites)	2018 (excl. new sites)	2017
Energy	Electricity	Consumption[2]	MWh	33 681	32 933	30 864
		Per capita[1]	MWh/employee	11.5	11.5	13.1
	Heating	Total heating energy	MWh	5 456	5 456	5 008
		– Fossil fuels	MWh	4 209	4 209	3 731
		– District heat	MWh	1 246	1 246	1 277
		Total heating energy per capita[1]	MWh/employee	1.9	1.9	2.1
Emissions	GHG emissions	Total emissions	tons CO_2e	8 455	8 275	7 650
		– Direct (Scope 1)[3]	tons CO_2e	1 204	1 204	1 102
		– Indirect (Scope 2)[4,5]	tons CO_2e	7 251	7 071	6 548
		Total emissions per capita[1]	tons CO_2e/employee	2.9	2.9	3.2
Water	Water	Consumption	m^3	57 162	56 759	69 735
		Per capita[1]	m^3/employee	19.6	19.8	29.6
	Untreated waste water	Disposal	m^3	165	165	145
Waste	Diverse waste	Hydroxide sludge	tons	15.9	15.9	18.9
		Contaminated material	tons	276	276	263
		Solvents	tons	7.6	7.6	5.4
	Refuse	Total refuse	tons	446	446	345
		Per capita[1]	kg/employee	153	156	147

1 Per capita figures refer to headcount per end of year at relevant sites only, and are calculated analogous to previous years
2 Includes 1266 MWh (2017: 1246 MWh) diesel consumption for electricity generation.
3 Scope 1 emissions comprise greenhouse gases emitted by sources owned or controlled by the Group, such as heating units.
4 Scope 2 emissions comprise greenhouse gases emitted in the production of electricity and district heat the Group consumes. Due to an update of electricity emission factors, the figure for 2017 has been slightly adapted as compared to last year's report.
5 Greenhouse gas emissions associated with electricity consumption of 6974 t CO_2e (2017: 6265 t CO_2e) were calculated according to the location-based approach, as defined in the GHG Protocol Scope 2 Standard.

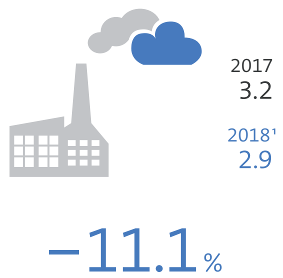
Electricity consumption
(per capita; in MWh)



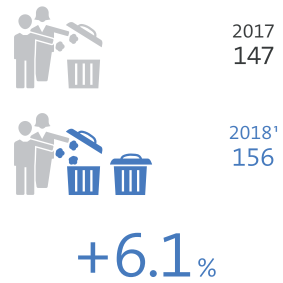
Heating energy
(per capita; in MWh)



CO_2 emissions
(per capita; in tons CO_2e)



Refuse
(per capita; in kg)



1 Figures exclude new sites.

CORPORATE GOVERNANCE

PRINCIPLES

The principles and rules of the Straumann Group's corporate governance are laid down in the Articles of Association, the Organizational Regulations, the Code of Conduct, the charters of the Board Committees (see straumann-group.com > Investor Relations > Corporate Government) and various internal policies, e.g. on quality, IT, internal information and suppliers as well as employee regulations. They are the basis of the Group's corporate governance disclosures, which comply with the Directive on Information relating to corporate governance published by the SIX Swiss Exchange, where Straumann's shares have been traded since the company's initial public offering in 1998.

Name	Straumann Holding AG
Domicile	Peter Merian-Weg 12, 4052 Basel, Switzerland
Listed on	SIX Swiss Exchange
Valor number	1228 007
ISIN	CH 0012 280 076
Ticker symbol	STMN
LEI number	50670046ML5FIM60Z37

GROUP STRUCTURE AND SHAREHOLDERS

The Straumann Group is headquartered in Basel. Its products and services are sold in more than 100 countries through its various distribution subsidiaries and third-party distributors (see link to worldwide locations on p. 194). The subsidiary management is responsible for managing the local daily business. As laid down in the Organizational Regulations, the respective Regional Sales Head, the CFO and the General Counsel are usually members of the supervisory body of the subsidiaries. Details of the Group's business segments can be found in Note 5 of the Audited Consolidated Financial Statements on p. 149.

LISTED COMPANIES

Straumann Holding AG, the ultimate parent company of the Group, is listed in the main segment of the Swiss stock exchange. No other company of the Group is listed on a stock exchange.

NON-LISTED GROUP COMPANIES

The Group has partnered with and invested in a number of companies to support its strategic ambition of becoming a total solution provider in esthetic dentistry and targeting unexploited growth markets and segments. A list of the subsidiaries, associates and joint ventures of the Straumann Group as of 31 December 2018 can be found in Note 34 of the audited consolidated financial statements on p. 172.

Capital structure (in CHF 1 000)

	31 Dec 2018	31 Dec 2017 (restated)	31 Dec 2016
Equity	1 204 320	1 077 044	633 681
Reserves	(157 503)	(81 117)	(264 948)
Retained earnings	1 356 839	1 156 724	897 041
Non-controlling intererests	3 396	(150)	0
Ordinary share capital (fully paid in)	1 588	1 588	1 588
Conditional share capital	28	28	28
Authorized share capital	0	0	0
Number of registered shares	15 878 984	15 878 984	15 878 984
Treasury shares (% of total)	0.29%	0.42%	3.5%
Nominal value per share (in CHF)	0.10	0.10	0.10
Registration restrictions	None	None	None
Voting restrictions/ Voting privileges	None	None	None
Opting-out, opting-up	None	None	None

SHAREHOLDERS

The major shareholders on 31 December 2018 are listed in the table on the right, which is based on shareholdings recorded in the share register and notifications on the SIX Swiss Exchange online reporting platform. In 2018, the Group did not report any transaction according to Art. 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA).

CROSS-SHAREHOLDINGS

The Group does not have, and has not entered into, any cross-shareholdings with other companies relating to equity or voting rights.

CAPITAL STRUCTURE

In 2016, the Annual General Meeting approved an increase of the Group's conditional share capital by CHF 16 293.90 for an unlimited period for use in employee equity participation plans (see Compensation Report on pp. 111 ff.). 156 045 conditional shares were converted into ordinary shares in 2016. Apart from this, there have been no changes in the share capital in the past three years.

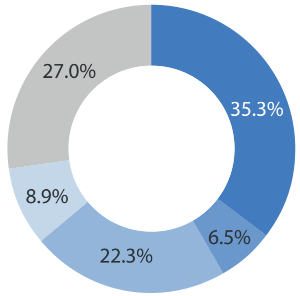
On 31 December 2018, the share capital was composed of:

- 15 878 984 registered shares, fully paid in, each with a nominal value of CHF 0.10
- Conditional capital of CHF 28 395.50, divided into 283 955 conditional shares, each with a nominal value of CHF 0.10, which relates to 1.79% of the existing share capital.

Straumann Holding AG has no authorized share capital and no category of shares other than registered shares. There are no restrictions on the transferability of the shares.

The Group has not issued any financial instruments (participation certificates, dividend-right certificates, warrants, options or other securities granting rights to Straumann shares) other than the Performance Share Units granted to certain employees as a compensation component (see p. 122 for details) and the CHF-200-million domestic straight bond launched in 2013 and due on 30 April 2020 (see Note 14 on p. 158 for details).

Shareholdings on 31 December 2018 (by segment)

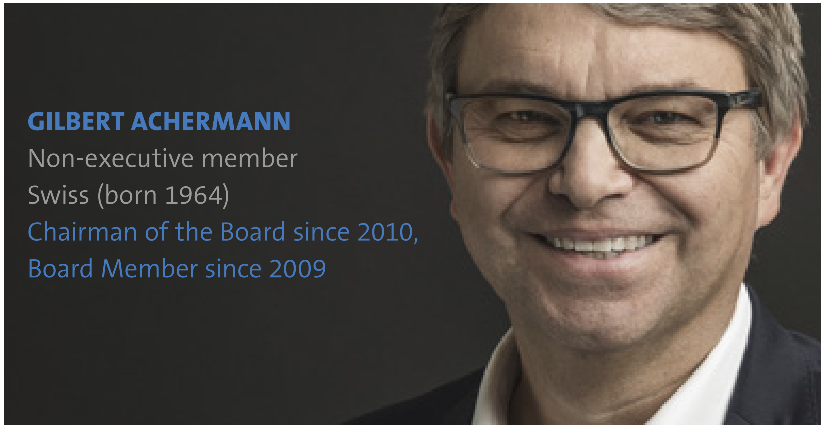


Major shareholders (in %)

	31 Dec 2018[1]	31 Dec 2017[1]
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	17.1	17.1
Dr h.c. Rudolf Maag	11.5	11.9
BlackRock Inc. (concern)[2]	6.5	6.5
Simone Maag de Moura Cunha	3.7	3.7
Gabriella Straumann	3.0	3.2
TOTAL	41.8	42.4

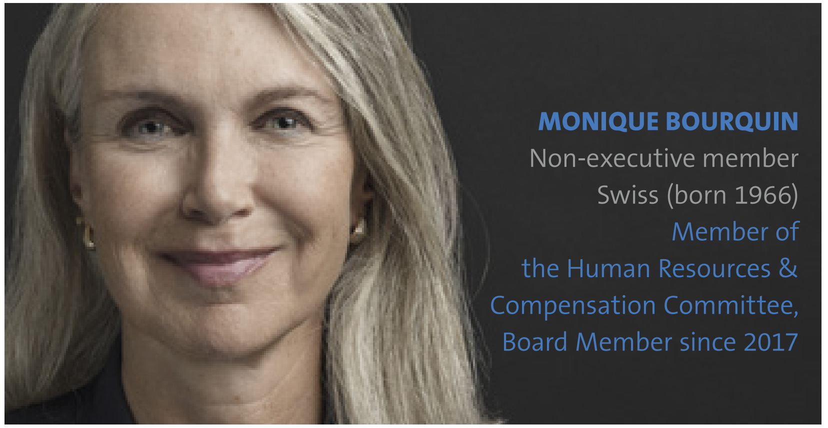
1 Or at last reported date if shareholdings are not registered in the share register.
2 Only partially registered in Straumann's share register.

BOARD OF DIRECTORS OF STRAUMANN HOLDING AG



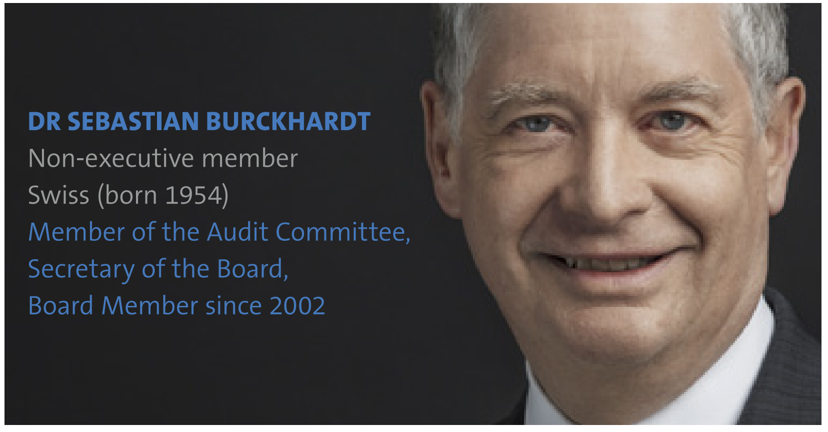
Other main activities in 2018: Member of the Board of Julius Baer Group, Committee Member of the Basel Chamber of Commerce, Member of the Board of the ITI; Member of the Supervisory Board of IMD Business School, Lausanne; Juror at VentureKick and Business Angel.
Career highlights: In previous years, Gilbert Achermann served as Chairman and Co-CEO of the Vitra/ Vitrashop Group, a family-owned furniture and retail company; Chairman of the Siegfried Group, a listed pharma service company, and Vice Chairman of the Moser Group, a privately owned luxury watchmaking company. From 2002 to 2010, he was CEO of Straumann, which he joined as CFO in 1998. He started his professional life at UBS in Investment Banking in 1988.
Qualifications: Executive MBA from IMD; bachelor's degree from the University of applied science (HWV) in St. Gallen.
Key attributes for the Board: Gilbert Achermann represents continuity, stability and credibility among the various stakeholders. The Board benefits from his extensive knowledge of the dental industry as well as the deep experience and insight he has gained from directorships in other industries.

Other main activities in 2018: Chairman of Medartis AG and CSI-Basel AG, Board Member of the Grand Hotel Les Trois Rois, Basel (owner).
Career highlights: Thomas Straumann was responsible for establishing the new Institut Straumann AG in 1990 and was both CEO (–1994) and Chairman (–2002). Further examples of his success as an entrepreneur and businessman are the medical device company Medartis AG – of which he is the founder, majority owner and Chairman; the Grand Hotel Les Trois Rois, Basel – of which he is the owner and a Board Member, and CSI-Basel AG – the equestrian event company, of which he is Chairman. He has a diverse portfolio of interests, including not-for-profit activities.
Qualifications: Trained in precision engineering; studied at Basel Management School and the Management & Commercial School of Baselland; honorary doctorate from the Medical Faculty of the University of Basel.
Key attributes for the Board: Major shareholder of Straumann Holding AG and the Board's longest-serving member. He complements the Board with his understanding of the dental and medical device industries through personal management experience and various shareholdings.



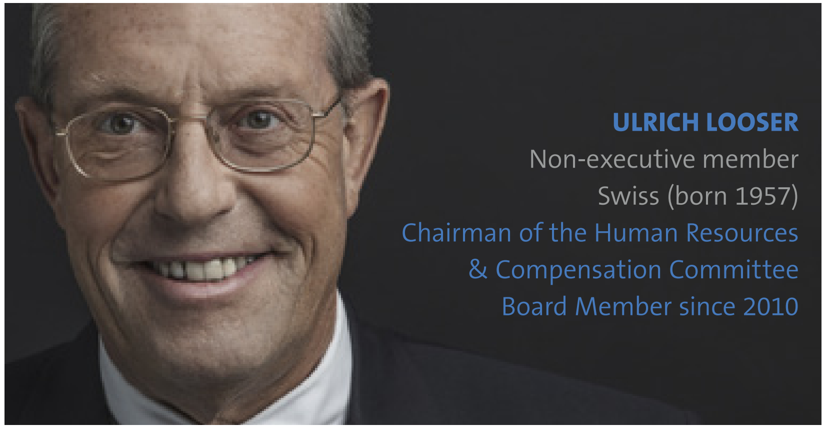
MONIQUE BOURQUIN
Non-executive member
Swiss (born 1966)
Member of
the Human Resources &
Compensation Committee,
Board Member since 2017

Other main activities in 2018: Member of the Board of Emmi (dairy group) and their Market, Compensation and Agricultural Committees; Board member of Kambly (biscuit company); President of Promarca (Swiss branded goods association); Board Member of GfM (Swiss marketing association); Member of the Board of trustees of Swisscontact (NGO); lectures in the Executive MAS program of the Swiss Federal Institute of Technology (ETH), Zurich.
Career highlights: Having worked with PWC, Rivella and Mövenpick, Monique Bourquin joined Unilever in 2002. After four years as a Country Manager from 2008 to 2012, she became CFO for the GAS region from 2012 to 2016. She also held board mandates in Promarca, various Unilever internal companies and two Unilever pension funds.
Qualifications: Degree in economics and finance from St. Gallen University.
Key attributes for the Board: In addition to her board experience in other companies, Monique Bourquin has a strong track record in general management, finance, marketing, distribution and leadership gained from her career in the international consumer-goods industry.



DR SEBASTIAN BURCKHARDT
Non-executive member
Swiss (born 1954)
Member of the Audit Committee,
Secretary of the Board,
Board Member since 2002

Other main activities in 2018: Partner at Vischer AG, Law firm in Basel and Zurich; Chairman of the Board of Dolder AG, Basel; Vice Chairman of the Board of the GSR Foundation, Aesch; Member of the Boards of: Grether AG, Binningen, Jungbunzlauer Holding AG, Chur, Le Grand Bellevue SA, Gstaad, persona service AG, Basel, QGel SA, Lausanne and others.
Career highlights: Having spent a year with Davis Polk & Wardwell in New York, in 1985, Sebastian Burckhardt joined Gloor Schiess & Partners, a predecessor firm of Vischer AG, where he advises family-owned businesses in the life sciences, banking and distribution fields.
Qualifications: Studies in economics and law; law degree and doctorate from Basel University; admitted to the Bar of Switzerland; civil law notary in Basel; admitted to the New York Bar following studies at New York University School of Law.
Key attributes for the Board: Dr Burckhardt is an independent specialist in corporate and commercial law and in mergers, acquisitions, joint ventures, licensing, distribution and technology agreements. His knowledge includes many years' experience on corporate boards.



ULRICH LOOSER
Non-executive member
Swiss (born 1957)
Chairman of the Human Resources & Compensation Committee
Board Member since 2010

Other main activities in 2018: Partner of Berg Looser Rauber & Partners AG; Member of the Boards of: Bachofen Holding AG, Kardex Group (People Committee Chair), LEM Holding SA (Audit Committee, People Committee Chair), u-blox AG (Audit Committee), Spross Entsorgungs Holding AG, and others (see chart on p. 110).
Career highlights: From 2001 to 2009, Ulrich Looser was with Accenture Ltd, where he became Chairman of its Swiss affiliate (2005) and Managing Director of the Products Business in Austria, Switzerland and Germany. Earlier, he spent six years as a partner at McKinsey & Company Ltd., where he worked from 1987 – 2001.
Qualifications: Master's degrees in physics from the Swiss Federal Institute of Technology (ETH), Zurich, and economics from St. Gallen University.
Key attributes for the Board: Ulrich Looser's expertise in strategy, project and human capital management is of great value to the Straumann Board. He also adds in-depth consultancy and business development experience.

DR BEAT LÜTHI
Non-executive member
Swiss (born 1962)
Chairman of the Audit Committee,
Board Member since 2010

Other main activities in 2018: CEO and co-owner of CTC Analytics AG, Zwingen, a globally active medium-sized Swiss company in the field of chromatography automation.
Career highlights: Beat Lüthi began his career with Zellweger Uster AG, a leading manufacturer of quality control equipment in textile production. In 1990, he moved to Mettler-Toledo International Inc. and rose to the position of General Manager of the Swiss affiliate. He joined the Feintool Group in 1998 and was its CEO for four years.In 2003, he returned to Mettler-Toledo as CEO of the Laboratory Division. At the end of 2007, he joined CTC Analytics to lead and further develop the company as an entrepreneur.
Qualifications: PhD in Engineering from the Swiss Federal Institute of Technology (ETH), Zurich; executive program at INSEAD.
Key attributes for the Board: Beat Lüthi combines entrepreneurship and corporate experience in different industries, which make him a valuable contributor to strategic and operational matters. His scientific background and experience as a CEO, Chairman and Board member are of further benefit.

REGULA WALLIMANN
Non-executive member
Swiss (born 1967)
Member of the Audit Committee,
Board Member since 2017

Other main activities in 2018: Member of the Board of Adecco Group AG; Member of the Board of Helvetia Holding AG; Member of the Board of Swissgrid AG (chairs its Finance & Audit Committee); Supervisory Board Member of the Institute for Accounting, Control and Auditing at St. Gallen University.
Career highlights: Regula Wallimann worked for KPMG from 1993 to 2017. As a Global Lead Partner from 2003 on, she was responsible for several global companies. She was a member of the strategic partners committee of KPMG Switzerland from 2012 to 2014. In 2017, she started a new career as an independent financial expert and board member.
Qualifications: Degree in Business Administration, Economics and Accounting from St. Gallen University; management studies at INSEAD; Certified Public Accountant in the US and in Switzerland.
Key attributes for the Board: Regula Wallimann is an expert in multinational group auditing, financial reporting, risk management and corporate governance.

Board of Directors – Competence Matrix

	Executive experience	Finance, audit, risk management	Compliance, regulatory, legal	Capital Markets, M&A	Core industry experience (dental)	Transferable expertise in related industries	Functional experience	International business experience	Digitalization, technology	Strategy, business transformation	HR, compensation	Board governance	Sustainability
G. Achermann	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
T. Straumann	✓			✓	✓	✓	✓	✓	✓		✓	✓	✓
M. Bourquin	✓	✓				✓	✓	✓		✓	✓	✓	
S. Burckhardt		✓	✓	✓			✓				✓	✓	✓
U. Looser	✓					✓	✓	✓	✓	✓	✓	✓	
B. Lüthi	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	
R. Wallimann	✓	✓	✓	✓			✓				✓	✓	✓

There was no change to the composition of the Board of Directors in 2018. It comprises seven non-executive members, none of whom has been a member of the Executive Management of any of the Group's companies during the past three years. None of the Directors had any significant business connections with Straumann Holding AG or any of its subsidiaries in 2018.

The Directors are all Swiss citizens. The average age of the Board Members at year-end was 56.

ELECTIONS AND TERM OF OFFICE

The members of the Board, the Chairman, and the members of the Human Resources & Compensation Committee are all elected individually by the Shareholders' General Meeting for a term of one year. Re-election is permitted until the age of 70.

If the position of Chairman or a position in the Human Resources & Compensation Committee falls vacant, the Board appoints a replacement from among its own members for the remaining term of office.

At the 2018 AGM, all of the Board members and the Chairman were re-elected. Monique Bourquin, Ulrich Looser and Thomas Straumann were elected to the Human Resources & Compensation Committee. Following the AGM, the Board appointed Thomas Straumann as its Vice Chairman and Beat Lüthi, Sebastian Burckhardt and Regula Wallimann as members of the Audit Committee. Beat Lüthi and Ulrich Looser were appointed to chair the Audit and Human Resources & Compensation Committees respectively.

Straumann Board of Directors – Memberships in other Boards

Member	Commercial enterprise	Other entities / Charities	Location	Function
Gilbert Achermann	IMD – International Institute for Management Development		CH	Supervisory Board Member
	Julius Bär Gruppe AG/Bank Julius Bär & Co. AG[1]		CH	Board member
		Basel Chamber of Commerce	CH	Committee member
		International Team for Implantology (ITI)	CH	Board member (Straumann representative)
Thomas Straumann	Centervision AG		CH	Chairman
	CSI-BHE AG		CH	Chairman
	Grand Hotel Les Trois Rois		CH	Board member
	Medartis Holding AG[1] & Medartis group companies		CH	Chairman
		FDR Foundation for Dental Research and Education	CH	Board member
Monique Bourquin	Emmi AG[1]		CH	Board member
	Kambly Holding AG/Kambly SA Spécialités de biscuits suisses		CH	Board member
	Swisscontact		CH	Board member
		Promarca Schweizerischer Markenartikelverband (Swiss branded goods association)	CH	President of the Board
		GfM Schweizerische Gesellschaft für Marketing (Swiss marketing association)	CH	Board member
Sebastian Burckhardt	Amsler Tex AG		CH	Board member
	Applied Chemicals International Group AG & group companies		CH	Board member
	Dolder AG		CH	Chairman
	Grether AG & Gretherpark AG		CH	Board member
	Immobiliengesellschaft zum Rheinfels AG		CH	Chairman
	Jungbunzlauer Holding AG		CH	Board member
	Le Grand Bellevue SA		CH	Board member
	persona service AG & persona service GmbH Schweiz		CH	Board member
	Qgel SA		CH	Board member
		Fondation Bénina	CH	Board member
		Stiftung GSR, GSR Wieland Stiftung & Stiftung Autismuszentrum	CH	Board member

Member	Commercial enterprise	Other entities / Charities	Location	Function
Ulrich Looser	Bachofen Holding AG		CH	Chairman
	BLR & Partners AG & BLR group companies		CH	Chairman
	Kardex AG[1]		CH	Board member
	LEM Holding SA[1]		CH	Board member
	Spross Entsorgungs Holding AG		CH	Board member
	u-blox AG		CH	Board member
		Economiesuisse	CH	Board member
		Swiss-American Chamber of Commerce: 'Doing Business in the US'	CH	Board member
		Swiss National Fund	CH	Board member
		University Hospital Balgrist, Zurich	CH	Board member
		University of Zurich	CH	Board member
Beat Lüthi	APACO AG		CH	Board member
	CTC Analytics AG		CH	CEO & Board member
	INFICON Holding AG[1]		CH	Chairman
	Orell Füssli Holding AG		CH	Board member
Regula Wallimann	Adecco Group AG[1]		CH	Board member
	Helvetia Holding AG[1]		CH	Board member
	Swissgrid AG		CH	Board member
		University of St. Gallen, Institute of Accounting, Control and Auditing (ACA-HSG)	CH	Supervisory Board member

1 Publicly listed companies.

OTHER ACTIVITIES AND VESTED INTERESTS

Unless stated in their CVs or in the table above, none of the Directors:

- Performed any activities in governing or supervisory bodies of significant foreign or domestic organizations, institutions or foundations under private or public law
- Held any permanent management or consultancy position for significant domestic or foreign interest groups
- Held any official function or political post.

PERMITTED MANDATES OUTSIDE STRAUMANN (PURSUANT TO ART. 12 OAEC)

Art. 4.4 of Straumann's Articles of Association states that no member of the Board may perform more than 15 additional mandates (i.e. mandates in the highest-level governing body of a legal entity required to be registered in the Commercial Register or in a corresponding foreign register) in commercial enterprises, of which no more than five may be in listed companies.

The following are exempt from these restrictions:
- Mandates in enterprises that are controlled by the Group
- Mandates in enterprises that are performed at the instruction of the Group
- Mandates in associations, organizations and legal entities with a public or charitable purpose, and in foundations, trusts, and employee pension funds. No member of the Board of Directors may perform more than ten such mandates.

Mandates in several legal entities under common control or under the same economic authority are deemed as one mandate.

WORKING METHODS AND ALLOCATION OF TASKS

The Board of Directors meets for one-day meetings at least five times a year and as often as business requires. In 2018, the full Board held 7 meetings including 1 telephone conference, while the Audit Committee and the Human Resources & Compensation Committee met 5 and 7 times, respectively (see table on p. 95). The CEO and CFO generally participate in Board meetings and are occasionally supported by other members of the Executive Management Board (EMB). Dr Andreas Meier, General Counsel of the Group, is responsible for the minutes. The Board of Directors consults external experts on specific topics where necessary, which was not the case in 2018.

The Board conducts an annual evaluation of the performance of the EMB. It also provides mentoring to the EMB, with the aim of providing executives with an experienced sparring partner, coach and sounding board for testing ideas and seeking qualified independent opinions.

The Board of Directors has a quorum if a majority of its members is present. This does not apply to resolutions that require public notarization, which do not require a quorum. Valid resolutions require a majority of the votes cast. In the event of a tie, the Chairman of the meeting has the decisive vote. The Board is responsible for the overall strategic direction of the Group and its management, the supervision of the EMB and financial control. It reviews the company's objectives and identifies opportunities and risks. In addition, it appoints/dismisses the CEO and members of the EMB. The tasks and duties of the Board, as well as those of the Chairperson and Vice Chairperson are listed in sections 4.2 and 4.3 of the Organizational Regulations.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Audit Committee and a Human Resources & Compensation Committee (formerly 'Compensation Committee'), each consisting of no fewer than three Board members with relevant background and experience.

The members of the Human Resources & Compensation Committee are elected by the General Meeting for a term of one year. In the event of a vacancy in the Human Resources & Compensation Committee, the Board of Directors appoints the replacement from among its own members for the remaining term of office. The members of the Audit Committee are appointed by the Board of Directors. Both committees constitute themselves and appoint their chairperson from among their members.

The Board of Directors may establish further committees or appoint individual members for specific tasks.

AUDIT COMMITTEE

Members: Dr Beat Lüthi (Chair), Sebastian Burckhardt and Regula Wallimann

The Committee's main tasks are listed in section 4.5 of the Organizational Regulations.

HUMAN RESOURCES & COMPENSATION COMMITTEE

Members: Ulrich Looser (Chair), Monique Bourquin, Dr. h.c. Thomas Straumann

The Committee's main tasks are listed in the section 4.6 of the Organizational Regulations.

Board of Directors

	Audit Committee	Human Resources & Compensation Committee
Gilbert Achermann Chairman of the Board		
Dr h.c. Thomas Straumann Vice Chairman of the Board		Member
Monique Bourquin		Member
Dr Sebastian Burckhardt Secretary of the Board	Member	
Ulrich Looser		Chair
Dr Beat Lüthi	Chair	
Regula Wallimann	Member	

Time (days) spent by Directors at Board/Committee meetings and on company related matters

2018 Meetings	Board	Audit Committee	Human Resources & Compensation Committee[1]	Other	TOTAL DAYS 2018
G. Achermann	7	5	7	93	112
T. Straumann	6		6	25	37
M. Bourquin	7		7	16	30
S. Burckhardt	7	5		18	30
U. Looser	7		7	12	26
B. Lüthi	7	5		13	25
R. Wallimann	7	5		15	27

1 Incl. one telephone conference.

ASSIGNMENT OF RESPONSIBILITIES TO THE EXECUTIVE MANAGEMENT BOARD

The Board of Directors has delegated responsibility for the operational management and sustainable development of the Group to the Chief Executive Officer (CEO) and the other members of the EMB. For their specific responsibilities, see the chart on p. 104 and section 5 of the Organizational Regulations. The Board may revoke delegated duties at any time.

The Board of Directors has not delegated any management tasks to companies or persons outside the Group.

PROPOSED ADDITION TO THE BOARD OF DIRECTORS

At the Annual General Meeting of the shareholders on 5 April 2019, the Board of Directors will propose the election of Juan-José Gonzalez as an additional Board Member.

Mr Gonzalez is an expert in the medical-technology and consumer-health sectors, with a deep knowledge of global markets, healthcare systems, and technology. He has served as President of Johnson & Johnson's orthopedic business, DePuy Synthes, in the US since 2015 and as Chair of the Orthopedics Sector of AdvaMed in the US since 2016. Prior to this, he headed DePuy Synthes EMEA and was Vice President of J&J's Enterprise Program Office, working closely with the CEO and Executive Committee on enterprise strategy, portfolio and key growth initiatives. Previously, he held

JUAN-JOSÉ GONZALEZ
Peruvian/US citizen
(born 1973)
Proposed Board Member

positions in global/regional/country management in J&J's consumer health business. Before joining J&J in 2007, he worked for Pfizer, McKinsey & Co. and Procter & Gamble, across various continents.

Juan-José Gonzalez is 46 years old and has both Peruvian and US citizenship. He holds a BSc in Industrial Engineering, an MBA, and a Master's in Technology Management. His background, multinational experience and skills in strategy, execution, talent development and mentoring make him a valuable addition to the Board and increases its diversity.

INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE MANAGEMENT

MANAGEMENT INFORMATION SYSTEM

The Group's Management Information System encompasses management, business and financial reporting. The information is provided to the Executive Management Board once a month and to the Board of Directors as a monthly summary and in detail on a quarterly basis.

Straumann operates a state-of-the-art SAP enterprise resource planning system, which covers 90% of all business transactions of the Group's fully consolidated entities. The system links Group headquarters directly with all major subsidiary companies and production sites, including Brazil, which switched to SAP on 1 January 2019. This system greatly reduces the potential for error or fraud, and enables the Executive and Senior Management to monitor local processes and related figures directly, in detail and in real time.

In addition, the Board of Directors maintains close contact with the Executive Management and gains first-hand information through workshops, co-travel, site visits and participation in staff meetings.

The Board maintains close contact with the EMB and gains first-hand information through workshops, co-travel, site visits and participation in staff meetings.

INTERNAL CONTROL SYSTEM

The Group's Internal Control System (ICS) is a key instrument for designing business processes, measuring progress towards financial goals and addressing potential financial issues before they occur. It also supports the design of business processes in order to achieve the desired level of control in terms of efficiency and effectiveness.

The company's approach is to ensure that internal controls are accurate, timely, robust, and receive appropriate management attention in each respect. To achieve this, dedicated control templates are used for each business process to address major risks. The templates are continuously improved.

In addition, each entity (sales affiliate, production site or global function) has a designated, trained person or team that is ultimately accountable for the assessment undertaken and the decisions arising from it. Clear benefits of the ICS include enhanced segregation of duties, increased control consciousness and higher awareness of potential risks and their consequences.

The ICS program is coordinated by the Group CFO, who meets with the external auditors on a regular basis to discuss the status of internal control issues and the status of remediation of control deficiencies. Internal controls are evaluated annually by the external auditors and by Internal Audit according to an agreed program.

INTERNAL AUDIT

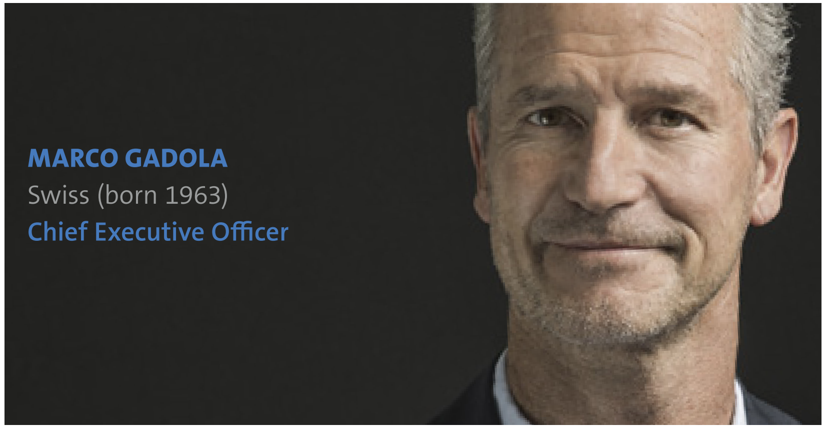
The role of the Group's Internal Audit function is to provide independent assurance to the Board of Directors that the key risks of the organization are under control and to support Management in ensuring compliance, operational efficiency and control effectiveness across the Group.

A highly experienced team at KPMG in Basel complemented by local KPMG offices with specific local language skills and expertise conducts the Internal Audits on behalf of the Audit Committee. In 2018, eight internal audits were performed at global and local levels according to the audit program approved by the Audit Committee.

CORPORATE RISK MANAGEMENT

The Board of Directors is responsible for the overall supervision of risk management and uses the Internal Audit function to this end. The Board has delegated the task of risk management to the Chief Risk Officer (CRO). Through its Audit Committee, the Board assesses and discusses risks on a regular basis in consultation with the CRO and/or the relevant members of senior management (see pp. 52 ff.).

EXECUTIVE MANAGEMENT BOARD

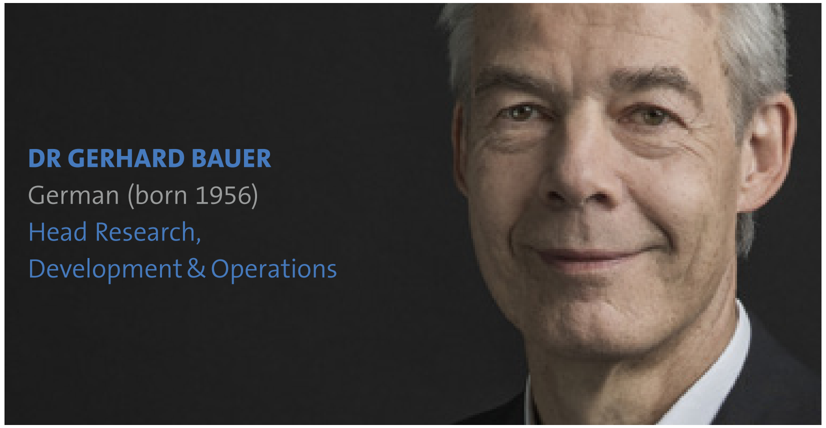


MARCO GADOLA
Swiss (born 1963)
Chief Executive Officer

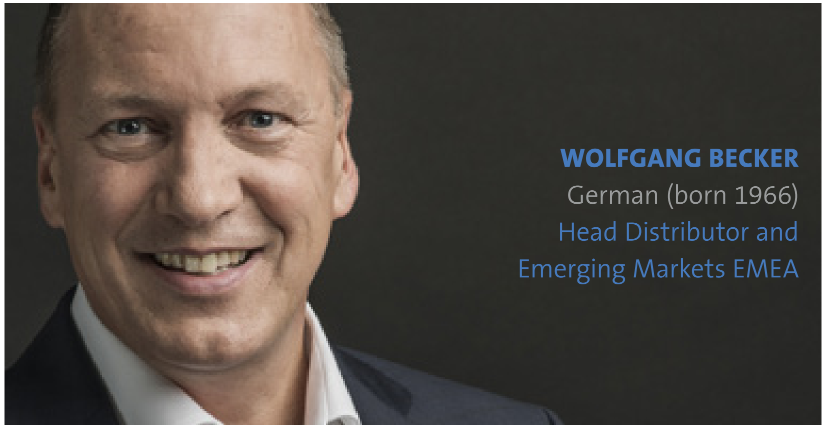
Career highlights: Marco Gadola has a strong executive track record in a broad range of global businesses. He rejoined Straumann in 2013 as CEO, having previously served as Chief Financial Officer and Executive Vice President Operations from 2006 to 2008, when he left to pursue a career development opportunity at Panalpina, a world leader in supply chain management. Having started as Panalpina's Chief Financial Officer, he became Regional CEO Asia/Pacific in 2012, with overall responsibility for the regional business. Prior to his first term at Straumann, he spent five years at Hero, the Swiss-based international food group, where he was also CFO and responsible for IT and operations. Previously, he spent nine years at the international construction tool manufacturer Hilti, where he held a number of senior commercial, sales and finance-related positions in various countries. Before that, he worked for Sandoz International Ltd, as Audit Manager, and for Swiss Bank Corporation, Basel, in Corporate Finance.
Qualifications: Degree from Basel University in business administration and economics; various programs at the London School of Economics and at IMD in Lausanne.
Other main activities: Vice Chairman of the Board of Calida Group and Head of its Audit Committee; Member of the Board of MCH Group, Switzerland, and Head of its Audit Committee; Panel Member of the Swiss-American Chamber of Commerce.

DR PETER HACKEL
Swiss (born 1969)
Chief Financial Officer

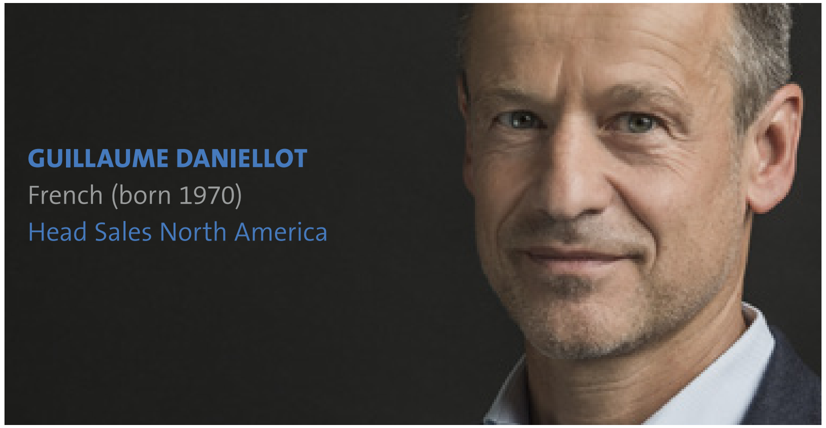
Career highlights: Peter Hackel rejoined Straumann in 2014, after three years at Oerlikon Industrial Group, where he was CFO of the global segment Oerlikon Drive Systems. He first joined Straumann in 2004 in a project management and business development role and rose to become Head of Group Controlling and member of the Corporate Management Group. Prior to Straumann, he spent three years at Geistlich Biomaterials, as Director of Marketing & Sales Orthopedics, and two years at McKinsey & Company as a consultant. Peter Hackel offers a valuable combination of financial and business expertise together with an analytical scientific background.
Qualifications: Master's degree and PhD in Biochemistry and Molecular Biology from the Swiss Federal Institute of Technology (ETH) in Zurich, studies in Business Administration at the University of Hagen in Germany.



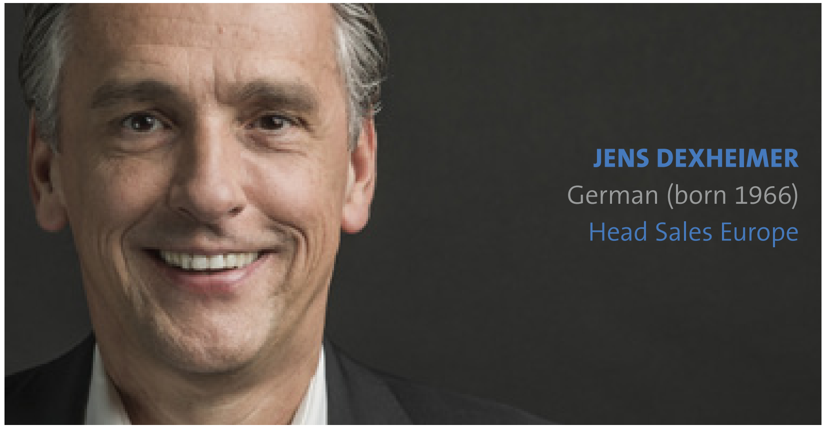
Career highlights: Gerhard Bauer is a seasoned executive with a broad international background in global operations. He has spent more than 30 years in the pharmaceutical and medical device industry in various leadership positions. Prior to joining Straumann in 2010, Dr Bauer held managerial positions at Nextpharma, a specialist company in the biotech industry, and at Bausch&Lomb, a global leader in eye-care products. From 1992 to 2008, his career at Bausch& Lomb was distinguished by increasing responsibility, including his appointment as Head of Global Operations & Engineering and member of the Executive Management Team in 2006. From 1984 to 1992, he worked for Ciba Vision, a subsidiary of Novartis. He began his career in production in 1983 at a subsidiary of the current GlaxoSmithKline corporation.
Qualifications: PhD and MSc in Pharmaceutics from the Institute of Pharmaceutics at the Ludwig-Maximilians-University in Munich; advanced degree in Pharmaceutical Technology from the Bavarian Chamber of Pharmacists.
Other activities: Member of the Board of Swiss Medtech, Member of the Board of sitem-insel AG, Switzerland



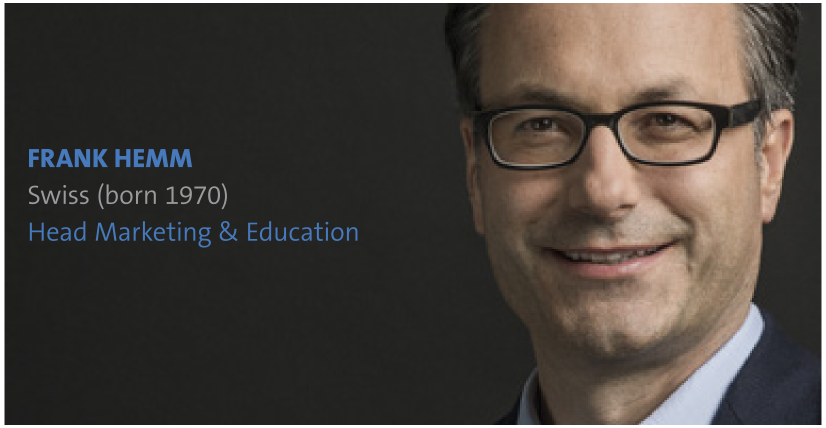
Career highlights: Wolfgang Becker began his professional career at Straumann in 1986 and held a series of managerial positions of increasing responsibility in the company's German subsidiary, becoming Head of Human Resources in 1991, Head of Marketing in 2000, and General Manager of Straumann Germany in 2001. He served on Straumann's Executive Committee as Head of Sales Europe from 2005 to 2006. His responsibilities then focused on the company's business in Central and Eastern Europe and distributor markets. In 2013, he rejoined the Group's Executive Management Board as Head Sales Central Europe & Distributors EMEA
Qualifications: Wolfgang Becker holds a number of business school diplomas including that of the St. Gallen Management Center.



Career highlights: Guillaume Daniellot's career began in hospital product management – initially at Coloplast and then at B. Braun, as an international business unit manager. He switched to the dental industry in 2001, joining Dentsply France, where he became Sales & Marketing Director. He joined Straumann in 2007 as Managing Director of Straumann France. Two years later, he transferred to Group Headquarters to become Head of Global Sales Digital Dentistry. Shortly afterwards he took over responsibility for Straumann's Prosthetic Laboratory Business Group, including global management of sales, marketing, product development, training and education. In both these roles, he was a member of the Corporate Management Group. He joined Straumann's Executive Management Board as Head Sales Western Europe in 2013 and took on his current role in 2016.
Qualifications: Bachelor's degree in Physics from the University of Dijon; Master's in Marketing from FGE in Tours; Master's in Business Administration from ESC European School of Management, Paris.



Career highlights: Jens Dexheimer is responsible for the Group's European region. In previous positions, he successfully managed Straumann's business in Germany, the Group's largest European market, and Iberia. In 2016, he became responsible for Western Europe and joined the Executive Management Board. He moved to Straumann in 2010 from Wella/Procter & Gamble, which he joined in 1996 and where he rose through various international roles of increasing responsibility from regional Human Resources management to country, divisional and regional leadership. He began his career in the consumer goods industry with Benckiser in Germany.
Qualifications: Degree in Economics from the State Vocational Academy in Mannheim; Master's from Mainz University; Executive Development Program at Kellogg University in Chicago.



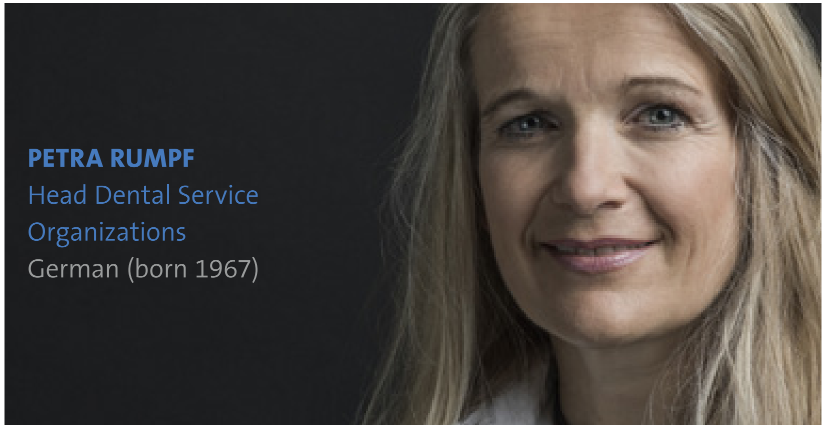
FRANK HEMM
Swiss (born 1970)
Head Marketing & Education

Career highlights: Frank Hemm's career began in management consulting with Andersen Consulting and McKinsey, focusing on business process re-engineering and strategic management consulting. He joined Straumann in 2004 and was initially responsible for Corporate Business Development & Licensing. He was appointed Head of Sales, Western Europe in 2007 and became a member of the Corporate Management Group. A year later, he took responsibility for the Asia/Pacific Region based in Singapore, where he established and built up Straumann's regional headquarters. In addition to leading the integration and turnaround of the acquired distributors in Japan and Korea, he expanded Straumann's presence in China. In 2012, Mr Hemm joined the Executive Management Board as Head of EMEA and LATAM and moved to his current role in 2013.
Qualifications: Master's degree in Economics from St. Gallen University; Master's in Business Administration from Kellogg Graduate School of Management in Chicago.

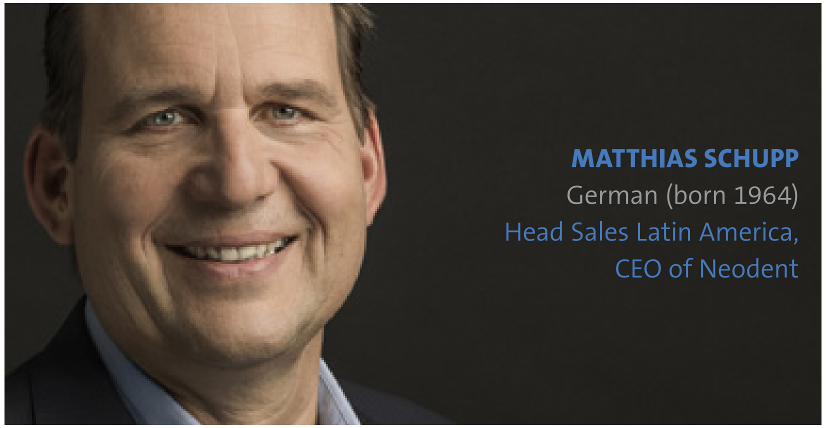
PATRICK LOH
Malaysian (born 1967)
Head Sales Asia/Pacific

Career highlights: Patrick Loh joined the Straumann Group in his current role in 2017. He came from Haemonetics Corporation, a global provider of blood/plasma supplies and services, where he had been President of the Asia Pacific region and a member of the Corporate Operating Committee since 2014. His career spans almost thirty years in the medical device, biotech and pharmaceutical sectors with multinational companies including Thermo Fisher Scientific, Kinetics Concepts and B.Braun. Starting in product management, he rose through general country management to regional leadership, establishing a strong track record of commercial success and strategic business growth. Having spent most of his career based in China, he has a deep knowledge of the APAC markets and is fluent in Mandarin, Malay, Indonesian and Cantonese, which is his mother tongue.
Qualifications: Studies in marketing in Malaysia; Executive MBA from Olin Business School, USA and Executive Programs from INSEAD and Babson College, Boston, USA.

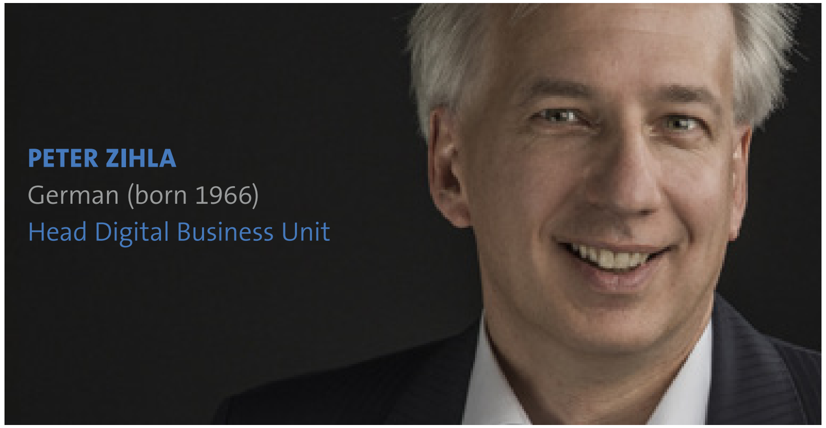
Career highlights: Alexander Ochsner is a seasoned executive with extensive international experience in the medical device industry, having spent more than a decade in senior managerial roles at the top of the dental implant industry. Before moving to the dental industry, he held managerial positions in marketing and sales at Medtronic and Medela. From 2002 to 2008, he worked for Zimmer Dental, where he was Vice President Europe & Asia/Pacific and a member of the Divisional Executive Team. From 2008 to 2012, he worked for Nobel Biocare, where he was Senior Vice President & General Manager EMEA and Member of the Executive Committee. He joined Straumann in September 2012 as Executive Vice President Sales APAC and moved into his current role in May 2017.
Qualifications: MSc in natural sciences and PhD from the Swiss Federal Institute of Technology (ETH) in Zurich.



Career highlights: Petra Rumpf has a strong executive track record in the dental implant industry and 20 years' experience in growth management, e-commerce, operational turnaround, strategy and mergers & acquisitions. She worked for Nobel Biocare from 2007 to 2014, where she was Member of the Executive Committee and responsible for Corporate Development and M&A, global e-commerce, clinical training & education, and distributor business development. She also managed the successful initiation of the Foundation for Oral Rehabilitation (FOR), which is globally active in science, education and humanity. During her last three years with Nobel Biocare, she was also responsible for AlphaBio Tec. Previously, she spent 16 years at Capgemini Consulting, where she became Vice President Strategy & Transformation Consulting. She joined Straumann in 2015 as Executive Vice President, Head Instradent Management & Strategic Alliances and moved into her current role in 2017.
Qualifications: Bachelor's degree in economics from Trier University; MBA from Clark University, USA.



Career highlights: Matthias Schupp joined Straumann from Procter & Gamble in 2007 as Regional Manager, Western Europe. In 2013, he was appointed Head of Sales LATAM and joined the management of Neodent, of which he became CEO early in 2015. He joined Straumann's Executive Management Board at the beginning of 2016. Mr Schupp has a strong track record in country and regional management in various industries. He began his career in marketing and customer service with Merck KGaA, the German pharmaceuticals, fine chemicals and diagnostics company, and rose through country management to the position of Regional Manager Latin America and USA. He moved to Wella in 2000 as Managing Director of the business in Russia and became Managing Director Professional Care Portugal in 2004, following the acquisition of Wella by P&G.
Qualifications: Graduated from the German/Brazilian High School in Rio de Janeiro; on-the-job training in management and business administration through professional development programs at Merck and P&G.



Career highlights: Prior to his current appointment on 1 September 2018, Peter Zihla spent four years as Head of Straumann's Corporate Strategic Planning & Business Development team, where he played a key role in 15 strategic transactions around the world, most of which now form the bulk of Straumann's digital portfolio. He joined Straumann in 2006 as Head of Corporate Accounting, Planning & Reporting/Controlling, having spent six years in senior accounting/controlling positions at Hero, the international food group. Before that, he was a strategy consultant with Accenture having begun his career in controlling at the pharmaceuticals company E. Merck.
Qualifications: Degree in Business Administration from Mannheim University; MBA from the City University of New York; Master's in Finance from the London Business School.

The CEO and, under his direction, the other EMB members are responsible for the Group's overall business and day-to-day management. The EMB is also responsible for the implementation of strategic decisions and stakeholder management. The CEO reports to the Board regularly and whenever extraordinary circumstances so require. Each member of the EMB is appointed and discharged by the Board of Directors.

On 31 December 2018, the EMB comprised twelve members under the leadership of, and including, the CEO, Marco Gadola. There was one change in the EMB in 2018 – on 1 September, when Peter Zihla was appointed Executive Vice President of the Digital Business Unit, taking over from Mike Rynerson, who decided to leave the company.

OTHER ACTIVITIES AND VESTED INTERESTS

Marco Gadola is Vice President of the Board of Directors of Calida Holding AG, Switzerland, and is a Member of the Board of Directors of MCH Group, Switzerland. In addition, he is a Panel Member of the Swiss-American Chamber of Commerce.

Frank Hemm is a Member of the Board of Directors and Board of Trustees of the independent academic network International Team for Implantology (ITI). Under a collaboration agreement, Straumann supports the ITI with payments (see Note 29 of the Audited Consolidated Financial Statements on p. 166).

Patrick Loh is an independent board member of the China-based company Haier Biomedical Co. In addition, he is an advisor of the Essence & DM Dental Industry Investment Partnership, a private equity fund addressing the dental sector in China, which Mr. Loh chairs.

Dr Gerhard Bauer is a Member of the Board of Swiss Medtech and a Member of the Board of sitem-insel AG, Switzerland.

Other than these, no member of the EMB:
- Performed any activities in governing or supervisory bodies of significant foreign or domestic organizations, institutions or foundations under private or public law
- Held any permanent management or consultancy function for significant domestic or foreign interest groups
- Held any official function or political post.

Executive Management Board

- CHIEF EXECUTIVE OFFICER
  Marco Gadola
  - SALES EUROPE
    Jens Dexheimer
  - DISTRIBUTOR & EMERGING MARKETS EMEA
    Wolfgang Becker
  - SALES NORTH AMERICA
    Guillaume Daniellot
  - SALES ASIA/PACIFIC
    Patrick Loh
  - SALES LATIN AMERICA/CEO OF NEODENT
    Matthias Schupp
  - DENTAL SERVICE ORGANIZATIONS
    Petra Rumpf
- CHIEF FINANCIAL OFFICER
  Dr Peter Hackel
- MARKETING & EDUCATION
  Frank Hemm
- RESEARCH, DEVELOPMENT & OPERATIONS
  Dr Gerhard Bauer
- DIGITAL BUSINESS
  Peter Zihla
- GLOBAL PEOPLE MANAGEMENT & DEVELOPMENT
  Dr Alexander Ochsner

PERMITTED MANDATES OUTSIDE STRAUMANN (PURSUANT TO ART. 12 OAEC)

Art. 4.4 of Straumann's Articles of Association states that no member of the EMB may perform more than five mandates (i.e. mandates in the highest level governing body of a legal entity required to be registered in the Commercial Register or in a corresponding foreign register) in commercial enterprises, of which no more than two may be in a listed company. The following are exempt from these restrictions:

- Mandates in enterprises that control the Group or are controlled by the same
- Mandates in enterprises that are performed at the instruction of the Group
- Mandates in associations, organizations, and legal entities with a public or charitable purpose, and in foundations, trusts, and employee pension funds. No member of the Executive Management may perform more than three such mandates.

Mandates in several legal entities under common control or under the same economic authority are deemed as one mandate.

MANAGEMENT CONTRACTS

The Board of Directors and the EMB have not delegated any managerial powers to persons or companies outside the Group.

COMPENSATION, SHAREHOLDINGS AND LOANS

The compensation and equity holdings of the Board of Directors and the EMB and their related parties are disclosed in the Compensation Report on p. 126 ff. and in the audited financial statements in Notes 3.3 and 4 on pp. 180 ff.

EMB SUCCESSION PLANS

In January 2019, the Group announced that Marco Gadola will hand over his responsibilities as CEO to Guillaume Daniellot, Executive Vice President Sales North America. The latter's successor is to be announced in due course. At the AGM in April 2020, the Board will propose Marco Gadola for election to the Board of Directors.

Towards mid-year, Alastair Robertson will join the Group as Head of Global People Management & Development and Member of the EMB. He takes over from Dr Alexander Ochsner, who will leave the EMB for a new senior leadership role within the Straumann Group network.

Alastair Robertson is a highly experienced executive with an impressive track record in leading Human Resources (HR) teams in large global organizations. He served as Chief HR/People Officer and Member of the Executive Board in each of his three previous companies – Kingfisher Plc (2016-19), C&A (2014-16), and Panalpina (2007-14). Prior to this, he spent 11 years with Tetra Pak in senior HR positions and seven years in personnel management, training and development with W.H. Smith and Graham Builders Merchants in the UK.

A British citizen born in 1960, he began his professional career in the British Military Forces gaining his Officer's Commission at the Royal Military Academy Sandhurst. He holds an MBA from Huddersfield University, a commendation from IMD Business School, and is a Chartered Fellow of the Institute of Personnel and Development.

SHAREHOLDERS' PARTICIPATION RIGHTS

VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

Each share duly entered in the share register entitles the shareholder to one vote. On 31 December 2018, 73% of the issued capital was registered in the share register (72% in 2017).

All shareholders may be represented at the General Meeting by a proxy. Proxies and directives issued to the independent voting representative may be given either in writing or online. Other voting representatives must have a proxy signed by hand by the shareholder. The Board of Directors decides whether proxies shall be recognized.

The independent voting representative is elected by the General Meeting for a term of office until the end of the next AGM and can be re-elected. In the case of a vacancy, the Board of Directors shall designate an independent voting representative for the next General Meeting.

QUORUMS

The General Meeting adopts its resolutions and holds its ballots by a majority of votes cast. Abstentions and invalid ballots are not taken into account. The legal provisions (in particular, section 704 of the Swiss Code of Obligations) that stipulate a different majority are reserved.

CONVOCATION OF GENERAL MEETINGS, AGENDA PROPOSALS

The Shareholders' General Meeting is convened by the Board of Directors within six months of the end of the business year. In 2019, the Shareholders' General Meeting will take place on 5 April at the Congress Center in Basel, Switzerland.

Shareholders individually or jointly representing at least 10% of the share capital may request an extraordinary General Meeting. The request must be made to the Board of Directors in writing, stating the agenda items and motions.

Invitations to the General Meeting are issued in writing and are delivered via ordinary mail to the address recorded in the share register at least 20 days before the General Meeting and are published on the company's website (> Investor information > Corporate governance > Annual General Meeting). If shareholders agree to the electronic delivery of notices, the invitation is also sent by email. All agenda items and proposals by the Board of Directors and by shareholders who have requested the General Meeting must be announced in the notice convening the General Meeting.

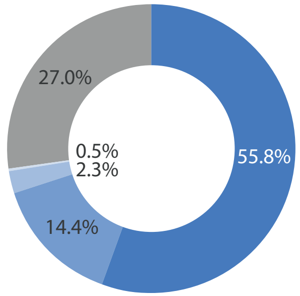
Shareholders who individually or jointly represent shares with a par value of at least CHF 15 000 may request that an item be included in the agenda. The request shall be in writing at least 45 days before the General Meeting and must set forth the agenda items and the proposals of the shareholder(s).

ENTRIES IN THE SHARE REGISTER

Share purchasers are entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If a purchaser is unwilling to make such a declaration, he or she is registered as a shareholder without voting rights. Proof of acquisition of title in the shares is a prerequisite for entry in the share register.Nominees approved by the Board of Directors are recorded in the share register as shareholders with voting rights. Nominees who have not been approved by the Board of Directors may be refused recognition as shareholders if they do not disclose the beneficiary. In such cases, the nominees will be recorded in the share register as shareholders without voting rights. As of 31 December 2018, no nominee had asked for registration and voting rights.

There are no statutory rules concerning deadlines for entry in the share register. However, for organizational reasons, the share register is closed several days before the General Meeting. The respective cut-off date for inscriptions is announced in the invitation to the General Meeting.

Shareholdings on 31 December 2018 (by geography)



Shareholders by volume of shares held[1]

(absolute number)	31 Dec 2018	31 Dec 2017
1–100 shares	8 612	6 770
101–1 000	2 240	2 151
1 001–10 000	292	315
10 001–100 000	49	53
100 001–1 000 000	11	10
1 000 001 and more	3	2
TOTAL	11 207	9 301

1 Non-registered shareholders are not considered in this table.

CHANGES OF CONTROL AND DEFENSE MEASURES

The Articles of Association of Straumann Holding AG do not contain provisions for opting out or opting up. There are no change-of-control clauses included in agreements and schemes benefiting members of the Board of Directors or the Executive Management Board or other management staff.

EXTERNAL AUDITORS

The Shareholders' General Meeting elects and appoints the Group's external auditors on an annual basis. In April 2018, Ernst & Young AG, Basel, was re-elected as auditor of Straumann Holding AG for a fifth term of one year. The auditor in charge is Daniel Zaugg, Swiss Certified Public Accountant, who took over the mandate in 2014. The current cycle for Daniel Zaugg finishes in 2020.

The Board of Directors supervises the external auditors through the Audit Committee, which met five times in 2018. The external auditors participated in one of these meetings, to discuss the scope, the audit plan and the auditors' conclusion of the financial report. Details of the instruments that assist the Board in obtaining information on the activities of the external auditors are on pp. 96 f.

The worldwide fees paid to the auditors are outlined in the table on the right.

Worldwide fees (in CHF 1 000)

	31 Dec 2018	31 Dec 2017
Total audit fees	1 050	931
Tax consultancy	21	0
Transaction services	186	421
Other services	51	42
Total non-audit fees	258	463
TOTAL	1 308	1 394

INFORMATION POLICY

Straumann is committed to a policy of open, transparent and continuous information. In accordance with the rules of the SIX Swiss Exchange, the Group publishes detailed sales figures on a quarterly basis as well as annual and half-yearly reports. Detailed information is provided at the AGM, and the minutes are published on the company's website. Where necessary or appropriate, the Group also publishes additional information on significant events. The CEO, CFO, the Head of Investor Relations and the Corporate Communications team are responsible for communication with investors and representatives of the financial community, media and other external stakeholders.

Straumann is committed to a policy of open, transparent and continuous information.

In addition to personal contacts, discussions, and presentations in Europe, North America and Asia, the Group held four quarterly financial results conferences for the media and analysts in 2018, two of which were teleconferences. On average, each event was attended by approx. 100 participants on-site, by webcast or by conference call. In addition, Straumann's CEO, CFO and Head of Investor Relations attended two healthcare-specific and four general equity conferences as well as 20 days on the road to meet with investors at their offices. Since 2015, Straumann has organized video conference roadshows in order to reduce carbon emissions and to actively take the ESG (Environmental, Social and Corporate Governance) idea into account.

As in the prior year, the company organized corporate governance meetings with the Chairman and the Head of Human Resources & Compensation Committee.

Research analysts from 18 banks/brokers cover developments at the Straumann Group and are listed in the 'Analyst section' of the Straumann Group website (straumann-group.com > Investor Relations).

Apart from this, the Group frequently publishes media releases, briefing documents and other materials, which are archived and available at straumann-group.com > Media relations. The company offers a media release subscription service via its website and takes care to ensure that investor-relevant releases are circulated broadly and in a timely manner according to the rules of the SIX Swiss Exchange and with due regard for the principles of fair disclosure. The company does not update its releases, reports and presentations, which means that the information they contain is only valid at the time of publication. The Group advises against relying on past publications for current information.

ANNUAL REPORT & COMPENSATION REPORT

The Group's Annual Report is an important instrument for communicating with various stakeholder groups. It is published electronically in English on the company's website. Summaries in English and German are printed. The Compensation Report is issued as part of the Annual Report and can be downloaded at straumann-group.com > 2018 Annual Report.

MEDIA USED FOR REPORTING PURPOSES

The company's website is www.straumann-group.com. The company's journal of record is the 'Schweizerisches Handelsamtsblatt' (SHAB – Swiss Official Gazette of Commerce).

Subscriptions to the e-mail distribution service (according to Art. 8 of the Directive Ad hoc Publicity, DAH) can be made at straumann-group.com > Investor information > IR Contacts & services. Information according to Art. 9 DAH can be found on straumann-group.com > Media relations.

Further information requests should be addressed to:

CORPORATE COMMUNICATIONS:
corporate.communication@straumann.com
Tel. +41 61 965 11 11
Peter Merian-Weg 12
4002 Basel

INVESTOR RELATIONS:
investor.relations@straumann.com
Tel. +41 61 965 16 78
Peter Merian-Weg 12
4002 Basel

CALENDAR

Straumann's calendar of planned reporting dates is updated on the company's website at straumann-group.com > Investor information > Investor calendar.

COMPENSATION REPORT

This report provides a comprehensive overview of the Straumann Group's compensation principles, practices and delivery framework. It also provides information on the compensation of the general staff, management, Executive Management Board (EMB) and Board of Directors. It conforms to Swiss law and the Swiss Code of Best Practice for Corporate Governance.

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

Dear Shareholder,

The Straumann Group delivered another excellent performance in 2018 – both in absolute and relative terms. Operating in a continually evolving and complex environment, we generated the highest level of revenue growth (+23%) since 2005, outpacing our market significantly. We achieved further improvements in profitability, expanding our underlying EBIT-margin by 20 base points to 26%. At the same time, we made strong progress with all of our strategic priorities, expanding our business and organization globally laying further foundations for sustainable growth.

We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. We also exceeded our 3-year objective for total shareholder return, which determines the long-term incentive for Senior Management.

DEVELOPMENTS IN 2018

Our global workforce expanded 22% in 2018 and our total spend on compensation, benefits and social costs rose by approximately 11%. Compensation per employee went down because a large proportion of our expansion has been in markets where the cost of living and salaries are lower on average. I should add that, at the same time, our team in Switzerland grew by 12%.

The main compensation system change in 2018 was to our Employee Share Participation Plan (ESPP – see p. 120), where we generally increased the available benefit for participants who are not eligible for LTI and reduced it for LTI-eligible participants, i.e. senior management and the Executive Management Board.

Although 2018 marked our best performance so far this decade, the majority of our executive and senior management received considerably less compensation than in the previous two years because they voluntarily agreed to forgo their Long Term Incentive (LTI) grants in 2015 to help mitigate the impact of the sudden devaluation of the Euro. Had they vested in 2018 these grants would have resulted in a collective bonus of more than CHF 12 million. On behalf of the Board and the company, I would like to commend the respective managers for their exemplary and unselfish leadership.

Our Cultural Journey includes learning experiences that build teams and help our staff to develop personally. These are part of a total reward concept that goes beyond compensation.

The majority of our management agreed to forgo their 2015 LTI grants that would have vested in 2018.

LOOKING AHEAD

In 2018, we continued to review and adapt our compensation system in consultation with external experts to ensure that it is competitive and in line with the interests of our stakeholders. In addition to our regular comparisons with peer companies, we engaged in constructive dialogues with key shareholders and proxy advisors, whose concerns we take seriously.

For 2019, we have decided to further simplify our short-term incentive program, without altering the potential payout targets. We have also changed one of the two key performance indicators in our LTI program (2022 vesting) in order to provide greater transparency outside the company. We have replaced EGA (EBIT growth amount) with relative total shareholder return (TSR) based on our 3-year share price development relative to the SMIM, which comprises the 30 largest mid-cap stocks in the Swiss equity market. The other KPI, absolute TSR, remains unchanged. Additionally, the Group will formally introduce minimum shareholding requirements for the Executive Management Board, which emphasizes the alignment with shareholder interests.

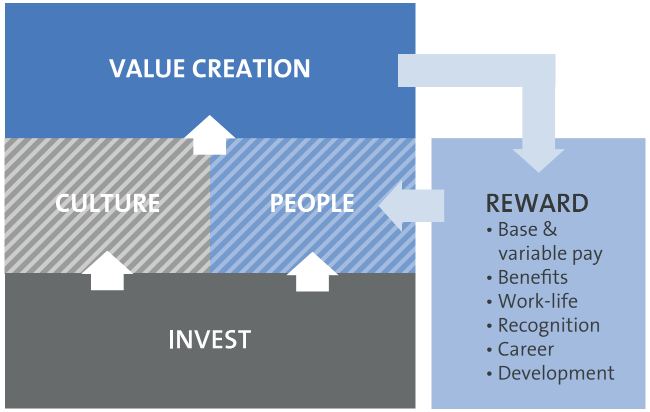
PUSHING THE BOUNDARIES OF CONVENTIONAL COMPENSATION SYSTEMS

People and culture are the Straumann Group's most valuable assets; they are unique keys to our continuing success. Therefore it is essential that our compensation system protects, supports and nurtures them. The very positive outcome to our 2018 global staff survey confirmed that we are doing the right things: engagement is high, with more than 90% of respondents indicating that they are proud to work for the Straumann Group, love what they do and feel their work contributes to the overall success of the company.

With this in mind, we continued the project we started in 2017 to broaden our compensation system into a total rewards program (TRP), which reflects the trend towards rewarding value creation with a combination of monetary and non-monetary components (see chart on the right).

In addition to traditional elements, like the ESPP, STI and LTI plans, the TRP includes components like career development, work-life and recognition alongside conventional quantitative components like pay, incentives and benefits. We began to enhance this system at the outset of 2019.

We continued the project to broaden our compensation system into a total rewards program.



In the Group's reward philosophy, people are rewarded for value creation. The total reward includes quantitative (base & variable pay and benefits) and qualitative (work-life and career development) elements.

We are confident that the aforementioned initiatives will contribute to staff engagement and enhanced value creation for our company, employees and shareholders. In view of the importance of these topics and the broader scope of our activities, we have renamed the Compensation Committee to the Human Resources & Compensation Committee.

On your behalf, I would like to thank our staff for their commitment and achievements. I would also like to thank the EMB for its constructive approach to the dialogue in 2018, and I would like to thank you and the Board for your confidence in the Human Resources & Compensation Committee.

Ulrich Looser
Chairman of the Human Resources & Compensation Committee

In addition to competitive compensation, the total reward we offer as an employer includes professional experience and skill development in a top class environment.

COMPENSATION PRINCIPLES

The compensation principles outlined below are valid for all employees working for consolidated Straumann Group companies.

ETHICAL, FAIR STANDARDS

We seek to be in full compliance with international labor standards and are committed to treating all our employees fairly and equally. Compensation and access to rewards programs are not influenced by gender, nationality or ethnicity. Local minimum wage regulations have no bearing on our remuneration policy, as our compensation clearly surpasses them. Our commitment to these standards is reflected in our use of benchmark data for periodic reviews to ensure compliance and internal fairness.

VALUE CREATION DRIVES COMPENSATION AND TOTAL REWARDS

The Straumann Group's view is that success depends largely on value creation by our employees, which should be recognized and rewarded. A modern compensation system and access to competitive rewards are an important instrument for attracting, retaining and motivating talented people. Straumann's rewards system takes these factors into account as it:

- Offers competitive compensation packages by conducting regular benchmarking that is based on internal and external fairness
- Fosters a high-performance culture and sustainable value creation
- Provides employees with access to benefits, which for example recognize their diverse lifestyles and interests
- Is periodically reviewed by the Human Resources & Compensation Committee (HRCC).

COMPREHENSIVE BENCHMARKING

The Group's policy is to provide a reward and compensation system that is competitive with comparable companies globally. In addition, our variable compensation elements are set to enable the overall compensation to move towards the upper quartile for outstanding performance.

Success depends largely on value creation by our employees, which should be recognized and rewarded.

Benchmark reviews for the EMB are conducted externally and include market analyses by industry specialists. Bespoke benchmarks include a group of companies in various industries, selected according to one or more of the following:
- Companies with whom we compete for talent
- Comparable size, scope and business complexity
- Comparable global footprint
- Companies with a similar market capitalization.

Some examples of these companies are F. Hoffmann-La Roche, Johnson & Johnson, Siegfried, Clariant, Dufry, Georg Fischer, UBS and Sonova.

For the remainder of the employee base, Straumann uses internal expertise and external market data to benchmark compensation levels against relevant peers and to monitor pay trends. The peer group used for the analysis is a mix of companies in the medical device and life sciences industries, and it may include other peers such as consumer goods, technology companies and others, depending on function and geography. When the Group engages in acquisition activities, we review significant deviations from our rewards principles and ensure that they are addressed in the annual compensation review. We also ensure that they comply with local standards and are non-discriminatory in design or delivery.

PRINCIPLES OF COMPENSATION FOR THE EXECUTIVE MANAGEMENT BOARD

The principles for the compensation of the EMB specify both a fixed cash component, which includes base salary and other fixed compensation items, and a variable component (see Articles of Association – AoA, 4.2), which includes the aforementioned STI and LTI, and access to benefits and programs that keep our overall compensation competitive.

The compensation of each EMB member is determined according to his or her role and responsibilities and is based on the aforementioned professionally reviewed external benchmarks. The collective compensation of the EMB and the CEO’s individual compensation are subject to approval by the Shareholders at the AGM.

We benchmark compensation levels against relevant peers and monitor pay trends.

If there are changes in the EMB subsequent to the AGM, the following apply:

- The contractual total compensation of a new CEO shall not exceed 140% of the compensation paid to the departing CEO.
- The total compensation of any other incoming member of the EMB shall not exceed 140% of the average compensation paid to EMB members (excluding the CEO).
- In addition, and as defined in the AoA, incoming EMB members may receive compensation to offset any losses of valuable rights associated with giving up their prior activities. The amount of this compensation may not exceed CHF 1 000 000 for a CEO or CHF 500 000 for other members (see Art. 4.3 AoA).

PRINCIPLES OF COMPENSATION FOR THE BOARD OF DIRECTORS

The compensation of the Board of Directors is subject to the approval by the AGM and consists of a fixed compensation component only, paid in cash and shares (Art. 4.1 AoA). The Board of Directors establishes the compensation payable to its members based on the recommendations of the HRCC, and within the limits approved by the AGM.

Part of the compensation is paid in undiscounted shares, which are blocked for two years. In addition to shares allocated as part of their compensation, each member of the Board of Directors is required to hold shares in the value of at least two years' total annual compensation, to demonstrate commitment to the value creation of the Group. New Board members are expected to build up the required shareholding within two years.

In addition to participating in Board and Committee meetings, all Board members regularly visit customers with sales representatives, attend congresses and go on field trips to important markets. All the Board members are active mentors to the EMB and have regular one-to-one exchanges with their assigned mentees.

Irrespective of role, all members of the Board of Directors are entitled to reimbursement from the company for their reasonable expenses for travel to and from Board meetings, or on behalf of the Board, and other related incidental expenses, in accordance with the expense regulations for Members of the Board of Directors of Straumann Holding AG.

Another Cultural Journey experience helping our staff to learn about themselves, adding to the total reward of working at Straumann.

All the Board members are active mentors to the EMB.

COMPENSATION GOVERNANCE AND REGULATION

HUMAN RESOURCES & COMPENSATION COMMITTEE

The Board of Directors nominates the members of the HRCC for election by the AGM. The Committee is entrusted with the design of the compensation system for the Board of Directors and the EMB. The Committee reports to the Board of Directors on its views regarding compensation practices and the compensation of the EMB at least once a year and proposes changes when necessary.

Further information on the duties of the HRCC can be found on p. 94 of the Corporate Governance section.

The HRCC met six times in 2018 and all of its members were present. The focus was on our fundamental compensation elements and on people development and total rewards. The Chairman of the Board and the CEO participated in all the meetings except during discussions concerning the evaluation and determination of their own compensation. The topics discussed by the HRCC during 2018 covered:

- People and leadership development
- Talent pipeline
- Cultural journey
- Employer branding
- Total reward system
- Group, CEO and EMB performance reviews
- Global benchmarking
- Long-Term Incentive redesign
- Compensation reports
- Compensation of new EMB members
- 2018 target framework
- Annual salary reviews and development plan.

REGULATION

Straumann's compensation schemes for the EMB and Board of Directors and the Articles of Association (AoA) fully reflect the Swiss Ordinance against Excessive Compensation (OaEC). The AoA do not allow for loans, advances or credits to any member of the EMB, the Board of Directors, or related parties. Straumann's compensation schemes and AoA are publicly available on our website at straumann-group.com > Investor information > Corporate governance.

Compensation
Recommendations & Decisions

Recipient	Compensation recommended by	Compensation decided by
Chairman of the Board	Human Resources & Compensation Committee/Board of Directors	AGM
Board Members		
CEO	Chairman of the Board/Human Resources & Compensation Committee/Board of Directors	
Executive Management	CEO/Human Resources & Compensation Committee/Board of Directors	
Senior Management	EMB	CEO
Management and staff	Line Management	EMB

Straumann's compensation schemes fully reflect the Swiss Ordinance against Excessive Compensation.

AGREEMENTS WITH THE BOARD OF DIRECTORS AND THE EMB

Agreements with members of the Board of Directors regarding their compensation and with members of the EMB regarding their employment may be temporary or permanent. Temporary agreements have a maximum term of one year, with the possibility of renewal, while permanent agreements have a notice period of no more than 12 months. Non-compete clauses are permissible. Compensation may be paid as indemnity for non-compete clauses. In such cases, the compensation must not exceed the last annual total compensation paid to the individual and may not be paid for more than one year (see Art. 4.5 AoA).

GROUP COMPENSATION FRAMEWORK

The Compensation framework for the Group remained the same in 2018 as in 2017.

FIXED COMPONENTS

In 2018, the fixed compensation elements included the following:

- Base salary
- Pension plans (depending on local practices and regulations)
- Other benefits (depending on local practices and regulations).

BASE SALARY

Straumann employees receive a fixed salary based on:

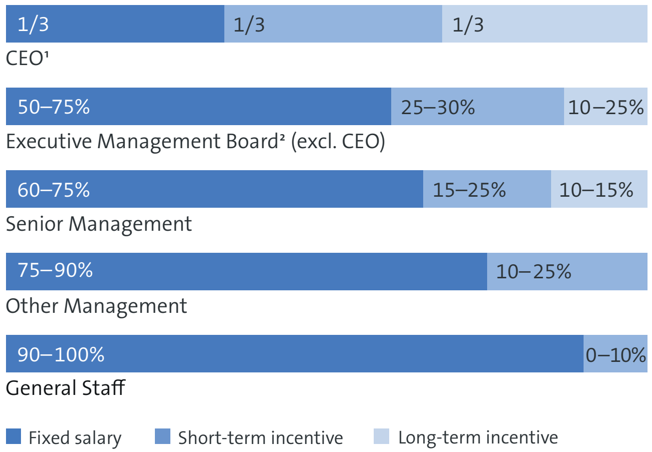
- Job profile
- Experience and skills
- External comparisons
- Internal fairness
- Place of work and local regulations
- Strategic importance of the position.

PENSION PLANS

Internal analyses carried out in recent years showed that Straumann and its subsidiaries fulfil and, in some respects, exceed local legal requirements. In most cases, pension obligations are fully funded. Where this is not the case, liabilities are reported in the Annual Report following actuarial rules.

Further information on pension plans is provided in Note 21 to the audited consolidated financial statements on pp. 163 ff. Information on pension fund risks is also provided on p. 57 of the Risk Analysis.

Pay mix corridor (at-target achievement)



1 At target, the variable compensation will amount to 200% of base salary.
2 At target, the variable compensation (incl. STI and LTI) for the EMB members will in average amount to 85% of base salary.

'Future Days' are an opportunity for staff to show their children what we do at Straumann. This is a small but meaningful way of showing that our staff are valued.

OTHER BENEFITS

Straumann's benefit programs are an integral part of the Total Rewards Program, which is designed to enable the Group to compete for and retain employees. Benefits are structured to support our overall business strategy and are aligned with local practices and legislation. Examples of benefits include the Employee Share Participation Plan (ESPP), public transport passes, lunch vouchers, the use of company cars, mobile phones, and discounts on Straumann products.

EMPLOYEE SHARE PARTICIPATION PLAN

Effective in 2018, eligible employees in Switzerland are able to purchase Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The shares are blocked for two years.

The shares required for this plan were held by the Group as Treasury shares. The Board of Directors is not eligible for this program.

Employee share participation plans

	Employees participating	Shares issued	Discount share price at issue	End of blocking period
2018	215	12 566	CHF 396[1] CHF 457[1]	April 2020
2017	140	12 636	CHF 361	April 2019
2016	86	8 754	CHF 254	April 2018

1 Reflects change to regulations of relative caps on purchase amount and discount changes.

VARIABLE COMPONENTS

In 2018, the variable compensation components included one or more of the following:

- Short-term incentive
- Long-term incentive (Performance Share Plan).

In both cases, clear bonus payout limits are in place in case the target is exceeded.

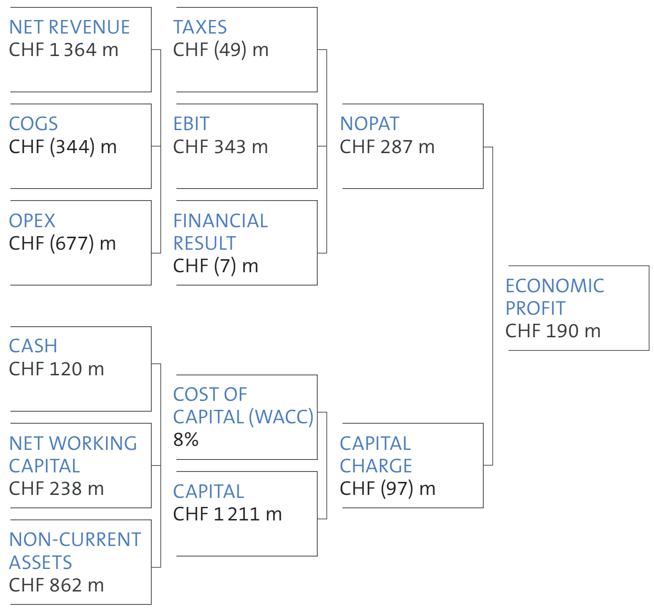
SHORT-TERM INCENTIVE (STI)

The STI scheme is tied directly to profit generated by the Group and paid in cash. For some areas, additional specific financial performance criteria apply. Hence, the payout in 2018 was based on a combination of company performance and/or achievement of specific financial targets.

COMPANY PERFORMANCE

In general, economic profit (EP) is the main key performance indicator in Straumann's STI scheme. The Board of Directors sets the absolute target for EP generation in Swiss francs annually prior to the respective performance cycle and based on medium-term business plans as well as the defined budget for the year of performance. The payout ranges from 0 to 200% of the target.

Company performance – 2018 economic profit (EP)



NOPAT = Net operating profit after taxes; COGS = Cost of goods sold; OPEX = Operating expenses; EBIT = Earnings before interest and taxes.

EP is calculated by deducting a capital charge from the net operating profit after tax (NOPAT). The Board of Directors may exclude extraordinary elements from the calculation of the EP. The capital charge represents the cost of capital calculated based on an average equity return expected by investors. This scheme builds the basis for our general bonus calculation model.

The main advantage of EP as a performance objective is that it goes beyond revenue growth and profitability increase and takes into account the resources used to achieve these increases and the resulting additional capital costs (see chart on the previous page).

SPECIFIC FINANCIAL TARGETS

Specific financial targets are used for certain organizational units, e.g. Digital Business Unit, Dental Service Organization Unit and Research, Development & Operations. The targets are derived from annual budgets and are set by the CEO and CFO together with the member of the EMB responsible for the respective organizational unit. In 2018, for example, improvements to contribution margin and to strategic key sales initiatives were set as specific financial targets for the Sales Regions while improvement to cost of goods sold was defined as a specific financial target for Research, Development & Operations.

WEIGHTING OF PERFORMANCE CRITERIA

In 2018, the weighting of the performance criteria depended solely on company and/or financial targets (see table on the right). The potential payout for over-achievement remained the same in 2018, ranging from 160% to 190% for maximum achievement, based on EP and financial objectives.

MEASUREMENT OF ACHIEVEMENT

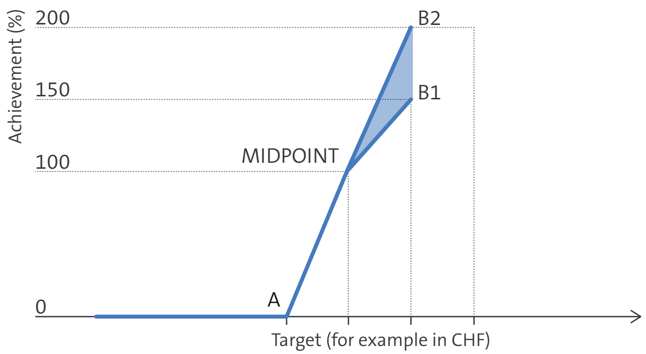
The measurement of achievement is shown on the lower right.

STI performance criteria weight 2018

Management level	Company target[1]	Company target[2]	Financial target[1]	Financial target[2]
Chief Executive Officer	80%	20%		
Executive Vice President	40–80%	20%	0–40%	
Senior Vice President Vice President	20–40%	40–60%	0–40%	0–40%
Management (Director, Senior Manager, Manager)	20–30%	0–70%	15–80%	0–70%
Staff	10–20%	0–80%	0–15%	0–80%

1 Maximum payout 200%.
2 Former individual target component; maximum payout 150%.

Short-term incentive target achievement (STI)



Measurement of achievement
The scale for STI target achievement extends from 0% (Point A) to a maximum of either 150% or 200% and is based on a combination of the two curves which join four points: 0% (Point A), 100% (Midpoint), 150% (Point B1) and 200% (Point B2), which together result in the payout and over achievement potential.

LONG-TERM INCENTIVE (LTI)

The LTI program is designed for the EMB, Senior Management and other key employees depending on role, responsibility, location, strategic impact, and market practice. Participation is determined by the Board of Directors, who themselves are not eligible. The plan was introduced in 2012 and is designed to offer an attractive variable compensation element that aligns participants' interests with those of the shareholders.

In 2015 (vested in 2018) the LTI was determined by total shareholder return as the sole performance condition. From 2016 to 2018 (vesting in 2019–21), the LTI was determined by total shareholder return (TSR) and EBIT growth amount (EGA) over the 3-year performance cycle. However, EGA limits external transparency because it involves internal forecasts, which the Group is unable to disclose publicly. Following constructive dialogues with key shareholders and proxy advisors, the Board has decided to replace EGA with relative total shareholder return (rTSR) based on the 3-year share price development relative to the 30 largest mid-cap stocks in the Swiss equity market (SMIM) starting with LTI grants in 2019 (for vesting in 2022) and continuing for the foreseeable future. This enhances external transparency and alignment of participants' interests with those of the shareholders, where both performance conditions are now based on TSR, one absolute and one relative, equally weighted.

GRANT

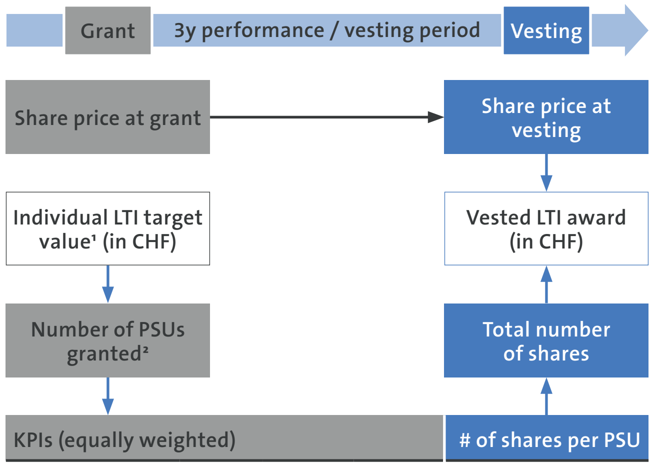
Participants in the plan are granted Performance Share Units (PSUs) entitling them to receive shares after a three-year vesting period. PSUs are granted once a year after the AGM. No cash investment is required from the participants. The number of PSUs granted is equal to the participant's LTI value divided by the fair value of one PSU at the grant date. The LTI target value is a percentage of the total target compensation, and is determined in accordance with the participant's role in the organization. In 2018, the total grant value amounted to CHF 5.7 million and 12 334 PSUs were granted.

PSU VALUE AT GRANT

The value of the PSU's granted is calculated by applying standard criteria including: grant date, vesting date, average reference price, performance targets, share price at grant, risk-free interest rate, expected volatility, expected EGA (grants in 2016–18, vesting in 2019–21) and expected dividend rate.

The design of the long-term incentive program includes the possibility for the PSU value at vesting to be higher or lower than the value at grant.

Straumann 2016–2018 long-term incentive scheme



Annual TSR	Floor	Target	Cap	
Number of shares per PSU	0.0	0.5	1.0	
3-year EGA³	Floor	Target	Cap	0.0–2.0
Number of shares per PSU	0.0	0.5	1.0	

1 Defined as % of the total target compensation taking into account participant's role in the organization.
2 Results from division of the individual LTI target value by the fair value of one PSU at grant.
3 EBIT growth amount.

ALLOCATION OF SHARES

The PSUs vest at the end of the performance periods and are converted into shares. They can be forfeited if the individual leaves the Group before the vesting date, subject to discretion of the Board of Directors. The number of shares allocated per PSU depends on the achievement of two key performance indicators (KPIs):

- The target for the Total Shareholder Return is determined by the Board of Directors and is currently set at 7% CAGR for the 3-year performance period. Performance against the TSR target is calculated using the average of the closing share prices over the period of seven trading days starting on the ex-dividend date in the year of grant and in the year of vesting.
- A pre-defined EBIT Growth Amount, which is determined by the Board of Directors in advance for the three business years starting on 1 January of the year of the grant. In line with the principle of fair disclosure, the EGA target is not published in advance.

The two respective KPIs are weighted equally and the achievement factor in each case is capped at 200%.

In 2018, the CEO and EMB members had no PSU vest (due to an elective voluntarily forfeit of the 2015 grant) with the exception of one current EMB member, who was based outside Switzerland and joined the EMB after 2015.

TOTAL SHAREHOLDER RETURN

TSR is the profit (or loss) realized by an investment at the end of a year or specific period. It includes capital gains or losses from changes in the share price as well as gross dividends.

At the end of the performance period, no shares will be allocated for a TSR of 0% CAGR or less; half a share will be granted per vested PSU if the TSR is +7% CAGR and one share per vested PSU for a TSR of +14% CAGR or more (capped at 200%). For a TSR between 0% and 7% CAGR or between 7% and 14% CAGR, the number of shares allocated per vested PSU is calculated on a linear basis.

EBIT GROWTH AMOUNT (EGA)

For grants in 2016–18 (vesting in 2019–21), the EGA performance measure is a total target EBIT growth amount over the full EBIT performance period determined by the Board of Directors at the time of grant. It is related to the three business years starting on 1 January in the year of the grant (for example from 1 January 2018 until 31 December 2020).

Performance share unit overview

	2018	2017	2016	2015
Grant date	30.04.2018	21.04.2017	20.04.2016	22.04.2015
Vesting date[1]	27.04.2021	21.04.2020	20.04.2019	22.04.2018
Share price at grant	CHF 625.50	CHF 483.00	CHF 336.00	CHF 262.50
PSU value at grant	CHF 460.68	CHF 315.83	CHF 306.84	CHF 208.06
Granted PSUs	12 334	16 785	14 520	7 586

1 Seven trading days after the ex-dividend date.

Outstanding performance share units

	2018	2017	2016	2015
As of 1 January	36 448	45 606	76 799	99 810
Granted PSUs	12 334	16 785	14 520	7 586
Vested PSUs	(5 538)	(24 614)	(44 106)	(23 559)
Forfeited PSUs	(2 411)	(1 329)	(1 607)	(7 038)
As of 31 December	40 833	36 448	45 606	76 799

The EBIT growth amount over the 3-year EBIT performance period ('Actual EBIT GA') is calculated as follows:

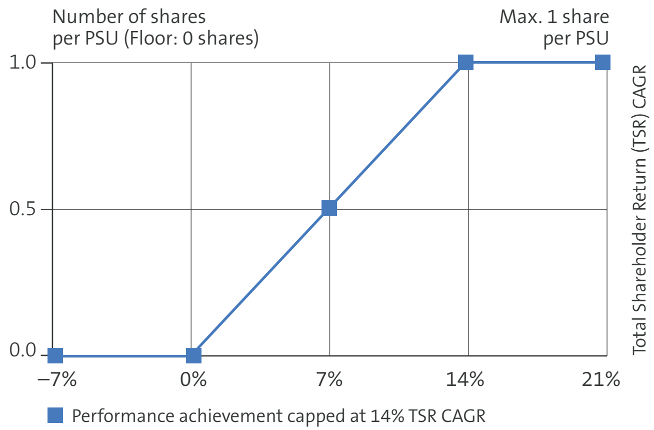
- Straumann Group EBIT growth over the EBIT performance period,
- Less EBIT of all businesses and participations acquired after the grant date during the EBIT performance period,
- Considering all other extraordinary calculation effects specified by the Board at the time of grant,
- Considering other adjustments decided by the Board at the time of calculating the actual EBIT GA in order to compensate for unforeseen major effects that would impair the purpose of the plan.

At the end of the performance period, no shares will be allocated if the EGA is below the defined floor; half a share will be granted per vested PSU if the EGA is exactly at the defined performance target and one share per vested PSU for EGA which is the defined cap (200%). For EGA between the defined floor and the defined performance target or between the defined performance target and the defined cap, the number of shares allocated per vested PSU is calculated on a linear basis.

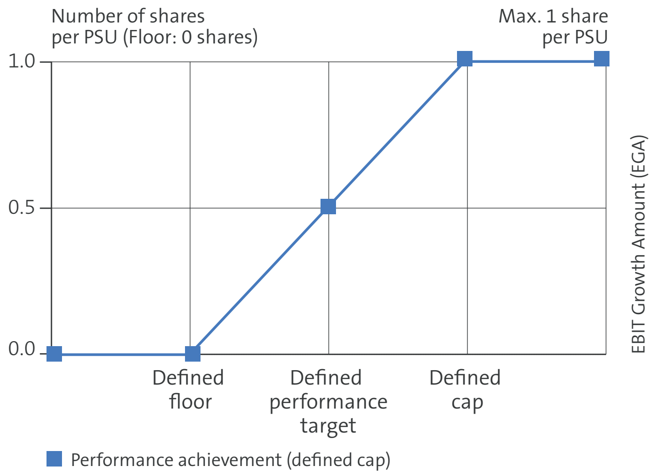
Elements of total remuneration

Element		Type	Description
Base salary		Fixed cash	• Fixed compensation, determined by scope and complexity of the role • Generally within an 80–120% range of relevant market median
Variable pay	Short-term incentives (STI – one year)	Cash	• For EMB, Senior Management and a broad group of employees, paid annually • Two payout ranges: 0–150% and 0–200% of target • Performance measured against business results and financial targets
	Long-term incentives (LTI – three years)	Performance Share Units (PSUs)	• For the EMB and a defined Senior Management group • Payout range: 0–200% of target • PSUs with a 3-year vesting period; shares are allocated based on total shareholder return and EBIT growth amount over a 3-year period. For 2019 grants: absolute and relative TSR.
Employee benefits		Fixed benefits	• Employee benefits are provided in line with local market practices • Pension plans are de-risked in line with Group guidelines • Benefits are positioned towards relevant market medians
	Employee share participation plans (ESPP)	Blocked shares	• For all eligible employees in Switzerland: Purchase of Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The shares are blocked for two years.

Total shareholder return (TSR)



EBIT growth amount (EGA)



2018 COMPENSATION

Overall, Straumann spent CHF 503 million on compensation, benefits and social costs in 2018, corresponding to an average of CHF 91 000 per employee (2017: CHF 94 000). Where necessary, structural adjustments were made to adapt salaries to benchmarks and for staff who took on new roles and/or increased responsibilities.

We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. The three-year target of Total Shareholder Return for the PSUs that were awarded in 2015 and vested in April 2018 was clearly exceeded and resulted in a maximum achievement factor of 200% for a few international-based individuals who did not forfeit their LTI in 2015.

COMPENSATION OF THE EXECUTIVE MANAGEMENT BOARD

At the 2018 AGM, the shareholders prospectively approved a fixed compensation of CHF 6.9 million for the collective EMB (as composed in April 2018) for the period between 1 April 2018 and 31 March 2019. The variable STI for the business year ending 31 December 2018 will be submitted for approval by the shareholders at the AGM in 2019. The table shows the compensation paid to the EMB in 2018 in accordance with the Ordinance against Excessive Compensation (OaEC). The compensation packages of the existing members of the EMB remained more or less unchanged in 2018 with regard to the fixed cash component and STI. For certain EMB members, the LTI grants were increased by CHF 20 000 to partially compensate the reduction in their benefit in the ESPP plan and bring their grant level towards the median of the benchmark. The CEO and EMB members did not have any PSU's vest in 2018, with the aforementioned exception.

There was one new addition to the EMB in 2018 and one departure. Peter Zihla was promoted to the Head of Digital Business Unit, succeeding Michael Rynerson, who left the company. In 2018, no compensation was paid to related parties of EMB members. None of the EMB received any compensation from the Straumann Group other than that disclosed in this report.

We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees.

Executive Management Board compensation (AUDITED TABLE) (in CHF 1 000)

2018 2017	Annual base salary	Short-term incentive	Performance Share Units (grant value)	ESPP discount	Social security and pension	Other compensation & benefits[2]	TOTAL
Marco Gadola (CEO)	850 850	1 615 1 615	850 780	28 67	325 625	33 33	3 701 3 970
Other members[1]	4 157 3 760	3 637 3 568	1 705 1 521	77 150	1 146 1 578	625 1 131	11 347 11 708
Former members	0 0	0 0	0 0	0 0	0 0	0 0	0 0
TOTAL	5 007 4 610	5 252 5 183	2 555 2 301	105 217	1 471 2 203	658 1 164	15 048 15 678

1 Michael Rynerson, Global Head Digital Business, left the organization towards the end of 2018. Peter Zihla was promoted to the EMB to replace him.
2 Other compensation includes auto lease for EMB members on a Swiss contract in addition to local benefits for EMB members in LATAM and the USA.

SHAREHOLDINGS OF THE EMB

The Straumann shareholdings of the EMB Members who held office at the end of 2018 are shown in the table on p. 181.

COMPENSATION OF THE CEO

The Board of Directors sets short and long-term targets for the CEO and the Executive Management Board annually. In 2018, the targets for the variable compensation remained unchanged.

CEO performance scorecard 2018

STI-related	LTI-related	Quantitative Measures	Weighting	Performance vs target	Target	Achievement[1]
✓		Economic Profit	50%	200%	100 % of annual base salary	190 % cash payout
	✓	EBIT Growth (EGA)	25%	200%	0.5 PSU	1 share per PSU granted[2]
	✓	Total Shareholder Return (TSR)	25%	200%	0.5 PSU	1 share per PSU granted[2]

1 For STI results, the STI at target is CHF 850 000. For LTI, the PSU grant value at target is CHF 850 000.
2 The 2015 grant, which would have vested in 2018, was voluntarily forfeited.

The voluntary forfeit of the LTI grant in 2015 resulted in zero related vesting for the respective Swiss based executives, with the aforementioned exception.

Value creation (in CHF 1 000)

	2018	2017	2016	2015
Market capitalization at beginning of year	10 887 000	6 312 000	4 795 000	3 939 000
Market capitalization at end of year	9 785 000	10 887 000	6 312 000	4 795 000
Value of PSU grant at vesting for EMB	342	6 789[1]	8 353[2]	2 571[3]
Value of PSU grant at vesting for CEO	0	4 990[1]	6 311[2]	0

1 PSU Grant 2014.
2 PSU Grant 2013.
3 PSU Grant 2012.

COMPENSATION OF THE BOARD OF DIRECTORS

The 2018 AGM approved a maximum total compensation for the Board of Directors of CHF 2.4 million for the term of office ending at the 2019 AGM. It consists of a fixed compensation, paid in cash and shares. The proposed total amount includes social security charges and fringe benefits. The composition of the Board did not change subsequent to the AGM in 2018. None of the Board members received any compensation from the Straumann Group other than that disclosed in this report. In 2018, no compensation was paid to related parties of members of the Board of Directors. In 2018, no payments were made to former members of the Board or related parties.

The Chairman of the Board of Directors continues to participate in the Straumann Pension plan, which is a defined contribution plan and is fully funded. This benefit is benchmarked as part of the total remuneration. The increased share compensation awarded to the Chairman in 2018 reflects the additional time required for EMB support, customer visits, congress attendance and additional meetings due to the increasing size, complexity and spread of the organization.

Board of Directors compensation (AUDITED TABLE) (in CHF 1 000)

2018 / 2017	Fixed cash compensation	Fixed share compensation	Social security	Other benefits	Pension	TOTAL
Gilbert Achermann (Chairman of the Board)	400 400	300 200	52 44	31 31	91 91	874 766
Thomas Straumann (Vice Chairman)	200 200	100 100	20 20			320 320
Monique Bourquin (joined BoD April 2017)	100 73	100 100	13 11			213 184
Sebastian Burckhardt	100 100	100 100	13 13			213 213
Ulrich Looser (Chairman of the HRCC)	150 150	100 100	17 17			267 267
Beat Lüthi (elected Chairman of the Audit Committee April 2017)	150 138	100 100	17 16			267 254
Regula Wallimann (joined BoD April 2017)	100 73	100 100	13 11			213 184
Roland Hess (left BoD May 2017)	 38		 4			 42
TOTAL	1 200 1 172	900 800	145 136	31 31	91 91	2 367 2 230

SHAREHOLDINGS OF THE BOARD OF DIRECTORS

The Straumann shareholdings of the Board Members who held office at the end of 2018 are shown in the table on p. 181.

APPROVAL OF COMPENSATION

The AGM prospectively approves the maximum compensation payable to the Board of Directors for the term of office ending at the next AGM. Likewise, the AGM approves the maximum fixed compensation of the EMB prospectively for the period commencing on 1 April and ending on 31 March of the next calendar year. The variable short-term components of the EMB's compensation are approved retroactively for the business year preceding the AGM (see Art. 3.1.9 AoA and table on p. 129) and is only paid upon approval by the AGM, in April.

The compensation of the individual members of the Board and the EMB is decided by the Board of Directors on recommendation of the HRCC and within the limits set by the AGM. The relevant criteria are explained on pp. 118 ff., and the compensation awarded to the Board of Directors and the EMB is disclosed in the tables on pp. 126 and 128.

At the 2019 AGM, the shareholders will be asked to approve:

- The total fixed compensation of the EMB for the period 1 April 2019 – 31 March 2020
- The short-term incentive (STI) of the EMB for the business year 2018
- The total long-term incentive (LTI) for the 2019 grant for the EMB
- The total compensation of the Board of Directors for the period between the 2019 and 2020 AGMs.

The reconciliation of approved and dispensed compensation for the 2018–19 AGM period is as shown in the table below.

Compensation approved and dispensed
(in CHF 1 000)

	Compensation earned during the financial year (A)	**Compensation earned for the period January 1 to 2018 AGM (3 months of the financial year (B)**	**Compensation to be earned for the period from January 1 to the 2019 AGM (3 months) in the year following the financial year (C)**	**Total compensation earned from AGM to AGM (A)+(B)+(C)**	**Amount approved by shareholders at the respective AGM**	**Compensation dispensed by the Company within approved amount**
	2018	January 1, 2018 to 2018 AGM	January 1, 2019 to 2019 AGM	2018 AGM to 2019 AGM	2018 AGM	2018 AGM
Board of Directors	2 367	(367)	367	2 367	2 400	yes
Executive Management Board	15 348	(7 662)	7 887	15 573	16 247[1]	yes

1 Includes 2018 STI of CHF 6.1m (CHF 6.3m in 2018) to be approved at 2019 AGM.

Report of the statutory auditor on the remuneration report

To the General Meeting of Straumann Holding AG, Basel

We have audited the remuneration report of Straumann Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on page 126 and page 128 of the remuneration report.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the remuneration report for the year ended 31 December 2018 of Straumann Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg	Fabian Meier
Licensed audit expert (Auditor in charge)	Licensed audit expert

Basel, 6 February 2019

2018 FINANCIAL REPORT

2018 FINANCIAL REPORT

STRAUMANN GROUP

Consolidated statement of financial position

Assets

(in CHF 1 000)	Notes	31 Dec 2018	31 Dec 2017 (restated)
Property, plant and equipment	6	230 206	174 243
Intangible assets	7	652 443	647 774
Investments in associates	8	106 102	65 939
Financial assets	9	34 907	26 943
Other receivables		5 814	6 270
Deferred income tax assets	19	70 066	90 743
Total non-current assets		1 099 538	1 011 913
Inventories	10	182 053	152 146
Trade and other receivables	11	296 030	243 520
Financial assets	9	1 082	2 672
Income tax receivables		7 192	4 901
Cash and cash equivalents	12	278 674	281 816
Total current assets		765 031	685 055
TOTAL ASSETS		1 864 569	1 696 968

Equity and liabilities

(in CHF 1 000)	Notes	31 Dec 2018	31 Dec 2017 (restated)
Share capital	13	1 588	1 588
Retained earnings and reserves		1 199 336	1 075 607
Total equity attributable to the shareholders of the parent company		1 200 924	1 077 195
Non-controlling interests		3 396	(150)
Total equity		1 204 320	1 077 044
Straight bond	14	199 862	199 746
Other liabilities	16	29 286	18 205
Financial liabilities	15	39 917	57 780
Provisions	17	23 804	40 321
Retirement benefit obligations	21	59 185	49 453
Deferred income tax liabilities	19	36 211	40 520
Total non-current liabilities		388 265	406 025
Trade and other payables	18	223 299	183 817
Financial liabilities	15	22 103	1 063
Income tax payable		26 458	28 692
Provisions	17	124	327
Total current liabilities		271 984	213 898
Total liabilities		660 249	619 924
TOTAL EQUITY AND LIABILITIES		1 864 569	1 696 968

The notes on pages 137–173 are an integral part of these consolidated financial statements.

Consolidated income statement

(in CHF 1 000)	Notes	2018	2017 (restated)
Revenue	5	1 363 560	1 112 102
Cost of goods sold		(344 315)	(271 638)
Gross profit		1 019 245	840 464
Other income	22	3 424	3 353
Distribution expense		(291 018)	(249 850)
Administrative expenses		(389 016)	(310 683)
Operating profit		342 635	283 284
Finance income	25	72 852	58 701
Finance expense	25	(89 802)	(78 028)
Gain on consolidation of former associates	25	10 725	68 867
Share of results of associates	8	(9 984)	(9 739)
Profit before income tax		326 426	323 085
Income tax expense	19	(48 639)	(40 867)
NET PROFIT		277 787	282 218
Attributable to:			
Shareholders of the parent company		272 770	279 544
Non-controlling interests		5 017	2 675
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	26	17.24	18.04
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	26	17.18	17.96

The notes on pages 137–173 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	2018	2017 (restated)
Net profit	277 787	282 218
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	(21 717)	31 552
Share of other comprehensive income of associates accounted for using the equity method	286	(420)
Exchange differences on translation of foreign operations	(61 813)	(28 387)
Income tax effect	2 085	(2 535)
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(81 159)	210
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	(1 256)	3 483
Remeasurements of retirement benefit obligations	(7 621)	(9 689)
Income tax effect	978	983
Items not to be reclassified to profit or loss in subsequent periods	(7 899)	(5 223)
Other comprehensive income, net of tax	(89 058)	(5 013)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	188 729	277 206
Attributable to:		
Shareholders of the parent company	184 842	272 809
Non-controlling interests	3 887	4 397

The notes on pages 137–173 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	Notes	2018	2017 (restated)
Net profit		277 787	282 218
Adjustments for:			
Taxes charged	19	48 639	40 867
Interest and other financial result		11 835	3 841
Foreign exchange result		4 829	239
Fair value adjustments		287	(1 026)
Financial impairment result		0	16 273
Gain on consolidation of former associates		(10 725)	(68 867)
Share of results of associates	8	9 984	9 739
Depreciation and amortization of:			
Property, plant and equipment	6, 23	29 960	24 975
Intangible assets	7, 23	22 407	15 283
Change in provisions, retirement benefit obligations and other liabilities		(21 675)	(16 022)
Change in long-term assets		(473)	(1 639)
Share-based payments expense	20, 24	10 706	7 726
Result on disposal of property, plant and equipment		568	181
Working capital adjustments:			
Change in inventories		(26 714)	(34 027)
Change in trade and other receivables		(59 211)	(47 284)
Change in trade and other payables		25 094	16 201
Interest paid		(8 727)	(6 020)
Interest received		2 438	1 052
Income tax paid		(39 910)	(26 421)
Net cash from operating activities		277 099	217 290

(in CHF 1 000)	Notes	2018	2017 (restated)
Purchase of financial assets		(478)	0
Proceeds from sale of financial assets		478	30 458
Purchase of property, plant and equipment		(92 922)	(66 554)
Purchase of intangible assets		(16 811)	(6 850)
Purchase of investments in associates		(56 268)	(43 287)
Acquisition of a business, net of cash acquired		(16 514)	(178 770)
Contingent consideration paid		(5 709)	0
Proceeds from loans		0	29
Disbursement of loans		(13 529)	(29 140)
Dividends received from associates		380	404
Net proceeds from sale of non-current assets		2 042	861
Net cash used in investing activities		(199 331)	(292 849)
Purchase of non-controlling interests		(403)	0
Increase in non-current financial debts		0	1 467
Dividends paid to the equity holders of the parent	27	(75 120)	(65 139)
Dividends paid to non-controlling interests		(1 818)	(1 127)
Repayment of finance lease		(1 150)	(412)
Proceeds from exercise of options		0	167
Sale of treasury shares		5 139	262 992
Purchase of treasury shares		(4 205)	(5 377)
Net cash used in financing activities		(77 557)	192 571
Exchange rate differences on cash held		(3 353)	780
Net change in cash and cash equivalents		(3 142)	117 792
Cash and cash equivalents at 1 January	12	281 816	164 024
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	278 674	281 816

The notes on pages 137–173 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

2018

(in CHF 1 000)	Notes	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to the shareholders of the parent company							
At 1 January 2018		1 588	31 412	(25 884)	(86 645)	1 156 724	1 077 195	(150)	1 077 044
Net profit						272 770	272 770	5 017	277 787
Other comprehensive income					(82 400)	(5 528)	(87 928)	(1 130)	(89 058)
Total comprehensive income		0	0	0	(82 400)	267 242	184 842	3 887	188 729
Dividends to equity holders of the parent	27					(75 120)	(75 120)		(75 120)
Dividends to non-controlling interests							0	(1 818)	(1 818)
Share-based payment transactions	20,24					10 274	10 274		10 274
Purchase of treasury shares				(4 205)			(4 205)		(4 205)
Usage of treasury shares				10 219		(5 080)	5 139		5 139
Changes in consolidation group	4						0	3 320	3 320
Purchase of non-controlling interests						(316)	(316)	(87)	(403)
Put options to non-controlling interests						3 114	3 114	(1 756)	1 359
AT 31 DECEMBER 2018		1 588	31 412	(19 870)	(169 045)	1 356 839	1 200 924	3 396	1 204 320

2017

(in CHF 1 000)	Notes	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity (restated)
		Attributable to the shareholders of the parent company							
At 1 January 2017		1 588	31 412	(206 550)	(89 810)	897 041	633 681	0	633 681
Net profit						279 544	279 544	2 675	282 218
Other comprehensive income					3 165	(9 900)	(6 735)	1 722	(5 013)
Total comprehensive income		0	0	0	3 165	269 645	272 809	4 397	277 206
Dividends to equity holders of the parent	27					(65 139)	(65 139)		(65 139)
Dividends to non-controlling interests							0	(1 127)	(1 127)
Share-based payment transactions	20, 24					7 524	7 524		7 524
Purchase of treasury shares				(5 377)			(5 377)		(5 377)
Usage of treasury shares				186 043		77 116	263 159		263 159
Changes in consolidation group							0	21 852	21 852
Put options to non-controlling interests	4					(29 464)	(29 464)	(25 272)	(54 736)
AT 31 DECEMBER 2017		1 588	31 412	(25 884)	(86 645)	1 156 724	1 077 195	(150)	1 077 044

The notes on pages 137–173 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 CORPORATE INFORMATION

Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in tooth replacement and orthodontic solutions. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Straumann, Neodent, Medentika, ClearCorrect, Dental Wings, and other fully or 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. The Group currently employs approximately 6000 people worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

The consolidated financial statements of the Straumann Group for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 6 February 2019 and are subject to approval by the Annual General Meeting on 5 April 2019.

2.1 BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

They have been prepared on a historical cost basis except financial assets and financial liabilities (including derivative financial instruments), which have been measured at fair value. The consolidated financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest thousand except where otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Straumann Holding AG and its subsidiaries as of 31 December 2018.

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as for the parent company, using consistent accounting policies. All intra-Group balances, income and expenses and unrealized gains and losses resulting from intra-Group transactions are eliminated in full.

Changes in equity interests in Group subsidiaries that reduce or increase the Group's percentage ownership without loss of control are accounted for as an equity transaction between owners.

ASSOCIATES

Associates are those entities over which the Group has significant influence, but neither control nor joint control. Significant influence is the power to participate in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of changes in equity of the investee after the date of acquisition. The Group's share of results of operations is recognized in profit or loss, while any change in other comprehensive income of the associates is presented as part of the Group's other comprehensive income.

For entities over which the Group has joint control together with one or more partners (joint arrangements), the Group assesses whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For joint ventures, the equity method is applied.

2.2 CHANGES IN ACCOUNTING POLICIES

NEW STANDARDS AND AMENDMENTS EFFECTIVE IN 2018

The Group has applied the following amendment for the first time for its annual reporting period commencing 1 January 2018:

- IFRS 9 (2014) 'Financial Instruments' (effective 1 January 2018)
  This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' and brings together all three aspects of accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has applied IFRS 9 (2010) since 1 January 2011 and the new provisions regarding impairment and hedge accounting did not have material effects on the presented financial statements.
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)
  The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group has applied the modified retrospective method with no material effect on the presented financial statements.

- IFRS 2 (Amendment) 'Classification and Measurement of Share-based Payment Transactions' (effective 1 January 2018)
- IFRIC 22 Foreign currency transactions and advance consideration (effective 1 January 2018)

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

The following standards and amendments to existing standards, which are relevant to the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, and the Group has not adopted them early:

- IFRS 16 Leases (effective 1 January 2019)
  In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases and related interpretations. The new standard will require lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The Group will adopt the standard for the fiscal year beginning as of 1 January 2019 adopting the modified retrospective approach. The anticipated impact of the new standard will result in an increase in the carrying value of leased assets of approximately CHF 185 million, with lease liabilities increased by a similar amount at the date of implementation. Currently reported operating lease expenses will be recorded as depreciation and interest expenses.
- IFRS 10 and IAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be defined)
- IFRIC 23 Uncertainty over income tax treatments (effective 1 January 2019)
- IAS 19 (Amendments) Plan Amendment, Curtailment or Settlement (effective 1 January 2019)

2.3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are stated below.

CONTINGENT CONSIDERATIONS

The Group has entered into several contingent consideration arrangements arising from business combinations. Those arrangements are structured either as deferred purchase price payments or as put options granted to non-controlling interests. The fair values of the financial liabilities arising from those arrangements are based on the expected payment amounts and are discounted to present value using a risk-adjusted rate. The significant unobservable inputs are the forecasted performance targets (sales and/or profitability measures) and the risk-adjusted discount rate. The sensitivity of the fair values to those unobservable inputs are disclosed in Note 31.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable or when an annual impairment test is required, which is applicable for goodwill and the brands with an indefinite useful life (Neodent, Medentika, Dental Wings, ClearCorrect, Createch).

When value-in-use calculations are undertaken, management has to estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

DEFERRED INCOME TAX ASSETS

In connection with the acquisition of the Brazilian company Neodent, the Group has capitalized deferred tax assets in the amount of CHF 46.3 million as of 31 December 2018 (2017: CHF 61.5 million). The deferred tax assets were generated through tax deductible goodwill and fair value step-ups stemming from mergers subsequent to Neodent's acquisition through fully owned subsidiaries of the Group. Based on ongoing internal and external evaluations, the Group judges the capitalization of the deferred taxes as appropriate. Nevertheless, the Brazilian tax authorities have challenged the legality of the tax deductibility of the statutory goodwill and intangible assets at the competent Brazilian Administrative Court of First Instance, which followed their arguments in its decision close to year-end. Neodent has appealed this decision to the Administrative Appeal Court. The Group is determined to take the case to the regular judicial courts should the decision of the tax authorities be upheld by the Administrative Appeal Court. An unfavorable decision by the judicial court is possible but considered unlikely by the Group at present. An unfavorable final verdict would affect the Group's financial statements in future years.

INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Management judgment is required in determining the worldwide liabilities for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. When the final tax outcome differs from the amounts that were initially recognized, the difference impacts current earnings. Details on tax-related provisions are disclosed in Note 17.

PENSION AND OTHER EMPLOYMENT BENEFITS

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee retirement benefit obligation at 31 December 2018 was CHF 59.2 million (2017: CHF 49.5 million). Further details are given in Note 21.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Swiss francs (CHF), which is Straumann Holding AG's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using this functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the balance sheet date. All differences are taken to profit or loss with the exception of differences arising on monetary items that in substance form part of an entity's net investment in a foreign operation. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into Swiss francs at the exchange rate on the balance sheet date, and their income statements are translated at the average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

A straight-line method of depreciation is applied over the estimated useful life. Estimated useful lives of major classes of depreciable assets are:

- Buildings: 20–30 years
- Plant, machinery and other equipment: 3–10 years

Land is not depreciated as it is deemed to have an indefinite life. Leasehold improvements are depreciated over the lease term including optional extension of the lease period but not exceeding its economic life.

An item of property, plant and equipment is derecognized when it is abandoned, removed or classified as 'held for sale'. For assets that are abandoned or removed, any remaining net carrying value is charged to profit or loss. The residual values, useful lives and methods of depreciation of assets are reviewed, and adjusted if appropriate, at the end of each financial year.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date, irrespective of any non-controlling interests. The excess of the costs of the acquisition above the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is initially measured at cost. If the costs of the acquisition are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use. Intangible assets acquired in a business combination are identified separately and recognized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

The amortization methods applied to the Group's intangible assets are summarized as follows:

	Customer relationships	Technology	Brands & trademarks	Development costs	Software
Useful life	Finite	Finite	Finite / infinite	Finite	Finite
Amortization method	Straight-line basis	Straight-line basis	Straight-line basis / none	Straight-line basis	Straight-line basis
Time period	Usually 7–10 years	Over estimated useful life but not exceeding 10 years	Usually 20 years / not applicable	Over period of expected sales from the related project but not exceeding 3 years	Over estimated useful life but not exceeding 5 years
Internally generated or acquired	Acquired	Acquired	Acquired	Internally generated / acquired	Acquired

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

RESEARCH AND DEVELOPMENT COSTS

Development expenditure on an individual project is recognized as an intangible asset if the Group can demonstrate:
– the technical feasibility of completing the intangible asset so that it will be available for use or sale
– its intention to complete the asset
– its ability to use or sell the asset
– how the asset will generate future economic profit
– the availability of resources to complete the asset
– the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost, less any accumulated amortization and accumulated impairment losses. The asset is amortized on a straight-line basis over the period of its expected benefit, starting from the date of full commercial use of the product in key markets. During the period of development, the asset is tested for impairment annually.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss in the expense categories consistent with the function of the impaired asset. For assets excluding goodwill and intangible assets with indefinite life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If there is such an indication, the Group makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets with indefinite life are tested annually for impairment or whenever there are impairment indicators. Impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill and intangible assets with indefinite life relate. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill and intangible assets with indefinite life on 30 November.

FINANCIAL ASSETS

The Group recognizes a financial asset on the trade date at which it becomes a party to the contractual obligations of the instrument. Financial assets are initially measured at fair value. Acquisition-related costs are to be included, unless the financial asset is measured at fair value in subsequent periods. The Group subsequently measures financial assets at either amortized cost or fair value.
The Group has the following categories of financial assets:
– financial assets measured at amortized cost
– financial assets measured at fair value through profit or loss
– financial assets measured at fair value through other comprehensive income ('OCI') (equity instruments)

FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:
– the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets other than those classified as measured at amortized cost are subsequently measured at fair value with all changes in fair value recognized in profit or loss.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI

For investments in equity instruments that are not held for trading, the Group elected at initial recognition to present gains and losses in other comprehensive income. Gains and losses are never reclassified to profit or loss and no impairments are recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss unless the dividend clearly represents a repayment of part of the cost of the investment.

FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. In the case of financial instruments for which there is no active market, fair value is determined using valuation techniques such as recent arm's length market transactions, the current market value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortised cost using the effective interest method less any impairment losses. Non-interest receivables are discounted by applying rates that match their maturity upon first-time recognition. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group assesses whether a financial asset or group of financial assets is impaired.

The Group recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Raw material costs are determined by using the weighted average cost method. The cost of finished goods and work in progress comprises direct materials and labor and a proportion of manufacturing overhead, valued at standard cost. Standard costs are regularly reviewed and, if necessary, revised to reflect current conditions.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Work in progress and finished goods are valued at manufacturing cost, including the cost of materials, labor and production overheads. Inventory write-downs are recorded in the case of slow-moving or obsolete stock.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand, and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of short-term bank overdrafts.

SHARE CAPITAL

The share capital of Straumann Holding AG consists of one class of registered shares with a par value of CHF 0.10 per share.

TREASURY SHARES

Equity instruments which are re-acquired by the Group (treasury shares) are deducted from equity and disclosed separately. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

PUT OPTIONS TO NON-CONTROLLING INTERESTS

It is common practice for the Group to write put options and acquire call options in connection with the remaining shares held by the non-controlling shareholders mainly as part of a business combination. If the Group has acquired a present ownership interest as part of a business combination, the present value of the redemption amount of the put option is recognized as a financial liability with any excess over the carrying amount of the non-controlling interest recognized as goodwill. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and therefore any excess arising should follow the accounting treatment as in a business combination. All subsequent changes in the redemption value of the financial liability are recognized in the income statement and no earnings are attributed to the non-controlling interest.

However, where the Group has not acquired a present ownership interest as part of a business combination, the non-controlling interest continues to receive an allocation of profit or loss and is reclassified as a financial liability at each reporting date as if the acquisition took place at that date. Any excess over the reclassified carrying amount of the non-controlling interest and all subsequent changes in the redemption value of the financial liability are recognized directly in retained earnings.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

FINANCIAL LIABILITIES

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated as 'at fair value through profit or loss'. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its risks associated with fluctuations in interest rates and foreign currencies. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative instruments that do not qualify for hedge accounting are classified as financial asset at fair value through profit or loss (if positive), or as financial liability at fair value through profit or loss (if negative). Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in profit or loss.

For the purpose of hedge accounting, hedges are classified as:
– fair value hedges – when hedging the exposure to changes in the fair value of a recognized asset, or liability, or an unrecognized firm commitment (except for foreign currency risk)
– cash flow hedges – when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
– hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time-value of money is material, provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

SHORT-TERM EMPLOYEE BENEFITS – BONUSES

As part of the annual compensation, most employees receive a bonus which depends on the course of business. The individual bonus is calculated by multiplying an individual base amount with a mix of financial, functional and individual target achievements which varies by hierarchical level and function. The bonus is usually settled in cash during the first quarter of the subsequent year.

The Group recognizes a liability and an expense for these bonuses based on calculations which adequately consider all these parameters.

SHARE-BASED COMPENSATION

The Board of Directors, Executive and Senior Management receive part of their remuneration in the form of share-based payment transactions, whereby these individuals render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions is measured with reference to the fair value at the date on which they are granted. The fair value is determined either based on observable market prices or by external valuation experts using an appropriate pricing model, further details of which are given in Note 20.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the Board of Directors, Executive and Senior Management become fully entitled to the award ('the vesting date').

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest. Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date of grant, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding performance share units (PSUs) and options is reflected as additional share dilution in the computation of earnings per share (Note 26).

Selected employees have the right to buy Straumann shares. The difference between the fair value at grant and the cash consideration paid by the employees is immediately recognized as personnel expense.

Conditional share capital was approved by the shareholders for an unlimited period for share-based compensation in 1998 and 2016. Non-employee shareholders are excluded from subscribing for these shares.

REVENUE RECOGNITION

Revenues on the sale of the Group's products and services are recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, generally at the point in time of shipment to, or receipt by, the customer, or when the services are performed.

The amount of revenue to be recognized is based on the consideration the Group expects to receive in exchange for its goods and services. If products are sold with a right of return and future returns can be reasonably estimated, a refund liability (included in 'Trade and other payables') and a right of return asset (included in 'Trade and other receivables') are recognized. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. This is applied to the amounts invoiced, also considering the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. The Group's obligation to provide a refund for faulty products under the warranty terms is recognized as a provision.

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from contracts with customers in the geographical regions disclosed in Note 5.

RELATED PARTIES

A party is related to an entity if: the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the Key Management Personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

TAXES

CURRENT INCOME TAX

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

DEFERRED INCOME TAX

Deferred income tax is determined using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

– where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
– in respect to taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forwards of unused tax credits and unused tax losses can be utilized, except:

– where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
– in respect to deductible temporary differences associated with investments in subsidiaries and associates. Deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the deferred income tax assets can be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply for the year in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set current income tax assets off against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

SALES TAXES

Revenues, expenses and assets are recognized net of the amount of sales tax, except:
– where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item
– in the case of receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognized in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 RECONCILIATION OF COMPARATIVE INFORMATION (FINALIZATION OF PURCHASE PRICE ALLOCATION CLEARCORRECT)

On 19 September 2017, the Group acquired ClearCorrect Holdings Inc. (hereafter referred to as 'ClearCorrect'). The purchase price allocation was disclosed on a provisional basis in the Group's annual financial statements for the year ended 31 December 2017. The purchase price allocation was finalized in the first half of 2018. The Group has adjusted the 2017 consolidated financial statements retrospectively from the acquisition date to year-end.

The restatement as of 19 September 2017 (change in fair values of the identifiable assets and liabilities acquired as disclosed in Note 4) and the subsequent effects (amortization and income tax effects) affected the full year 2017 consolidated financial statements as follows:

(in CHF 1 000)	After restatement	Before restatement	Change
Balance sheet (31 December 2017)			
Intangible assets:	647 774	629 178	18 596
Goodwill	406 404	438 253	(31 849)
Other intangible assets	241 371	190 925	50 446
Deferred income tax liabilities	(40 520)	(29 044)	(11 476)
Total equity	(1 077 044)	(1 069 924)	(7 120)
Income statement (2017)			
Distribution expense	(249 850)	(249 607)	(243)
Administrative expense	(310 683)	(310 579)	(104)
Income tax expense	(40 867)	(47 841)	6 974
Net profit	282 218	275 592	6 627
Statement of comperative income (2017)			
Exchange differences on translation of foreign operations	(28 387)	(28 880)	493
Other comperative income, net of tax	(5 013)	(5 506)	493
OTHER COMPERATIVE INCOME, NET OF TAX	277 206	270 086	7 120

SUBSEQUENT EFFECTS

The amortization charges for the identified intangible assets did not have a significant effect on the full year 2017 restated net profit. The change in US tax legislation (enacted in December 2017) has led to a subsequent revaluation of deferred income tax liabilities (which were recognized as part of the final purchase price allocation) and increased net profit by CHF 6.8 million. All revised comparative information is labeled as 'restated' throughout these consolidated financial statements.

4 BUSINESS COMBINATION

TRANSACTIONS IN 2018

ASM CONSULTANTS (PROPERTY) LIMITED

On 1 January 2018, the Group acquired 100% of the issued shares in ASM Consultants (Proprietary) Limited, the South African distributor of Straumann Group products. After the business combination, the company was renamed Straumann Group South Africa (PTY) Ltd. The fair value of the identifiable assets and liabilities on 1 January 2018 amounted to CHF -0.2 million and goodwill of CHF 1.8 million. Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how. The total consideration amounted to CHF 1.5 million, whereof CHF 0.9 million were satisfied by converting a loan into purchase price. The second consideration component depends on the course of business and is recognized as contingent consideration liability until settlement. At the date of the business combination, the fair value of the trade receivables equaled the gross contractual amount of CHF 0.2 million.

From the acquisition date, Straumann Group South Africa (PTY) Ltd had no material impact on the Group's revenues or net profit.

BATIGROUP

On 1 January 2018, the Group acquired a 70% stake in Batigroup Dental Diş Ürünleri Ticaret A.Ş ('Batigroup'). The company distributes Straumann Group and a number of third-party products in the Turkish market. Based on a call and put option agreement, the Group will gradually obtain the remaining 30% from the founding shareholder in three stages, which will be completed in 2021. As the Group has acquired a present ownership interest in the shares considering the equivalent terms of the call and put options, those shares are accounted for as acquired. At the balance sheet date, a financial liability of CHF 20.3 million is recognized in conjunction with the call and put option agreement.

The fair values of Batigroup's identifiable assets and liabilities on 1 January 2018 were:

(in CHF 1 000)	Fair Value
Assets	
Property, plant and equipment	321
Intangible assets:	
Customer relationships	7 030
Other intangible assets	7
Inventories	12 727
Trade and other receivables	9 056
Financial assets	6
Cash and cash equivalents	2 477
Total assets	31 626
Liabilities	
Financial liabilities	9 120
Deferred income tax liabilities	1 859
Trade and other payables	15 958
Total liabilities	26 936
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	4 689
Consideration satisfied in cash	905
Contingent consideration	18 604
Total consideration	19 509
GOODWILL	14 820
Cash flow	
Net cash acquired	2 477
Cash paid	(905)
NET CASH INFLOW	1 572

At the date of the business combination, the fair value of the trade receivables equaled the gross contractual amount of CHF 6.6 million.

Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how.

From the acquisition date, Batigroup contributed revenues of CHF 30.1 million with no material impact on net profit.

SAME DAY SOLUTIONS – PRODUTOS MEDICOS, LDA. (SDS)

On 1 March 2018, the Group acquired 100% of the issued shares of Same Day Solutions – produtos medicos LDA ('SDS'). SDS markets and sells competitor dental implants, biomaterials and whitening products in Portugal. SDS is also the local distributor for milling machines made by the Group's partner Amann Girrbach. The fair value of the identifiable assets and liabilities amounted to CHF 4.0 million and goodwill of CHF 7.2 million. Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how. The total consideration amounted to CHF 11.2 million, whereof CHF 8.0 million were immediately paid in cash. The second consideration component depends on the course of business and is recognized as contingent consideration liability until settlement. At the date of the business combination the fair value of the trade receivables equaled the gross contractual amount of CHF 1.0 million.

The business combination had no material impact on the Group's revenues or net profit, neither for the period from 1 March 2018 to 31 December 2018, nor when considering an inclusion of SDS as of 1 January 2018.

CREATECH

On 2 July 2018, the Group has increased its stake in the Spanish company Createch Medical L.L. and its subsidiaries ('Createch') from 30% to 100%. As a result, the Group obtained control and started to consolidate Createch in its financial statements from that date. Until 1 July 2018, Createch was accounted for using the 'equity method' and therefore the Group's share of its results was reported as 'Share of results of associates' in the Group's income statement.

Createch is specialized in the research, development and manufacture of high quality, innovative, implant-borne prosthetics. Its products, including CADCAM bridges, bars and abutments, are designed for a variety of implant systems and are sold mainly in Spain, Germany and other markets in Europe.

The fair values of Createch's identifiable assets and liabilities acquired were:

(in CHF 1 000)	Fair Value
Assets	
Land	749
Property, plant and equipment	7 112
Intangible assets:	
Brand	2 872
Technology	1 635
Other intangible assets	421
Deferred tax assets	1 655
Inventories	888
Trade and other receivables	1 440
Financial assets	1
Cash and cash equivalents	1 163
Total assets	17 936
Liabilities	
Financial liabilities	6 119
Deferred tax liabilities	1 446
Trade and other payables	1 099
Total liabilities	8 664
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	9 272
Fair value of previously held interest	5 833
Consideration satisfied in cash	13 609
Total consideration	19 442
GOODWILL	10 170
Cash flow	
Net cash acquired	1 163
Cash paid	(13 609)
NET CASH OUTFLOW	(12 446)

At the date of the business combination the fair value of the trade receivables amounted to CHF 1.4 million (gross contractual amount CHF 1.6 million).

Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how.

The Group recognized an overall gain of CHF 3.8 million as a result of derecognizing its 30% equity interest in Createch held before the business combination. The fair value of the 30% stake was CHF 5.8 million and the associate carrying amount was CHF 1.9 million on 2 July 2018. The gain resulting from the revaluation to fair value of the 30% equity instrument in Createch immediately before the business combination amounted to CHF 4.0 million. The related portion of translation losses of CHF 0.2 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

The business combination had no material impact on the Group's revenues or net profit, neither for the period from 2 July 2018 to 31 December 2018, nor when considering an inclusion of Createch as of 1 January 2018.

M.I.S. IMPLANTS CANADA INC.

On 8 November 2018, the Group acquired 100% of the issued shares of M.I.S. Implants Canada Inc ('M.I.S. Canada'). M.I.S. Canada markets and sells competitor dental implants in Canada. As part of the business combination, the Group recognized net assets of CHF 1.4 million, mainly representing customer relationships, and a workforce-related goodwill of CHF 1.2 million. The goodwill is deductible for tax purposes. The total consideration amounted to CHF 2.6 million, whereof CHF 1.7 million were immediately satisfied in cash. The second consideration component depends on the course of business and is recognized as contingent consideration liability until settlement.

The business combination had no material impact on the Group's revenues or net profit, neither for the period from 8 November 2018 to 31 December 2018, nor when considering an inclusion of M.I.S. Canada as of 1 January 2018.

T-PLUS IMPLANT TECH. CO. LTD.

On 9 November 2018, the Group increased its stake in the Taiwanese company T-Plus Implant Tech. Co. Ltd. ('T-Plus') from 48.60% to 58.06%. As a result, the Group obtained control and started to consolidate T-Plus in its financial statements from that date. Until 8 November 2018, T-Plus was accounted for using the 'equity method' and therefore the Group's share of its results was reported as 'Share of results of associates' in the Group's income statement.

T-Plus develops and manufactures attractively-priced dental-implant systems, which are sold mainly in Taiwan and China.

The net assets recognized as part of this acquisition, except of cash and cash equivalents, are provisional, as the purchase price allocation has not been completed by the date of approval of these financial statements by the Board of Directors. The provisional fair value of the identifiable assets and liabilities amounted to CHF 8.0 million and goodwill of CHF 4.6 million. The total consideration amounted to CHF 12.6 million, comprising the fair value of the previously held interest of CHF 7.3 million, CHF 1.9 million satisfied in cash and CHF 3.4 million of 41.94% non-controlling interests (measured on the basis of the proportionate fair value of the identifiable net assets).

The Group recognized an overall gain of CHF 6.9 million as a result of derecognizing its 48.60% equity interest in T-Plus held before the business combination. The fair value of the 48.60% stake was CHF 7.3 million and the associate carrying amount was CHF 0.2 million on 9 November 2018. The gain resulting from the revaluation to fair value of the 48.60% equity instrument in T-Plus immediately before the business combination amounted to CHF 7.1 million. The related portion of translation losses of CHF 0.2 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

The business combination had no material impact on the Group's revenues or net profit, neither for the period from 9 November 2018 to 31 December 2018, nor when considering an inclusion of T-Plus as of 1 January 2018.

TRANSACTIONS IN 2017

MEDENTIKA

The Group signed a new shareholder agreement with the founding shareholders of Medentika GmbH to obtain control over the company as of 1 January 2017. The agreement enables the Group to direct all relevant activities of Medentika GmbH with an unchanged participation of 51%.

Based on a spin-off agreement in 2015, Medentika GmbH transferred its German distribution business into Instradent Deutschland GmbH, in which the Group held a 51% non-controlling stake. When the Group obtained control over Medentika GmbH, it acquired the remaining 49% stake in Instradent Deutschland GmbH for a cash consideration of CHF 1.8 million.

To reflect the underlying economic and commercial circumstances, the Group considered the simultaneous transactions jointly as a single business combination (hereafter referred to as 'Medentika'). As a result of obtaining control, the Group has consolidated Medentika in its 2017 financial statements, based on the current ownership interests in the respective Medentika entities.

The Group recognized an overall gain of CHF 25.0 million as a result of derecognizing its 51% equity interest in Medentika held before the business combination. The fair value of the 51% stake in Medentika was CHF 63.5 million and the associate carrying amount was CHF 33.7 million on 1 January 2017. The gain resulting from the revaluation to fair value of the 51% equity instrument in Medentika immediately before the deemed acquisiion amounted to CHF 29.8 million. The related portion of translation losses of CHF 4.8 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

The fair value of the identifiable assets and liabilities amounted to CHF 45.2 million and goodwill of CHF 41.9 million. The total consideration amounted to CHF 87.1 million, comprising the fair value of the 51% stake at CHF 63.5 million, CHF 1.8 million satisfied in cash for the acquisition of Instradent Deutschland GmbH's shares and CHF 21.9 million of 49% non-controlling interests (measured on the basis of the proportionate fair value of the identifiable net assets).

In connection with the modification of the shareholder agreement, the Group has written put options granting the holders of the 49% non-controlling interests the right to sell their remaining shares to the Group. The options are exercisable in certain windows from 2020 to 2022 and may be exercised either in respect to the founding shareholder's entire interests or in instalments. As the Group has not acquired a present ownership interest at reporting date, the non-controlling interests of CHF 27.0 million and retained earnings of CHF 26.3 million have been reclassified to financial liabilities, representing the present value of the estimated redemption value by the Group in the event of full exercise of the rights held by the founding shareholders.

CLEARCORRECT

On 19 September 2017, the Group acquired ClearCorrect, a well-established provider of clear-aligner tooth-correction solutions based in Round Rock, USA. The PPA was finalized in the first half of 2018, leading to the following changes in the fair value of the identified assets and liabilities acquired on 19 September 2017:

(in CHF 1 000)	Fair Value (restated)	Fair Value (provisional)	Change
Property, plant and equipment	6 623	6 623	0
Intangible assets:			
Brand	33 169	0	33 169
Technology	10 580	0	10 580
Customer relationships	9 583	0	9 583
Other intangible assets	1 223	4 015	(2 792)
Inventories	588	588	0
Trade and other receivables	30 740	30 740	0
Deferred income tax assets	15 341	15 341	0
Cash and cash equivalents	5 875	5 875	0
Total assets	113 721	63 182	50 539
Financial liabilities	(2 306)	(2 306)	0
Provisions	(4 853)	(4 853)	0
Deferred income tax liabilities	(18 295)	0	(18 295)
Trade and other payables	(39 988)	(39 988)	0
Total liabilities	(65 442)	(47 147)	(18 295)
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	48 280	16 035	32 245
Consideration satisfied in cash	(146 077)	(146 077)	0
Total consideration	(146 077)	(146 077)	0
GOODWILL	97 798	130 042	(32 245)
Cash flow			
Net cash acquired	5 875	5 875	0
Cash paid	(146 077)	(146 077)	0
NET CASH OUTFLOW	(140 202)	(140 202)	0

DENTALWINGS

On 1 October 2017, the Group increased its stake in Dental Wings Inc. from 55% to 100%. As a result, the Group obtained control and started to consolidate Dental Wings in its financial statements from that date. Until 30 September 2017, Dental Wings was accounted for using the 'equity method' and therefore the Group's share of its results was reported as 'Share of results of associates' in the Group's income statement.

The fair value of the identifiable assets and liabilities amounted to CHF 28.2 million and goodwill of CHF 58.7 million. The total consideration amounted to CHF 86.9 million, comprising the fair value of the previously held interest of CHF 47.8 million and CHF 39.1 million satisfied in cash.

The Group recognized an overall gain of CHF 43.9 million as a result of derecognizing its 55% equity interest in Dental Wings held before the business combination. The fair value of the 55% stake was CHF 47.8 million and the associate carrying amount was CHF 2.8 million on 1 October 2017. The gain resulting from the revaluation to fair value of the 55% equity instrument in Dental Wings immediately before the business combination amounted to CHF 45.0 million. The related portion of translation losses of CHF 1.1 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

LOOP

On 3 November 2017, the Group acquired Loop Digital Solutions LLC. Loop (based in Lincoln, USA) develops a software that facilitates the referral management process by connecting surgeons, general practitioners and dental laboratories. As part of the business combination, the Group recognized an intangible asset of CHF 0.5 million representing the software development and a workforce-related goodwill of CHF 3.2 million. The goodwill is deductible for tax purposes. The total consideration amounted to CHF 3.7 million, whereof CHF 0.7 million were immediately satisfied in cash. The second consideration component depends on the course of business and is recognized as contingent consideration liability until settlement.

5 OPERATING SEGMENTS

Operating segments requiring to be reported are determined on the basis of the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as the internal financial reporting to the Chief Operating Decision Maker (CODM), which has been identified as the Executive Management Board (EMB). The EMB is responsible for the operational management of the Group, in line with the instructions issued by the Board of Directors. It is also responsible for global strategy and stakeholder management.

The reporting segments are presented in a manner consistent with the internal reporting to the CODM. The centralized headquarter support functions (e.g. finance, information technology, human resources) as well as the functions 'Customer Solutions & Education' and 'Research & Development' are not operating segments, as they do not earn separate revenues. These functions are grouped in the column 'Not allocated items'.

SALES EUROPE

'Sales Europe' comprises the Group's distribution businesses in Europe. It also includes Medentika's distribution business and its manufacturing plant in Germany (which produces implants and prosthetic components), the implant-borne prosthetics business of Createch as well as Dental Wing's distribution business in Europe. It includes segment-related management functions located inside and outside Switzerland.

SALES DISTRIBUTOR & EMERGING MARKETS EMEA

'Sales Distributor & Emerging Markets EMEA' comprises the Group's distribution businesses mainly in Turkey and Russia, as well as the business with European, African and Middle Eastern distributors. It further incorporates the distribution business of Anthogyr implants and prosthetic components in Russia. It includes segment-related management functions located inside and outside Switzerland.

SALES NAM

'Sales NAM' comprises the Group's distribution businesses in the United States and Canada. It also includes ClearCorrect's clear-aligner business and its associated development and production activities in the United States. The segment also incorporates Dental Wing's distribution business in the United States and Canada, as well as its associated development and production activities in Canada. It includes segment-related management functions located inside and outside Switzerland.

SALES APAC

'Sales APAC' comprises the Group's distribution businesses in the Asia pacific region, as well as the business with Asian distributors. It further incorporates the distribution business of Anthogyr implants and prosthetic components in China and the Equinox implants in India and the business of the recently acquired T-Plus, a Taiwanese company that develops and manufactures dental-implant systems with distribution channels in Taiwan and China. It further contains Equinox's manufacturing plant in India (which produces implants and prosthetic components). It includes segment-related management functions located inside and outside Switzerland.

SALES LATAM

'Sales LATAM' comprises the Group's distribution businesses in Middle and South America as well as the business with Latin American distributors. It also includes Neodent's distribution business in Brazil, as well as Neodent's business with Latin American distributors. It contains Neodent's manufacturing plant in Brazil (which produces implants, biomaterials and CADCAM products). It includes segment-related management functions located inside and outside Switzerland.

OPERATIONS

'Operations' acts as the principal towards all distribution businesses of the Group. It includes the global manufacturing network i.e. the manufacturing plants, production of implants, biomaterials and CADCAM products as well as all corporate logistics functions. It does not include the manufacturing sites of Neodent, Equinox, Medentika, ClearCorrect, Dental Wings, Createch and T-Plus.

INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

2018

(in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not allocated items	Eliminations	Group
Revenue third party	487 206	100 406	401 645	246 212	128 091	0	0	0	1 363 560
Revenue inter-segment	27 669	0	5 517	1 157	20 137	642 922	0	(697 402)	0
Total revenue	514 875	100 406	407 162	247 369	148 228	642 922	0	(697 402)	1 363 560
Depreciation & amortization	(6 346)	(860)	(11 225)	(2 092)	(13 001)	(12 924)	(5 919)	0	(52 367)
Other expenses / income	(469 220)	(75 907)	(389 370)	(233 459)	(110 960)	(233 479)	(143 003)	686 840	(968 558)
Operating profit	39 309	23 639	6 567	11 818	24 267	396 519	(148 922)	(10 562)	342 635
Finance income and expense									(16 950)
Gain on consolidation of former associates									10 725
Share of profit of associates									(9 984)
Income tax expense									(48 639)
NET PROFIT									277 787
Segment assets	268 584	53 913	373 742	91 234	345 743	329 730	30 527	(119 735)	1 373 738
Unallocated assets, thereof:									
Cash and cash equivalents									278 674
Deferred income tax assets									70 066
Financial assets									35 989
Investments in associates									106 102
GROUP									1 864 569
Segment liabilities	93 663	23 614	100 949	54 684	19 861	94 073	87 106	(111 794)	362 156
Unallocated liabilities, thereof:									
Deferred income tax liabilities									36 211
Straight bond									199 862
Financial liabilities									62 020
GROUP									660 249
Addition in non-current assets	6 775	446	11 913	2 412	37 267	37 532			96 345

Transactions between the segments are eliminated in the course of consolidation and the eliminated amounts are shown in 'Eliminations'. The remaining operating profit under 'Eliminations' represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

'Addition in non-current assets' consists of additions of property, plant and equipment and intangible assets.

2017

(in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not allo-cated items	Eliminations	Group (restated)
Revenue third party	429 427	57 066	315 306	188 848	121 455	0	0	0	1 112 102
Revenue inter-segment	28 706	0	3 427	210	14 551	503 943	0	(550 836)	0
Total revenue	458 133	57 066	318 733	189 058	136 006	503 943	0	(550 836)	1 112 102
Depreciation & amortization	(4 736)	(117)	(3 230)	(1 752)	(12 390)	(12 790)	(5 243)	0	(40 258)
Other expenses / income	(446 498)	(39 078)	(297 705)	(177 241)	(104 077)	(149 583)	(101 315)	526 937	(788 560)
Operating profit	6 900	17 870	17 798	10 064	19 539	341 571	(106 559)	(23 899)	283 284
Finance income and expense									(19 327)
Gain on consolidation of former associates									68 867
Share of profit of associates									(9 739)
Income tax expense									(40 867)
NET PROFIT									282 218
Segment assets	253 960	17 123	337 158	84 234	342 990	318 340	30 945	(155 897)	1 228 854
Unallocated assets, thereof:									
Cash and cash equivalents									281 816
Deferred income tax assets									90 743
Financial assets									29 615
Investments in associates									65 939
GROUP									1 696 968
Segment liabilities	76 811	4 199	82 527	41 397	32 070	105 428	71 887	(93 504)	320 815
Unallocated liabilities, thereof:									
Deferred income tax liabilities									40 520
Straight bond									199 746
Financial liabilities									58 843
GROUP									619 924
Addition in non-current assets	5 252	286	2 884	1 116	24 010	30 454			64 002

NON-CURRENT ASSETS PER LOCATION

(in CHF 1 000)	2018	2017 (restated)
Switzerland	133 978	107 905
Brazil	228 416	243 909
United States of America	199 551	192 069
Germany	173 804	136 815
Other	253 002	207 260
GROUP	988 751	887 957

Non-current assets include property, plant and equipment, investments in associates and intangible assets.

REVENUES WITH EXTERNAL PARTIES

(in CHF 1 000)	2018	2017
PER PRODUCT CATEGORY		
Implant Solutions	789 933	676 179
Restorative Solutions	380 597	328 717
Other	193 030	107 205
GROUP	1 363 560	1 112 102
PER LOCATION OF CUSTOMER		
Switzerland	31 161	30 342
United States of America	364 678	280 704
Germany	170 125	154 399
Brazil	110 324	126 990
Other	687 362	519 667
GROUP	1 363 650	1 112 102

- The product category ‘Implant Solutions’ comprises primarily implants and related instruments
- The product category ‘Restorative Solutions’ comprises abutments and related parts as well as milling elements
- ‘Other’ comprises scanner hardware, software licenses, orthodontics, biomaterials, customer training and other miscellaneous products.

Revenues are allocated to countries based on the location of customers. The Group has a diverse and geographically widely spread customer base. No single customer accounts for 10% or more of total Group revenues.

6 PROPERTY, PLANT AND EQUIPMENT

2018

(in CHF 1 000)	Land	Buildings	Plant and machinery	Other	Total
COST					
At 1 January	8 913	124 020	240 462	117 790	491 185
Change in consolidation scope (Note 4)	749	2 539	5 213	538	9 038
Additions	9 509	16 902	46 004	20 508	92 922
Disposals	0	(717)	(3 654)	(4 217)	(8 588)
Reclassifications	0	0	(4 338)	0	(4 338)
Currency translation adjustments	(1 503)	(1 948)	(5 536)	(3 195)	(12 181)
At 31 December	17 668	140 795	278 151	131 424	568 037
ACCUMULATED DEPRECIATION					
At 1 January	0	(85 552)	(143 757)	(87 633)	(316 942)
Depreciation charge (Note 23)	0	(4 504)	(14 584)	(10 872)	(29 960)
Disposals	0	611	1 978	3 304	5 894
Currency translation adjustments	0	295	1 482	1 400	3 177
At 31 December	0	(89 149)	(154 881)	(93 801)	(337 831)
NET BOOK VALUE	17 668	51 645	123 270	37 623	230 206

2017

(in CHF 1 000)	Land	Buildings	Plant and machinery	Other	Total
COST					
At 1 January	8 445	115 169	191 987	101 976	417 579
Change in consolidation scope (Note 4)	134	642	9 529	2 723	13 028
Additions	248	8 928	42 468	14 909	66 554
Disposals	(2)	(434)	(2 842)	(4 998)	(8 276)
Reclassifications	0	0	0	1 623	1 623
Currency translation adjustments	87	(285)	(681)	1 557	677
At 31 December	8 913	124 020	240 462	117 790	491 185
ACCUMULATED DEPRECIATION					
At 1 January	0	(81 718)	(133 878)	(82 662)	(298 259)
Depreciation charge (Note 23)	0	(4 069)	(12 183)	(8 723)	(24 975)
Disposals	0	213	2 281	4 791	7 286
Currency translation adjustments	0	22	22	(1 038)	(994)
At 31 December	0	(85 552)	(143 757)	(87 633)	(316 942)
NET BOOK VALUE	8 913	38 468	96 705	30 157	174 243

In 2018, the net book value of assets under finance lease that are included in property, plant and equipment - amounted to CHF 3.0 million (2017: CHF 2.5 million). Repair and maintenance expenses for property, plant and equipment for the business year 2018 amounted to CHF 6.1 million (2017: CHF 6.5 million).

7 INTANGIBLE ASSETS

2018

(in CHF 1 000)	Goodwill	Brands	Customer relation-ships	Technology	Other intangibles	Total
COST						
At 1 January	529 567	116 426	162 778	68 595	81 099	958 465
Change in consolidation scope (Note 4)	39 817	2 872	8 109	1 635	4 455	56 889
Additions	0	0	521	0	16 290	16 811
Disposals	0	0	0	0	(1 242)	(1 242)
Currency translation adjustments	(33 374)	(8 534)	(8 737)	(3 747)	251	(54 141)
At 31 December	536 010	110 764	162 671	66 483	100 854	976 781
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
At 1 January	(123 163)	(1 359)	(104 472)	(17 313)	(64 384)	(310 691)
Amortization charge (Note 23)	0	(83)	(10 069)	(6 152)	(6 103)	(22 407)
Disposals	0	0	0	0	1 211	1 211
Currency translation adjustments	4 439	113	2 339	170	487	7 548
At 31 December	(118 724)	(1 329)	(112 202)	(23 295)	(68 789)	(324 339)
NET BOOK VALUE	417 286	109 435	50 469	43 188	32 065	652 443

2017

(in CHF 1 000)	Goodwill	Brands	Customer relation-ships	Technology	Other intangibles	Total (restated)
COST						
At 1 January	323 787	59 883	127 899	16 133	96 327	624 029
Changes in scope of consolidation (Note 4)	201 512	56 787	29 050	51 521	1 873	340 743
Additions	0	0	0	1 004	5 845	6 849
Disposals	0	0	0	0	(23 809)	(23 809)
Currency translation adjustments	4 268	(244)	5 829	(63)	863	10 653
At 31 December	529 567	116 426	162 778	68 595	81 099	958 465
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
At 1 January	(116 066)	(1 226)	(94 150)	(15 254)	(83 306)	(310 002)
Amortization charge (Note 23)	0	(130)	(8 963)	(2 025)	(4 166)	(15 284)
Disposals	0	0	0	0	23 710	23 710
Currency translation adjustments	(7 097)	(3)	(1 359)	(34)	(622)	(9 115)
At 31 December	(123 163)	(1 359)	(104 472)	(17 313)	(64 384)	(310 691)
NET BOOK VALUE	406 404	115 067	58 306	51 282	16 715	647 774

Management assessed that the acquired brands Neodent, Medentika, ClearCorrect, Dental Wings and Createch have an indefinite useful life. The Group supports the brand's values through the internationalization of their commercial usage. 'Other intangibles' include mainly software, development costs and distribution rights.

IMPAIRMENT TEST FOR GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

Goodwill and indefinite life intangible assets are allocated to cash-generating units (CGU) for the purpose of impairment testing. A summary of goodwill and indefinite life intangibles allocation per CGU is presented below:

(in CHF 1 000)	2018		2017 (restated)	
	Goodwill	Brand with indefinite life	Goodwill	Brand with indefinite life
Neodent Business	99 378	47 730	115 327	55 390
ClearCorrect Business	99 220	33 681	98 193	33 333
Global Premium Implant Business	67 391	0	59 400	0
Dental Wings Business	54 394	4 329	58 448	4 652
Medentika Business	43 943	19 878	45 540	20 600
Other	52 960	2 798	29 496	0
TOTAL	417 286	108 416	406 404	113 975

NEODENT BUSINESS

The CGU 'Neodent Business' (which is part of the operating segment 'Sales LATAM') contains the manufacturing plant for Neodent products, the related sales activities in the Brazilian market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Neodent brand have been recognized as part of the acquisition of Neodent in 2015.

CLEARCORRECT BUSINESS

The CGU 'ClearCorrect Business' (which is part of the operating segment 'Sales NAM') contains the manufacturing plant and the related sales activities for ClearCorrect products. The goodwill and the ClearCorrect brand have been recognized as part of the acquisition of ClearCorrect in 2017.

GLOBAL PREMIUM IMPLANT BUSINESS

The CGU 'Global Premium Implant Business' (which is part of the operating segment 'Operations') is the principal towards all distribution businesses of the Group for premium implant and restorative solutions and contains the goodwill allocated to the principal recognized as part of the following acquisitions:

- Straumann Italia srl, Italy
- Straumann Japan KK, Japan
- Manohay Dental SA, Spain
- Straumann Danmark ApS, Denmark
- Straumann LLC, Russia
- Batigroup Dental Diș Ürünleri Ticaret A.Ș, Turkey
- Straumann Group South Africa (PTY) Ltd, South Africa.

DENTAL WINGS BUSINESS

The CGU 'Dental Wings Business' (which is part of the operating segment 'Sales NAM') contains the manufacturing operations for Dental Wings products, the related sales activities with third party distributors as well as the export business towards the Group's distribution principal. Both the goodwill and the Dental Wings brand have been recognized as part of the acquisition of Dental Wings in 2017.

MEDENTIKA BUSINESS

The CGU 'Medentika Business' (which is part of the operating segment 'Sales Europe') contains the manufacturing plant for Medentika products, the related sales activities in the German market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Medentika brand have been recognized as part of the acquisition of Medentika in 2017.

Goodwill and indefinite life intangibles have been tested for impairment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the dental implant, restoration and tissue regeneration sector.

Key assumptions for the most material CGU's are as follows:

(in %)	2018	2017
CLEARCORRECT BUSINESS		
Gross profit margin of the CGU[1]	71.7	73.9
Terminal growth rate[2]	2.0	2.0
Weighted average cost of capital (WACC)[3]	12.7	12.6
NEODENT BUSINESS		
Gross profit margin of the CGU[1]	74.4	71.4
Terminal growth rate[2]	4.6	4.6
Weighted average cost of capital (WACC)[3]	13.9	17.4
GLOBAL PREMIUM IMPLANT BUSINESS		
Gross profit margin of the CGU[1]	66.7	68.8
Terminal growth rate[2]	1.5	1.5
Weighted average cost of capital (WACC)[3]	8.4	8.5
DENTAL WINGS BUSINESS		
Gross profit margin of the CGU[1]	61.2	68.2
Terminal growth rate[2]	2.0	2.0
Weighted average cost of capital (WACC)[3]	16.3	20.5
MEDENTIKA BUSINESS		
Gross profit margin of the CGU[1]	61.0	61.9
Terminal growth rate[2]	1.5	1.5
Weighted average cost of capital (WACC)[3]	12.4	13.2

1 Budgeted gross profit margin.
2 Used for calculating the terminal value.
3 Pre-tax discount rate applied to the cash flow projections.

Gross profit margin was determined by Management based on past performance and its expectations for market development. The WACCs used are pre-tax and reflect specific risks relating to the relevant CGUs.

Based on the impairment tests conducted, no impairments were recognized during the periods under review.

IMPAIRMENT TEST FOR FINITE LIFE INTANGIBLE ASSETS

No impairment has been recognized in the periods under review.

8 INVESTMENTS IN ASSOCIATES

The Group has investments which are accounted for as associated companies. In 2018, the Group invested in some additional associated companies, notably botiss medical AG, a leading provider of biomaterials for oral surgery, based in Berlin, Germany.

From a Group perspective, the associates botiss medical AG, Berlin, Germany; Rapid Shape GmbH, Heimsheim, Germany; and Anthogyr SAS, Sallanches, France are material at the reporting date.

(in CHF 1 000)	2018		2017	
	Balance sheet value	Net income statement effect	Balance sheet value	Net income statement effect
botiss medical AG, Germany	44 663	369	0	0
Anthogyr SAS, France	13 590	52	14 004	(585)
Rapid Shape GmbH, Germany	22 328	112	23 026	(113)
Others	25 521	(10 517)	28 909	(9 041)
TOTAL	106 102	(9 984)	65 939	(9 739)

BOTISS MEDICAL AG

botiss medical AG is a leading international supplier of oral tissue regeneration products. It is a private entity that is not listed on any public exchange. The Group has an interest of 30% in the entity. Management has assessed the level of influence that the Group has on botiss medical AG and determined that it has significant influence and therefore applies the equity method of accounting.

RAPID SHAPE GMBH

Rapid Shape GmbH, specializes in the development and manufacture of high-end 3D-printing systems for additive manufacturing. It is a private entity that is not listed on any public exchange. The Group has an interest of 35% in the entity. Management has assessed the level of influence that the Group has on Rapid Shape GmbH and determined that it has significant influence and therefore applies the equity method of accounting.

ANTHOGYR SAS

Anthogyr SAS manufactures implants. It is a private entity that is not listed on any public exchange. The Group has an interest of 30% in the entity. Management has assessed the level of influence that the Group has on Anthogyr SAS and determined that it has significant influence and therefore applies the equity method of accounting.

The tables below provide summarized financial information for botiss medical AG, Rapid Shape GmbH and Anthogyr SAS. The information disclosed reflects the amounts presented in the financial statements of these companies, and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

(in CHF 1 000)	2018			2017	
	botiss medical AG	Rapid Shape GmbH	Anthogyr SAS	Rapid Shape GmbH	Anthogyr SAS
Current assets	23 238	6 457	24 944	6 090	19 956
Non-current assets	43 069	14 711	29 591	16 823	35 141
Current liabilities	(7 147)	(2 384)	(14 788)	(3 573)	(8 819)
Non-current liabilities	(9 505)	(4 699)	(16 795)	(5 068)	(22 759)
Net assets	49 655	14 085	22 951	14 272	23 519
RECONCILIATION TO CARRYING AMOUNT:					
Opening net assets	49 719	14 272	23 519	14 327	25 407
Result for the period	1 228	320	173	(322)	(1 951)
Other comprehensive income	22	0	902	0	(1 401)
Dividends declared	0	0	(814)	0	(654)
Currency translation adjustments	(1 314)	(507)	(829)	267	2 118
Closing net assets at 31 December	49 655	14 085	22 951	14 272	23 519
Group share's in %	30.0	35.0	30.0	35.0	30.0
Group share's in CHF	14 897	4 930	6 885	4 995	7 056
Goodwill	30 557	17 682	6 486	17 682	6 486
Currency translation adjustments on goodwill	(791)	(283)	218	349	462
CARRYING AMOUNT	44 663	22 328	13 590	23 026	14 004

Summarized comprehensive income statements of botiss medical AG, Rapid Shape GmbH and Anthogyr SAS for the period, where the Group has significant influence:

(in CHF 1 000)	2018			2017	
	botiss medical AG	Rapid Shape GmbH	Anthogyr SAS	Rapid Shape GmbH	Anthogyr SAS
Revenue	11 431	15 752	57 788	3 161	50 949
Result from continuing operations	1 228	320	173	(322)	(1 951)
PROFIT FOR THE PERIOD	1 228	320	173	(322)	(1 951)
Other comprehensive income	51	0	902	0	(1 401)
TOTAL COMPREHENSIVE INCOME	1 279	320	1 075	(322)	(3 352)

OTHER INVESTMENTS:

In addition to the investments in botiss medical AG, Rapid Shape GmbH and Anthogyr SAS disclosed above, the Group also has investments in other associates that are accounted for using the equity method. Considered individually they are immaterial for the presentation of the Group's financial statements.

The following table shows aggregated financial information about these other investments in associates:

(in CHF 1 000)	2018	2017
Aggregate carrying amount of individually immaterial associates	25 521	28 909
AGGREGATE AMOUNT OF GROUP'S SHARE OF:		
Result from continuing operations	(2 829)	(9 041)
Impairment charges	(7 688)	0
PROFIT FOR THE PERIOD	(10 517)	(9 041)

The investment in RODO Medical, Inc. (USA) has been impaired and an expense of CHF 7.7 million has been recognized within 'Share of results of associates'. The impairment is caused due to the delay in the development and commercialization of the company's prosthetic-retention system. In 2017, no impairment has been recognized for investments in associates.

9 FINANCIAL ASSETS

(in CHF 1 000)	2018	2017
Financial assets at fair value through profit or loss	351	351
Financial assets at fair value through other comprehensive income	13 413	14 669
Loans and other receivables	21 143	11 923
TOTAL NON-CURRENT FINANCIAL ASSETS	34 907	26 943
Financial assets at fair value through profit or loss	1 079	1 149
Loans and other receivables	3	1 523
TOTAL CURRENT FINANCIAL ASSETS	1 082	2 672

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category mainly includes derivative financial instruments used by the Group to hedge its foreign currency risk.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income represent equity instruments in the medical device sector and an investment in a fund. The Group did not recognize any dividend income relating to these instruments during the periods under review.

LOANS AND OTHER RECEIVABLES

This position includes various non-derivative financial assets carried at amortized cost which generate variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties. The increase in 2018 mainly relates to a non-current loan granted to an associate.

10 INVENTORIES

(in CHF 1 000)	2018	2017
Raw materials and supplies	30 124	22 860
Work in progress	36 504	31 447
Finished goods	115 425	97 840
TOTAL INVENTORIES	182 053	152 146
Inventories recognized as an expense in ‘Cost of goods sold’	(306 374)	(231 784)
Obsolete inventories written down and recognized as an expense	(3 650)	(1 468)

The Group performed an analysis of its product lines to investigate whether the average price at which they were sold was below the current consolidated stock value. In both periods under review, no write-down to the net realizable value had to be conducted. No reversal of the net realizable value write-down emerged in 2018 and 2017.

11 TRADE AND OTHER RECEIVABLES

(in CHF 1 000)	2018	2017
Trade receivables, net	231 301	191 868
Other receivables, thereof:	64 729	51 652
Sales related	23 514	22 606
VAT and other non-income taxes	33 881	22 879
Salary and social security prepayments	2 226	1 589
Cash deposits	1 164	976
Right of return asset	973	0
Prepaid rent	713	761
Dividend receivable from associates	542	0
Interest	83	797
Other	1 633	2 043
TOTAL TRADE AND OTHER RECEIVABLES	296 030	243 520
thereof: financial assets as defined by IFRS 7	19 656	25 140
thereof:		
CHF	4 322	5 046
EUR	79 967	83 682
USD	69 528	59 269
BRL	49 603	44 019
CNY	24 981	12 077
TRY	14 649	0
GBP	8 074	7 544
Other	44 906	31 883

Trade receivables are non-interest bearing. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers who are dispersed internationally.
Movements in the provision for impairment of trade receivables were as follows:

(in CHF 1 000)	2018	2017
At 1 January	(51 261)	(23 451)
Change in consolidation scope	0	(363)
Charge for the year	(432)	(32 204)
Utilized	5 817	1 816
Unused amounts reversed	9 626	2 790
Currency translation adjustments	762	150
AT 31 DECEMBER	(35 489)	(51 261)

The charge for the year in 2017 is mainly related to the business expansion and increased default risks in certain distributor markets. The continuing reassessment in 2018 led to a partial reversal of the provision. The utilization emerged in 2018 mainly relates to discontinued business relationships.

There is no provision on other receivables.

The analysis of overdue trade receivables is as follows:

(in CHF 1 000)	2018		2017	
	Gross	Allowance	Gross	Allowance
Not past due	204 206	(517)	181 559	(962)
Past due, thereof:	62 584	(34 972)	61 570	(50 299)
< 30 days	21 131	(2 007)	16 738	(7 997)
31–60 days	9 079	(4 292)	11 485	(9 936)
61–90 days	6 429	(4 678)	4 840	(4 222)
91–120 days	3 950	(2 962)	3 457	(3 211)
> 120 days	21 994	(21 032)	25 050	(24 933)
TOTAL	266 790	(35 489)	243 129	(51 261)

12 CASH AND CASH EQUIVALENTS

(in CHF 1 000)	2018	2017
Cash at banks and on hand, thereof:	268 252	271 630
CHF	201 161	225 042
CNY	8 074	5 286
EUR	30 338	17 510
INR	1 273	4 871
JPY	2 186	819
SEK	2 047	351
USD	10 803	9 979
Other	12 370	7 773
Short-term bank deposits, thereof:	10 422	10 186
BRL	6 455	9 073
GBP	445	874
TRY	2 287	0
Other	1 236	240
TOTAL CASH AND CASH EQUIVALENTS	278 674	281 816

Cash at banks earns interest at floating rates based on daily bank deposit rates in the respective currency.

13 SHARE CAPITAL

The share capital is represented by 15 878 984 issued shares (2017: 15 878 984) of CHF 0.10 par value, fully paid in.

The conditional share capital was approved for an unlimited period at an extraordinary Annual General Meeting in 1998 for use in equity participation plans for employees and management, and was increased in 2016. As of 31 December 2018 the conditional share capital amounted to CHF 28 395.50 (2017: CHF 28 395.50).

Treasury shares are valued at weighted average cost and have been deducted from equity. The fair value of the treasury shares at 31 December 2018 amounted to CHF 28.1 million (2017: CHF 45.4 million).

As of 31 December 2018 the number of outstanding shares amounted to 15 833 441 (2017: 15 813 002) and the number of treasury shares to 45 543 (2017: 65 982). In 2017, treasury shares were sold through an accelerated book-building offer to finance the strategic acquisitions/investments in the fields of orthodontics (ClearCorrect) and digital dentistry (Dental Wings, Rapid Shape).

The number of shares outstanding developed as follows:

	2018	2017
At 1 January	15 813 002	15 326 815
Treasury shares		
Purchased	(6 724)	(11 039)
Used	27 163	497 226
AT 31 DECEMBER	15 833 441	15 813 002

14 STRAIGHT BOND

The Group launched and fully placed an inaugural CHF-denominated domestic straight bond issue for an aggregate amount of CHF 200 million with issue date 30 April 2013 and interest rate of 1.625% p.a., payable annually in arrears on 30 April. The maturity date of the bond is 30 April 2020 with redemption at par. Denominations of the bond are CHF 5 000 nominal and multiples thereof.

The bond has been admitted to trading on the SIX Swiss Exchange with effect from 26 April 2013 until 27 April 2020 and listed in accordance with the Standard for Bonds on the SIX Swiss Exchange.
The interest-bearing borrowings recognized in the financial position are calculated as follows:

(in CHF 1 000)	2018	2017
Straight bond at 1 January	199 746	199 632
Interest expense	3 386	3 384
Redemption	(3 270)	(3 270)
thereof:		
Recognized in trade and other payables (Note 18)	(2 180)	(2 180)
Disbursement	(1 090)	(1 090)
STRAIGHT BOND AT 31 DECEMBER	199 862	199 746

15 FINANCIAL LIABILITIES

(in CHF 1 000)	2018	2017
Financial liabilities at amortized costs	5 476	1 449
Finance lease payables	1 329	1 076
Put options to non-controlling interests	33 112	54 736
Other	0	519
TOTAL NON-CURRENT FINANCIAL LIABILITIES	39 917	57 780
Finance lease payables	720	940
Financial liabilities at amortized costs	773	0
Financial liabilities at fair value through profit or loss	345	122
Put options to non-controlling interests	20 265	0
TOTAL CURRENT FINANCIAL LIABILITIES	22 103	1 063

The put options to non-controlling interests relate to the business combination Medentika in 2017 (Note 4).

Movements in liabilities arising from financing activities are as follows:

(in CHF 1 000)	2018	2017
At 1 January	58 843	1 271
Change in consolidation scope	6 707	52 855
Net change from financing cash flows	(1 150)	1 055
Change in fair values	(1 359)	4 921
Other changes	(950)	(1 284)
Currency translation adjustments	(71)	25
AT 31 DECEMBER	62 020	58 843

The 'Change in consolidation scope' in 2018 mainly relates to the business combination Createch and in 2017 to the business combination Medentika (Note 4).

16 OTHER LIABILITIES (NON-CURRENT)

(in CHF 1 000)	2018	2017
Other long-term employee benefits	6 314	6 035
Government grants	799	1 018
Rent payable	3 579	2 164
Contingent consideration	18 594	8 988
TOTAL OTHER LIABILITIES	29 286	18 205
thereof: financial liabilities as defined by IFRS 7	22 173	11 153

The contingent consideration mainly relates to the Batigroup and SDS business combinations. Government grants mainly relate to grants recognized in Germany in connection with investments in the manufacturing facilities of etkon GmbH.

17 PROVISIONS

(in CHF 1 000)	Sales-related	Tax-related	Other	Total 2018	Total 2017
At 1 January	8 621	16 630	15 397	40 648	41 296
Change in consolidation scope	0	0	0	0	7 860
Utilization	(6 429)	0	(1 306)	(7 735)	(5 950)
Reversal	0	(4 850)	(5 988)	(10 838)	(10 135)
Additions	295	595	1 641	2 531	7 417
Reclassification	250	(250)	0	0	0
Currency translation adjustments	(154)	0	(524)	(678)	160
At 31 December	2 583	12 125	9 220	23 928	40 648
Non-current 2018	2 583	12 125	9 096	23 804	
Current 2018	0	0	124	124	
TOTAL PROVISIONS 2018	2 583	12 125	9 220	23 928	
Non-current 2017	8 621	16 630	15 070		40 321
Current 2017	0	0	327		327
TOTAL PROVISIONS 2017	8 621	16 630	15 397		40 648

The position 'Sales-related' contains provisions for product warranties and similar items. In connection with the Group's go-to-market approach in the People's Republic of China, the Group was able to resolve a dispute and paid out an amount of CHF 6.4 million in the course of 2018.

The position 'Tax-related' contains provisions to income taxes as well as VAT and other non-income tax cases in a number of jurisdictions. The Group re-assessed its provision for tax risks to reflect recent developments in a number of jurisdictions including all ongoing disputes with tax authorities. Based on this reassessment, the Group increased non-current provisions for income taxes by CHF 0.6 million. The continuous evaluation of the provision related to Brazilian federal taxes imposed on revenue led to a reversal of CHF 4.9 million in 2018.

The increase in the position 'Other' of CHF 1.6 million consists of a number of separate legal matters, in various Group companies. The reversed provisions in the amount of CHF 6.0 million relate to the satisfactory settlement of litigations in the United States, such as the litigation initiated by Nobel Biocare against Neodent in 2014 and a reassessment of the risk exposure of the Group in other matters. The utilization in the amount of CHF 1.3 million mainly relates to the successful defense of Straumann Korea and Korean employees against claims from MegaGen.

By their nature, the amounts and timings of any outflows are difficult to predict.

18 TRADE AND OTHER PAYABLES

(in CHF 1000)	2018	2017
Trade payables	47 557	43 792
Other payables, thereof:	175 743	140 025
Salary and social security	69 216	68 319
Sales related	54 258	49 863
VAT and other non-income taxes	22 410	14 206
Refund liability	17 196	2 320
Contingent consideration	8 753	289
Interest accrued on straight bond (Note 14)	2 180	2 180
Rent payable	372	450
Other	1 357	2 398
TOTAL TRADE AND OTHER PAYABLES	223 299	183 817
thereof: financial liabilities as defined by IFRS 7	56 810	55 103

The increase in the refund liability relates to expected product returns due to technical difficulties with a product and due to a discontinued cooperation with a partner. The contingent consideration mainly relates to the Batigroup business combination.

19 INCOME TAX

INCOME TAX EXPENSE

(in CHF 1000)	2018	2017 (restated)
Income taxes from current period	(34 016)	(45 045)
Income taxes from other periods	(1 576)	979
Deferred	(13 047)	3 200
Total income tax expense	(48 639)	(40 867)

EFFECTIVE INCOME TAX RATE (IN %)	14.9	12.6

For 2018 the applicable Group tax rate is 15.5% (2017 (restated): 14.6%), which represents the weighted tax rate, calculated by multiplying the accounting profits (or losses) of each Group company by the respective statutory tax rate over the total pre-tax profit of the Group.

The following elements explain the difference between the income tax expense at the applicable Group tax rate and the effective income tax expense:

(in CHF 1000)	2018	2017 (restated)
Profit before tax	326 426	323 085
Applicable Group tax rate	15.5 %	14.6 %
Income tax at the applicable Group tax rate	(50 723)	(47 159)
Non-taxable / non-tax-deductible positions	127	(370)
Changes in recognition of tax assets from losses or tax credits (and their expiry)	(1 610)	1 739
Utilization of previously unrecognized tax losses or tax credits to offset current taxes	6 347	4 207
Tax losses or tax credits from current year that are not recognized	(520)	(183)
Effect of changes in tax rates or imposition of new taxes	(77)	(262)
Current taxes from other periods	(1 576)	979
Other	(607)	182
EFFECTIVE INCOME TAX EXPENSE	(48 639)	(40 867)

AVAILABLE TAX LOSS CARRY-FORWARDS AND TAX CREDITS

(in CHF 1000)	2018	2017
At 1 January	263 775	253 890
Adjustments of tax loss carry-forwards on opening balance	2 907	74
Change in consolidation scope	1 647	50 211
Tax losses and credits arising from current year	7 168	6 208
Tax losses and credits expired (not used) during current year	0	0
Tax losses and credits utilized against current year profits	(45 001)	(35 255)
Currency translation adjustments	(25 028)	(11 353)
AT 31 DECEMBER	205 468	263 775

Deferred income tax assets of CHF 62.5 million (2017: CHF 78.1 million) were recorded in respect of available tax loss carry-forwards and tax credits of CHF 195.0 million (2017: CHF 247.4 million). Deferred income tax assets for unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available, against which the unused tax losses and tax credits can be utilized in the respective countries, or to the extent that the individual companies have sufficient taxable temporary differences.

In 2012, the Group acquired 49% of Neodent through a fully owned subsidiary and subsequently conducted a downstream merger into Neodent. This transaction has led to recognition of tax deductible goodwill and a capitalization of a deferred tax asset in Neodent's financial statements. In 2015, the Group obtained control over Neodent and started to consolidate Neodent in its financial statements. At 1 March 2015, the tax deductible goodwill amounted to CHF 124.9 million and the carrying amount of the respective deferred tax assets amounted to CHF 42.5 million. Effective as of 1 January 2016, Straumann Brasil Ltda has been merged into

Neodent. As a result of the merger, Neodent will benefit from future tax savings and has consequently recognized a deferred tax asset of CHF 38.7 million in respect of the tax credit of CHF 113.7 million. At the balance sheet date, the remaining tax credit and deferred tax asset amounted to CHF 136.3 million (2017: CHF 180.9 million) and CHF 46.3 million (2017: CHF 61.5 million).

Unused tax loss carry-forwards for which no deferred tax has been recognized will expire as follows:

(in CHF 1 000)	2018	2017
Expiry in next business year (current year +1)	3 009	0
Expiry current year +2	4 621	3 366
Expiry current year +3	168	4 998
Expiry current year +4	419	396
Expiry current year +5 and later	2 225	7 596
UNUSED TAX LOSS CARRY-FORWARDS AT 31 DECEMBER	10 442	16 356

DEFERRED INCOME TAXES

The movement in deferred income tax assets and liabilities is as follows:

2018

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards, tax credits	Other	Total
Net deferred tax balance at 1 January	(6 036)	(63 711)	23 970	78 099	17 902	50 223
Change in consolidation scope		(3 855)	(312)	1 951		(2 216)
(Charged) / credited to income statement	(2 378)	13 143	1 358	(8 905)	(16 264)	(13 047)
Charged to statement of comprehensive income					3 064	3 064
(Charged) / credited to statement of changes in equity					(432)	(432)
Currency translation adjustments	226	5 734	(255)	(8 627)	(815)	(3 737)
NET DEFERRED TAX BALANCE AT 31 DECEMBER	(8 189)	(48 690)	24 761	62 517	3 455	33 855
Deferred tax assets at 31 December	439	1 064	28 457	62 517	23 639	116 116
Deferred tax assets after offset at 31 December						70 066
Deferred tax liabilities at 31 December	(8 628)	(49 754)	(3 696)	0	(20 184)	(82 261)
Deferred tax liabilities after offset at 31 December						(36 211)

2017

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards, tax credits	Other	Total (restated)
Net deferred tax balance at 1 January	(4 452)	(31 445)	19 731	82 088	16 120	82 041
Change in consolidation scope		(42 883)	(446)	15 341	2	(27 986)
(Charged) / credited to income statement	(1 797)	9 338	4 870	(15 037)	5 824	3 199
Charged to statement of comprehensive income					(1 553)	(1 553)
(Charged) / credited to statement of changes in equity					(202)	(202)
Currency translation adjustments	213	1 279	(185)	(4 294)	(2 289)	(5 277)
NET DEFERRED TAX BALANCE AT 31 DECEMBER	(6 036)	(63 711)	23 970	78 099	17 902	50 223
Deferred tax assets at 31 December	282	1 363	27 464	78 099	24 915	132 122
Deferred tax assets after offset at 31 December						90 743
Deferred tax liabilities at 31 December	(6 319)	(65 074)	(3 493)	0	(7 013)	(81 898)
Deferred tax liabilities after offset at 31 December						(40 520)

At 31 December 2018, there was no recognized deferred tax liability (2017: CHF nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group does not expect significant income tax liabilities from the distribution of retained earnings to the parent company.

20 SHARE-BASED PAYMENTS

The Group currently uses three different compensation plans involving share-based payment components:
– Performance share plan
– Board of Directors remuneration
– Employee share plan

PERFORMANCE SHARE PLAN

Under the Performance share plan introduced in 2012, Executive Management and Senior Management are granted ‘Performance Share Units’ (PSUs), which are convertible into shares after a three-year performance period. The current compensation model awards shares according to the number of PSUs allocated and total shareholder return (TSR) and EBIT growth amount (EGA) achieved per annum over a three-year performance period. Both KPI’s are weighted equally with 50%.

The valuation is performed by independent specialists applying the following significant inputs into the model: grant date, vesting date, average reference price, performance target including ‘cap’ and ‘floor’, EGA target including ‘cap’ and ‘floor’, share price at issue, risk-free interest rate, expected volatility, expected EGA and expected dividend rate. At the end of the performance period, no shares will be allocated for a TSR of 0% p.a. or less; half a share will be granted per vested PSU if the TSR is + 7% p.a. and one share per vested PSU for a TSR of + 14% p.a. or more (capped at 200%). For a TSR between 0% and 7% p.a. or between 7% and 14% p.a., the number of shares allocated per vested PSU is calculated on a linear basis.

Related to the EGA at the end of the performance period, no shares will be allocated for an EGA which is below the defined floor; half a share will be granted per vested PSU if the EGA is exactly the defined performance target and one share per vested PSU for an EGA which is the defined cap or more (capped at 200%). For an EGA between the defined floor and the defined performance target or between the defined performance target and the defined cap, the number of shares allocated per vested PSU is calculated on a linear basis.

BOARD OF DIRECTORS REMUNERATION

The compensation of the Board of Directors consists of a fixed compensation component only, paid in cash and undiscounted shares. The shares allocated to the members of the Board of Directors are blocked for 2 years. The value of shares allocated is calculated using the average closing price of the shares over the seven trading days following the ex-dividend day.

EMPLOYEE SHARE PLAN

Effective in 2018, eligible employees in Switzerland are able to purchase Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The grant value is based on the average share price over the seven trading day period following the ex-dividend day. The shares are blocked for two years. During the reporting period, employees subscribed to 12 566 (2017: 12 636) of those shares.

The expense recognized for share-based payments during the year is shown in the following table:

(in CHF 1 000)	2018	2017
Performance share plan	8 118	6 180
Board of Directors remuneration	855	694
Employee share plan	1 733	852
TOTAL SHARE-BASED PAYMENTS (NOTE 24)	10 706	7 726

There were no cancellations or modifications to the PSU awards in 2018 or 2017.

Movements in the number of performance share units are as follows:

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

	2018	2017
At 1 January	36 448	45 606
Granted	12 334	16 785
Exercised	(5 538)	(24 614)
Forfeited	(2 411)	(1 329)
TOTAL AT 31 DECEMBER	40 833	36 448
Exercisable at 31 December	0	0

12 334 ‘Performance Share Units’ (PSUs) were granted in 2018 under the Performance share plan (2017: 16 785). The fair value of the internal performance (EGA) reflects the share price at grant and amounts to CHF 625.50 (2017: CHF 483.00). The fair value for the external condition (TSR) has been determined using the Monte Carlo method and amounts to CHF 230.34 (2017: CHF 195.08).

Underlying assumptions for the fair value of the PSUs are presented below:

INPUTS TO THE MODELS

	2018	2017
	PSU	PSU
Dividend yield (in %)	0.00	0.00
Expected volatility (in %)	22.18	26.42
Risk-free interest rate (in %)	(0.24)	(0.59)
Expected life of PSUs (in years)	3	3
Share price (in CHF) at grant date in April	625.50	483.00

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the instruments is indicative of future trends, which may not necessarily be the actual outcome.

21 RETIREMENT BENEFIT OBLIGATIONS

Apart from the legally required social security schemes, the Group has several independent pension plans. In most cases these plans are externally funded in vehicles which are legally separate from the Group. For certain Group companies, however, no independent plan assets exist for the pension plan of subsidiaries. In these cases the related unfunded liability is included in the statement of financial position. The defined benefit obligations and related plan assets are reappraised annually by independent actuaries.

The Swiss pension plan represents the most significant portion of the Group's total defined benefit obligation and plan assets. Current pension arrangements for employees in Switzerland are made through plans governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan is funded by regular employer and employee contributions. The final benefit is contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although the plan has many of the characteristics of a defined contribution plan.

The amounts for the Group's pension plans recognized in the statement of financial position are as follows:

MOVEMENTS OF NET LIABILITIES RECOGNIZED IN STATEMENT OF FINANCIAL POSITION

(in CHF 1 000)	2018	2017
Net liabilities at 1 January	(49 453)	(46 763)
Currency translation adjustments	76	(178)
Expense recognized in consolidated income statement	(12 200)	(2 969)
Employer contributions	10 013	9 861
Remeasurements	(7 621)	(9 404)
NET LIABILITIES AT 31 DECEMBER	(59 185)	(49 453)

BALANCE SHEET

(in CHF 1 000)	2018	2017
Fair value of plan assets	191 979	176 472
Present value of funded benefit obligations	(249 213)	(224 029)
Deficit in the plan	(57 234)	(47 557)
Present value of unfunded benefit obligations	(1 951)	(1 896)
TOTAL RETIREMENT BENEFIT OBLIGATIONS	(59 185)	(49 453)

The net periodic benefit costs recorded in the income statement consist of the following components:

(in CHF 1 000)	2018	2017
Current service cost	(11 644)	(10 239)
Interest expense on defined benefit obligation	(1 212)	(1 485)
Interest income on plan assets	936	1 123
Administration costs	(280)	(257)
Gains on curtailments, settlements and plan amendments	0	7 889
EXPENSE RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT	(12 200)	(2 969)

Plan amendment gains in 2017 are recorded mainly in respect of changes to the Swiss pension plan. The change represents the adoption of a lower conversion rate, which determines the annuity at the normal retirement age.

The defined benefit obligation of the Swiss pension plan amounts to CHF 247.9 million (2017: CHF 223.0 million), the plan assets are CHF 191.0 million (2017: CHF 175.6 million) and current service costs are CHF 11.1 million (2017: CHF 9.7 million).

The movement in the Group's defined benefit obligation over the year is as follows:

(in CHF 1 000)	2018	2017
Present value of benefit obligation at 1 January	(225 925)	(198 277)
Current service cost	(11 644)	(10 239)
Interest expense on defined benefit obligation	(1 212)	(1 485)
Curtailments, settlements and plan amendments	0	7 889
Employee contributions	(5 988)	(5 322)
Experience losses on defined benefit obligation	(13 677)	(13 088)
Benefits paid / transferred in	2 115	919
Actuarial results arising from change in financial assumptions	5 092	(6 102)
Actuarial results arising from change in demographic assumptions	(31)	21
Currency translation adjustments	106	(241)
PRESENT VALUE OF BENEFIT OBLIGATION AT 31 DECEMBER	(251 164)	(225 925)
whereof due to active members	(219 379)	(194 001)
whereof due to pensioners	(31 785)	(31 924)

On 31 December 2018, the weighted-average duration of the defined benefit obligation was 13 years (2017: 14 years).

The calculation of defined benefit obligation is based on actuarial assumptions. The principal actuarial assumptions for the plans, which are determined with respect to local conditions, were as follows:

	2018		2017	
	Switzerland	Other	Switzerland	Other
Discount rate	0.65 %	1.62 % - 2.40 %	0.50 %	1.41 % - 2.83 %
Future salary increases	1.00 %	1.00 % - 2.50 %	1.00 %	1.00 % - 2.50 %
Future pension increases	0.00 %	0.00 %	0.00 %	0.00 %

Generational mortality tables are used where this data is available.

The defined benefit pension obligation is significantly impacted by assumptions regarding the discount rate. Furthermore, the rate of future salary increases significantly affects the value of the plans.

A quantitative sensitivity analysis for significant assumptions is shown below :

(in CHF 1 000)	2018		2017	
	Defined benefit obligation		Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 % movement)	7 948	(8 468)	7 351	(7 836)
Future salary growth (0.25 % movement)	(1 182)	1 149	(1 121)	1 095

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The movement in the fair value of plan assets over the year is as follows:

(in CHF 1 000)	2018	2017
Fair value of plan assets at 1 January	176 472	151 514
Interest income	936	1 123
Employer contributions	10 013	9 861
Employee contributions	5 988	5 322
Benefits paid / transferred in	(2 115)	(919)
Return on plan assets	995	9 765
Administration costs	(280)	(257)
Currency translation adjustments	(30)	63
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	191 979	176 472

Plan assets are comprised as follows:

(in CHF 1 000)	2018		2017	
Cash and cash equivalents	7 259	3.8 %	8 079	4.6 %
Debt instruments	36 296	18.9 %	36 357	20.6 %
Equity instruments	48 139	25.1 %	45 490	25.8 %
Real estate	55 207	28.8 %	47 949	27.2 %
Other	45 078	23.5 %	38 597	21.8 %
TOTAL PLAN ASSETS	191 979	100.0 %	176 472	100.0 %

Cash and cash equivalents, as well the largest part of the debt, equity instruments and 'Other' (mainly consisting of insurance-linked securities and investments in an infrastructure fund) have a quoted market price and are tradeable in liquid markets. 36% of the 'Real estate' investments have a quoted market price, while the rest is mainly invested in common investment foundation in Switzerland.

The strategic allocation of assets is determined with the objective of achieving an investment return which, together with the employer and employee contributions, is sufficient to maintain reasonable control over the various funding risks of the plan. The aim is to ensure that plan assets and liabilities are aligned in the medium and long term.

The Group's defined benefit plans are administered by independent foundations. The Board of Trustees, which is constituted by an equal number of representatives of the employer and employees, is responsible for the management of the plans. The Board of Trustees determines the investment strategy within the framework of the legal provisions taking into consideration the plans' risk objectives, benefit obligations and risk capacity. The Board of Trustees uses external actuarial reports to estimate the risk capacity.

Each year, the level of funding is reviewed as required by legislation. The duties of the Board of Trustees are laid down in the BVG and the pension fund regulations. In accordance with BVG, a temporary shortfall is permitted. The Board of Trustees must take appropriate measures in order to solve the shortfall within a reasonable time. Pursuant to BVG, additional employer and employee contributions may be incurred whenever a significant shortfall in accordance with BVG arises.

The expected amount of contribution to post-employment benefit plans for 2019 is CHF 10.5 million.

Apart from the defined benefit plans, the Group also operates several of defined contribution plans which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognized in the current period in relation to these contributions was CHF 5.1 million (2017: CHF 4.9 million).

22 OTHER INCOME

(in CHF 1 000)	2018	2017
Rental income	1 817	1 752
Other	1 607	1 601
TOTAL OTHER INCOME	3 424	3 353

23 DEPRECIATION AND AMORTIZATION

(in CHF 1 000)	2018	2017 (restated)
Depreciation of property, plant and equipment	(29 960)	(24 975)
Amortization of intangible assets	(22 407)	(15 283)
TOTAL DEPRECIATION AND AMORTIZATION	(52 367)	(40 258)

24 EMPLOYEE BENEFITS EXPENSE

(in CHF 1 000)	2018	2017
Wages and salaries	(407 538)	(338 387)
Share-based payments (Note 20)	(10 706)	(7 726)
Social security cost	(53 268)	(47 469)
Pension costs and other personnel expense	(36 716)	(22 448)
TOTAL EMPLOYEE BENEFIT EXPENSE	(508 228)	(416 030)

25 FINANCE INCOME AND EXPENSE

(in CHF 1 000)	2018	2017
FINANCE INCOME	72 852	58 701
Interest income	1 285	2 496
from financial instruments at amortized cost	1 216	1 821
from financial instruments at fair value	68	675
Fair value and other financial income	2 070	7 257
Foreign exchange gains	69 497	48 949
FINANCE EXPENSE	(89 802)	(78 028)
Interest expense	(8 727)	(6 020)
from financial instruments at amortized cost	(8 451)	(5 658)
on defined benefit obligation (net)	(276)	(362)
Fair value and other financial expense	(6 376)	(16 917)
Foreign exchange losses	(74 699)	(55 091)
GAIN ON CONSOLIDATION OF FORMER ASSOCIATES	10 725	68 867
Fair value income	11 098	74 771
Foreign exchange losses	(373)	(5 903)
TOTAL FINANCE EXPENSE NET	(6 225)	49 541

In 2018, the 'Gain on consolidation of former associates' relates to the business combination of T-Plus (CHF 6.9 million) and Createch (CHF 3.8 million) (2017: Medentika CHF 25.0 million and Dental Wings CHF 43.9 million). In 2017, the 'Fair value and other financial expense' included a financial impairment expense of CHF 16.3 million relating to a revaluation of loans. The Group incorporated its current knowledge into the valuation of the loans and estimated its risk-adjusted value.

26 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of Straumann Holding AG by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

	2018	2017 (restated)
Net profit attributable to shareholders (in CHF 1 000)	272 770	279 544
Weighted average number of ordinary shares outstanding	15 825 644	15 496 962
BASIC EARNINGS PER SHARE (IN CHF)	17.24	18.04

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of Straumann Holding AG by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential of outstanding equity instruments into ordinary shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Performance Share Units.

	2018	2017 (restated)
Net profit used to determine diluted earnings per share (in CHF 1 000)	272 770	279 544
Weighted average number of ordinary shares outstanding	15 825 644	15 496 962
Adjustments for instruments issued	55 252	70 672
Weighted average number of ordinary shares for diluted earnings per share	15 880 896	15 567 634
DILUTED EARNINGS PER SHARE (IN CHF)	17.18	17.96

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

27 DIVIDENDS PER SHARE

The dividend paid in 2018 was CHF 4.75 per share (2017: CHF 4.25 per share), resulting in a total payout of CHF 75.1 million in 2018 and CHF 65.1 million in 2017. A dividend for the year ended 31 December 2018 of CHF 5.25 per share, amounting to a total dividend of CHF 83.1 million, will be proposed at the Shareholders' General Meeting on 5 April 2019. These financial statements do not reflect this payable dividend.

28 CONTINGENCIES AND COMMITMENTS

OPERATING LEASE COMMITMENTS

(in CHF 1 000)	2018	2017
MATURITY:		
Within 1 year	21 375	20 948
After 1 year but not more than 5 years	57 570	66 618
More than 5 years	72 963	59 752
TOTAL OPERATING LEASE COMMITMENTS	151 908	147 318
TOTAL RENTAL AND OPERATING LEASE EXPENSES	27 863	24 722

The majority of the operating lease commitments are in connection with non-cancellable operating lease agreements for office buildings in Switzerland, Japan and the US, as well as for an office building and a manufacturing site in Germany and Brazil respectively. The increase of operating lease commitments compared to previous year relates to new or prolonged contracts in the countries mentioned above. The non-cancellable leases have remaining terms up to twenty-nine years. In addition, the Group entered into various cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

CONTINGENT ASSETS AND LIABILITIES

The Group has guarantee obligations with a maximum of CHF 5.0 million (2017: CHF 5.4 million). Some Group companies are involved in litigations arising from the normal course of their business and might be liable to pay compensations. The costs relating to these lawsuits may not be partially or fully covered by insurance. However, it is the view of the Group's management that the outcome of such litigations will not significantly affect the Group's financial position over and above the provisions already recognized in the statement of financial position. The decrease in purchase commitments relates to the progress made in Group's expansion projects in various plants.

CONTINGENT LIABILITIES

(in CHF 1 000)	2018	2017
Letter of credit facilities	4 992	5 446
Purchase commitments	12 600	17 411
TOTAL	17 592	22 857

29 RELATED-PARTY DISCLOSURE

Besides the associates, the joint venture and the Key Management Personnel, the Group has identified the following related parties:

- The International Team for Implantology (ITI) Foundation
- Medartis AG

In the period under review, the following related-party transactions were made:

(in CHF 1 000)	2018	2017
PURCHASE OF GOODS FROM:		
Associates	(20 274)	(15 859)
Joint Venture	(3 055)	0
Medartis	(222)	(168)
SALE OF GOODS TO:		
Associates	1 748	954
The International Team for Implantology (ITI) Foundation	231	0
Joint Venture	3 254	1 137
SERVICES RENDERED TO:		
Associates	596	28
The International Team for Implantology (ITI) Foundation	466	545
SERVICES RECEIVED FROM:		
Associates	(183)	(2 454)
The International Team for Implantology (ITI) Foundation	(10 316)	(11 101)
TOTAL	(27 753)	(26 918)

Payments to the ITI Foundation are based on a collaboration agreement between the Group and the ITI.

The payments received for the rendering of services as well as the purchases of goods as stated above are carried out under normal commercial terms and conditions.

The following open balances due to/from related parties are recognized in the statement of financial position:

(in CHF 1 000)	2018	2017
Associates	7 803	(1 397)
The International Team for Implantology (ITI) Foundation	564	(2 602)
Joint Venture	1 789	1 571
TOTAL	10 156	(2 428)

On 31 December 2018 loans granted to associates amounted to CHF 10.1 million (2017: nil). The amount is included in the Associate line in the table above.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel comprises of the Board of Directors and the Executive Management Board (EMB).

The Board of Directors is entitled to a fixed compensation, which is paid out in cash and shares. Approximately 40% of the compensation is paid out in shares; the shares allocated to the members of the Board of Directors are blocked for 2 years.

The compensation of the EMB consists of a fixed portion and variable portion, which depends on the course of business and individual performance. In addition, Executive Management Board members participate in the Straumann Performance Share Plan.

COMPENSATION

The following table shows the compensation of Key Management Personnel recognized in profit or loss in line with the Group's accounting policies.

(in CHF 1 000)	2018	2017
Salaries and other short-term employee benefits	11 968	11 524
Post-employment benefits	1 715	2 430
Share-based payments	4 907	3 472
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION RECOGNIZED IN PROFIT OR LOSS	18 590	17 426

30 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise bank loans, a straight bond issued in the Swiss bond market, short-term overdrafts, finance leases and trade payables. The main purpose of these financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as trade receivables which arise directly from its operations and cash, cash equivalents and short-term deposits, which form part of the liquidity managed by Corporate Treasury.

The Group also enters into derivative transactions, primarily into forward currency contracts, options and non-deliverable foreign exchange forwards (NDF). The purpose of these contracts is to manage the currency risks arising from the Group's operations conducted in foreign currencies.

It is the Group's policy not to use derivatives without an underlying operational transaction, nor for trading (i.e. speculative) purposes.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Audit Committee agrees and reviews policies for managing each of these risks, which are summarized below. All derivative activities for risk management purposes are carried out by a specialist team that has the appropriate skills, experience and supervision.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include deposits, investments and derivative financial instruments. The sensitivity analysis in the following sections relates to the position at 31 December 2018 and 2017. The sensitivity analysis has been prepared on the basis that the amount of net cash and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place on 31 December 2018. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, as well as on provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term interest-bearing assets and short-term debt obligations with floating interest rates. No material hedging activities (such as interest rate swaps) were conducted during the period under review. The Group is not exposed to cash flow interest risk by non-current borrowings.

The Group's policy is to manage its interest cost using variable and fixed rates.

INTEREST RATE RISK SENSITIVITY

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rates on interest-bearing assets and borrowings). There is no material impact on the Group's equity.

(in CHF 1 000)	2018		2017	
CURRENCY	Increase / decrease (in base points)	Effect on profit before tax	Increase / decrease (in base points)	Effect on profit before tax
CHF	30	604	30	677
BRL	100	69	100	96
CHF	(30)	(604)	(30)	(677)
BRL	(100)	(69)	(100)	(96)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, euro, Chinese renminbi, Brazilian real, Canadian dollar, British pounds and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and also net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities of the Group use forward currency contracts transacted with or agreed with Corporate Treasury. Corporate Treasury is responsible for managing the net positioning of each foreign currency by using external forward currency contracts, options and NDF. Corporate Treasury decides what to hedge based on information about the currency exposure provided by each subsidiary. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is to hedge recognized and anticipated transactions (mainly export sales) in each major currency for a maximum of 12 months based on actual exposures, budget assumptions and currency expectations. The forward currency contracts, NDF or options must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness

At 31 December 2018 the Group had hedged 92% (2017: 95%) of its foreign currency exposure for which firm commitments existed at the reporting date.

The Group has investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's investments in foreign operations is not hedged.

FOREIGN CURRENCY RISK SENSITIVITY

The following table demonstrates the sensitivity of the net booked exposure to a reasonably possible change in the exchange rate of the Chinese renminbi, the USD and Brazilian real against the Swiss franc, with all other variables held constant, in relation to the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's equity (due to changes in the fair value of forward exchange contracts designated as cash flow hedges). The Group's exposure to foreign currency changes for all other currencies is not material.

(in CHF 1 000)	2018			2017		
CURRENCY	Increase / decrease (in %)	Effect on profit before tax	Effect on equity	Increase / decrease (in %)	Effect on profit before tax	Effect on equity
CNY / CHF	5	439	0	5	143	0
USD / CHF	5	232	0	5	132	0
BRL / CHF	5	(144)	0	5	83	0
EUR / CHF	5	(171)	0	5	6	0
INR / CHF	5	156	0	5	0	0
CNY / CHF	(20)	(1 757)	0	(20)	(571)	0
USD / CHF	(20)	(931)	0	(20)	(528)	0
BRL / CHF	(20)	577	0	(20)	(332)	0
EUR / CHF	(20)	686	0	(20)	(22)	0
INR / CHF	(20)	(623)	0	(20)	0	0

CREDIT RISK

Credit risk is the risk that counterparties will not meet their obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

TRADE RECEIVABLES

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances, their overall maturity profile and their overdue profile are monitored on an ongoing basis. The Group reviews its provision for impairment on an ongoing basis. Overall the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 11. In 2018, 96% (2017: 94%) of the transactions occur in the country of the respective operating unit. There are no significant concentrations of customer credit risk within the Group.

FINANCIAL INSTRUMENTS AND CASH DEPOSITS

Credit risk from balances with banks and financial institutions is managed by Corporate Treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.
The table below shows the balance of the major counterparties at the balance sheet date.

(in CHF 1 000)	2018		2017	
BANK	Rating	Balance	Rating	Balance
Bank A	AAA	19 837	AAA	19 799
Bank B	AA+	1 994	AA	1 985
Bank C	AA	4 953	AA+	4 953
Bank D	A+	133 274	A+	146 666
Bank E	BBB+	38 876	A-	32 068
Bank F	A	27 286	A	29 843
TOTAL		226 220		235 315

LIQUIDITY RISK

The Group monitors its liquidity risk to avoid shortage of funds through prudent liquidity management using a recurring liquidity planning tool. This tool considers the maturity of its financial investments and financial assets (e.g. accounts receivable and other financial assets) as well as projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. Corporate Treasury maintains flexibility in funding through uncommitted credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facility, cash and cash equivalents on the basis of expected cash flow).

The following table reflects all undiscounted contractually agreed payments for repayments and interest resulting from recognized financial liabilities at 31 December 2018 and 31 December 2017.

(in CHF 1 000)	2018			2017		
	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Straight bond	1 090	203 290	0	1 090	206 560	0
Derivative financial liabilities	345	0	0	122	0	0
Other financial liabilities	21 758	36 723	3 194	940	56 290	1 491
Trade payables	47 557	0	0	43 792	0	0
Other payables	82 759	22 173	0	55 103	11 153	0
TOTAL	153 509	262 186	3 194	101 047	274 002	1 491

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and secure shareholder investments. The Group manages its capital structure and makes adjustments if required. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders through share buybacks, or issue new shares. No changes were made in the objectives, policies or processes during 2018 and 2017.

As the Group operates in a fast-moving industry, its policy is to maintain a high degree of flexibility in its capital structure by maintaining a high availability of liquid funds. The Group monitors its capital base using the equity ratio, which is equity divided by total assets. The Group strives to maintain an equity ratio of 50% or higher.

EQUITY RATIO

(in CHF 1 000)	2018	2017 (restated)
Total assets	1 864 569	1 696 968
Equity	1 204 320	1 077 044
EQUITY RATIO	64.6 %	63.5 %

31 FINANCIAL INSTRUMENTS

FAIR VALUES

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables with a remaining term of up to twelve months, as well as other current financial assets and liabilities, represent a reasonable approximation of their fair values due to the short-term maturities of these instruments.

The fair value of equity instruments quoted in an active market is based on price quotations at the period-end date. The inaugural CHF 200.0 million domestic straight bond is listed on the SIX Swiss Exchange and the fair value is derived from quoted market prices.

The fair value of the put options granted to non-controlling interests mainly relates to the business combination with Medentika. Refer to Note 4 for further details.

The fair value of derivatives is determined on the basis of input factors observed directly or indirectly on the market. The fair value of foreign exchange forward contracts and non-deliverable forwards are based on forward exchange rates.

The unquoted equity instruments allocated to Level 3 hierarchy relate to a fund that is dedicated exclusively to investments in dental-related opportunities in China. As the market for this investment is not active or no market is available, fair value is determined based on the valuation techniques the fund uses to calculate its net asset value.

Other financial liabilities allocated to Level 3 hierarchy mainly include the contingent considerations in relation to the business combinations Batigroup in Turkey and SDS in Portugal. The fair value of the Batigroup contingent consideration is based on a profitability component (local contribution), while the fair value of the contingent consideration for SDS is based on revenue growth targets. The fair value of investments in Level 3 is reviewed regularly for a possible diminution in value.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for disclosure of the fair values of financial instruments by valuation technique:

– Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
– Level 2: Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
– Level 3: Techniques which predominantly use input data which are not based on observable market data.

At 31 December 2018 and 2017 the Group held the following financial instruments:

At 31 December 2018

(in CHF 1 000)	Carrying amount (by measurement basis)					Fair Value
	Amortized cost	Level 1	Level 2	Level 3	Total carrying amount	
FINANCIAL ASSETS						
Derivative financial assets			847		847	
Equity instruments		6 861		6 784	13 645	
Convertible bonds				351	351	
Loans and other financial receivables	21 145				21 145	
Other receivables	19 656				19 656	
Trade receivables	231 301				231 301	
Cash and cash equivalents	278 674				278 674	
FINANCIAL LIABILITIES						
Straight bond	(199 862)				(199 862)	(204 380)
Derivative financial liabilities			(345)		(345)	
Put options to non-controlling interests				(53 377)	(53 377)	
Other financial liabilities	(8 298)			(27 347)	(35 645)	
Trade payables	(47 557)				(47 557)	
Other payables	(58 991)				(58 991)	

At 31 December 2017

(in CHF 1 000)	Carrying amount (by measurement basis)					Fair Value
	Amortized cost	Level 1	Level 2	Level 3	Total carrying amount	
Financial Assets						
Derivative financial assets			1 149		1 149	
Equity instruments		7 578		7 091	14 669	
Convertible bonds				351	351	
Loans and other financial receivables	13 446				13 446	
Other receivables	25 140				25 140	
Trade receivables	191 868				191 868	
Cash and cash equivalents	281 816				281 816	
Financial Liabilities						
Straight bond	(199 746)				(199 746)	(207 250)
Derivative financial liabilities			(122)		(122)	
Put options to non-controlling interests				(54 736)	(54 736)	
Other financial liabilities	(3 466)			(9 796)	(13 262)	
Trade payables	(43 792)				(43 792)	
Other payables	(56 978)				(56 978)	

The changes in carrying values associated with Level 3 financial instruments are set as follows:

(in CHF 1 000)	2018		2017	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
At 1 January	7 442	(64 532)	36 776	(6 803)
Additions	0	(23 392)	0	(52 783)
Remeasurement recognized in OCI	(307)	230	2 749	(149)
Remeasurement recognized in profit or loss	0	(98)	(337)	(46)
Remeasurement recognized in equity	0	1 359	0	(4 920)
Settlements	0	5 709	(30 130)	169
Reclassifications	0	0	(1 616)	0
AT 31 DECEMBER	7 135	(80 724)	7 442	(64 532)

In 2018, the addition to Level 3 financial liabilities mainly related to the contingent consideration payable in conjunction with the Batigroup and SDS business combinations. In 2017, the main addition to Level 3 financial liabilities related to the put options granted to non-controlling interests in conjunction with the gain of control in Medentika, and its remeasurement was recognized within equity.

In 2018, the settlement of Level 3 financial liabilities mainly relates to repayment of contigent consideration in conjunction with the Equinox business combination. The settlement of Level 3 financial assets in 2017 related to the repayment of the convertible bonds by MegaGen Implant Co. Ltd.

In 2017, the Group gained significant influence in Rodo Medical Inc. Therefore, the investment was reclassified from Level 3 financial assets into 'Investments in associates'.

In 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

The significant unobservable inputs for material financial instruments within Level 3 of the fair value hierarchy and their quantitative sensitivity analysis at 31 December 2018 are as follows:

Instrument	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
Put options to non-controlling interests of Medentika	PV of the estimated redemption value by the Group in the event of full exercise	Enterprise value (based on EBITDA multiple)	Floor: CHF 32.7 million Cap: CHF 53.4 million	1 000 basis points decrease in enterprise value would result in a decrease in fair value of kCHF –5 338
Contingent Consideration Batigroup	DCF method	Local contribution	-	500 basis points increase (decrease) in the local contribution would result in a increase (decrease) in fair value of kCHF 1 262, resp. kCHF –1 262
		Interest rate	-	500 basis points increase (decrease) in the interest rate would result in a decrease (increase) in fair value of kCHF –1 039, resp. kCHF 1 160
Fund	Net asset valuation	Fair value of the financial assets of the fund	-	500 basis points increase (decrease) in the financial assets of the fund would result in an increase (decrease) in fair value of kCHF 336, resp. kCHF –336

Depending on the development of Medentika's EBITDA, the fair value of the put options to non-controlling interests are expected to range between CHF 32.7 million and CHF 53.4 million. As of 31 December 2018, the Group assesses that it is highly probable that Medentika will achieve the higher target due to expansion and the realization of synergies in the future. The fair value of the put options to non-controlling interests determined on 31 December 2018 reflects this development and is recorded at CHF 53.4 million.

The fair value of the contingent consideration Batigroup depends on the expected local contribution achievement and the interest rate prevailing at the balance sheet date. As of 31 December 2018, the Group assesses that it is highly probable that Batigroup will achieve the targets due to expansion and the realization of synergies in future. The fair value of the contingent consideration determined on 31 December 2018 reflects this development and the fair value is recorded at CHF 20.3 million.

The fair value of the fund is equal to its pro rata share of net asset value (NAV). The Group receives quarterly valuation statements from the fund which state the NAV based on valuation techniques used by the fund. Consequently, the Group itself does not determine the fair value of the fund. However, based on the information obtained in the quarterly valuation statements, the valuation performed by the fund is deemed to be representative for the fair value of the fund.

The Group did not perform any quantitative sensitivity analysis at 31 December 2018 for the remaining, individually immaterial instruments, categorized within Level 3 of the fair value hierarchy.

HEDGES

At 31 December 2018, the group had forward exchange contracts for CHF 30.4 million (2017: CHF 39.1 million) but no NDF contracts (2017: CHF 1.8 million).

32 PRINCIPAL CURRENCY TRANSLATION RATES

CURRENCY	Unit	31 Dec 2018	Average 2018	31 Dec 2017	Average 2017
Brazilian real (BRL)	100	25.36	26.88	29.43	30.69
Canadian dollar (CAD)	1	0.72	0.75	0.78	0.76
Chinese renminbi (CNY)	100	14.31	14.73	14.97	14.56
euro (EUR)	1	1.13	1.15	1.17	1.11
Indian rupees (INR)	100	1.41	1.43	1.53	1.51
Japanese yen (JPY)	100	0.89	0.88	0.87	0.88
US Dollar (USD)	1	0.99	0.98	0.98	0.98

33 EVENTS AFTER THE BALANCE SHEET DATE

ZINEDENT

As of 2 January 2019, the Group increased its stake in Zinedent Implant Üretim Anonim Sirketi ('Zinedent') from 50% to full ownership for a cash consideration of CHF 1.4 million. In addition, the parties agreed on a contingent consideration agreement in the undiscounted amount of approximately CHF 8.0 million during a period of seven years. Zinedent, based in Turkey, distributes dental implants and related prosthetics components in Turkey and in surrounding markets.

The financial effects of this transaction have not been recognized at 31 December 2018. The operating results, assets and liabilities of the acquired company will be consolidated from 2 January 2019. On the date the Group obtained control over Zinedent, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of Zinedent and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time theses consolidated financial statements have been authorized for issue.

ETKON (SCHWEIZ) AG

As of 29 January 2019, the Group acquired a 70% stake in etkon Schweiz AG ('etkon'), a Swiss dental laboratory for finalized prosthetic solutions in dentistry for a cash consideration of CHF 0.3 million. The Group has the right to obtain the remaining 30% stake from the founding shareholders until 2023 by exercising a call option. The sellers have a put option to sell the remaining 30% stake to the Group in 2023 and call options to re-purchase the shares held by the Group early under certain conditions. The contingent consideration arrangement requires the Group to pay up to a minimum undiscounted amount of approximately CHF 0.3 million and a maximum undiscounted amount of approximately CHF 4.3 million for the remaining non-controlling stake. The contractual obligation to purchase its own equity gives rise to a financial liability in the consolidated financial statement of the Group. The present value of the contingent consideration arrangement and the corresponding financial liability amounts to CHF 4.3 million and is recognized as of 29 January 2019.

The financial effects of this transaction have not been recognized at 31 December 2018. The operating results, assets, and liabilities of the acquired company will be consolidated from 29 January 2019. On the date the Group obtained control over etkon, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of etkon and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time theses consolidated financial statements have been authorized for issue.

VALOC AG

As of 29 January 2019, the Group increased its stake in Valoc AG ('Valoc'), a Swiss company that develops and manufactures innovative retention systems for removable implant-borne dentures, from 44% to 55% for a cash consideration of CHF 1.2 million. The Group is going to consolidate Valoc in its consolidated financial statements effective as of 29 January 2019. The Group has the right to obtain the remaining 45% stake from the founding shareholders until 2023 by exercising a call option. The sellers may also sell the remaining 45% stake to the Group early by exercising a put option. The contingent consideration arrangement requires the Group to pay up to a minimum undiscounted amount of approximately CHF 3.2 million and a maximum undiscounted amount of approximately CHF 7.2 million for the remaining non-controlling stake. The contractual obligation to purchase its own equity gives rise to a financial liability in the consolidated financial statement of the Group. The present value of the contingent consideration arrangement and the corresponding financial liability amounts to CHF 7.2 million and is recognized as of 29 January 2019.

The financial effects of this transaction have not been recognized at 31 December 2018. The operating results, assets, and liabilities of the acquired company will be consolidated from 29 January 2019. On the date the Group obtained control over Valoc, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of Valoc and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time theses consolidated financial statements have been authorized for issue.

34 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The consolidated financial statements of the Group include:

NAME	City	Country of incorporation	Interest and voting rights 2018 (in %)		Share capital 31.12.2018
SUBSIDIARIES:					
Institut Straumann AG	Basel	Switzerland	100.00	CHF	100 000
Straumann Italia Srl	Milan	Italy	100.00	EUR	270 000
Equinox Implants LLP	Mumbai	India	100.00	INR	270 000 000
Equinox Dental AG	Basel	Switzerland	100.00	CHF	100 000
Straumann Villeret SA	Villeret	Switzerland	100.00	CHF	9 000 000
Instradent AG	Basel	Switzerland	100.00	CHF	100 000
Straumann Middle East PJS	Tehran	Iran	100.00	IRR	40 000 000
Createch Medical S.L.U.	Mendaro	Spain	100.00	EUR	1 334 784
Createch Institute A.E.I.E.	Mendaro	Spain	100.00	EUR	880 000
T-Plus Implant Tech. Co. Ltd.	New Taipei City	Taiwan	58.06	TWD	154 901 960
Straumann Holding Deutschland GmbH	Freiburg	Germany	100.00	EUR	25 000
Straumann GmbH	Freiburg	Germany	100.00	EUR	200 000
etkon GmbH	Gräfelfing	Germany	100.00	EUR	326 000
Medentika GmbH	Hügelsheim	Germany	51.00	EUR	275 000
Medentika CNC GmbH	Hügelsheim	Germany	48.45	EUR	200 000
Straumann GmbH	Vienna	Austria	100.00	EUR	40 000
Straumann Ltd	Crawley	UK	100.00	GBP	300 000
Instradent Ltd	Crawley	UK	100.00	GBP	1 000
Manohay Dental SA	Madrid	Spain	100.00	EUR	60 101
Straumann SAS	Marne-la-Vallée	France	100.00	EUR	192 000
Straumann AB	Mölndal	Sweden	100.00	SEK	100 000
Biora AB	Malmö	Sweden	100.00	SEK	950 152
Straumann AS	Oslo	Norway	100.00	NOK	1 000 000
Straumann Danmark Aps	Brøndby	Denmark	100.00	DKK	125 000
Straumann Oy	Helsinki	Finland	100.00	EUR	32 000
Straumann SA / NV	Zaventem	Belgium	100.00	EUR	2 081 620
Straumann BV	Ijsselstein	Netherlands	100.00	EUR	18 151
JJGC Indústria e Comércio de Materiais Dentários S.A. ('Neodent')	Curitiba	Brazil	100.00	BRL	1 152 621 860
Straumann LLC	Moscow	Russia	100.00	RUB	21 000 000
Instradent LLC	Moscow	Russia	100.00	RUB	17 250 000
Straumann SRO	Prague	Czech Republic	100.00	CZK	200 000
Batigroup Dental Diş Ürünleri Ticaret AŞ	Ankara	Turkey	70.00	TRY	5 000 000

NAME	City	Country of incorporation	Interest and voting rights 2018 (in %)		Share capital 31.12.2018
Straumann Group South Africa (PTY) LTD	Somerset West	South Africa	100.00	ZAR	1 000
Straumann Manufacturing, Inc.	Andover	USA	100.00	USD	1
Straumann USA, LLC	Andover	USA	100.00	USD	1
ClearCorrect Holdings, Inc.	Round Rock	USA	100.00	USD	4 424
ClearCorrect Operating, LLC	Round Rock	USA	100.00	USD	1 000
Loop Digital Solutions, LLC	Lincoln	USA	100.00	USD	0
Instradent USA, Inc.	Andover	USA	100.00	USD	2 000 000
Straumann Canada Ltd	Burlington	Canada	100.00	CAD	2 100 000
M.I.S. Implants Canada Inc.	Montreal	Canada	100.00	CAD	96
Dental Wings Inc.	Montreal	Canada	100.00	CAD	1 648 923
Dental Wings GmbH	Chemnitz	Germany	100.00	EUR	25 000
Dental Wings Hong Kong Ltd	Hong Kong	China	100.00	HKD	4 635 044
Shenzhen Dental Wings Company Limited	Shenzhen	China	90.00	CNY	1 439 602
Manohay Colombia SAS	Bogotá	Colombia	100.00	COP	7 100 062 213
Manohay Argentina SA	Buenos Aires	Argentina	100.00	ARS	19 000 000
Manohay México SA de CV	México DF	Mexico	100.00	MXN	38 392 615
Manohay Chile SPA	Santiago	Chile	100.00	CLP	464 515 950
Straumann Group Peru SA	Lima	Peru	100.00	PEN	1 702 500
Straumann Singapore Pte Ltd	Singapore	Singapore	100.00	SGD	10 000
Straumann Pty Ltd	Victoria	Australia	100.00	AUD	100
Straumann New Zealand Ltd	Napier	New Zealand	100.00	NZD	0
Straumann Japan KK	Tokyo	Japan	100.00	JPY	10 000 000
etkon Japan KK	Shibayama	Japan	100.00	JPY	10 000 000
Straumann (Beijing) Medical Device Trading Co Ltd	Beijing	China	100.00	CNY	70 290 000
Straumann Dental Korea Inc	Seoul	Republic of Korea	100.00	KRW	2 300 000 000
Straumann Dental India LLP	Mumbai	India	100.00	INR	1 416 000 000
STM Digital Dentistry Holding Ltd	Hong Kong	China	49.00	HKD	780
etkon Dental Company Ltd	Shenzhen	China	49.00	CNY	16 212 681
Straumann Group (Thailand) Limited	Bangkok	Thailand	100.00	THB	120 000 000
Straumann Group (Taiwan) Co. Ltd.	Taipei	Taiwan	100.00	TWD	10 000 000
Straumann (China) Investment Company Limited	Shanghai	China	100.00	USD	0

NAME	City	Country of incorporation	Interest and voting rights 2018 (in %)
ASSOCIATES:			
Abutment Direct Inc.	Markham	Canada	25.50
Anthogyr SAS	Sallanches	France	30.00
botiss medical AG	Berlin	Germany	30.00
Dental Monitoring SAS	Paris	France	9.04
Geniova Technologies S.L.	Madrid	Spain	38.02
maxon dental GmbH	Kenzingen	Germany	49.00
Rodo Medical Inc.	San Jose	USA	30.00
Rapid Shape GmbH	Heimsheim	Germany	35.00
V2R Biomédical Inc.	Montreal	Canada	30.00
Valoc AG	Rheinfelden	Switzerland	44.00
Z-Systems AG	Oensingen	Switzerland	33.94
JOINT VENTURE:			
Zinedent Implant Üretim AŞ	Ankara	Turkey	50.00

The next senior and ultimate holding company of the Straumann Group is Straumann Holding AG which is based and listed in Switzerland.

Audit Report – Consolidated financial statements

Report of the statutory auditor to the general meeting of Straumann Holding AG, Basel

STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Straumann Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 133 to 173).

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

RECOVERABILITY OF GOODWILL AND BRAND

AREA OF FOCUS

Goodwill and brand with indefinite useful life stemming from various acquisitions represent 28% of the Group's total assets and 44% of the Group's equity as of balance sheet date (see Group's disclosure Note 7).

There is a risk of limited recoverability of these assets, in case the planned growth and margins for the domestic or international business are not realized as budgeted or forecasted by management. In determining the value in use of cash-generating units, management applies judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Such assumptions are affected by expected future market or economic conditions. Due to the significance of the carrying amount of the goodwill and brand and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We evaluated the Company's valuation model for the material goodwill and brand with indefinite useful life and analysed the underlying key assumptions, including future long-term growth and discount rates. We assessed the assumptions regarding future revenues and margins, historical accuracy of the Company's estimates and considered its ability to produce accurate mid- and long-term forecasts. We evaluated sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information.

Our audit procedures did not lead to any reservations concerning the measurement of goodwill and brand.

RECOVERABILITY OF DEFERRED TAX ASSETS NEODENT

AREA OF FOCUS

As of balance sheet date recognized deferred tax assets relating to tax deductible statutory goodwill and fair value step ups amount to CHF 46.3 million. The Neodent deferred tax assets represent in total 2% of the Group's total assets (see Group's disclosure Note 19). Such tax deductible statutory goodwill and fair value step ups stem from mergers subsequent to Neodent acquisitions through fully owned subsidiaries. The Company performs periodic assessments of the recoverability of deferred tax assets.

Brazilian tax authorities have challenged the legality of the tax deductibility of the statutory goodwill and intangibles assets which cause a risk of future recoverability of such deferred taxes. Key assumptions concerning the assessment of the deferred tax assets recoverability are disclosed in the notes to the consolidated financial statements. Due to the significance of the carrying amount of the deferred tax asset and the judgement involved in making an assessment regarding the decision by the court this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We involved local Brazilian tax experts to assist in evaluating the Company's assessment regarding tax deductibility of statutory goodwill and fair value step ups. Further, we analysed the current assessment of Straumann related to the decision of the Brazilian Administrative Court of First Instance which may impact the appropriateness of the capitalisation of the deferred tax assets.

Our audit procedures did not lead to any reservations concerning the measurement of deferred tax assets Neodent.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Fabian Meier
Licensed audit expert

Basel, 6 February 2019

2018 FINANCIAL REPORT

STRAUMANN HOLDING

Balance sheet

ASSETS

(in CHF 1 000)	Notes	31 Dec 2018	31 Dec 2017
Cash and cash equivalents		167 441	183 075
Other short-term receivables		20 197	11 665
from third parties		952	2 577
from investments		19 245	9 088
Prepaid expenses		217	598
Total current assets		187 855	195 338
Financial assets	2.1	828 453	745 313
Investments	2.2	511 713	427 129
Intangible assets		178	368
Total non-current assets		1 340 344	1 172 810
TOTAL ASSETS		1 528 199	1 368 148

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2018	31 Dec 2017
Trade payables to third parties		327	449
Short-term interest-bearing liabilities to investments		6 498	1 908
Short-term provisions	2.3	51 764	37 483
Deferred income		2 693	2 593
Total current liabilities		61 282	42 433
Long-term interest-bearing liabilities	2.4	214 592	200 519
to third parties		200 000	200 519
to investments		14 592	0
Long-term provisions		3 000	3 000
Total non-current liabilities		217 592	203 519
Total liabilities		278 874	245 952
Share capital	2.5	1 588	1 588
Reserves from capital contributions[1]	2.6	66 254	66 327
Share premium		9 281	9 208
Legal retained earnings		23 572	29 587
Reserves for treasury shares	2.7	20 032	26 047
Statutory reserves		1 540	1 540
Extraordinary reserves		2 000	2 000
Voluntary retained earnings		1 148 630	1 015 486
Available earnings			
- Retained earnings		946 382	781 180
- Net result		202 248	234 307
Total equity		1 249 325	1 122 196
TOTAL EQUITY AND LIABILITIES		1 528 199	1 368 148

1 thereof CHF 10 996 956 not accepted by the Swiss Federal Tax Administration.

Income statement

(in CHF 1 000)	Notes	2018	2017
Income from investments	2.9	152 050	111 179
Other financial income	2.10	13 743	124 162
Other operating income	2.11	69 540	59 962
Impairment reversal of investments	2.14	15 000	0
Total income		250 333	295 303
Other financial expense	2.12	(35 624)	(45 624)
Personnel expense		(1 506)	(1 519)
Other operating expense	2.13	(10 652)	(10 095)
Depreciation of intangible assets		(190)	(190)
Total expenses		(47 972)	(57 428)
Result before income tax		202 361	237 875
Direct taxes		(113)	(3 568)
NET RESULT		202 248	234 307

Notes to the financial statements

1 PRINCIPLES

1.1 GENERAL

Straumann Holding AG is a public company whose shares are traded on the Swiss Exchange (SIX). As the parent company of the Straumann Group, the purpose of Straumann Holding AG is to acquire, dispose of and manage investments in the field of dental and medical technology.

These financial statements have been prepared in accordance with the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

As Straumann Holding AG has prepared consolidated financial statements in compliance with accepted international accounting standards (IFRS), it has decided to forego presenting a cash flow statement in accordance with the law.

Straumann Holding AG together with its subsidiaries Institut Straumann AG, Straumann Villeret SA and Instradent AG are treated as a VAT group by the Swiss Federal Tax Administration. Owing to this group taxation, Straumann Holding AG is liable to the Swiss Federal Tax Administration jointly and severally with all group members for any VAT.

1.2 FINANCIAL ASSETS

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the exchange rate at the balance sheet date, whereby unrealized losses are recorded but unrealized gains are not recognized.

1.3 TREASURY SHARES

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expense.

1.4 SHARE-BASED PAYMENTS

Should treasury shares be used for share-based payments for the Board Members' compensation, the difference between the acquisition costs and any consideration paid is recognized as personnel expense.

1.5 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized at nominal value. Discounts and issuing costs are recognized as prepaid expenses and amortized on a straight line basis over the term of the liability.

2 INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 FINANCIAL ASSETS

(in CHF 1 000)	31 Dec 2018	31 Dec 2017
Loans to subsidiaries	805 823	724 771
Loans to third parties	12 118	9 120
Financial assets	10 512	11 422
TOTAL	828 453	745 313

2.2 INVESTMENTS

The direct and major indirect investments of the company are listed in Note 34 to the Straumann Group Financial Statements. Ownership interests equal voting rights.

2.3 SHORT-TERM PROVISIONS

Short-term provisions include provisions for unrealized foreign currency gains of CHF 51.36 million and provisions for taxes of CHF 0.4 million (2017: CHF 37.04 million and taxes CHF 0.5 million).

2.4 LONG-TERM INTEREST-BEARING LIABILITIES

(in CHF 1 000)	31 Dec 2018	31 Dec 2017
Bond	200 000	200 000
Other	0	519
TOTAL	200 000	200 519
BOND CONDITIONS		
Nominal value	200 000	200 000
Interest rate in %	1.625	1.625
Maturity / Term in years	7	7
Due date / Maturity	4/30/2020	4/30/2020

2.5 SHARE CAPITAL

The share capital for 2018 and 2017 is CHF 1 587 898.40 and is represented by 15 878 984 registered shares of CHF 0.10 par value.

2.6 RESERVES FROM CAPITAL CONTRIBUTION

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration (ESTV) acknowledged the reported reserves for capital contribution as a capital contribution in accordance with Article 5 Paragraph 1 bis VStG.

2.7 RESERVES FOR TREASURY SHARES

The shares of Straumann Holding AG on stock of Institut Straumann AG amount to 45 543 shares with an average value of CHF 439.85. The decrease occurred due to the share based payment program and employee shares program (2017: 65 982 with an average value of CHF 394.75).

2.8 TREASURY SHARES

In 2017 all shares have been sold and no transactions regarding treasury shares occurred in 2018.

	Number of Transactions	Lowest share price in CHF	Highest share price in CHF	Average share price in CHF	Amount of treasury shares
Balance at 1 January 2017					432 665
Sale of own shares	1	332.14	332.14	332.14	(1 033)
Sale of own shares	1	376.20	376.20	376.20	(431 632)
Balance at 31 December 2017					0
Balance at 31 December 2018					0

2.9 INCOME FROM INVESTMENTS

In the reporting period the dividend income amounted to CHF 152.05 million (2017: CHF 111.2 million).

2.10 OTHER FINANCIAL INCOME

Other financial income amounts to CHF 13.7 million (2017: CHF 124.2 million) and contains mainly the interest income from loans to subsidiaries and realized foreign exchange gains.

2.11 OTHER OPERATING INCOME

Other operating income amounts to CHF 69.5 million (2017: CHF 60 million) and consists of income from licenses.

2.12 OTHER FINANCIAL EXPENSE

In 2017, the financial expense includes an impairment expense of CHF 16.3 million relating to a revaluation of loans. The Group incorporated its current knowledge into the valuation of the loans and estimated its risk-adjusted value.

(in CHF 1 000)	2018	2017
Interests	5 112	3 419
Foreign exchange losses	30 512	25 937
Impairment on financial assets	0	16 268
TOTAL	35 624	45 624

2.13 OTHER OPERATING EXPENSE

(in CHF 1 000)	2018	2017
Administrative expense	722	1 883
Consulting expense	9 340	7 709
Sundry expense	591	503
TOTAL	10 652	10 095

2.14 IMPAIRMENT REVERSAL OF INVESTMENTS

The reversal of the impairment of CHF 15.0 million relates to the Straumann Netherlands investment.

3 OTHER INFORMATION

3.1 FULL TIME EQUIVALENTS

Straumann Holding AG does not have any employees.

3.2 MAJOR SHAREHOLDERS

Shareholders who own more than 5 percent of voting rights are as follows:

(in %)	31 Dec 2018[1]	31 Dec 2017[1]
MAJOR SHAREHOLDERS		
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	17.1	17.1
Dr h.c. Rudolf Maag	11.5	11.9
Black Rock Group[2]	6.5	6.5

1 Or at last reported date if shareholdings are not registered in the share register.
2 Not registered in Straumann's share register.

3.3 ALLOCATION OF EQUITY INSTRUMENTS TO THE BOARD OF DIRECTORS

According to the compensation plan, Board members' fees are paid in a fixed remuneration and shares. The number of shares is calculated based on the average price over the last seven days prior to the allocation.

The allocation was as follows:

	2018		2017	
	Number	Value in CHF 1 000	Number	Value in CHF 1 000
Allocated to the Board of Directors	1 483	903	1 664	713

3.4 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed in these financial statements.

4 EQUITY INSTRUMENTS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The following tables disclose the number of vested and non-vested equity instruments (shares, options and Performance Share Units) held on 31 December 2018 and 2017 by the members of the Board of Directors, the Executive Management Board and individuals related to them.

2018

	Shares	Performance Share Units		
		20 Apr 2019	21 Apr 2020	30 Apr 2021
BOARD OF DIRECTORS				
Gilbert Achermann	20 665	0	0	0
Dr h.c. Thomas Straumann	2 723 865	0	0	0
Monique Bourquin	903	0	0	0
Dr Sebastian Burckhardt	4 885	0	0	0
Ulrich Looser	4 572	0	0	0
Dr Beat Lüthi	3 939	0	0	0
Regula Wallimann	619	0	0	0
Total	2 759 448	0	0	0
EXECUTIVE MANAGEMENT BOARD				
Marco Gadola	1 329	2 542	2 470	1 845
Dr Peter Hackel	813	761	554	402
Dr Gerhard Bauer	2 871	489	475	369
Wolfgang Becker	0	521	507	369
Guillaume Daniellot	0	377	379	304
Jens Dexheimer	1 524	228	348	326
Frank Hemm	1 655	570	554	402
Patrick Loh	0	0	495	402
Dr Alexander Ochsner	187	570	554	402
Petra Rumpf	1 721	652	633	434
Matthias Schupp	1 406	0	317	239
Peter Zihla	640	163	158	109
Total	12 146	6 873	7 444	5 603
TOTAL	2 771 594	6 873	7 444	5 603

2017

	Shares	Performance Share Units		
		22 Apr 2018	20 Apr 2019	21 Apr 2020
BOARD OF DIRECTORS				
Gilbert Achermann	20 172	0	0	0
Dr h.c. Thomas Straumann	2 723 700	0	0	0
Monique Bourquin	738	0	0	0
Dr Sebastian Burckhardt	4 720	0	0	0
Ulrich Looser	4 407	0	0	0
Dr Beat Lüthi	3 774	0	0	0
Regula Wallimann	454	0	0	0
Total	2 757 965	0	0	0
EXECUTIVE MANAGEMENT BOARD				
Marco Gadola	1 750	0	2 542	2 470
Dr Peter Hackel	573	0	761	554
Dr Gerhard Bauer	3 871	0	489	475
Wolfgang Becker	600	0	521	507
Guillaume Daniellot	0	0	377	379
Jens Dexheimer	970	281	228	348
Frank Hemm	3 968	0	570	554
Patrick Loh	0	0	0	495
Dr Alexander Ochsner	0	0	570	554
Petra Rumpf	1 700	0	652	633
Mike Rynerson	0	0	0	0
Matthias Schupp	1 606	0	0	317
Total	15 038	281	6 710	7 286
TOTAL	2 773 003	281	6 710	7 286

Proposal of the Board of Directors for the appropriation of the available earnings

(in CHF 1 000)	2018	2017
Net result	202 248	234 307
Carried forward from previous year	940 366	763 236
Change in reserves for treasury shares	6 016	17 943
Profit available to the Annual General Meeting	1 148 630	1 015 486
Dividend paid out of the available earnings (CHF 4.75 per share)		(75 120)
BALANCE CARRIED FORWARD		940 366

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 5.25 per share be distributed, payable as of 11 April 2019. Calculated based on the total number of outstanding shares of 15 833 441, this corresponds to a total amount of CHF 83.1 million. In deciding on the appropriation of dividends, the Shareholders' General Meeting shall take into account that the Company will not pay a dividend on treasury shares held by the Company. The remaining amount of the available earnings is to be carried forward.

Audit Report – Financial statements Straumann Holding AG

Report of the statutory auditor to the General Meeting of Straumann Holding AG, Basel

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Straumann Holding AG, which comprise the balance sheet, income statement and notes (pages 177 to 182), for the year ended 31 December 2018.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

AREA OF FOCUS

Investments in and loans to subsidiaries as at balance sheet date amount to CHF 1'316 million or 86% of total assets. The Company generally assesses the valuation of its investments and loans and determines potential impairments on an individual basis in accordance with the Swiss Code of obligations.

Due to the significance of the carrying amount of the investments and loans and the judgement involved in the determination of potential impairments, this matter was considered significant to our audit.

OUR AUDIT RESPONSE

Our procedures included, amongst other, an assessment of the Company's valuation model and we analysed the underlying key assumptions and methods that were used for its annual impairment test. We also assessed the historical accuracy of the Company's estimates.

Our audit procedures did not lead to any reservations concerning the measurement of investments in and loans to subsidiaries.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg	Fabian Meier
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Basel, 6 February 2019

EY
Building a better working world

APPENDIX

Global Reporting Initiative
Transparency for Stakeholders

Sustainability is integral for Straumann's business success and reflects our corporate values and behavior. We have consistently integrated reporting on sustainability aspects in our Annual Report since 2004. By communicating our sustainability performance, we foster stakeholder trust and confidence. To provide transparency for stakeholders who are impacted by our or activities, including shareholders, customers, employees and members of the communities in which we operate, we base our sustainability reporting on the internationally accredited Global Reporting Initiative (GRI) standards.

GRI is a nonprofit, multi-stakeholder organization providing companies with a systematic basis for informing stakeholders on corporate responsibility in a concise and comparable manner. We have applied the GRI sustainability reporting guidelines in our Annual Report for thirteen years. This report has been prepared in accordance with the 'GRI Standards: Core option'. It successfully completed the GRI Materiality Disclosures Service in February 2019.

The GRI Standards require us to determine which sustainability topics are most relevant, i.e. material, for our company and stakeholders. The corresponding assessment and topics determined to be material are presented on p. 61. The topics listed are relevant for Straumann's operations, shareholders and employees, as they can influence cost, brand reputation, and ultimately business success. Economic, social and environmental topics are also relevant for the communities in which we operate. Environmental topics are further of interest for environmental organizations. Product-related topics are relevant for our customers and the patients they serve. Human resources topics influence the competence of our team and ultimately the confidence and peace-of-mind we provide to our customers.

This report is based on information for the whole Straumann Group, unless stated otherwise. We have not sought external assurance of the GRI information provided, but we have used the standards for internal auditing wherever practical.

This page addresses GRI disclosures 102–40, 102–42, 102–45.

Global Reporting Initiative
Management Approaches

ECONOMIC TOPICS

Management Approach for GRI disclosures 201, 203, 205, 206

Strong economic performance is our core goal. Strategic oversight of our financial performance is provided by the Board of Directors. The operational responsibilities are delegated to the Executive Management Board. Central to our approach is a strong commitment to innovation, quality and service in all the regions where we do business. We are positioned as a supplier of premium products and services and have a clear focus on cost control. We plan to maintain our position through prompt execution of strategic goals and by upholding our commitment to developing new products in the replacement, restorative, regenerative, esthetic and preventive dental markets, as well as for digital dentistry.

Our main indirect economic impacts include the provision of jobs in the communities in which we operate and our charitable and social engagement initiatives to make dental treatment and education about oral hygiene available to the underprivileged. Straumann's charitable and social engagement programs around the world are a key part of our culture. They are typically managed by the teams located in each region where we do business. Our charitable programs relate, for example, to ectodermal dysplasia or basic dental care and oral hygiene. Our products and services are, by their nature, designed to improve the human condition and thus inherently benefit society.

In all our business activities, we place a high value on ethical behavior. The Straumann Code of Conduct clearly outlines our expectations in this regard. The Code was revised in 2018 and explicitly prohibits any form of corruption. It requires Straumann employees to comply with applicable laws and regulations at all times. This includes respecting rules of fair competition. Employees are obligated to report any violation or suspected violation, or any other suspected misconduct.

With regard to supply chain administration, our Strategic Procurement & Direct Spend team is responsible for procuring raw materials (e.g. titanium), tools, semi-finished goods, production machines, external work benches etc., while the Indirect Purchasing group handles the procurement of goods and services, including marketing materials, translation services, documentation, travel/hotels, cars, office supplies, packaging, consulting and event services.

ENVIRONMENTAL TOPICS

Management Approach for GRI disclosures 301, 302, 303, 305, 306, 308

Environmental issues are under the responsibility of local environmental officers at our production sites. They are overseen by plant managers who in turn report to our Head of Operations or the Head of our Digital Business Unit. At our global headquarters, which accommodates research and development, facility management is overseen by the CFO. At top management level, the CFO is tasked with the oversight of environmental performance and sustainability. To track our performance, we regularly collect and evaluate data from our production sites to understand our environmental impact and continuously identify measures for improvement.

Minimizing our impact on the environment also falls within the responsibility of our employees. Our Code of Conduct obliges every individual in the Straumann Group to comply with all laws and internal regulations regarding environmental matters.

Efficiency is an integral part of how we do business at Straumann. We continuously refine products and processes and seek ways to improve the conservation of resources. We employ this approach for materials, energy and water consumption. Economical use of resources and efficient production as well as recycling efforts minimize effluents and waste.

We closely monitor our greenhouse gas emissions to quantify our impact on climate change. We calculate corresponding emissions from electricity consumption and heating, and further report information to investors within the Climate Change program of CDP (formerly the Carbon Disclosure Project).

We are aware that our supply chain also influences our environmental impact and we strive for a thorough environmental assessment of suppliers. Our expectations regarding environmental protection in the supply chain are clearly specified in our Code of Conduct for Suppliers.

SOCIAL TOPICS

LABOUR PRACTICES AND DECENT WORK

Management Approach for GRI disclosures 401, 403, 404, 405

Operational aspects of labor practices and policies fall within the responsibilities of the Head of Global People Management & Development, who is part of the Executive Management Board. On a strategic level, the Human Resources & Compensation Committee of the Board of Directors reviews Straumann's human resources policies and oversees the recruitment of Executive Board Members as well as the compensation of the Board and the Executive Management Board.

We base our approach to employment on principles of employee development, open dialogue and fair and attractive employment conditions. Collective bargaining agreements and freedom of association are allowed throughout the company in compliance with laws and regulations. However, there is a general preference for informal employee dialogue, and labor contracts are negotiated individually rather than by collective bargaining.

Our commitment to maintaining a safe working environment is ensured by monitoring occupational health and safety. We continuously communicate health and safety procedures to employees through training and awareness programs, and we regularly monitor and report absence rates.

In order to keep our employee's skills up to date, training and education are of key importance. We extended our continuing training and education programs considerably, aligning them with our high-performance culture and cultural change, and continued to offer informal educational sessions ('Discover' and 'Lunch & Learn').

We believe a diverse workforce greatly contributes to team performance and to our ability to serve customers all around the world. Therefore, we place a high value on diversity and equal opportunity. We regularly monitor a variety of indicators in our workforce such as age, gender, nationality and educational background to ensure inclusiveness and diversity of perspectives.

HUMAN RIGHTS

Management Approach for GRI disclosures 406, 414

Our approach to protecting human rights is based on our Code of Conduct. The code requires all employees to act ethically and uphold human rights at all times. Our Chief Compliance Officer manages compliance with the Code. It is integrated in all our employment contracts, and new employees are made aware of it as part of our onboarding program.

To foster an open, collaborative working environment, our employees are protected from discrimination by Straumann's Code of Conduct. We define discrimination as biased treatment based on gender, race, background, religion, or sexual orientation. A supplier social assessment is achieved through our Code of Conduct for Suppliers, the purpose of which is to ensure that working conditions and human rights are protected along our supply chain.

PRODUCT RESPONSIBILITY

Management Approach for GRI disclosures 416, 417, 418, 419

Our overall profitability depends on the quality, performance and reliability of the solutions we provide to our customers. We apply stringent requirements for safety and effectiveness in product design and production, and will never accept shortcuts to market in order to boost short-term sales. The fitness for use of our products is assured over the entire product lifecycle: from conceptualization to research, development, manufacturing, storage, distribution, and in-market support.

Our approach towards customer health and safety as well as compliance of our products and services includes the following: In the rare case of a potentially serious safety issue, our Corporate Product Safety Officer is authorized to convene a Safety Board meeting at very short notice to initiate corrective actions. Furthermore, our implant and regenerative products undergo preclinical and clinical testing, which continues after market introduction. Results of these studies are often published in peer-reviewed scientific journals and are presented by independent experts at scientific meetings.

Our commitment to truthful and accurate marketing and labeling is embedded in our global sales compliance program, which has been in place since 2009. It is one of several safeguards ensuring compliance with regulations relating to sales of our products and services. Finally, respecting laws and regulations concerning customer privacy is integrated in our Code of Conduct.

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FORWARD-LOOKING STATEMENTS

This publication 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 publication. Straumann is providing the information in this publication as of this date and does not undertake any obligation to update any statements contained in this publication as a result of new information, future events or otherwise.

PRODUCT AVAILABILITY

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

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KEY DATES IN 2019

19 February	2018 Full-year results conference
5 April	Annual General Meeting
9 April	Dividend ex date
11 April	Payment date
30 April	First-quarter results conference call
14 August	Half-year results conference
29 October	Third-quarter results conference call

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