

2019 FINANCIAL REPORT



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STRAUMANN GROUP

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Alternative performance measures

The financial information in this annual report release includes certain Alternative Performance Measures (APMs), which are not accounting measures defined by IFRS.

CORE FINANCIAL MEASURES are non-IFRS financial measures because they cannot be derived directly from Group consolidated financial statements. Management believes that these non-IFRS financial measures, when provided in combination with reported results, will provide readers with helpful supplementary information to better understand the financial performance and position of the Group on a comparable basis from period to period. These non-IFRS financial measures are not a substitute for, or superior to, financial measures prepared in accordance with IFRS. Core financial measures are adjusted to exclude the following significant items:

- PPA amortization: Special items and amortization of intangible assets that result from the purchase price allocation (PPA) following acquisitions.
- Impairments: Impairment write-offs of financial or non-financial assets as a result of unusual or one-time events in legal or economic conditions, change in consumer demands, or damage that impacts the asset. In 2018, the Group has impaired the investment in its US-based associated company RODO Medical.
- Legal cases: Non-recurring and significant litigation charges. Expenses related to legal disputes in the course of the Group's ordinary business activities are not adjusted. The amount disclosed in 2019 refers to the Align patent dispute settlement out of court. Refer to Note 6.1 of the consolidated financial statements for additional details.
- Consolidation result of former associates: Revaluation gains and losses as a result of obtaining control over former associates. Refer to Note 7.4 of the consolidated financial statements for additional details.
- Other: Non-recurring, unusual and infrequent incidents that cannot be allocated to any of the preceding categories. In 2019, the Group adjusted the various effects of a fire incident in its Canadian subsidiary Dental Wings Inc. On the one hand, the fire caused a material damage at the facility which is the main production center for in-lab and intra-oral scanners. On the other hand, the Group is entitled to insurance reimbursements. The property damages and the insurance reimbursements are separate economic events, which are accounted for separately.

A reconciliation of IFRS to core measures is disclosed in the table at the end of this section.

Further, the Group discloses **VARIOUS KPI**. Unless otherwise stated, the following KPI are based on IFRS figures, as disclosed in the consolidated financial statements:

ORGANIC REVENUE GROWTH

Revenue growth excluding the revenue contribution from business combinations (calculated by adding pre-acquisition revenues of the prior period to the existing revenue growth base) and currency effects.

REVENUE GROWTH IN LOCAL CURRENCIES

Revenue growth excluding currency effects. Those effects are calculated using a simulation by reconsolidating the prior period revenues with the current year foreign exchange translation rates.

NET CASH (NET DEBT)

Net debt is an indicator of the Group's ability to meet financial commitments, to pay dividends, and to undertake acquisitions. The KPI is calculated by subtracting financial liabilities (excl. lease liabilities) and retirement benefit obligations from cash and cash equivalents.

NET WORKING CAPITAL (NET OF CASH)

Working capital is capital invested in the Group's operating activities. It is a driver for cash flow and an indicator of operational efficiency. Net working capital equals Subtotals 'current assets' and 'current liabilities' – excluding the lines cash and cash equivalents, current financial assets and current financial liabilities.

DAYS OF SUPPLIES (DOS)

The days of supplies indicate the average time in days that the Group takes to turn its inventory. The numerator is the balance sheet position 'inventories' at year-end, and the denominator are the 'Cost of goods sold' of the past three months, multiplied by 90 days.

DAYS OF SALES OUTSTANDING (DSO)

The days of sales outstanding indicate the average number of days the Group takes to collect its receivables. The numerator is the balance sheet position 'trade receivables' at year-end and the denominator are the 'net revenues' of the past three months, multiplied by 90 days.

RETURN ON ASSETS (ROA)

Return on assets expresses the earning power of the Group's assets. The numerator is the profit for the period of the past twelve months, and the denominator is the average balance sheet total for the same period.

EQUITY RATIO

The equity ratio is calculated by dividing total equity by total assets.

RETURN ON EQUITY (ROE)

Return on equity compares profitability of the Group in relation to the equity invested. The numerator is the profit for the period of the past twelve months, and the denominator is the average equity for the same period.

CAPITAL EMPLOYED

Capital employed equals current assets, property, plant and equipment, right-of-use assets, intangible assets minus cash and cash equivalents and non-interest-bearing liabilities.

RETURN ON CAPITAL EMPLOYED (ROCE)

Return on capital employed expresses the earning power of the Group's invested capital. The numerator is the operating profit (EBIT) of the past twelve months, and the denominator is the average capital employed for the same period.

FREE CASH FLOW

Free cash flow represents the cash-generating capability of the Group to conduct and maintain its operations, to finance dividend payments, to repay debt, and to undertake acquisitions. Free cash flow equals net cash from operating activities less purchase of property, plant and equipment, less purchase of intangible assets, plus net proceeds from property, plant and equipment

DIVIDEND PAY-OUT RATIO

A dividend payout ratio is the percentage of earnings paid to shareholders of Straumann Holding AG. The proposed dividend pay-out in the following year divided by the Group's CORE net profit of the past twelve months.

CORE RESULT RECONCILIATION 2019

(in CHF 1 000)	IFRS 2019	PPA amortization	Impairments	Legal cases	Consolidation result former associates	Other	CORE 2019
Revenue	1 596 225						1 596 225
Cost of goods sold	(395 749)	2 484				4 272	(388 992)
Gross profit	1 200 477	2 484				4 272	1 207 233
Other income	12 807					(7 085)	5 722
Distribution expense	(330 974)	10 390					(320 584)
Administrative expense	(495 170)	6 421		25 500		2 796	(460 454)
Operating profit	387 140	19 294		25 500		(17)	431 917
Finance income	64 873						64 873
Finance expense	(89 475)						(89 475)
Gain on consolidation of former associates	5 967				(5 967)		0
Share of results of associates	(3 036)						(3 036)
Profit before income tax	365 469	19 294		25 500	(5 967)	(17)	404 279
Income tax expense	(57 440)	(5 416)		(3 188)		5	(66 039)
NET PROFIT	308 029	13 878		22 313	(5 967)	(13)	338 240
Attributable to:							
Shareholders of the parent company	306 473	13 410		22 313	(5 967)	(13)	336 216
Non-controlling interests	1 556	468		0	0	0	2 024
Basic earnings per share (in CHF)	19.33						21.21
Diluted earnings per share (in CHF)	19.26						21.13
Operating profit	387 140	19 294		25 500		(17)	431 917
Depreciation & amortization	93 498	(16 956)				(3 520)	73 022
EBITDA	480 637	2 338		25 500		(3 537)	504 939

CORE RESULT RECONCILIATION 2018

(in CHF 1 000)	IFRS 2018	PPA amortization	Impairments	Legal cases	Consolidation result former associates	Other	CORE 2018
Revenue	1 363 560						1 363 560
Cost of goods sold	(344 315)	8 887					(335 429)
Gross profit	1 019 245	8 887					1 028 132
Other income	3 424						3 424
Distribution expense	(291 018)	10 033					(280 984)
Administrative expense	(389 016)	5 871					(383 145)
Operating profit	342 635	24 791					367 426
Finance income	72 852						72 852
Finance expense	(89 802)						(89 802)
Gain on consolidation of former associates	10 725				(10 725)		0
Share of results of associates	(9 984)		7 688				(2 296)
Profit before income tax	326 426	24 791	7 688		(10 725)		348 180
Income tax expense	(48 639)	(6 611)	0				(55 250)
Net profit	277 787	18 180	7 688		(10 725)		292 930
Attributable to:							
Shareholders of the parent company	272 770	17 585	7 688		(10 725)		287 318
Non-controlling interests	5 017	595	0		0		5 612
Basic earnings per share (in CHF)	17.24						18.16
Diluted earnings per share (in CHF)	17.18						18.09
Operating profit	342 635	24 791					367 426
Depreciation & amortization	52 367	(15 980)					36 387
EBITDA	395 002	8 811					403 813

Consolidated statement of financial position

Assets

(in CHF 1 000)	Notes	31 Dec 2019	31 Dec 2018
Property, plant and equipment	4.1	325 164	230 206
Right-of-use assets	4.2	250 584	0
Intangible assets	4.3	742 841	652 443
Investments in associates	2.2	90 976	106 102
Financial assets	7.1	31 779	34 907
Other receivables		6 977	5 814
Deferred income tax assets	7.7	59 993	70 066
Total non-current assets		1 508 313	1 099 538
Inventories	5.1	234 553	182 053
Trade and other receivables	5.2	378 325	296 030
Financial assets	7.1	1 593	1 082
Income tax receivables		6 982	7 192
Cash and cash equivalents	5.3	260 211	278 674
Total current assets		881 665	765 031
TOTAL ASSETS		2 389 978	1 864 569

Equity and liabilities

(in CHF 1 000)	Notes	31 Dec 2019	31 Dec 2018
Share capital	7.5	1 588	1 588
Retained earnings and reserves		1 361 825	1 199 336
Total equity attributable to the shareholders of the parent company		1 363 413	1 200 924
Non-controlling interests		3 809	3 396
Total equity		1 367 222	1 204 320
Other liabilities	6.2	47 645	29 286
Income tax liabilities ¹		9 594	8 969
Financial liabilities ¹	7.2	270 764	239 779
Provisions ¹	6.1	10 964	12 469
Retirement benefit obligations	8.2	67 918	59 185
Deferred income tax liabilities	7.7	36 887	36 211
Total non-current liabilities		443 773	385 899
Trade and other payables	5.4	308 762	223 299
Financial liabilities	7.2	224 725	22 103
Income tax liabilities ¹		45 490	28 824
Provisions	6.1	7	124
Total current liabilities		578 983	274 350
Total liabilities		1 022 756	660 249
TOTAL EQUITY AND LIABILITIES		2 389 978	1 864 569

1 Comparative figures have been restated (Note 1.3)

The notes on pages 144–182 are an integral part of these consolidated financial statements.

Consolidated income statement

(in CHF 1 000)	Notes	2019	2018
Revenue	3.1	1 596 225	1 363 560
Cost of goods sold		(395 749)	(344 315)
Gross profit		1 200 477	1 019 245
Other income	3.3	12 807	3 424
Distribution expense		(330 974)	(291 018)
Administrative expense		(495 170)	(389 016)
Operating profit		387 140	342 635
Finance income	7.4	64 873	72 852
Finance expense	7.4	(89 475)	(89 802)
Gain on consolidation of former associates	7.4	5 967	10 725
Share of results of associates	2.2	(3 036)	(9 984)
Profit before income tax		365 469	326 426
Income tax expense	7.7	(57 440)	(48 639)
NET PROFIT		308 029	277 787
Attributable to:			
Shareholders of the parent company		306 473	272 770
Non-controlling interests		1 556	5 017
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	3.2	19.33	17.24
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	3.2	19.26	17.18

The notes on pages 144–182 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	2019	2018
Net profit	308 029	277 787
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	(27 427)	(21 717)
Exchange differences on translation of foreign operations	(23 392)	(61 813)
Share of other comprehensive income of associates accounted for using the equity method	2 485	286
Income tax effect	(1 207)	2 085
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(49 540)	(81 159)
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	(3 579)	(1 256)
Remeasurements of retirement benefit obligations	(5 994)	(7 621)
Income tax effect	1 140	978
Items not to be reclassified to profit or loss in subsequent periods	(8 433)	(7 899)
Other comprehensive income, net of tax	(57 973)	(89 058)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	250 056	188 729
Attributable to:		
Shareholders of the parent company	249 409	184 842
Non-controlling interests	647	3 887

The notes on pages 144–182 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	Notes	2019	2018
Net profit		308 029	277 787
Adjustments for:			
Taxes charged	7.7	57 440	48 639
Interest and other financial result		14 328	11 835
Foreign exchange result		11 190	4 829
Fair value adjustments		(935)	287
Gain on consolidation of former associates		(5 967)	(10 725)
Share of results of associates	2.2	3 036	9 984
Depreciation and amortization of:			
Property, plant and equipment	4.1, 4.4	42 445	29 960
Right-of-use assets	4.2, 4.4	24 012	
Intangible assets	4.3, 4.4	27 041	22 407
Change in provisions, retirement benefit obligations and other liabilities		(18 009)	(21 675)
Change in long-term assets		189	(473)
Share-based payments expense	8.1, 8.3	13 130	10 706
Result of disposal of property, plant and equipment		(141)	568
Working capital adjustments:			
Change in inventories		(42 093)	(26 714)
Change in trade and other receivables		(79 874)	(59 211)
Change in trade and other payables		72 623	25 094
Interest paid on lease liabilities	7.2	(6 612)	0
Interest paid		(7 151)	(8 727)
Interest received		580	2 438
Income tax paid		(34 783)	(39 910)
Net cash from operating activities		378 478	277 099

(in CHF 1 000)	Notes	2019	2018
Purchase of financial assets		0	(478)
Proceeds from sale of financial assets		160	478
Purchase of property, plant and equipment		(134 599)	(92 922)
Purchase of intangible assets		(15 261)	(16 811)
Purchase of investments in associates		(12 327)	(56 268)
Acquisition of a business, net of cash acquired		(68 725)	(16 514)
Contingent consideration paid	7.3	(8 415)	(5 709)
Proceeds from loans		1 792	0
Disbursement of loans		(2 594)	(13 529)
Dividends received from associates		1 789	380
Net proceeds from sale of non-current assets		1 032	2 042
Net cash used in investing activities		(237 147)	(199 331)
Purchase of non-controlling interests	7.2, 7.3	(47 365)	(403)
Repayment of non-current financial debts	7.2	(2 755)	0
Dividends paid to the equity holders of the parent	7.6	(83 126)	(75 120)
Dividends paid to non-controlling interests		(580)	(1 818)
Payment of lease liabilities	7.2	(22 905)	(1 150)
Sale of treasury shares		5 061	5 139
Purchase of treasury shares		(4 816)	(4 205)
Net cash used in financing activities		(156 486)	(77 557)
Exchange rate differences on cash held		(3 307)	(3 353)
Net change in cash and cash equivalents		(18 463)	(3 142)
Cash and cash equivalents at 1 January	5.3	278 674	281 816
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5.3	260 211	278 674

The notes on pages 144–182 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

2019

(in CHF 1 000)

	Notes	Attributable to the shareholders of the parent company					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings			
At 1 January 2019		1 588	31 412	(19 870)	(169 045)	1 356 839	1 200 924	3 396	1 204 320
Net profit						306 473	306 473	1 556	308 029
Other comprehensive income					(47 453)	(9 611)	(57 064)	(909)	(57 973)
Total comprehensive income		0	0	0	(47 453)	296 862	249 409	647	250 056
Dividends to equity holders of the parent	7.6					(83 126)	(83 126)		(83 126)
Dividends to non-controlling interests							0	(580)	(580)
Share-based payment transactions	8.1, 8.3					13 384	13 384		13 384
Purchase of treasury shares				(4 816)			(4 816)		(4 816)
Usage of treasury shares				15 324		(10 485)	4 839		4 839
Changes in consolidation group						333	333	3 474	3 807
Put options to non-controlling interests						(17 534)	(17 534)	(3 128)	(20 662)
AT 31 DECEMBER 2019		1 588	31 412	(9 361)	(216 498)	1 556 272	1 363 413	3 809	1 367 222

2018

(in CHF 1 000)

	Notes	Attributable to the shareholders of the parent company					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings			
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	7.6					(75 120)	(75 120)		(75 120)
Dividends to non-controlling interests							0	(1 818)	(1 818)
Share-based payment transactions	8.1, 8.3					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	2.1						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

The notes on pages 144–182 are an integral part of these consolidated financial statements.

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1 GENERAL INFORMATION AND ACCOUNTING POLICIES

1.1 CORPORATE INFORMATION

The Straumann Group (SIX: STMN) is a global leader in tooth replacement and orthodontic solutions that restore smiles and confidence. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Anthogyr, ClearCorrect, Dental Wings, Neodent, Medentika, Straumann 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, CAD/CAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss. Headquartered in Basel, Switzerland, the Group currently employs approximately 7600 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 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 14 February 2020 and are subject to approval by the Annual General Meeting on 7 April 2020.

1.2 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 2019.

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.

1.3 CHANGES IN ACCOUNTING POLICIES

NEW STANDARDS AND AMENDMENTS EFFECTIVE IN 2019

The Group has applied the following amendment for the first time for its annual reporting period commencing 1 January 2019:

– IFRS 16 'Leases' (effective 1 January 2019)

The new standard requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. With effect of 1 January 2019, the Group has applied the modified retrospective method, in which the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application. Since the Group made use of the practical expedients, the right-of-use assets equal the lease liabilities. Consequentially, there was no impact on the retained earnings.

The Group elected not to recognize right-of-use assets and lease liabilities for short-term leases (<12 months) and leases of low-value assets. Options (extension / termination) on lease contracts are considered on a case-by-case basis following a regular management assessment. The borrowing rates applied have been defined using country-specific incremental borrowing rates. This rate is calculated based on the risk-free rate of the country plus the Group's risk premium. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.3%.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on the assessments made according to IAS 17 and IFRIC 4.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

(in CHF 1 000)

Operating lease commitments disclosed as at 31 December 2018	151 908
Discounting, using the lessee's incremental borrowing rate at the date of initial application	(37 647)
Discounted operating lease commitments	114 262
Add: finance lease liabilities recognized as at 31 December 2018	2 049
(Less): short-term leases recognized on a straight-line basis as expense	(1 129)
(Less): low-value leases recognized on a straight-line basis as expense	(6 400)
Add: adjustments as a result of a different treatment of extension and termination options	83 083
Lease liabilities recognized as at 1 January 2019	191 864

On 1 January 2019, the Group recognized CHF 191.9 million of right-of-use-assets and lease liabilities on the consolidated balance sheet. As a result of the first-time adoption of IFRS 16, the Group's operating profit was positively impacted in the amount of CHF 4.1 million, with lower 'Cost of goods sold' of CHF –0.5 million, 'Distribution expense' of CHF –0.1 million and 'Administrative expense' of CHF –3.5 million. Additional interest expenses in connection with the first-time adoption of IFRS 16 disclosed in 'Finance expense' of CHF 6.6 million resulted in a negative net profit impact of CHF –2.5 million. The application of the new standard did not impact the Group's cash flow but has changed the presentation in the Group's consolidated cash flow statement. Lease payments that relate to contracts that have previously been classified as operating leases are no longer presented as operating cash flows but are classified within financing activities. In 2019, the net cash flow generated by operating activities increased by CHF 22.9 million, while the cash flow of the financing activities decreased by the same amount. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability are still presented within operating activities.

- IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019)

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. Since the Group operates in a complex multinational environment, tax authorities of different jurisdictions may challenge cross-border tax treatments and therefore a related uncertainty exists. At the date of initial application, the Groups' assessment resulted in no changes to the amounts previously recognized in this respect, however, the uncertain tax liabilities formerly included under provisions have been reclassified to income tax liabilities (see restatement table below).

- IAS 19 (Amendments) 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019)

CHANGE IN PRESENTATION AND RESTATEMENT

The presentation of uncertain tax positions, the straight bond and implementation of IFRS 16 'Leases' has led to the following changes:

(in CHF 1 000)	Reported	Change	Restated
Change in presentation of uncertain income tax as of 1 Jan 2018			
Provision non-current	40 321	(10 740)	29 581
Income tax liabilities non-current	0	8 498	8 498
Income tax liabilities current	28 692	2 242	30 934
Change in presentation of straight bond as of 31 Dec 2018			
Straight bond	199 862	(199 862)	0
Financial liabilities non-current	39 917	199 862	239 779
Implementation of IFRS 16 as of 1 Jan 2019			
Right-of-use assets	0	191 864	191 864
Financial liabilities non-current	0	166 073	166 073
Financial liabilities current	0	25 791	25 791

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 10 and IAS 28 (Amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (effective date to be defined)
- IAS 1 and IAS 8 (Amendments) 'Definition of Material' (effective 1 January 2020)
- IFRS 3 (Amendments) 'Definition of a Business' (effective 1 January 2020)
- IAS 1 (Amendments) 'Classification of liabilities as current or non-current' (effective 1 January 2022).

1.4 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 7.3.

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 and Anthogyr).

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.

LEASES

Due to the changes in accounting policies resulting from the application of IFRS 16, critical judgements relating to leases are made starting as from the date of initial application of IFRS 16. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

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 37.7 million as of 31 December 2019 (2018: CHF 46.3 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. During 2019, the case reached the second level of appeal and was ruled, as expected, against Neodent. The Group is still determined to take the case to the regular judicial courts should the decision of the tax authorities be upheld by the third appeal level of the Administrative 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. Uncertain tax positions are included in current and non-current income tax liabilities.

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 2019 was CHF 67.9 million (2018: CHF 59.2 million). Further details are given in Note 8.2.

1.5 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 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.

LEASES

The Group leases various buildings, plant and machinery and other equipment. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability (included in 'Financial liabilities') at the commencement of the lease. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

RIGHT-OF-USE ASSETS

Right-of-use assets are measured at cost and comprise the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

LEASE LIABILITIES

Liabilities arising from a lease are initially measured on a present value basis, using country-specific incremental borrowing rates. This rate is calculated based on the risk-free rate of the country plus a premium considering the Group's risk premium. The following lease payments are included in the net present value:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT equipment.

Extension and termination options are included in a number of lease contracts across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension

option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the lessee. Lease liabilities are disclosed as part of the current and non-current financial liabilities in the statement of financial position.

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 or groups of 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 7–12 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 the income statement when the asset is derecognized.

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 the income statement 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

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 the income statement and no impairments are recognized in profit or loss. Dividends earned from such investments are recognized in the income statement unless the dividend clearly represents a repayment of part of the cost of the investment.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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 amortized 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 recognizes 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 recognized 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 recognizes 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.

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 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 assets at fair value through profit or loss (if positive), or as financial liabilities 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 the income statement.

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, 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 the income statement, 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 expense.

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 8.3.

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 num-

ber 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) is reflected as additional share dilution in the computation of earnings per share (Note 3.2).

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.

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 3.1.

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 represent the best estimate of the tax amount expected to be paid or received and reflects uncertainty related to income taxes, if any. 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 the income statement.

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 the income statement.

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.

2 INVESTMENTS

2.1 BUSINESS COMBINATIONS

TRANSACTIONS IN 2019

ANTHOGYR GROUP

On 21 May 2019, the Group increased its stake in the French Group Anthogyr from 30% to full ownership. Anthogyr develops, manufactures and sells high quality, innovative implant and CAD/CAM solutions. As a result, the Group obtained control and started to consolidate Anthogyr in its financial statements from that date. Until 20 May 2019, Anthogyr was accounted for using the equity method and therefore the Group's share of results was reported as 'Share of results of associates' in the Group's income statement.

The fair value of intangible assets related to brand is determined using a relief from royalty method. The fair value of the intangible assets related to customer relationships is determined using an excess earning method. The methods are based on management business plans, observable market data for risk-adjusted discount rates, tax rates and foreign exchange rates. 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 Anthogyr contributed revenues of CHF 30.3 million, with no material impact on net profit. If Anthogyr had been included as of 1 January 2019, management estimates the impact on consolidated revenues and consolidated net income for the twelve months ended 31 December 2019 would have been CHF 51.2 million and no material impact on net profit.

BAY MATERIALS, LLC

On 23 October 2019, the Group has acquired Bay Materials, LLC ('Bay Materials'). Based in Fremont, US, the company is specialized in the design, development and supply of high-performance thermoplastics for orthodontic applications. As a result, the Group obtained control and started to consolidate Bay Materials in its financial statements from the date of acquisition.

The fair value of intangible assets related to brand is determined using a relief from royalty method. The fair value of the intangible assets related to technology is determined using an excess earning method. The meth-

ods are based on management business plans, observable market data for risk-adjusted discount rates, tax rates and foreign exchange rates. 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 business combination had no material impact on the Group's revenues or net profit, neither for the period from 23 October 2019 to 31 December 2019, nor when considering an inclusion of Bay Materials as of 1 January 2019.

OTHER BUSINESS COMBINATIONS

Besides Anthogyr and Bay Materials, the Group conducted eight additional business combinations:

- Zinedent Implant Uretim Anonim Sirketi ('Zinedent')
- etkon (Schweiz) AG
- Valoc AG
- Abutment Direct Inc
- The Chilean distributor of Alpha Bio
- Medikadent d.o.o.
- Digital Planning Service Private Limited
- Yller Biomateriais S.A.

These business combinations had no material impact on the Group's revenues or net profit, neither from the acquisition date, nor when considering an inclusion of these acquisitions as of 1 January 2019.

The fair values of the identifiable assets and liabilities at the respective business combination date are as follows:

(in CHF 1 000)	Anthogyr	Bay Materials	Other
Assets			
Property, plant and equipment	11 024	613	1 627
Right-of-use assets	4 566	2 023	6 778
Intangible assets:			
Brand	13 500	2 975	523
Customer relationships	1 880	0	7 889
Technology	0	6 569	3 933
Other intangible assets	628	17	805
Deferred tax assets	0	0	613
Inventories	17 529	835	4 103
Trade and other receivables	15 017	912	4 058
Cash and cash equivalents	(775)	653	2 060
Total assets	63 369	14 596	32 389
Liabilities			
Financial liabilities	15 840	2 023	7 495
Deferred income tax liabilities	5 152	2 443	2 157
Provisions and other long term liabilities	1 151	3 025	1 278
Trade and other payables	11 650	1 384	6 268
Total liabilities	33 793	8 874	17 197
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	29 576	5 722	15 191
Fair value of previously held interest	(16 348)		(11 793)
Non controlling interest			(2 594)
Goodwill	24 918	15 413	42 222
Consideration	38 145	21 135	43 025
Satisfied in cash	38 145	13 197	19 321
Contingent consideration	0	7 937	23 704
Consideration	38 145	21 135	43 025
Cash flow			
Net cash acquired	(775)	653	2 060
Cash paid	(38 145)	(13 197)	(19 321)
NET CASH FLOW	(38 920)	(12 544)	(17 261)

At the date of the business combination, the fair values of trade receivables amounted to CHF 9.5 million from Anthogyr, CHF 0.8 million from Bay Materials and CHF 2.5 million from other business combinations. The fair values did not materially differ from the contractual gross amounts.

Contingent consideration payments depend on the performance of the acquired businesses. In two cases the Group has written put options granting the holders of the non-controlling interests the right to sell their remaining shares to the Group. At the balance-sheet date, the fair value of these financial liabilities collectively amounted to CHF 41.7 million, as the Group has no beneficial ownership.

As a result of derecognizing its equity interest in the former associates Zinedent, Valoc AG, Abutment Direct Inc and Anthogyr, the Group realized a fair value gain of CHF 6.0 million. The related translation losses of CHF 0.4 million have 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'.

TRANSACTIONS IN 2018

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.

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

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 CAD/CAM bridges, bars and abutments, are designed for a variety of implant systems and are sold mainly in Spain, Germany and other markets in Europe.

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

OTHER BUSINESS COMBINATIONS

Besides Batigroup and Createch, the Group conducted four additional business combinations:

- ASM Consultants (Proprietary) Limited
- Same Day Solutions – produtos medicos LDA ('SDS')
- M.I.S. Implants Canada Inc ('M.I.S.Canada')
- T-Plus Implant Tech. Co. Ltd. ('T-Plus').

The net assets recognized as part of the acquisition of T-Plus on 9 November 2018 were provisional, except for cash and cash equivalents, as the purchase price allocation ('PPA') had not been completed by the date of the Board of Director's approval of the 2018 financial statements. In 2019, the PPA was completed. The PPA had no material effect on the Group's financial statements compared to the values which were provisionally recognized in 2018.

The fair values of the identifiable assets and liabilities at the respective business combination date are as follows:

(in CHF 1 000)	Batigroup	Createch	Other
Assets			
Property, plant and equipment	321	7 861	891
Intangible assets:			
Brand	0	2 872	0
Customer relationships	7 030	0	3 765
Technology	0	1 635	0
Other intangible assets	7	421	1 340
Deferred tax assets	0	1 655	297
Inventories	12 727	888	3 638
Trade and other receivables	9 062	1 441	4 697
Cash and cash equivalents	2 477	1 163	3 346
Total assets	31 626	17 936	17 975
Liabilities			
Financial liabilities	9 120	6 119	588
Deferred income tax liabilities	1 859	1 446	862
Trade and other payables	15 958	1 099	3 270
Total liabilities	26 936	8 664	4 720
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	4 689	9 272	13 254
Fair value of previously held interest		(5 833)	(9 981)
Non controlling interest			(3 397)
Goodwill	14 820	10 170	14 825
Consideration	19 509	13 609	14 702
Consideration satisfied in cash	905	13 609	8 986
Consideration satisfied by converting a loan	0	0	908
Contingent consideration	18 604	0	4 808
Consideration	19 509	13 609	14 702
Cash flow			
Net cash acquired	2 477	1 163	3 346
Cash paid	(905)	(13 609)	(8 986)
NET CASH FLOW	1 572	(12 446)	(5 640)

At the date of the business combination the fair value of the trade receivables amounted to CHF 1.4 million from Createch, CHF 6.6 million from Batigroup and CHF 3.6 million from other business combinations. The fair values did not materially differ from the contractual gross amounts.

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 carrying amount of the associate 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'.

2.2 INVESTMENTS IN ASSOCIATES

The Group has investments which are accounted for as associated companies. In 2019, the Group invested in two associated companies (Peak Dental Solutions HK Ltd. and Warantec Co., Ltd.). Anthogyr SAS is not included anymore as the Group obtained control over Anthogyr on 21 May 2019 (Note 2.1).

From a Group perspective, the associates botiss medical AG, Berlin, Germany and Rapid Shape GmbH, Heimsheim, Germany are material at the reporting date.

(in CHF 1 000)	2019		2018	
	Balance sheet value	Net income statement effect	Balance sheet value	Net income statement effect
botiss medical AG, Germany	41 526	(546)	44 663	369
Anthogyr SAS, France (until May 2019)	0	362	13 590	52
Rapid Shape GmbH, Germany	20 837	(518)	22 328	112
Others	28 613	(2 334)	25 521	(10 517)
TOTAL	90 976	(3 036)	106 102	(9 984)

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.

The tables below provide summarized financial information for botiss medical AG and Rapid Shape GmbH. 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)	2019		2018		Anthogyr SAS
	botiss medical AG	Rapid Shape GmbH	botiss medical AG	Rapid Shape GmbH	
Current assets	16 426	6 919	23 238	6 457	24 944
Non-current assets	42 223	13 088	43 069	14 711	29 591
Current liabilities	(6 566)	(4 182)	(7 147)	(2 384)	(14 788)
Non-current liabilities	(9 206)	(4 159)	(9 505)	(4 699)	(16 795)
Net assets	42 877	11 666	49 655	14 085	22 951

RECONCILIATION TO CARRYING AMOUNT:

Opening net assets	49 655	14 085	49 719	14 272	23 519
Result for the period	(1 820)	(1 480)	1 228	320	173
Other comprehensive income	99	0	22	0	902
Dividends declared	(3 260)	(452)	0	0	(814)
Currency translation adjustments	(1 797)	(487)	(1 314)	(507)	(829)
Closing net assets at 31 December	42 877	11 666	49 655	14 085	22 951
Group's share in %	30.0	35.0	30.0	35.0	30.0
Group's share in CHF	12 863	4 083	14 897	4 930	6 885
Goodwill	29 766	17 682	30 557	17 682	6 486
Currency translation adjustments on goodwill	(1 103)	(928)	(791)	(283)	218
CARRYING AMOUNT	41 526	20 837	44 663	22 328	13 590

Summarized comprehensive income statements of botiss medical AG and Rapid Shape GmbH for the period, where the Group has significant influence:

(in CHF 1 000)	2019		2018		Anthogyr SAS
	botiss medical AG	Rapid Shape GmbH	botiss medical AG	Rapid Shape GmbH	
Revenue	26 209	16 435	11 431	15 752	57 788
Result from continuing operations	(1 820)	(1 480)	1 228	320	173
PROFIT FOR THE PERIOD	(1 820)	(1 480)	1 228	320	173
Other comprehensive income	99	0	51	0	902
TOTAL COMPREHENSIVE INCOME	(1 721)	(1 480)	1 279	320	1 075

OTHER INVESTMENTS:

In addition to the investments in botiss medical AG and Rapid Shape GmbH 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)	2019	2018
Aggregate carrying amount of individually immaterial associates	28 613	25 521
AGGREGATE AMOUNT OF GROUP'S SHARE OF:		
Result from continuing operations	(2 334)	(2 829)
Impairment charges	0	(7 688)
PROFIT FOR THE PERIOD	(2 334)	(10 517)
Other comprehensive income	2 456	0
TOTAL COMPREHENSIVE INCOME	122	(10 517)

In 2018, 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 was caused by the delay in the development and commercialization of the company's prosthetic-retention system. In 2019, no impairment has been recognized for investments in associates.

3 OPERATING PERFORMANCE

3.1 OPERATING SEGMENTS

Operating segments requiring to be reported are determined based on 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 the business of Anthogyr, a French company that develops, manufactures and sells dental-implant systems and CAD/CAM solutions. The segment also incorporates 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 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 as well as the recently acquired US-based Bay Materials, a company specializing in the design, development and supply of high-performance thermoplastics for orthodontics applications. The segment also incorporates Dental Wings' 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 Equinox implants in India and the business of 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 plants in Brazil (which produce implants, biomaterials, CAD/CAM products and the clear-aligners). The segment also incorporates the recently acquired Yllor Biomaterials, a Brazilian company specialized in developing and manufacturing high-tech materials for 3D-printing. 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 principal production sites for implant components and instruments in Switzerland and the United States, the CAD/CAM milling centers in China, Germany, Japan and the United States and the production site in Sweden for biomaterials and sterile packed products. The segment also incorporates all corporate logistics functions. It does not include the manufacturing sites of Neodent, Equinox, Medentika, ClearCorrect, Dental Wings, Createch, T-Plus, Anthogyr, Bay Materials and Yllor Biomaterials.

INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

2019

(in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not allo- cated items	Eliminations	Group
Revenue third party	549 214	121 429	486 973	298 974	139 635	0	0		1 596 225
Revenue inter-segment	54 603	0	7 129	74	26 355	744 276	0	(832 437)	0
Total revenue	603 817	121 429	494 102	299 048	165 990	744 276	0	(832 437)	1 596 225
Depreciation & amortization	(13 342)	(1 539)	(2 258)	(8 544)	(15 455)	(23 505)	(28 856)	0	(93 498)
Other expenses / income	(529 938)	(81 637)	(449 433)	(291 506)	(129 538)	(252 202)	(196 667)	815 335	(1 115 586)
Operating profit	60 537	38 253	42 411	(1 002)	20 997	468 569	(225 523)	(17 102)	387 140
Finance income and expense									(24 602)
Gain on consolidation of former associates									5 967
Share of profit of associates									(3 036)
Income tax expense									(57 440)
NET PROFIT									308 029
Segment assets	498 007	99 244	444 601	195 653	387 601	473 760	94 728	(248 168)	1 945 426
Unallocated assets, thereof:									
Cash and cash equivalents									260 211
Deferred income tax assets									59 993
Financial assets									33 372
Investments in associates									90 976
GROUP									2 389 978
Segment liabilities	118 669	41 842	88 058	97 432	43 482	124 435	126 122	(149 660)	490 380
Unallocated liabilities, thereof:									
Deferred income tax liabilities									36 887
Financial liabilities									495 489
GROUP									1 022 756
Addition in non-current assets	17 055	1 308	21 603	10 318	18 785	87 676			156 745

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, right-of-use assets and intangible assets.

2018

(in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not allo- cated 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
Financial liabilities									261 882
GROUP									660 249
Addition in non-current assets	6 775	446	11 913	2 412	37 267	37 532			96 345

NON-CURRENT ASSETS PER LOCATION

(in CHF 1 000)	2019	2018
Switzerland	244 284	133 978
Brazil	246 079	228 416
United States of America	289 000	199 551
Germany	193 890	173 804
Other	436 311	253 002
GROUP	1 409 564	988 751

Non-current assets include property, plant and equipment (PPE), right-of-use assets, investments in associates and intangible assets.

REVENUES WITH EXTERNAL PARTIES

(in CHF 1 000)	2019	2018
PER PRODUCT CATEGORY		
Implant Solutions	907 748	789 933
Restorative Solutions	435 209	380 597
Other	253 268	193 030
GROUP	1 596 225	1 363 560
PER LOCATION OF CUSTOMER		
Switzerland	32 495	31 161
United States of America	444 293	364 678
Germany	175 669	170 125
China	165 950	125 890
Brazil	113 138	110 324
Other	664 679	561 382
GROUP	1 596 225	1 363 560

- 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.

3.2 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.

	2019	2018
Net profit attributable to shareholders (in CHF 1 000)	306 473	272 770
Weighted average number of ordinary shares outstanding	15 853 138	15 825 644
BASIC EARNINGS PER SHARE (IN CHF)	19.33	17.24

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.

	2019	2018
Net profit used to determine diluted earnings per share (in CHF 1 000)	306 473	272 770
Weighted average number of ordinary shares outstanding	15 853 138	15 825 644
Adjustments for instruments issued	60 506	55 252
Weighted average number of ordinary shares for diluted earnings per share	15 913 644	15 880 896
DILUTED EARNINGS PER SHARE (IN CHF)	19.26	17.18

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.

3.3 OTHER INCOME

(in CHF 1 000)	2019	2018
Insurance reimbursements	7 745	0
Rental income	1 799	1 817
Other	3 263	1 607
TOTAL OTHER INCOME	12 807	3 424

In May 2019, the main scanner production center of the Group's subsidiary Dental Wings Inc. in Montreal, Canada faced a material property damage from a fire incident. The Group maintains insurance to mitigate the losses associated with property damage and business interruption and has a valid insurance policy that includes coverage for the incident.

In connection with those claims, so far, the Group has recognized an income from insurance recoveries in the amount of CHF 7.7 million. The income comprises benefits already received in cash in the amount of CHF 5.2 million and undisputed claims on insurance benefits to be received in the amount of CHF 2.5 million.

4 TANGIBLE AND INTANGIBLE ASSETS**4.1 PROPERTY, PLANT AND EQUIPMENT**

2019 (in CHF 1 000)	Land	Buildings	Plant and machinery	Other	Total
COST					
At 1 January	17 668	140 795	278 151	131 424	568 037
Change in consolidation scope (Note 2.1)	0	2 782	9 280	1 201	13 263
Additions	3 389	42 777	69 655	18 779	134 599
Disposals	0	(1 755)	(9 930)	(10 867)	(22 552)
Currency translation adjustments	(866)	(1 470)	(6 036)	(3 825)	(12 198)
At 31 December	20 190	183 129	341 120	136 711	681 150
ACCUMULATED DEPRECIATION					
At 1 January	0	(89 149)	(154 881)	(93 801)	(337 831)
Depreciation charge (Note 4.4)	0	(6 131)	(22 203)	(14 111)	(42 445)
Disposals	0	1 532	8 201	10 326	20 059
Currency translation adjustments	0	594	2 172	1 466	4 232
At 31 December	0	(93 154)	(166 710)	(96 121)	(355 985)
NET BOOK VALUE	20 190	89 975	174 409	40 590	325 164

2018	Land	Buildings	Plant and machinery	Other	Total
(in CHF 1 000)					
COST					
At 1 January	8 913	124 020	240 462	117 790	491 185
Change in consolidation scope (Note 2.1)	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 4.4)	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

Repair and maintenance expenses for property, plant and equipment for the business year 2019 amounted to CHF 5.8 million (2018: CHF 6.1 million).

4.2 RIGHT-OF-USE ASSETS

2019	Buildings	Plant and machinery	Other	Total
(in CHF 1 000)				
COST				
At 1 January	0	0	0	0
Initial application IFRS 16	180 805	1 420	9 640	191 864
Change in consolidation scope (Note 2.1)	11 142	1 440	785	13 367
Additions	98 801	1 481	7 019	107 301
Disposals	(33 902)	0	(1 326)	(35 229)
Currency translation adjustments	(4 222)	(94)	(349)	(4 665)
At 31 December	252 623	4 247	15 768	272 638
ACCUMULATED DEPRECIATION				
At 1 January	0	0	0	0
Depreciation charge (Note 4.4)	(17 742)	(885)	(5 384)	(24 012)
Disposals	698	0	861	1 559
Currency translation adjustments	289	19	91	399
At 31 December	(16 756)	(866)	(4 433)	(22 054)
NET BOOK VALUE	235 868	3 381	11 335	250 584

Besides the lease contracts recognized as right-of-use assets, the Group has entered into lease contracts with terms of 12 months or less and leases of low value. In 2019 the Group recognized expenses of CHF 5.8 million related to short-term leases and CHF 1.9 million related to low value leases.

The Group recognized a total cash outflow for leases of CHF 29.5 million in 2019 (2018: CHF 29.0 million). The maturity analysis of lease liabilities is disclosed in Note 9.2.

4.3 INTANGIBLE ASSETS

2019

(in CHF 1 000)	Goodwill	Brands	Customer relationships	Technology	Other intangibles	Total
COST						
At 1 January	536 010	110 764	162 671	66 483	100 854	976 781
Change in consolidation scope (Note 2.1)	82 552	16 997	9 769	10 502	1 449	121 270
Additions	0	0	468	986	13 837	15 291
Disposals	0	0	0	0	(4 100)	(4 100)
Currency translation adjustments	(19 338)	(3 689)	(3 470)	600	(673)	(26 570)
At 31 December	599 224	124 073	169 439	78 570	111 366	1 082 672
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
At 1 January	(118 724)	(1 329)	(112 202)	(23 295)	(68 789)	(324 339)
Amortization charge (Note 4.4)	0	(139)	(10 827)	(6 195)	(9 880)	(27 041)
Disposals	0	0	0	0	4 088	4 088
Currency translation adjustments	4 128	8	2 920	(60)	465	7 461
At 31 December	(114 596)	(1 460)	(120 109)	(29 551)	(74 116)	(339 831)
NET BOOK VALUE	484 628	122 613	49 330	49 019	37 251	742 841

2018

(in CHF 1 000)	Goodwill	Brands	Customer relationships	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 2.1)	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 4.4)	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

Management assessed that the acquired brands Neodent, Medentika, ClearCorrect, Dental Wings, Createch and Anthogyr have an indefinite useful life. The Group supports the brands' 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)	2019		2018	
	Goodwill	Brand with indefinite life	Goodwill	Brand with indefinite life
ClearCorrect Business	107 216	33 097	99 220	33 681
Neodent Business	94 405	45 342	99 378	47 730
Global Premium Implant Business	65 585	0	67 391	0
Dental Wings Business	55 769	4 438	54 394	4 329
Medentika Business	42 314	19 141	43 943	19 878
Anthogyr Business	24 109	13 062		
Other	95 230	2 694	52 960	2 798
TOTAL	484 628	117 774	417 286	108 416

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.

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.

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 in acquisitions of companies distributing such products on local markets.

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, and the export busi-

ness 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.

ANTHOGYR BUSINESS

The CGU 'Anthogyr Business' (which is part of the operating segment 'Sales Europe') contains the manufacturing plant for Anthogyr products, the related sales activities in the European market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Anthogyr brand have been recognized as part of the acquisition of Anthogyr in 2019.

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 CGUs are as follows:

(in %)	2019	2018
CLEARCORRECT BUSINESS		
Gross profit margin of the CGU ¹	66.3	71.7
Terminal growth rate ²	1.5	2.0
Weighted average cost of capital (WACC) ³	13.2	12.7
NEODENT BUSINESS		
Gross profit margin of the CGU ¹	73.6	74.4
Terminal growth rate ²	4.5	4.6
Weighted average cost of capital (WACC) ³	14.7	13.9
GLOBAL PREMIUM IMPLANT BUSINESS		
Gross profit margin of the CGU ¹	72.2	66.7
Terminal growth rate ²	1.5	1.5
Weighted average cost of capital (WACC) ³	8.7	8.4
DENTAL WINGS BUSINESS		
Gross profit margin of the CGU ¹	64.7	61.2
Terminal growth rate ²	2.0	2.0
Weighted average cost of capital (WACC) ³	16.4	16.3
MEDENTIKA BUSINESS		
Gross profit margin of the CGU ¹	61.5	61.0
Terminal growth rate ²	1.5	1.5
Weighted average cost of capital (WACC) ³	11.4	12.4
ANTHOGYR BUSINESS		
Gross profit margin of the CGU ¹	83.0	
Terminal growth rate ²	1.2	
Weighted average cost of capital (WACC) ³	12.1	

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.

4.4 DEPRECIATION AND AMORTIZATION

(in CHF 1 000)	2019	2018
Depreciation of property, plant and equipment	(42 445)	(29 960)
Depreciation of right-of-use assets	(24 012)	0
Amortization of intangible assets	(27 041)	(22 407)
TOTAL DEPRECIATION AND AMORTIZATION	(93 498)	(52 367)

5 NET WORKING CAPITAL

5.1 INVENTORIES

(in CHF 1 000)	2019	2018
Raw materials and supplies	38 540	30 124
Work in progress	53 151	36 504
Finished goods	142 862	115 425
TOTAL INVENTORIES	234 553	182 053
Inventories recognized as an expense in 'Cost of goods sold'	(338 015)	(306 374)
Obsolete inventories written down and recognized as an expense	(6 571)	(3 650)

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 2019 and 2018.

5.2 TRADE AND OTHER RECEIVABLES

(in CHF 1 000)	2019	2018
Trade receivables, net	281 210	231 301
Other receivables, thereof:	97 116	64 729
VAT and other non-income taxes	48 377	33 881
Sales related	33 739	23 514
Salary and social security prepayments	3 398	2 226
Cash deposits	3 181	1 164
Insurance receivable	2 485	0
Interest	1 386	83
Prepaid rent	963	713
Right of return asset	662	973
Government grants	660	0
Dividend receivable from associates	0	542
Other	2 264	1 633
TOTAL TRADE AND OTHER RECEIVABLES	378 325	296 030
thereof: financial assets as defined by IFRS 7	40 791	19 656
thereof:		
CHF	19 031	4 322
EUR	92 431	79 967
USD	83 213	69 528
BRL	49 229	49 603
CNY	48 722	24 981
TRY	20 427	14 649
CAD	10 056	8 006
GBP	9 707	8 074
JPY	8 584	7 912
Other	36 924	28 988

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.

The insurance receivable in the amount of CHF 2.5 million recognized in 2019 relates to the fire incident in Dental Wings production site in Montreal, Canada (Note 3.3).

Movements in the provision for impairment of trade receivables were as follows:

(in CHF 1 000)	2019	2018
At 1 January	(35 489)	(51 261)
Charge for the year	(3 684)	(432)
Utilized	970	5 817
Unused amounts reversed	13 477	9 626
Currency translation adjustments	439	762
AT 31 DECEMBER	(24 286)	(35 489)

The Group continuously reassesses its provision for impairment, which led to a partial reversal of the provision in 2019 and 2018. The utilization shown 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)	2019		2018	
	Gross	Allowance	Gross	Allowance
Not past due	234 562	(752)	204 206	(517)
Past due, thereof:	70 934	(23 534)	62 584	(34 972)
< 30 days	25 158	(614)	21 131	(2 007)
31–60 days	11 582	(871)	9 079	(4 292)
61–90 days	6 170	(971)	6 429	(4 678)
91–120 days	6 343	(2 282)	3 950	(2 962)
> 120 days	21 680	(18 796)	21 994	(21 032)
TOTAL	305 496	(24 286)	266 790	(35 489)

5.3 CASH AND CASH EQUIVALENTS

(in CHF 1 000)	2019	2018
Cash at banks and on hand, thereof:	249 673	268 252
CHF	173 478	201 161
USD	27 928	10 803
EUR	17 604	30 338
CNY	5 798	8 074
JPY	2 982	2 186
CAD	2 834	430
SGD	2 422	763
INR	2 141	1 273
SEK	1 786	2 047
Other	12 700	11 177
Short-term bank deposits, thereof:	10 539	10 422
BRL	6 095	6 455
TRY	2 430	2 287
GBP	1 161	445
Other	854	1 236
TOTAL CASH AND CASH EQUIVALENTS	260 211	278 674

Cash at banks earns interest at floating rates based on daily bank deposit rates in the respective currency.

5.4 TRADE AND OTHER PAYABLES

(in CHF 1 000)	2019	2018
Trade payables	63 207	47 557
Other payables, thereof:	245 555	175 743
Salary and social security	95 173	69 216
Sales related	79 243	54 258
VAT and other non-income taxes	39 145	22 410
Refund liability	13 047	17 196
Contingent consideration	12 418	8 753
Interest accrued on straight bond (Note 7.2)	2 180	2 180
Rent payable	280	372
Other	4 070	1 357
TOTAL TRADE AND OTHER PAYABLES	308 762	223 299
thereof: financial liabilities as defined by IFRS 7	94 121	65 563

The contingent consideration mainly relates to the Batigroup business combination.

6 PROVISIONS, OTHER NON-CURRENT LIABILITIES, CONTINGENCIES AND COMMITMENTS**6.1 PROVISIONS**

(in CHF 1 000)	Sales-related	Legal	Other	Total 2019	Total 2018 (restated)
At 1 January	2 583	7 837	2 173	12 593	40 648
Restatement					(10 740)
Change in consolidation scope	733	2 787	196	3 716	0
Utilization	0	(5 247)	0	(5 247)	(7 735)
Reversal	0	(890)	(126)	(1 016)	(10 838)
Additions	273	480	312	1 065	1 936
Currency translation adjustments	(49)	(66)	(25)	(140)	(678)
At 31 December	3 540	4 901	2 530	10 971	12 593
Non-current 2019	3 540	4 901	2 523	10 964	
Current 2019	0	0	7	7	
TOTAL PROVISIONS 2019	3 540	4 901	2 530	10 971	
Non-current 2018	2 583	7 837	2 049		12 469
Current 2018	0	0	124		124
TOTAL PROVISIONS 2018	2 583	7 837	2 173		12 593

Uncertain income tax positions are no longer reported under provisions (Note 1.3). Effective 1 January 2018, the amount of CHF 10.7 million of non-current provisions has been reclassified to income tax liabilities (current: CHF 2.2 million / non-current: CHF 8.5 million).

The position 'Sales-related' contains provisions for product warranties and similar items based on contractual arrangements. The position 'Legal' relates principally to the long-standing patent dispute between the Straumann Group company ClearCorrect and Align Technology as well as a legal provisions in connection with the acquisition of a company. In the course of 2019, the Group has agreed to pay a total amount of CHF 51.3 million to settle its patent dispute with Align Technology out of court, and to withdraw its assertions that certain Align patents in the US and Brazil are invalid. The amount of CHF 51.3 million includes the Group's decision not to explore a potential scanner collaboration with Align Technology. This litigation began several years before ClearCorrect was acquired by the Group. A part of the settlement amount was already provisioned for in the acquisition agreement, including a legal provision of CHF 5.1 million. The Group has recognized the remaining amount of CHF 25.5 million as non-recurring administrative expense in the income statement. As part of the acquisition of a company, the Group recognized legal provisions in the amount of CHF 2.7 million for a potential patent litigation.

The position 'Other' mainly contains provisions to VAT and other non-income tax cases in several jurisdictions including ongoing disputes with tax authorities. By their nature, the amounts and timings of any outflows are difficult to predict.

6.2 OTHER NON-CURRENT LIABILITIES

(in CHF 1 000)	2019	2018
Contingent consideration	36 770	18 594
Other long-term employee benefits	7 717	6 314
Rent payable	1 929	3 579
Other	653	0
Government grants	576	799
TOTAL OTHER LIABILITIES	47 645	29 286
thereof: financial liabilities as defined by IFRS 7	38 699	22 173

The contingent consideration mainly relates to the Batigroup, Bay Materials and Zinedent business combinations.

6.3 CONTINGENCIES AND COMMITMENTS**CONTINGENT ASSETS AND LIABILITIES**

The Group has guarantee obligations with a maximum of CHF 5.4 million (2018: CHF 5.0 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 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)	2019	2018
Letter of credit facilities	5 394	4 992
Purchase commitments	2 449	12 600
TOTAL	7 843	17 592

7 FINANCING, CAPITAL AND TAX**7.1 FINANCIAL ASSETS**

(in CHF 1 000)	2019	2018
Loans and other receivables	21 703	21 143
Financial assets at fair value through other comprehensive income	9 725	13 413
Financial assets at fair value through profit or loss	351	351
TOTAL NON-CURRENT FINANCIAL ASSETS	31 779	34 907
Financial assets at fair value through profit or loss	1 578	1 079
Loans and other receivables	15	3
TOTAL CURRENT FINANCIAL ASSETS	1 593	1 082

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.

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.

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.

7.2 FINANCIAL LIABILITIES

(in CHF 1 000)	2019	2018 (restated)
Lease liabilities	231 642	0
Put options to non-controlling interests	26 674	33 112
Financial liabilities at amortized costs	12 449	5 476
Straight bond	0	199 862
Finance lease payables	0	1 329
TOTAL NON-CURRENT FINANCIAL LIABILITIES	270 764	239 779
Straight bond	199 980	0
Lease liabilities	23 879	0
Financial liabilities at amortized costs	664	773
Financial liabilities at fair value through profit or loss	202	345
Finance lease payables	0	720
Put options to non-controlling interests	0	20 265
TOTAL CURRENT FINANCIAL LIABILITIES	224 725	22 103

Movements in liabilities arising from financing activities are as follows:

(in CHF 1 000)	2019	2018 (restated)
At 1 January	261 883	258 589
Change in lease liabilities	273 659	0
Purchase of non-controlling interests	(47 365)	0
Payment of lease liabilities	(22 905)	(1 150)
Interest paid on lease liabilities	(6 612)	0
Repayment in non-current financial debts	(2 755)	0
Change in consolidation scope	25 357	6 707
Change in fair values	20 863	(1 359)
Other changes	(397)	(834)
Currency translation adjustments	(6 239)	(70)
AT 31 DECEMBER	495 489	261 883

The change in consolidation scope in 2019 mainly relates to the business combination Anthogyr (Note 2.1) and in 2018 to the business combination Createch.

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 bond is due for repayment on 30 April 2020. An evaluation of the midterm cash development, especially considering the investments in future growth, is currently being performed. If the planned cash flow would not cover the requirements, a proposal for a new CHF bond would be submitted to the Board of Directors during the course of the first quarter of 2020.

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)	2019	2018
Straight bond at 1 January	199 862	199 746
Interest expense	3 388	3 386
Redemption	(3 270)	(3 270)
thereof:		
Recognized in trade and other payables (Note 5.4)	(2 180)	(2 180)
Disbursement	(1 090)	(1 090)
STRAIGHT BOND AT 31 DECEMBER	199 980	199 862

7.3 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 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 relate to the business combination Valoc AG and Abutment Direct Inc in 2019 and Medentika in 2017.

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, Digital Planning Service Private Limited in Pakistan and Bay Materials in the US. The fair value of the Batigroup contingent consideration is based on a profitability component (local contribution) while the fair value of the contingent consideration of Digital Planning Service is based on various company or product-related milestones. The fair value of the Bay Materials contingent consideration is based on a mix of profitability components and product-related milestones. 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 2019 and 2018 the Group held the following financial instruments:

2019

(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			1 137		1 137	
Equity instruments		5 403		4 762	10 165	
Convertible bonds				351	351	
Loans and other financial receivables	21 718				21 718	
Other receivables	40 791				40 791	
Trade receivables	281 210				281 210	
Cash and cash equivalents	260 211				260 211	
FINANCIAL LIABILITIES						
Straight bond	199 980				199 980	201 430
Derivative financial liabilities			202		202	
Put options to non-controlling interests				26 674	26 674	
Lease liabilities	255 521				255 521	
Other financial liabilities	13 113				13 113	
Trade payables	63 207				63 207	
Other payables	83 632			49 188	132 820	

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				8 298	
Trade payables	47 557				47 557	
Other payables	58 991			27 347	86 338	

The changes in carrying values associated with Level 3 financial instruments are set as follows:

(in CHF 1 000)	2019		2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
At 1 January	7 135	80 724	7 442	64 532
Additions	0	43 926	0	23 392
Remeasurement recognized in OCI	(1 862)	(780)	(307)	(230)
Remeasurement recognized in profit or loss	0	(579)	0	98
Remeasurement recognized in equity	0	8 351	0	(1 359)
Settlements	(160)	(55 780)	0	(5 709)
AT 31 DECEMBER	5 113	75 862	7 135	80 724

In 2019, the additions to Level 3 financial liabilities relate to contingent consideration payables (mainly business combinations Bay Materials and Digital Planning Service Private Limited) and put options written to non-controlling interests (mainly business combinations Valoc AG and Abutment Direct Inc). 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.

Settlements in Level 3 financial liabilities in 2019 mainly relate to the purchase of non-controlling interests from the minority shareholders of Medentika (CHF 47.4 million) as well as contingent consideration payments in conjunction with the Batigroup business combination (CHF 6.8 million).

In 2018, the settlement of Level 3 financial liabilities mainly relates to repayment of contingent consideration in conjunction with the Equinox business combination.

In 2019 and 2018, 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 2019 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 8.5 million Cap: CHF 14.2 million	1 000 base-point decrease in enterprise value would result in a decrease in fair value of kCHF -1 422
Contingent Consideration Batigroup	DCF method	Local contribution	-	500 base-point increase (decrease) in the local contribution would result in a increase (decrease) in fair value of kCHF 888, resp. kCHF -888
		Interest rate	-	500 base-point increase (decrease) in the interest rate would result in a decrease (increase) in fair value of kCHF -431, resp. kCHF 394
Fund	Net asset valuation	Fair value of the financial assets of the fund	-	500 base-point increase (decrease) in the financial assets of the fund would result in an increase (decrease) in fair value of kCHF 238, resp. kCHF -238

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 8.5 million and CHF 14.2 million. As of 31 December 2019, 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 2019 reflects this development and is recorded at CHF 14.2 million.

The fair value of the contingent consideration for Batigroup depends on the expected local contribution achievement and the interest rate prevailing at the balance sheet date. As of 31 December 2019, 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 2019 reflects this development and the fair value is recorded at CHF 14.5 million.

The Group did not perform any quantitative sensitivity analysis at 31 December 2019 for the remaining individually immaterial instruments categorized within Level 3 of the fair value hierarchy.

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.

HEDGES

At 31 December 2019, the group had forward exchange contracts for CHF 31.7 million (2018: CHF 30.4 million) and NDF contracts for CHF 0.4 million (2018: CHF nil).

7.4 FINANCE INCOME AND EXPENSE

(in CHF 1 000)	2019	2018
FINANCE INCOME	64 873	72 852
Interest income	2 568	1 285
from financial instruments at amortized cost	2 568	1 216
from financial instruments at fair value	0	68
Fair value and other financial income	2 166	2 070
Foreign exchange gains	60 140	69 497
FINANCE EXPENSE	(89 475)	(89 802)
Interest expense	(17 621)	(8 727)
from financial instruments at amortized cost	(10 588)	(8 451)
on defined benefit obligation (net)	(421)	(276)
from lease liabilities	(6 612)	0
Fair value and other financial expense	(1 089)	(6 376)
Foreign exchange losses	(70 765)	(74 699)
GAIN ON CONSOLIDATION OF FORMER ASSOCIATES	5 967	10 725
Fair value income	6 108	11 098
Foreign exchange losses	(141)	(373)
TOTAL FINANCE EXPENSE NET	(18 635)	(6 225)

In 2019, the gain on consolidation of former associates relates to the business combinations of Valoc AG (CHF 3.6 million), Zinedent (CHF 1.4 million), Anthogyr (CHF 0.6 million) and Abutment Direct Inc. (CHF 0.4 million). In 2018 the gain on consolidation of former associates resulted from the business combinations of T-Plus (CHF 6.9 million) and Createch (CHF 3.8 million).

7.5 SHARE CAPITAL

The share capital is represented by 15 878 984 issued shares (2018: 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 2019 the conditional share capital amounted to CHF 28 395.50 (2018: 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 2019 amounted to CHF 12.8 million (2018: CHF 28.1 million).

As of 31 December 2019 the number of outstanding shares amounted to 15 865 482 (2018: 15 833 441) and the number of treasury shares amounted to 13 502 (2018: 45 543).

The number of shares outstanding developed as follows:

	2019	2018
At 1 January	15 833 441	15 813 002
Treasury shares		
Purchased	(5 744)	(6 724)
Used	37 785	27 163
AT 31 DECEMBER	15 865 482	15 833 441

7.6 DIVIDENDS PER SHARE

The dividend paid in 2019 was CHF 5.25 per share (2018: CHF 4.75 per share), resulting in a total payout of CHF 83.1 million in 2019 and CHF 75.1 million in 2018. A dividend for the year ended 31 December 2019 of CHF 5.75 per share, amounting to a total dividend of CHF 91.2 million, will be proposed at the Shareholders' General Meeting on 7 April 2020. These financial statements do not reflect this payable dividend.

7.7 INCOME TAX**INCOME TAX EXPENSE**

(in CHF 1 000)	2019	2018
Income taxes from current period	(52 274)	(34 016)
Income taxes from other periods	(1 824)	(1 576)
Deferred	(3 342)	(13 047)
Total income tax expense	(57 440)	(48 639)
EFFECTIVE INCOME TAX RATE (IN %)	15.7	14.9

For 2019 the applicable Group tax rate is 15.5% (2018: 15.5%), 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 1 000)	2019	2018
Profit before tax	365 469	326 426
Applicable Group tax rate	15.5 %	15.5 %
Income tax at the applicable Group tax rate	(56 811)	(50 723)
Non-tax-deductible expense	(6 499)	(4 274)
Non-taxable income	5 149	4 401
Changes in recognition of tax assets from losses or tax credits (and their expiry)	601	(1 610)
Utilization of previously unrecognized tax losses or tax credits to offset current taxes	(149)	6 347
Tax losses or tax credits from current year that are not recognized	(3 478)	(520)
Effect of changes in tax rates or imposition of new taxes	7 332	(77)
Current taxes from other periods	(1 824)	(1 576)
Other	(1 760)	(607)
EFFECTIVE INCOME TAX EXPENSE	(57 440)	(48 639)

AVAILABLE TAX LOSS CARRY-FORWARDS AND TAX CREDITS

(in CHF 1 000)	2019	2018
At 1 January	205 468	263 775
Adjustments of tax loss carry-forwards on opening balance	14 264	2 907
Change in consolidation scope	0	1 647
Tax losses and credits arising from current year	38 085	7 168
Tax losses and credits expired (not used) during current year	(2 660)	0
Tax losses and credits utilized against current year profits	(42 883)	(45 001)
Currency translation adjustments	(11 971)	(25 028)
AT 31 DECEMBER	200 304	205 468

Deferred income tax assets of CHF 53.1 million (2018: CHF 62.5 million) were recorded in respect of available tax loss carry-forwards and tax credits of CHF 179.0 million (2018: CHF 195.0 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 110.9 million (2018: CHF 136.3 million) and CHF 37.7 million (2018: CHF 46.3 million).

Unused tax loss carry-forwards for which no deferred tax has been recognized will expire as follows:

(in CHF 1 000)	2019	2018
Expiry in next business year (current year +1)	5 693	3 009
Expiry current year +2	420	4 621
Expiry current year +3	350	168
Expiry current year +4	40	419
Expiry current year +5 and later	14 837	2 225
UNUSED TAX LOSS CARRY-FORWARDS AT 31 DECEMBER	21 340	10 442

DEFERRED INCOME TAXES

The movement in deferred income tax assets and liabilities is as follows:

2019 (in CHF 1 000)	PPE & Leasing	Intangible assets	Inventory valuation	Tax loss carryforwards, tax credits	Other	Total
Net deferred tax balance at 1 January	(8 189)	(48 690)	24 761	62 517	3 455	33 855
Change in consolidation scope		(8 063)	(479)		(597)	(9 139)
(Charged)/credited to income statement	5 087	(5 870)	(1 385)	(6 803)	5 630	(3 342)
Charged to statement of comprehensive income					(67)	(67)
Credited to statement of changes in equity					31	31
Currency translation adjustments	180	1 750	(83)	(2 625)	2 546	1 768
NET DEFERRED TAX BALANCE AT 31 DECEMBER	(2 922)	(60 873)	22 814	53 088	10 999	23 106
Deferred tax assets at 31 December	33 913	384	26 920	53 088	17 263	131 568
Deferred tax assets after offset at 31 December						59 993
Deferred tax liabilities at 31 December	(36 835)	(61 257)	(4 106)		(6 264)	(108 462)
Deferred tax liabilities after offset at 31 December						(36 887)

2018

(in CHF 1 000)	PPE	Intangible assets	Inventory valuation	Tax loss carryforwards, 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)
Credited to statement of comprehensive income					3 064	3 064
Charged 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)

At 31 December 2019, there was no recognized deferred tax liability (2018: 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.

8 PERSONNEL

8.1 EMPLOYEE BENEFITS EXPENSE

(in CHF 1 000)	2019	2018
Wages and salaries	(500 749)	(407 538)
Share-based payments (Note 8.3)	(13 130)	(10 706)
Social security cost	(59 882)	(53 268)
Pension costs and other personnel expense	(46 602)	(36 716)
TOTAL EMPLOYEE BENEFIT EXPENSE	(620 363)	(508 228)

8.2 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 the Group's 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)	2019	2018
Net liabilities at 1 January	(59 185)	(49 453)
Change in consolidation scope	(1 117)	0
Currency translation adjustments	154	76
Expense recognized in consolidated income statement	(12 779)	(12 200)
Employer contributions	11 002	10 013
Remeasurements	(5 993)	(7 621)
NET LIABILITIES AT 31 DECEMBER	(67 918)	(59 185)

BALANCE SHEET

(in CHF 1 000)	2019	2018
Fair value of plan assets	224 849	191 979
Present value of funded benefit obligations	(290 346)	(249 213)
Deficit in the plan	(65 497)	(57 234)
Present value of unfunded benefit obligations	(2 421)	(1 951)
TOTAL RETIREMENT BENEFIT OBLIGATIONS	(67 918)	(59 185)

The net periodic benefit costs recorded in the income statement consist of the following components:

(in CHF 1 000)	2019	2018
Current service cost	(12 072)	(11 644)
Interest expense on defined benefit obligation	(1 723)	(1 212)
Interest income on plan assets	1 302	936
Administration costs	(286)	(280)
EXPENSE RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT	(12 779)	(12 200)

The defined benefit obligation of the Swiss pension plan amounts to CHF 287.3 million (2018: CHF 247.9 million), the plan assets are CHF 223.7 million (2018: CHF 191.0 million) and current service costs are CHF 11.5 million (2018: CHF 11.1 million).

The movement in the Group's defined benefit obligation over the year is as follows:

(in CHF 1 000)	2019	2018
Present value of benefit obligation at 1 January	(251 164)	(225 925)
Change in consolidation scope	(1 175)	0
Current service cost	(12 072)	(11 644)
Interest expense on defined benefit obligation	(1 723)	(1 212)
Employee contributions	(6 706)	(5 988)
Experience losses on defined benefit obligation	(6 596)	(13 677)
Benefits paid/transferred in	5 756	2 115
Actuarial results arising from change in financial assumptions	(19 099)	5 092
Actuarial results arising from change in demographic assumptions	(200)	(31)
Currency translation adjustments	212	106
PRESENT VALUE OF BENEFIT OBLIGATION AT 31 DECEMBER	(292 767)	(251 164)
whereof due to active members	(251 019)	(219 379)
whereof due to pensioners	(41 748)	(31 785)

On 31 December 2019, the weighted-average duration of the defined benefit obligation was 14 years (2018: 13 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:

	2019		2018	
	Switzerland	Other	Switzerland	Other
Discount rate	0.15%	0.62%–1.91%	0.65%	1.62%–2.40%
Future salary increases	1.00%	1.00%–4.23%	1.00%	1.00%–2.50%

Generational mortality tables are used where this data is available. For the Swiss pension plan, the Group uses the BVG 2015 GT.

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)	2019		2018	
	Defined benefit obligation		Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	9 898	(12 299)	7 948	(8 468)
Future salary growth (0.25% movement)	(1 515)	1 471	(1 182)	1 149

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)	2019	2018
Fair value of plan assets at 1 January	191 979	176 472
Change in consolidation scope	58	0
Interest income	1 302	936
Employer contributions	11 002	10 013
Employee contributions	6 706	5 988
Benefits paid/transferred in	(5 756)	(2 115)
Return on plan assets	19 902	995
Administration costs	(286)	(280)
Currency translation adjustments	(58)	(30)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	224 849	191 979

Plan assets are comprised as follows:

(in CHF 1 000)	2019		2018	
Cash and cash equivalents	6 510	2.9%	7 259	3.8%
Debt instruments	44 731	19.9%	36 296	18.9%
Equity instruments	61 952	27.6%	48 139	25.1%
Real estate	60 834	27.1%	55 207	28.8%
Other	50 822	22.5%	45 078	23.5%
TOTAL PLAN ASSETS	224 849	100.0%	191 979	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. 17% of the 'Real estate' investments have a quoted market price, while the rest is mainly invested in common investment foundations.

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 2020 is CHF 11.3 million.

Apart from the defined benefit plans, the Group also operates several 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 8.1 million (2018: CHF 5.1 million).

8.3 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

The performance share plan is designed for Executive Management, Senior Management and other key employees. The plan uses Performance Share Units (PSU), which are granted to eligible personnel with specific performance conditions that result in a potential vesting into Straumann shares after three years. The number of shares allocated per PSU depends on the achievement of two performance conditions, both directly reflecting the shareholder experience and considered essential for sustaining shareholder value creation.

- Absolute total shareholder return (aTSR) aims to link the performance share plan at vesting directly with the absolute value created by the company for its shareholders.
- Relative total shareholder return (rTSR) shows the Group's share performance in the context of the market and in comparison with peer companies of the SMIM (Swiss Market Index Mid) index.

The two performance conditions are weighted equally and vest independently of each other. In each case the maximum conversion factor is one share per PSU. 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', share price at issue, risk-free interest rate, expected volatility, expected correlation and expected dividend yield.

Regarding the aTSR component, the conversion rate of PSUs into shares is linear and ranges from 0 to 100%. If the TSR CAGR is 0% or below, the conversion rate is zero. If the CAGR is 7%, each PSU converts into half a share, while a CAGR of 14% or more results in a conversion of one share per PSU. In the case of rTSR, the conversion rate is also linear and ranges from 0% to 100%. No shares are allocated if the Group underperforms the SMIM by 25%-points or more. Each PSU converts into one share if the Group outperforms the SMIM by 25%-points or more. Performance in-line with the SMIM results in each PSU converting into half a share.

From 2016 to 2018 (vesting in 2019 to 2021), the performance share plan was determined by aTSR and EBIT Growth Amount (EGA) measured over a three year performance cycle and equally weighted. The vesting conditions for those grants remain unchanged.

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 two 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 2019, eligible employees in Switzerland have been 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 8 951 (2018: 12 566) of those shares.

The expense recognized for share-based payments during the year is shown in the following table:

(in CHF 1 000)	2019	2018
Performance share plan	10 540	8 118
Board of Directors remuneration	979	855
Employee share plan	1 611	1 733
TOTAL SHARE-BASED PAYMENTS (NOTE 8.1)	13 130	10 706

There were no cancellations or modifications to the PSU awards in 2019 or 2018.

Movements in the number of performance share units are as follows:

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

	2019	2018
At 1 January	40 833	36 448
Granted	11 062	12 334
Exercised	(14 024)	(5 538)
Forfeited	(3 100)	(2 411)
TOTAL AT 31 DECEMBER	34 771	40 833
Exercisable at 31 December	0	0

In 2019, 11 062 PSUs were granted under the performance share plan (2018: 12 334). The total fair value has been determined using the Monte Carlo model and amounts to CHF 752.74. In 2018, the fair value of the internal performance (EGA) amounted to CHF 625.50 (equivalent to the share price at the grant date) and the fair value of the external condition (aTSR) amounted to CHF 230.34.

Underlying assumptions for the fair value of the PSUs are presented below:

INPUTS TO THE MODELS

	2019	2018
	PSU	PSU
Dividend yield (in %)	0.00	0.00
Expected volatility (in %)	23.16	22.18
Risk-free interest rate (in %)	(0.54)	(0.24)
Expected life of PSUs (in years)	3	3
Share price (in CHF) at grant date in April	836.80	625.50

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.

9 OTHER DISCLOSURES

9.1 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

9.2 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise trade payables, finance leases, overdrafts, bank loans and a straight bond issued in Switzerland. The Group has various financial assets such as trade receivables, cash, cash equivalents and short-term deposits.

The main risks arising from the Group's financial assets and liabilities are related to interest rate changes, foreign currency fluctuations, possible credit defaults and liquidity shortage. The Audit and Risk Committee agrees and reviews policies for managing these risks, which are summarized below. The risk management execution is carried out by specialist teams that have the appropriate skills, experience and supervision.

MARKET RISK

Market risk refers to the risk that the fair value of future cash flows of financial assets and liabilities will fluctuate because of external changes in markets involved. This systemic risk mainly affects the Group's interest rate risk, foreign currency risk, credit risk and liquidity risk.

The subsequent sections provide insights into the management of the various risks, including major exposures and their potential effects on the Group's profitability. Such financial impacts are demonstrated in sensitivity analyses, which relate to the Group's net financial positions at 31 December 2019 and 2018. Excluded from the sensitivity calculations are changes in the carrying value of post-retirement obligations, provisions, non-financial assets and liabilities of foreign operations.

INTEREST RATE RISK

Interest rate risk refers to the risk that the fair value of future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. The Group's exposure to this risk arises primarily from short-term interest-bearing assets and short-term debt obligations.

The Group is primarily exposed to interest rate risks in the Swiss and US market.

The Group's policy is to closely monitor interest rate risks and manage them through the use of variable and fixed rates or financial derivatives. No material hedging activities, such as interest rate swaps, were conducted during the period under review.

INTEREST RATE RISK SENSITIVITY

The following table demonstrates the impact of reasonably possible interest rate changes on the Group's profit before tax, with all other variables held constant. The sensitivity analysis considers major interest rate risk exposures. The method considers fair value changes of interest-bearing assets and borrowings. There is no material impact on the Group's equity.

(in CHF 1 000)	2019		2018	
	Increase / decrease (in base points)	Effect on profit before tax	Increase / decrease (in base points)	Effect on profit before tax
CHF	30	511	30	604
USD	50	136	50	14
CHF	(30)	(511)	(30)	(604)
USD	(50)	(136)	(50)	(14)

FOREIGN CURRENCY RISK

Foreign exchange risk arises when future transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional one. As the majority of the Group's business is international and since the Group's financial statements are prepared 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.

Besides the general attempt to naturally reduce currency exposures, the Group's foreign currency risk management policy aims to concentrate exposures centrally and subsequently manage them through a selective hedging approach. Managed exposures comprise recognized and anticipated transactions over a maximum of 12 months. The Group uses derivative instruments, primarily forward currency contracts, non-deliverable foreign exchange forwards (NDF) and plain vanilla options. Hedging decisions are taken and, if possible, executed by Corporate Treasury. Speculative trading is forbidden.

At 31 December 2019 the Group had economically hedged 80% (2018: 92%) 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 long-term investments in foreign operations is not hedged.

FOREIGN CURRENCY RISK SENSITIVITY

The following table demonstrates the impact of reasonably possible currency rate changes on the Group's profit before tax (for fair value changes of financial assets and liabilities including foreign currency derivatives as fair value hedges) and the Group's equity (for fair value changes of currency derivatives designated as cash flow hedges), with all other variables held constant. The sensitivity analysis considers major foreign currency risk exposures.

(in CHF 1 000)	2019			2018		
	Increase/decrease (in %)	Effect on profit before tax	Effect on equity	Increase/decrease (in %)	Effect on profit before tax	Effect on equity
CNY/CHF	10	1 069	0	10	879	0
USD/CHF	10	423	0	10	466	0
BRL/CHF	10	(202)	0	10	(289)	0
EUR/CHF	10	(629)	0	10	(343)	0
JPY/CHF	10	422	0	10	1	0
CNY/CHF	(10)	(1 069)	0	(10)	(879)	0
USD/CHF	(10)	(423)	0	(10)	(466)	0
BRL/CHF	(10)	202	0	(10)	289	0
EUR/CHF	(10)	629	0	(10)	343	0
JPY/CHF	(10)	(422)	0	(10)	(1)	0

CREDIT RISK

Credit risk refers to the risk that counterparties will not meet their obligations, leading to a financial loss for the creditor. The Group is exposed to credit risk from its operating activities, primarily trade receivables and loan notes, as well as from its financing activities, primarily financial instruments such as foreign exchange derivatives and cash deposits with financial institutions.

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, maturing and overdue receivable balances are monitored on an ongoing basis. The Group continuously reviews its provision for impairment. The maximum exposure is the carrying amount as disclosed in Note 5.2. In 2019 and 2018, 96% of the transactions occurred 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 other 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 the potential default of a counterparty, with a maximum exposure equal to the carrying amount of these assets.

The table below shows the major cash balances held with financial institutions at the balance sheet date.

(in CHF 1 000)	2019		2018	
	Rating	Balance	Rating	Balance
BANK				
Bank A	AAA	9 890	AAA	19 837
Bank B	AA+	1 988	AA+	1 994
Bank C	AA	451	AA	4 953
Bank D	A+	111 888	A+	133 274
Bank E	BBB+	23 871	BBB+	38 876
Bank F	A+	28 128	A	27 286
Bank G	A-	23 729	A	5 667
TOTAL		199 945		231 887

LIQUIDITY RISK

Liquidity risk refers to the possible inability to meet short-term debt obligations due to the lack of liquid assets. The Group closely monitors its liquidity risk through a prudent asset and liability management. This includes a recurring liquidity planning approach throughout the Group.

The Group's objective is to maintain an adequate funding structure by using bank overdrafts, bank loans, bonds and finance leases. In accordance with the policy, Corporate Treasury maintains a permanently accessible cash stock as well as flexible short-term funding possibility through uncommitted credit lines, involving a prospective approach.

The following table reflects all undiscounted contractually agreed payments for repayments and interest resulting from recognized financial liabilities at 31 December 2019 and 31 December 2018.

(in CHF 1 000)	2019			2018		
	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Straight bond	203 290	0	0	1 090	203 290	0
Lease liabilities	31 214	113 787	179 414			
Other financial liabilities	866	31 201	7 921	22 103	36 723	3 194
Trade payables	63 207	0	0	47 557	0	0
Other payables	94 121	38 699	0	82 759	22 173	0
TOTAL	392 698	183 687	187 335	153 509	262 186	3 194

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 when necessary. These can also involve changing the dividend payment to shareholders, returning capital to shareholders through share buy-backs, or issuing new shares.

As the Group operates in a fast-moving industry, its policy is to maintain a high degree of flexibility in its capital structure through a high availability of liquid funds. The Group monitors its capital base using the equity ratio. The Group strives to maintain an equity ratio of 50% or higher.

EQUITY RATIO

(in CHF 1 000)	2019	2018
Total assets	2 389 978	1 864 569
Equity	1 367 222	1 204 320
EQUITY RATIO	57.2%	64.6%

The implementation of IFRS 16 'Leases' negatively affected the equity ratio by six percentage points.

9.3 PRINCIPAL CURRENCY TRANSLATION RATES

CURRENCY	Unit	31 Dec 2019	Average 2019	31 Dec 2018	Average 2018
Brazilian real (BRL)	100	24.09	25.15	25.36	26.88
Canadian dollar (CAD)	1	0.74	0.75	0.72	0.75
Chinese renminbi (CNY)	100	13.91	14.36	14.31	14.73
euro (EUR)	1	1.09	1.11	1.13	1.15
Indian rupees (INR)	100	1.36	1.41	1.41	1.43
Japanese yen (JPY)	100	0.89	0.91	0.89	0.88
US Dollar (USD)	1	0.97	0.99	0.99	0.98

9.4 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)	2019	2018
PURCHASE OF GOODS FROM:		
Associates	(7 579)	(20 274)
Joint Venture	0	(3 055)
Medartis AG	(189)	(222)
SALE OF GOODS TO:		
Associates	78	1 748
ITI Foundation	0	231
Joint Venture	0	3 254
SERVICES RENDERED TO:		
Associates	130	596
ITI Foundation	266	466
SERVICES RECEIVED FROM:		
Associates	(105)	(183)
ITI Foundation	(10 387)	(10 316)
TOTAL	(17 786)	(27 753)

Due to the business combination of Anthogyr in 2019 (Note 2.1), there was a shift from purchase of goods from associates to intercompany transactions, which are eliminated in the Group's financial statements.

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)	2019	2018
Associates	10 584	7 803
ITI Foundation	(2 478)	564
Joint Venture	0	1 789
TOTAL	8 107	10 156

On 31 December 2019 loans granted to associates amounted to CHF 10.9 million (2018: CHF 10.1 million). The amount is included in the Associates 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 performance share plan (Note 8.3).

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)	2019	2018
Salaries and other short-term employee benefits	13 326	11 968
Post-employment benefits	2 547	1 715
Share-based payments	7 072	4 907
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION RECOGNIZED IN THE INCOME STATEMENT	22 945	18 590

9.5 SUBSIDIARIES AND ASSOCIATES

The consolidated financial statements of the Group include:

NAME	City	Country of incorporation	Interest and voting rights 2019 (in %)	Share capital 31.12.2019
SUBSIDIARIES:				
AG Projections SAS	Sallanches	France	100.00	EUR 7 799 300
Anthogyr SAS	Sallanches	France	100.00	EUR 1 254 040
Anthogyr Benelux	Sint-Martens-Latem	Belgium	100.00	EUR 20 000
Anthogyr Iberica	Sant Cugat del Vallès	Spain	100.00	EUR 5 000
Anthogyr Inc.	Orlando	USA	100.00	USD 5 000
Anthogyr Italia SRL	Milano	Italy	100.00	EUR 50 000
Anthogyr Ltd.	Crawley	UK	100.00	GBP 1
Anthogyr S.A.	Mersch	Luxembourg	100.00	EUR 400 100
Anthogyr Center Sarl	Mersch	Luxembourg	100.00	EUR 12 000
Anthogyr Unipessoal Lda	Porto	Portugal	100.00	EUR 5 000
Batigroup Dental Diş Ürünleri Ticaret AŞ	Ankara	Turkey	80.00	TRY 5 000 000
Biora AB	Malmö	Sweden	100.00	SEK 950 152
Dental Wings Inc.	Montreal	Canada	100.00	CAD 21 648 923
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 1 790 369
DW Manufacturing Inc.	Montreal	Canada	100.00	CAD 1
Digital Planning Service (Private) Ltd	Lahore	Pakistan	100.00	PKR 12 000 000
Equinox Dental AG	Basel	Switzerland	100.00	CHF 100 000
etkon (Schweiz) AG	Rheinfelden	Switzerland	70.00	CHF 100 000
Institut Straumann AG	Basel	Switzerland	100.00	CHF 100 000
Equinox Implants LLP	Mumbai	India	100.00	INR 320 000 000
Straumann Italia Srl	Milano	Italy	100.00	EUR 270 000
Instradent AG	Basel	Switzerland	100.00	CHF 100 000
Creotech Medical S.L.U.	Mendaro	Spain	100.00	EUR 1 334 784
Creotech Institute A.E.I.E.	Mendaro	Spain	100.00	EUR 880 000
Straumann Middle East PJS	Tehran	Iran	100.00	IRR 40 000 000
T-Plus Implant Tech. Co. Ltd.	New Taipei City	Taiwan	58.06	TWD 154 901 960
Zinedent İmplant Üretim A.Ş.	Ankara	Turkey	100.00	TRY 2 300 000
Instradent LLC	Moscow	Russia	100.00	RUB 17 250 000
Manohay Argentina SA	Buenos Aires	Argentina	100.00	ARS 19 000 000
Manohay Chile SPA	Santiago	Chile	100.00	CLP 464 515 950
Manohay Colombia SAS	Bogotá	Colombia	100.00	COP 7 100 062 213
Manohay Dental SA	Madrid	Spain	100.00	EUR 60 200

NAME	City	Country of incorporation	Interest and voting rights 2019 (in %)	Share capital 31.12.2019
Manohay México SA de CV	México DF	Mexico	100.00	MXN 41 892 615
STM Digital Dentistry Holding Ltd	Hong Kong	China	49.00	USD 100
etkon Dentistry (Shenzhen) Technology Co. Ltd.	Shenzhen	China	49.00	USD 4 488 598
Straumann (Beijing) Medical Device Trading Co Ltd	Beijing	China	100.00	CNY 70 290 000
Straumann (China) Investment Company Limited	Shanghai	China	100.00	USD 30 000 000
Lirui Medical Technology (Shanghai) Company Limited	Shanghai	China	100.00	CNY 16 000 000
3D ADD Medical Technology (Beijing) Co. Ltd.	Beijing	China	100.00	CNY 1 285 714
Straumann AB	Möln dal	Sweden	100.00	SEK 100 000
Straumann AS	Oslo	Norway	100.00	NOK 1 000 000
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
Yller Biomateriais S/A	Pelotas	Brazil	100.00	BRL 19 984
Northern Cross B.V.	Amsterdam	Netherlands	100.00	EUR 100
Smile factory S I e P LTDA.	São Paulo	Brazil	100.00	BRL 1 300 100
Straumann Canada Ltd	Burlington	Canada	100.00	CAD 2 100 000
Straumann Danmark Aps	Brøndby	Denmark	100.00	DKK 125 000
Straumann Dental India LLP	Mumbai	India	100.00	INR 1 706 000 000
Straumann Dental Korea Inc	Seoul	Republic of Korea	100.00	KRW 2 300 000 000
Straumann Dental s.r.l.	Bucharest	Romania	100.00	RON 45 000
Straumann GmbH	Vienna	Austria	100.00	EUR 40 000
Straumann Group (Taiwan) Co. Ltd.	Taipei	Taiwan	75.00	TWD 13 333 333
Straumann Group (Thailand) Limited	Bangkok	Thailand	100.00	THB 120 000 000
Straumann Group Adriatic d.o.o.	Zagreb	Croatia	100.00	EUR 25 000
Straumann Group Peru SA	Lima	Peru	100.00	PEN 1 702 500
Straumann Group SDN. BHD.	Kuala Lumpur	Malaysia	100.00	MYR 1 055 000
Straumann Group South Africa (PTY) LTD	Somerset West	South Africa	100.00	ZAR 1 000
Straumann Holding Deutschland GmbH	Freiburg	Germany	100.00	EUR 25 000
etkon GmbH	Gräfelfing	Germany	100.00	EUR 326 000
Medentika GmbH	Hügelsheim	Germany	91.00	EUR 275 000
Medentika CNC GmbH	Hügelsheim	Germany	91.00	EUR 200 000
Abutment Direct Inc.	Markham	Canada	45.50	CAD 0
Straumann GmbH	Freiburg	Germany	100.00	EUR 200 000
Straumann Japan KK	Tokyo	Japan	100.00	JPY 10 000 000
etkon Japan KK	Shibayama	Japan	100.00	JPY 10 000 000

NAME	City	Country of incorporation	Interest and voting rights 2019 (in %)	Share capital 31.12.2019
Straumann LLC	Moscow	Russia	100.00	RUB 21 000 000
Straumann Ltd	Crawley	UK	100.00	GBP 300 000
Straumann Manufacturing, Inc.	Andover	USA	100.00	USD 1
Bay Materials LLC	Fremont	USA	100.00	USD 0
ClearCorrect Holdings, Inc.	Round Rock	USA	100.00	USD 4 424
ClearCorrect Operating, LLC	Round Rock	USA	100.00	USD 1 000
Straumann USA, LLC	Andover	USA	100.00	USD 1
Straumann Oy	Helsinki	Finland	100.00	EUR 32 000
Straumann Pty Ltd	Port Melbourne	Australia	100.00	AUD 100
Straumann New Zealand Ltd	Napier	New Zealand	100.00	NZD 0
Straumann SA/NV	Zaventem	Belgium	100.00	EUR 2 081 620
Straumann SAS	Fontenay-sous-Bois	France	100.00	EUR 192 000
SCI Alpina Immobilière	Fontenay-sous-Bois	France	100.00	EUR 50 000
Straumann Singapore Pte Ltd	Singapore	Singapore	100.00	SGD 10 000
Straumann SRO	Prague	Czech Republic	100.00	CZK 200 000
Straumann Villeret SA	Villeret	Switzerland	100.00	CHF 9 000 000
Valoc AG	Rheinfelden	Switzerland	55.00	CHF 100 000

The next senior and ultimate holding company of the Straumann Group is Straumann Holding AG which is based and listed in Switzerland.

NAME	City	Country of incorporation	Interest and voting rights 2019 (in %)
ASSOCIATES:			
botiss medical AG	Berlin	Germany	30.00
Dental Monitoring SAS	Paris	France	7.68
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
Z-Systems AG	Oensingen	Switzerland	33.94
Peak Dental Solutions HK Ltd.	Kowloon	Hong Kong	40.00
Warantec Co., Ltd.	Seongnam-si	Republic of Korea	33.50

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 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 140 to 182).

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 2019, 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 stemming from the various acquisitions represent 25% of the Group's total assets and 44% of the Group's equity as of balance sheet date (see Group's disclosures Note 4.3).

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 37.7 million. Such tax deductible statutory goodwill and fair value step ups stem from mergers subsequent to Neodent acquisition 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 assessment of Straumann related to the decision of the Brazilian Administrative Court of First Instance and the negative decision of the second level appeal 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: <http://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, 14 February 2020

2019 FINANCIAL REPORT

STRAUMANN HOLDING

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STRAUMANN HOLDING AG

Balance sheet

ASSETS

(in CHF 1 000)	Notes	31 Dec 2019	31 Dec 2018
Cash and cash equivalents		136 684	167 441
Other short-term receivables		28 955	20 197
from third parties		333	952
from investments		28 622	19 245
Prepaid expenses		58	217
Total current assets		165 697	187 855
Financial assets	2.1	817 519	828 453
Investments	2.2	688 213	511 713
Intangible assets		78	178
Total non-current assets		1 505 810	1 340 344
TOTAL ASSETS		1 671 507	1 528 199

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2019	31 Dec 2018
Trade payables to third parties		158	327
Short-term interest-bearing liabilities to investments		7 851	6 498
Short-term interest-bearing liabilities to third parties	2.4	200 000	0
Short-term provisions	2.3	41 475	51 764
Deferred income		2 591	2 693
Total current liabilities		252 075	61 282
Long-term interest-bearing liabilities		18 287	214 592
to third parties	2.4	0	200 000
to investments		18 287	14 592
Long-term provisions		19 000	3 000
Total non-current liabilities		37 287	217 592
Total liabilities		289 362	278 874
Share capital	2.5	1 588	1 588
Reserves from capital contributions ¹	2.6	66 254	66 254
Share premium		9 281	9 281
Legal retained earnings		13 064	23 572
Reserves for treasury shares	2.7	9 524	20 032
Statutory reserves		1 540	1 540
Extraordinary reserves		2 000	2 000
Voluntary retained earnings		1 291 958	1 148 630
Available earnings			
– Retained earnings		1 076 012	946 382
– Net result		215 946	202 248
Total equity		1 382 145	1 249 325
TOTAL EQUITY AND LIABILITIES		1 671 507	1 528 199

1 thereof CHF 10 996 956 not accepted by the Swiss Federal Tax Administration.

Income statement

(in CHF 1 000)	Notes	2019	2018
Income from investments	2.9	168 744	152 050
Other financial income	2.10	14 755	13 743
Other operating income	2.11	79 351	69 540
Impairment reversal of investments	2.14	0	15 000
Total income		262 850	250 333
Other financial expense	2.12	(15 788)	(35 624)
Board compensation		(1 799)	(1 506)
Other operating expense	2.13	(25 118)	(10 652)
Depreciation of intangible assets		(155)	(190)
Total expenses		(42 860)	(47 972)
Result before income tax		219 990	202 361
Direct taxes		(4 044)	(113)
NET RESULT		215 946	202 248

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 Instrand 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 board compensation.

1.5 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized at nominal value. Discounts and issuing costs are recognized as pre-paid 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 2019	31 Dec 2018
Loans to subsidiaries	804 321	805 823
Loans to third parties	13 198	12 118
Financial assets	0	10 512
TOTAL	817 519	828 453

2.2 INVESTMENTS

The direct and major indirect investments of the company are listed in Note 9.5 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 CHF 36.8 million and provisions for taxes CHF 4.7 million (2018: CHF 51.4 million and taxes CHF 0.4 million).

2.4 INTEREST-BEARING LIABILITIES TO THRID PARTIES

(in CHF 1 000)	31 Dec 2019	31 Dec 2018
Bond	200 000	200 000
TOTAL	200 000	200 000

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

The Group's CHF 200 million bond is due for repayment 30 April 2020. An evaluation of the midterm cash development especially considering the investments in future growth currently is being performed. If the planned cash flow would not cover the requirements, a proposal for a new CHF bond would be submitted to the Board of Directors during the course of the first quarter 2020.

2.5 SHARE CAPITAL

The share capital for 2019 and 2018 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 13 502 shares with an average value of CHF 705.37. The decrease occurred due to the share based payment program and employee shares program (2018: 45 543 with an average value of CHF 439.85).

2.8 TREASURY SHARES

Since 2017 all shares have been sold and no transactions regarding treasury shares occurred in 2019.

2.9 INCOME FROM INVESTMENTS

In the reporting period the dividend income amounted to CHF 168.8 million (2018: CHF 152.1 million).

2.10 OTHER FINANCIAL INCOME

Other financial income amounts to CHF 14.8 million (2018: CHF 13.7 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 79.4 million (2018: CHF 69.5 million) and consists of income from licenses.

2.12 OTHER FINANCIAL EXPENSE

Other financial expense amounts to CHF 15.8 million (2018: CHF 35.6 million) and contains mainly the valuation of the loans and the interest expense from bond and earn out.

(in CHF 1 000)	2019	2018
Interests	6 801	5 112
Foreign exchange losses	8 987	30 512
TOTAL	15 788	35 624

2.13 OTHER OPERATING EXPENSE

(in CHF 1 000)	2019	2018
Administrative expense	748	722
Consulting expense	7 714	9 340
Sundry expense	16 656	591
TOTAL	25 118	10 652

Other operating expense amounts to CHF 25.1 million (2018: CHF 10.7 million) and contains newly a provision of CHF 16 million for acquisition and integration risk for new acquired subsidiaries posted under sundry expense.

2.14 IMPAIRMENT REVERSAL OF INVESTMENTS

In 2019 no reversal of impairment occurred (2018: 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 3 percent of voting rights are as follows:

(in %)	31 Dec 2019 ¹	31 Dec 2018 ¹
MAJOR SHAREHOLDERS		
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	16.9	17.1
Dr h.c. Rudolf Maag	11.5	11.5
Black Rock Group ²	7.3	6.5
Simone Maag de Moura Cunha	3.7	3.7
Gabriella Straumann	3.0	3.0
The Capital Group companies, Inc. ²	3.0	n/a
TOTAL MAJOR SHAREHOLDERS	45.4	41.8

- 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:

	2019		2018	
	Number	Value in CHF 1 000	Number	Value in CHF 1 000
Allocated to the Board of Directors	1 199	1 004	1 483	903

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 2019 and 2018 by the members of the Board of Directors, the Executive Management Board and individuals related to them.

2019

	Shares	Performance Share Units		
		21 Apr 2020	27 Apr 2021	20 Apr 2022
BOARD OF DIRECTORS				
Gilbert Achermann	42 432	0	0	0
Dr h.c. Thomas Straumann	2 693 985	0	0	0
Monique Bourquin	1 023	0	0	0
Dr Sebastian Burckhardt	3 005	0	0	0
Juan José Gonzalez	120	0	0	0
Ulrich Looser	4 692	0	0	0
Dr Beat Lüthi	4 059	0	0	0
Regula Wallimann	739	0	0	0
Total	2 750 055	0	0	0
EXECUTIVE MANAGEMENT BOARD				
Marco Gadola	520	2 470	1 845	1 385
Dr Peter Hackel	720	554	402	326
Dr Gerhard Bauer	958	475	369	302
Wolfgang Becker	0	507	369	302
Guillaume Daniellot	754	379	304	255
Jens Dexheimer	1 111	348	326	271
Frank Hemm	330	554	0	0
Patrick Loh	0	495	402	326
Alastair Robertson	0	0	0	272
Petra Rumpf	904	633	434	350
Matthias Schupp	856	317	239	207
Peter Zihla	943	158	109	111
Total	7 096	6 890	4 799	4 107
TOTAL	2 757 151	6 890	4 799	4 107

2018

	Shares	Performance Share Units		
		20 Apr 2019	21 Apr 2020	27 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

Proposal of the Board of Directors for the appropriation of the available earnings

(in CHF 1 000)	2019	2018
Net result	215 946	202 248
Carried forward from previous year	1 065 503	940 366
Change in reserves for treasury shares	10 508	6 016
Profit available to the Annual General Meeting	1 291 958	1 148 630
Dividend paid out of the available earnings (CHF 5.25 per share)		(83 126)
BALANCE CARRIED FORWARD		1 065 503

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 5.75 per share be distributed, payable as of 15 April 2020. Calculated based on the total number of outstanding shares of 15 865 482, this corresponds to a total amount of CHF 91.2 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 186 to 191), for the year ended 31 December 2019.



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 2019 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 OVER- SIGHT 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. We have determined that there are no key audit matters to communicate in our report.



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
Licensed audit expert
(Auditor in charge)

Fabian Meier
Licensed audit expert

Basel, 14 February 2020

