

# 2018 FINANCIAL REPORT

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# 2018 FINANCIAL REPORT

STRAUMANN GROUP

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# Consolidated statement of financial position

## Assets

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

## Equity and liabilities

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

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

## Consolidated income statement

(in CHF 1000)	Notes	2018	2017 (restated)
Revenue	5	1 363 560	1 112 102
Cost of goods sold		(344 315)	(271 638)
Gross profit		1 019 245	840 464
Other income	22	3 424	3 353
Distribution expense		(291 018)	(249 850)
Administrative expenses		(389 016)	(310 683)
Operating profit		342 635	283 284
Finance income	25	72 852	58 701
Finance expense	25	(89 802)	(78 028)
Gain on consolidation of former associates	25	10 725	68 867
Share of results of associates	8	(9 984)	(9 739)
Profit before income tax		326 426	323 085
Income tax expense	19	(48 639)	(40 867)
<b>NET PROFIT</b>		<b>277 787</b>	<b>282 218</b>
Attributable to:			
Shareholders of the parent company		272 770	279 544
Non-controlling interests		5 017	2 675
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	26	17.24	18.04
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	26	17.18	17.96

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

## Consolidated statement of comprehensive income

(in CHF 1000)	2018	2017 (restated)
Net profit	277 787	282 218
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	(21 717)	31 552
Share of other comprehensive income of associates accounted for using the equity method	286	(420)
Exchange differences on translation of foreign operations	(61 813)	(28 387)
Income tax effect	2 085	(2 535)
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(81 159)	210
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	(1 256)	3 483
Remeasurements of retirement benefit obligations	(7 621)	(9 689)
Income tax effect	978	983
Items not to be reclassified to profit or loss in subsequent periods	(7 899)	(5 223)
Other comprehensive income, net of tax	(89 058)	(5 013)
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>188 729</b>	<b>277 206</b>
Attributable to:		
Shareholders of the parent company	184 842	272 809
Non-controlling interests	3 887	4 397

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

# Consolidated cash flow statement

(in CHF 1000)	Notes	2018	2017 (restated)
<b>Net profit</b>		<b>277 787</b>	<b>282 218</b>
Adjustments for:			
Taxes charged	19	48 639	40 867
Interest and other financial result		11 835	3 841
Foreign exchange result		4 829	239
Fair value adjustments		287	(1 026)
Financial impairment result		0	16 273
Gain on consolidation of former associates		(10 725)	(68 867)
Share of results of associates	8	9 984	9 739
Depreciation and amortization of:			
Property, plant and equipment	6, 23	29 960	24 975
Intangible assets	7, 23	22 407	15 283
Change in provisions, retirement benefit obligations and other liabilities		(21 675)	(16 022)
Change in long-term assets		(473)	(1 639)
Share-based payments expense	20, 24	10 706	7 726
Result on disposal of property, plant and equipment		568	181
Working capital adjustments:			
Change in inventories		(26 714)	(34 027)
Change in trade and other receivables		(59 211)	(47 284)
Change in trade and other payables		25 094	16 201
Interest paid		(8 727)	(6 020)
Interest received		2 438	1 052
Income tax paid		(39 910)	(26 421)
<b>Net cash from operating activities</b>		<b>277 099</b>	<b>217 290</b>

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

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

# Consolidated statement of changes in equity

## 2018

	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			
(in CHF 1000)									
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)
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(82 400)</b>	<b>267 242</b>	<b>184 842</b>	<b>3 887</b>	<b>188 729</b>
Dividends to equity holders of the parent	27					(75 120)	(75 120)		(75 120)
Dividends to non-controlling interests							0	(1 818)	(1 818)
Share-based payment transactions	20,24					10 274	10 274		10 274
Purchase of treasury shares				(4 205)			(4 205)		(4 205)
Usage of treasury shares				10 219		(5 080)	5 139		5 139
Changes in consolidation group	4						0	3 320	3 320
Purchase of non-controlling interests						(316)	(316)	(87)	(403)
Put options to non-controlling interests						3 114	3 114	(1 756)	1 359
<b>AT 31 DECEMBER 2018</b>		<b>1 588</b>	<b>31 412</b>	<b>(19 870)</b>	<b>(169 045)</b>	<b>1 356 839</b>	<b>1 200 924</b>	<b>3 396</b>	<b>1 204 320</b>

## 2017

	Notes	Attributable to the shareholders of the parent company					Total	Non-controlling interests	Total equity (restated)
		Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings			
(in CHF 1000)									
At 1 January 2017		1 588	31 412	(206 550)	(89 810)	897 041	633 681	0	633 681
Net profit						279 544	279 544	2 675	282 218
Other comprehensive income					3 165	(9 900)	(6 735)	1 722	(5 013)
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>3 165</b>	<b>269 645</b>	<b>272 809</b>	<b>4 397</b>	<b>277 206</b>
Dividends to equity holders of the parent	27					(65 139)	(65 139)		(65 139)
Dividends to non-controlling interests							0	(1 127)	(1 127)
Share-based payment transactions	20, 24					7 524	7 524		7 524
Purchase of treasury shares				(5 377)			(5 377)		(5 377)
Usage of treasury shares				186 043		77 116	263 159		263 159
Changes in consolidation group							0	21 852	21 852
Put options to non-controlling interests	4					(29 464)	(29 464)	(25 272)	(54 736)
<b>AT 31 DECEMBER 2017</b>		<b>1 588</b>	<b>31 412</b>	<b>(25 884)</b>	<b>(86 645)</b>	<b>1 156 724</b>	<b>1 077 195</b>	<b>(150)</b>	<b>1 077 044</b>

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# Notes to the consolidated financial statements

## 1 CORPORATE INFORMATION

Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in tooth replacement and orthodontic solutions. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Straumann, Neodent, Medentika, ClearCorrect, Dental Wings, and other fully or partly owned companies and partners. In collaboration with leading clinics, institutes and universities, the Group researches, develops, manufactures and supplies dental implants, instruments, CAD/CAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss. The Group currently employs approximately 6000 people worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

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

### 2.1 BASIS OF PREPARATION

#### STATEMENT OF COMPLIANCE

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

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

#### BASIS OF CONSOLIDATION

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

## SUBSIDIARIES

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

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

## ASSOCIATES

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES

### NEW STANDARDS AND AMENDMENTS EFFECTIVE IN 2018

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

– IFRS 9 (2014) 'Financial Instruments' (effective 1 January 2018)

This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' and brings together all three aspects of accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has applied IFRS 9 (2010) since 1 January 2011 and the new provisions regarding impairment and hedge accounting did not have material effects on the presented financial statements.

– IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)

The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group has applied the modified retrospective method with no material effect on the presented financial statements.

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

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

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

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

### **2.3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

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

#### **CONTINGENT CONSIDERATIONS**

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

#### **IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

#### **DEFERRED INCOME TAX ASSETS**

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

#### **INCOME TAXES**

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

#### **PENSION AND OTHER EMPLOYMENT BENEFITS**

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

### **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **FOREIGN CURRENCY TRANSLATION**

The consolidated financial statements are presented in Swiss francs (CHF), which is Straumann Holding AG’s functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using this functional currency. Transactions in



foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the balance sheet date. All differences are taken to profit or loss with the exception of differences arising on monetary items that in substance form part of an entity's net investment in a foreign operation. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

#### PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

#### BUSINESS COMBINATIONS AND GOODWILL

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

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

#### INTANGIBLE ASSETS

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

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

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

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

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

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

#### RESEARCH AND DEVELOPMENT COSTS

Development expenditure on an individual project is recognized as an intangible asset if the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the asset
- its ability to use or sell the asset
- how the asset will generate future economic profit
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development.

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

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

A previously recognized impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed

the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

#### FINANCIAL ASSETS

The Group recognizes a financial asset on the trade date at which it becomes a party to the contractual obligations of the instrument. Financial assets are initially measured at fair value. Acquisition-related costs are to be included, unless the financial asset is measured at fair value in subsequent periods. The Group subsequently measures financial assets at either amortized cost or fair value.

The Group has the following categories of financial assets:

- financial assets measured at amortized cost
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income ('OCI') (equity instruments)

#### FINANCIAL ASSETS MEASURED AT AMORTIZED COST

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

#### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

#### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI

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

#### FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of busi-

ness on the balance sheet date. In the case of financial instruments for which there is no active market, fair value is determined using valuation techniques such as recent arm's length market transactions, the current market value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

#### **TRADE AND OTHER RECEIVABLES**

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

#### **IMPAIRMENT OF FINANCIAL ASSETS**

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

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

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

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

#### **INVENTORIES**

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

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

#### **CASH AND CASH EQUIVALENTS**

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

#### **SHARE CAPITAL**

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

#### **TREASURY SHARES**

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

#### **PUT OPTIONS TO NON-CONTROLLING INTERESTS**

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

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

#### **TRADE PAYABLES**

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

#### **FINANCIAL LIABILITIES**

##### **INTEREST-BEARING LOANS AND BORROWINGS**

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated as 'at fair value through profit or loss'. After initial recognition, interest-

bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

#### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

#### DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

For the purpose of hedge accounting, hedges are classified as:

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

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

#### PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the

time-value of money is material, provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### EMPLOYEE BENEFITS

##### PENSION OBLIGATIONS

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

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

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

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

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

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

##### SHORT-TERM EMPLOYEE BENEFITS – BONUSES

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

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

### SHARE-BASED COMPENSATION

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

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

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

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

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

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

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

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

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

### REVENUE RECOGNITION

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

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

### DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

### RELATED PARTIES

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

### TAXES

#### CURRENT INCOME TAX

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

#### DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

#### SALES TAXES

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

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

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

#### DIVIDEND DISTRIBUTION

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

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

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

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

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

#### SUBSEQUENT EFFECTS

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

## 4 BUSINESS COMBINATION

### TRANSACTIONS IN 2018

#### ASM CONSULTANTS (PROPERTY) LIMITED

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

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

#### BATIGROUP

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

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

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

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

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

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

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

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

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

**CREATECH**

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

Createch is specialized in the research, development and manufacture of high quality, innovative, implant-borne prosthetics. Its products, including 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.

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

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

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

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



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

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

#### M.I.S. IMPLANTS CANADA INC.

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

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

#### T-PLUS IMPLANT TECH. CO. LTD.

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

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

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

The Group recognized an overall gain of CHF 6.9 million as a result of derecognizing its 48.60% equity interest in T-Plus held before the business combination. The fair value of the 48.60% stake was CHF 7.3 million and the

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

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

#### TRANSACTIONS IN 2017

##### MEDENTIKA

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

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

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

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

The fair value of the identifiable assets and liabilities amounted to CHF 45.2 million and goodwill of CHF 41.9 million. The total consideration amounted to CHF 87.1 million, comprising the fair value of the 51% stake at CHF 63.5 million, CHF 1.8 million satisfied in cash for the acquisition of Intradent Deutschland GmbH's shares and CHF 21.9 million of 49% non-controlling interests (measured on the basis of the proportionate fair value of the identifiable net assets).

In connection with the modification of the shareholder agreement, the Group has written put options granting the holders of the 49% non-controlling interests the right to sell their remaining shares to the Group. The options are exercisable in certain windows from 2020 to 2022 and may be exercised either in respect to the founding shareholder's entire interests or in instalments. As the Group has not acquired a present ownership

interest at reporting date, the non-controlling interests of CHF 27.0 million and retained earnings of CHF 26.3 million have been reclassified to financial liabilities, representing the present value of the estimated redemption value by the Group in the event of full exercise of the rights held by the founding shareholders.

#### CLEARCORRECT

On 19 September 2017, the Group acquired ClearCorrect, a well-established provider of clear-aligner tooth-correction solutions based in Round Rock, USA. The PPA was finalized in the first half of 2018, leading to the following changes in the fair value of the identified assets and liabilities acquired on 19 September 2017:

(in CHF 1000)	Fair Value (restated)	Fair Value (provisional)	Change
Property, plant and equipment	6 623	6 623	0
Intangible assets:			
Brand	33 169	0	33 169
Technology	10 580	0	10 580
Customer relationships	9 583	0	9 583
Other intangible assets	1 223	4 015	(2 792)
Inventories	588	588	0
Trade and other receivables	30 740	30 740	0
Deferred income tax assets	15 341	15 341	0
Cash and cash equivalents	5 875	5 875	0
<b>Total assets</b>	<b>113 721</b>	<b>63 182</b>	<b>50 539</b>
Financial liabilities	(2 306)	(2 306)	0
Provisions	(4 853)	(4 853)	0
Deferred income tax liabilities	(18 295)	0	(18 295)
Trade and other payables	(39 988)	(39 988)	0
<b>Total liabilities</b>	<b>(65 442)</b>	<b>(47 147)</b>	<b>(18 295)</b>
<b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b>	<b>48 280</b>	<b>16 035</b>	<b>32 245</b>
Consideration satisfied in cash	(146 077)	(146 077)	0
<b>Total consideration</b>	<b>(146 077)</b>	<b>(146 077)</b>	<b>0</b>
<b>GOODWILL</b>	<b>97 798</b>	<b>130 042</b>	<b>(32 245)</b>
<b>Cash flow</b>			
Net cash acquired	5 875	5 875	0
Cash paid	(146 077)	(146 077)	0
<b>NET CASH OUTFLOW</b>	<b>(140 202)</b>	<b>(140 202)</b>	<b>0</b>

#### DENTALWINGS

On 1 October 2017, the Group increased its stake in Dental Wings Inc. from 55% to 100%. As a result, the Group obtained control and started to consolidate Dental Wings in its financial statements from that date. Until 30 September 2017, Dental Wings was accounted for using the 'equity method' and therefore the Group's share of its results was reported as 'Share of results of associates' in the Group's income statement.

The fair value of the identifiable assets and liabilities amounted to CHF 28.2 million and goodwill of CHF 58.7 million. The total consideration amounted to CHF 86.9 million, comprising the fair value of the previously held interest of CHF 47.8 million and CHF 39.1 million satisfied in cash.

The Group recognized an overall gain of CHF 43.9 million as a result of derecognizing its 55% equity interest in Dental Wings held before the business combination. The fair value of the 55% stake was CHF 47.8 million and the associate carrying amount was CHF 2.8 million on 1 October 2017. The gain resulting from the revaluation to fair value of the 55% equity instrument in Dental Wings immediately before the business combination amounted to CHF 45.0 million. The related portion of translation losses of CHF 1.1 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

#### LOOP

On 3 November 2017, the Group acquired Loop Digital Solutions LLC. Loop (based in Lincoln, USA) develops a software that facilitates the referral management process by connecting surgeons, general practitioners and dental laboratories. As part of the business combination, the Group recognized an intangible asset of CHF 0.5 million representing the software development and a workforce-related goodwill of CHF 3.2 million. The goodwill is deductible for tax purposes. The total consideration amounted to CHF 3.7 million, whereof CHF 0.7 million were immediately satisfied in cash. The second consideration component depends on the course of business and is recognized as contingent consideration liability until settlement.

## 5 OPERATING SEGMENTS

Operating segments requiring to be reported are determined on the basis of the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as the internal financial reporting to the Chief Operating Decision Maker (CODM), which has been identified as the Executive Management Board (EMB). The EMB is responsible for the operational management of the Group, in line with the instructions issued by the Board of Directors. It is also responsible for global strategy and stakeholder management.

The reporting segments are presented in a manner consistent with the internal reporting to the CODM. The centralized headquarter support functions (e.g. finance, information technology, human resources) as well as the functions 'Customer Solutions & Education' and 'Research & Development' are not operating segments, as they do not earn separate revenues. These functions are grouped in the column 'Not allocated items'.

### SALES EUROPE

'Sales Europe' comprises the Group's distribution businesses in Europe. It also includes Medentika's distribution business and its manufacturing plant in Germany (which produces implants and prosthetic components), the implant-borne prosthetics business of Createch as well as Dental Wing's distribution business in Europe. It includes segment-related management functions located inside and outside Switzerland.

### SALES DISTRIBUTOR & EMERGING MARKETS EMEA

'Sales Distributor & Emerging Markets EMEA' comprises the Group's distribution businesses mainly in Turkey and Russia, as well as the business with European, African and Middle Eastern distributors. It further incorporates the distribution business of Anthogyr implants and prosthetic components in Russia. It includes segment-related management functions located inside and outside Switzerland.

### SALES NAM

'Sales NAM' comprises the Group's distribution businesses in the United States and Canada. It also includes ClearCorrect's clear-aligner business and its associated development and production activities in the United States. The segment also incorporates Dental Wing's distribution business in the United States and Canada, as well as its associated development and production activities in Canada. It includes segment-related management functions located inside and outside Switzerland.

### SALES APAC

'Sales APAC' comprises the Group's distribution businesses in the Asia Pacific region, as well as the business with Asian distributors. It further incorporates the distribution business of Anthogyr implants and prosthetic components in China and the Equinox implants in India and the business of the recently acquired T-Plus, a Taiwanese company that develops and manufactures dental-implant systems with distribution channels in Taiwan and China. It further contains Equinox's manufacturing plant in India (which produces implants and prosthetic components). It includes segment-related management functions located inside and outside Switzerland.

### SALES LATAM

'Sales LATAM' comprises the Group's distribution businesses in Middle and South America as well as the business with Latin American distributors. It also includes Neodent's distribution business in Brazil, as well as Neodent's business with Latin American distributors. It contains Neodent's manufacturing plant in Brazil (which produces implants, biomaterials and CAD/CAM products). It includes segment-related management functions located inside and outside Switzerland.

### OPERATIONS

'Operations' acts as the principal towards all distribution businesses of the Group. It includes the global manufacturing network i.e. the manufacturing plants, production of implants, biomaterials and CAD/CAM products as well as all corporate logistics functions. It does not include the manufacturing sites of Neodent, Equinox, Medentika, ClearCorrect, Dental Wings, Createch and T-Plus.

**INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES****2018**

(in CHF 1000)	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
<b>Total revenue</b>	<b>514 875</b>	<b>100 406</b>	<b>407 162</b>	<b>247 369</b>	<b>148 228</b>	<b>642 922</b>	<b>0</b>	<b>(697 402)</b>	<b>1 363 560</b>
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)
<b>Operating profit</b>	<b>39 309</b>	<b>23 639</b>	<b>6 567</b>	<b>11 818</b>	<b>24 267</b>	<b>396 519</b>	<b>(148 922)</b>	<b>(10 562)</b>	<b>342 635</b>
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)
<b>NET PROFIT</b>									<b>277 787</b>
<b>Segment assets</b>	<b>268 584</b>	<b>53 913</b>	<b>373 742</b>	<b>91 234</b>	<b>345 743</b>	<b>329 730</b>	<b>30 527</b>	<b>(119 735)</b>	<b>1 373 738</b>
Unallocated assets, thereof:									
Cash and cash equivalents									278 674
Deferred income tax assets									70 066
Financial assets									35 989
Investments in associates									106 102
<b>GROUP</b>									<b>1 864 569</b>
<b>Segment liabilities</b>	<b>93 663</b>	<b>23 614</b>	<b>100 949</b>	<b>54 684</b>	<b>19 861</b>	<b>94 073</b>	<b>87 106</b>	<b>(111 794)</b>	<b>362 156</b>
Unallocated liabilities, thereof:									
Deferred income tax liabilities									36 211
Straight bond									199 862
Financial liabilities									62 020
<b>GROUP</b>									<b>660 249</b>
<b>Addition in non-current assets</b>	<b>6 775</b>	<b>446</b>	<b>11 913</b>	<b>2 412</b>	<b>37 267</b>	<b>37 532</b>			<b>96 345</b>

Transactions between the segments are eliminated in the course of consolidation and the eliminated amounts are shown in 'Eliminations'. The remaining operating profit under 'Eliminations' represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

'Addition in non-current assets' consists of additions of property, plant and equipment and intangible assets.

**2017**

(in CHF 1000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not allo- cated items	Eliminations	Group (restated)
Revenue third party	429 427	57 066	315 306	188 848	121 455	0	0	0	1 112 102
Revenue inter-segment	28 706	0	3 427	210	14 551	503 943	0	(550 836)	0
Total revenue	458 133	57 066	318 733	189 058	136 006	503 943	0	(550 836)	1 112 102
Depreciation & amortization	(4 736)	(117)	(3 230)	(1 752)	(12 390)	(12 790)	(5 243)	0	(40 258)
Other expenses / income	(446 498)	(39 078)	(297 705)	(177 241)	(104 077)	(149 583)	(101 315)	526 937	(788 560)
Operating profit	6 900	17 870	17 798	10 064	19 539	341 571	(106 559)	(23 899)	283 284
Finance income and expense									(19 327)
Gain on consolidation of former associates									68 867
Share of profit of associates									(9 739)
Income tax expense									(40 867)
NET PROFIT									282 218
Segment assets	253 960	17 123	337 158	84 234	342 990	318 340	30 945	(155 897)	1 228 854
Unallocated assets, thereof:									
Cash and cash equivalents									281 816
Deferred income tax assets									90 743
Financial assets									29 615
Investments in associates									65 939
GROUP									1 696 968
Segment liabilities	76 811	4 199	82 527	41 397	32 070	105 428	71 887	(93 504)	320 815
Unallocated liabilities, thereof:									
Deferred income tax liabilities									40 520
Straight bond									199 746
Financial liabilities									58 843
GROUP									619 924
Addition in non-current assets	5 252	286	2 884	1 116	24 010	30 454			64 002

**NON-CURRENT ASSETS PER LOCATION**

(in CHF 1000)	2018	2017 (restated)
Switzerland	133 978	107 905
Brazil	228 416	243 909
United States of America	199 551	192 069
Germany	173 804	136 815
Other	253 002	207 260
<b>GROUP</b>	<b>988 751</b>	<b>887 957</b>

Non-current assets include property, plant and equipment, investments in associates and intangible assets.

**REVENUES WITH EXTERNAL PARTIES**

(in CHF 1000)	2018	2017
<b>PER PRODUCT CATEGORY</b>		
Implant Solutions	789 933	676 179
Restorative Solutions	380 597	328 717
Other	193 030	107 205
<b>GROUP</b>	<b>1 363 560</b>	<b>1 112 102</b>
<b>PER LOCATION OF CUSTOMER</b>		
Switzerland	31 161	30 342
United States of America	364 678	280 704
Germany	170 125	154 399
Brazil	110 324	126 990
Other	687 362	519 667
<b>GROUP</b>	<b>1 363 650</b>	<b>1 112 102</b>

- The product category ‘Implant Solutions’ comprises primarily implants and related instruments
- The product category ‘Restorative Solutions’ comprises abutments and related parts as well as milling elements
- ‘Other’ comprises scanner hardware, software licenses, orthodontics, biomaterials, customer training and other miscellaneous products.

Revenues are allocated to countries based on the location of customers. The Group has a diverse and geographically widely spread customer base. No single customer accounts for 10% or more of total Group revenues.

**6 PROPERTY, PLANT AND EQUIPMENT****2018**

(in CHF 1000)	Land	Buildings	Plant and machinery	Other	Total
<b>COST</b>					
At 1 January	8 913	124 020	240 462	117 790	491 185
Change in consolidation scope (Note 4)	749	2 539	5 213	538	9 038
Additions	9 509	16 902	46 004	20 508	92 922
Disposals	0	(717)	(3 654)	(4 217)	(8 588)
Reclassifications	0	0	(4 338)	0	(4 338)
Currency translation adjustments	(1 503)	(1 948)	(5 536)	(3 195)	(12 181)
<b>At 31 December</b>	<b>17 668</b>	<b>140 795</b>	<b>278 151</b>	<b>131 424</b>	<b>568 037</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January	0	(85 552)	(143 757)	(87 633)	(316 942)
Depreciation charge (Note 23)	0	(4 504)	(14 584)	(10 872)	(29 960)
Disposals	0	611	1 978	3 304	5 894
Currency translation adjustments	0	295	1 482	1 400	3 177
<b>At 31 December</b>	<b>0</b>	<b>(89 149)</b>	<b>(154 881)</b>	<b>(93 801)</b>	<b>(337 831)</b>
<b>NET BOOK VALUE</b>	<b>17 668</b>	<b>51 645</b>	<b>123 270</b>	<b>37 623</b>	<b>230 206</b>

**2017**

(in CHF 1000)	Land	Buildings	Plant and machinery	Other	Total
<b>COST</b>					
At 1 January	8 445	115 169	191 987	101 976	417 579
Change in consolidation scope (Note 4)	134	642	9 529	2 723	13 028
Additions	248	8 928	42 468	14 909	66 554
Disposals	(2)	(434)	(2 842)	(4 998)	(8 276)
Reclassifications	0	0	0	1 623	1 623
Currency translation adjustments	87	(285)	(681)	1 557	677
At 31 December	8 913	124 020	240 462	117 790	491 185
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January	0	(81 718)	(133 878)	(82 662)	(298 259)
Depreciation charge (Note 23)	0	(4 069)	(12 183)	(8 723)	(24 975)
Disposals	0	213	2 281	4 791	7 286
Currency translation adjustments	0	22	22	(1 038)	(994)
At 31 December	0	(85 552)	(143 757)	(87 633)	(316 942)
<b>NET BOOK VALUE</b>	<b>8 913</b>	<b>38 468</b>	<b>96 705</b>	<b>30 157</b>	<b>174 243</b>

In 2018, the net book value of assets under finance lease that are included in property, plant and equipment - amounted to CHF 3.0 million (2017: CHF 2.5 million). Repair and maintenance expenses for property, plant and equipment for the business year 2018 amounted to CHF 6.1 million (2017: CHF 6.5 million).

**7 INTANGIBLE ASSETS****2018**

(in CHF 1000)	Goodwill	Brands	Customer relationships	Technology	Other intangibles	Total
<b>COST</b>						
At 1 January	529 567	116 426	162 778	68 595	81 099	958 465
Change in consolidation scope (Note 4)	39 817	2 872	8 109	1 635	4 455	56 889
Additions	0	0	521	0	16 290	16 811
Disposals	0	0	0	0	(1 242)	(1 242)
Currency translation adjustments	(33 374)	(8 534)	(8 737)	(3 747)	251	(54 141)
At 31 December	536 010	110 764	162 671	66 483	100 854	976 781
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>						
At 1 January	(123 163)	(1 359)	(104 472)	(17 313)	(64 384)	(310 691)
Amortization charge (Note 23)	0	(83)	(10 069)	(6 152)	(6 103)	(22 407)
Disposals	0	0	0	0	1 211	1 211
Currency translation adjustments	4 439	113	2 339	170	487	7 548
At 31 December	(118 724)	(1 329)	(112 202)	(23 295)	(68 789)	(324 339)
<b>NET BOOK VALUE</b>	<b>417 286</b>	<b>109 435</b>	<b>50 469</b>	<b>43 188</b>	<b>32 065</b>	<b>652 443</b>

**2017**

(in CHF 1000)	Goodwill	Brands	Customer relationships	Technology	Other intangibles	Total (restated)
<b>COST</b>						
At 1 January	323 787	59 883	127 899	16 133	96 327	624 029
Changes in scope of consolidation (Note 4)	201 512	56 787	29 050	51 521	1 873	340 743
Additions	0	0	0	1 004	5 845	6 849
Disposals	0	0	0	0	(23 809)	(23 809)
Currency translation adjustments	4 268	(244)	5 829	(63)	863	10 653
At 31 December	529 567	116 426	162 778	68 595	81 099	958 465
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>						
At 1 January	(116 066)	(1 226)	(94 150)	(15 254)	(83 306)	(310 002)
Amortization charge (Note 23)	0	(130)	(8 963)	(2 025)	(4 166)	(15 284)
Disposals	0	0	0	0	23 710	23 710
Currency translation adjustments	(7 097)	(3)	(1 359)	(34)	(622)	(9 115)
At 31 December	(123 163)	(1 359)	(104 472)	(17 313)	(64 384)	(310 691)
<b>NET BOOK VALUE</b>	<b>406 404</b>	<b>115 067</b>	<b>58 306</b>	<b>51 282</b>	<b>16 715</b>	<b>647 774</b>

Management assessed that the acquired brands Neodent, Medentika, ClearCorrect, Dental Wings and Createch have an indefinite useful life. The Group supports the brand's values through the internationalization of their commercial usage. 'Other intangibles' include mainly software, development costs and distribution rights.

**IMPAIRMENT TEST FOR GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS**

Goodwill and indefinite life intangible assets are allocated to cash-generating units (CGU) for the purpose of impairment testing. A summary of goodwill and indefinite life intangibles allocation per CGU is presented below:

(in CHF 1000)	2018		2017 (restated)	
	Goodwill	Brand with indefinite life	Goodwill	Brand with indefinite life
Neodent Business	99 378	47 730	115 327	55 390
ClearCorrect Business	99 220	33 681	98 193	33 333
Global Premium Implant Business	67 391	0	59 400	0
Dental Wings Business	54 394	4 329	58 448	4 652
Medentika Business	43 943	19 878	45 540	20 600
Other	52 960	2 798	29 496	0
<b>TOTAL</b>	<b>417 286</b>	<b>108 416</b>	<b>406 404</b>	<b>113 975</b>

**NEODENT BUSINESS**

The CGU 'Neodent Business' (which is part of the operating segment 'Sales LATAM') contains the manufacturing plant for Neodent products, the related sales activities in the Brazilian market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Neodent brand have been recognized as part of the acquisition of Neodent in 2015.

**CLEARCORRECT BUSINESS**

The CGU 'ClearCorrect Business' (which is part of the operating segment 'Sales NAM') contains the manufacturing plant and the related sales activities for ClearCorrect products. The goodwill and the ClearCorrect brand have been recognized as part of the acquisition of ClearCorrect in 2017.

**GLOBAL PREMIUM IMPLANT BUSINESS**

The CGU 'Global Premium Implant Business' (which is part of the operating segment 'Operations') is the principal towards all distribution businesses of the Group for premium implant and restorative solutions and contains the goodwill allocated to the principal recognized as part of the following acquisitions:

- Straumann Italia srl, Italy
- Straumann Japan KK, Japan
- Manohay Dental SA, Spain
- Straumann Danmark ApS, Denmark
- Straumann LLC, Russia
- Batigroup Dental Diş Ürünleri Ticaret A.Ş., Turkey
- Straumann Group South Africa (PTY) Ltd, South Africa.

**DENTAL WINGS BUSINESS**

The CGU 'Dental Wings Business' (which is part of the operating segment 'Sales NAM') contains the manufacturing operations for Dental Wings products, the related sales activities with third party distributors as well as the export business towards the Group's distribution principal. Both the goodwill and the Dental Wings brand have been recognized as part of the acquisition of Dental Wings in 2017.

**MEDENTIKA BUSINESS**

The CGU 'Medentika Business' (which is part of the operating segment 'Sales Europe') contains the manufacturing plant for Medentika products, the related sales activities in the German market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Medentika brand have been recognized as part of the acquisition of Medentika in 2017.

Goodwill and indefinite life intangibles have been tested for impairment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the dental implant, restoration and tissue regeneration sector.



Key assumptions for the most material CGU's are as follows:

(in %)	2018	2017
<b>CLEARCORRECT BUSINESS</b>		
Gross profit margin of the CGU <sup>1</sup>	71.7	73.9
Terminal growth rate <sup>2</sup>	2.0	2.0
Weighted average cost of capital (WACC) <sup>3</sup>	12.7	12.6

<b>NEODENT BUSINESS</b>		
Gross profit margin of the CGU <sup>1</sup>	74.4	71.4
Terminal growth rate <sup>2</sup>	4.6	4.6
Weighted average cost of capital (WACC) <sup>3</sup>	13.9	17.4

<b>GLOBAL PREMIUM IMPLANT BUSINESS</b>		
Gross profit margin of the CGU <sup>1</sup>	66.7	68.8
Terminal growth rate <sup>2</sup>	1.5	1.5
Weighted average cost of capital (WACC) <sup>3</sup>	8.4	8.5

<b>DENTAL WINGS BUSINESS</b>		
Gross profit margin of the CGU <sup>1</sup>	61.2	68.2
Terminal growth rate <sup>2</sup>	2.0	2.0
Weighted average cost of capital (WACC) <sup>3</sup>	16.3	20.5

<b>MEDENTIKA BUSINESS</b>		
Gross profit margin of the CGU <sup>1</sup>	61.0	61.9
Terminal growth rate <sup>2</sup>	1.5	1.5
Weighted average cost of capital (WACC) <sup>3</sup>	12.4	13.2

<sup>1</sup> Budgeted gross profit margin.

<sup>2</sup> Used for calculating the terminal value.

<sup>3</sup> Pre-tax discount rate applied to the cash flow projections.

Gross profit margin was determined by Management based on past performance and its expectations for market development. The WACCs used are pre-tax and reflect specific risks relating to the relevant CGUs.

Based on the impairment tests conducted, no impairments were recognized during the periods under review.

#### IMPAIRMENT TEST FOR FINITE LIFE INTANGIBLE ASSETS

No impairment has been recognized in the periods under review.

#### 8 INVESTMENTS IN ASSOCIATES

The Group has investments which are accounted for as associated companies. In 2018, the Group invested in some additional associated companies, notably botiss medical AG, a leading provider of biomaterials for oral surgery, based in Berlin, Germany.

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

(in CHF 1 000)	2018		2017	
	Balance sheet value	Net income statement effect	Balance sheet value	Net income statement effect
botiss medical AG, Germany	44 663	369	0	0
Anthogyr SAS, France	13 590	52	14 004	(585)
Rapid Shape GmbH, Germany	22 328	112	23 026	(113)
Others	25 521	(10 517)	28 909	(9 041)
<b>TOTAL</b>	<b>106 102</b>	<b>(9 984)</b>	<b>65 939</b>	<b>(9 739)</b>

#### BOTISS MEDICAL AG

botiss medical AG is a leading international supplier of oral tissue regeneration products. It is a private entity that is not listed on any public exchange. The Group has an interest of 30% in the entity. Management has assessed the level of influence that the Group has on botiss medical AG and determined that it has significant influence and therefore applies the equity method of accounting.

#### RAPID SHAPE GMBH

Rapid Shape GmbH, specializes in the development and manufacture of high-end 3D-printing systems for additive manufacturing. It is a private entity that is not listed on any public exchange. The Group has an interest of 35% in the entity. Management has assessed the level of influence that the Group has on Rapid Shape GmbH and determined that it has significant influence and therefore applies the equity method of accounting.

#### ANTHOGYR SAS

Anthogyr SAS manufactures implants. It is a private entity that is not listed on any public exchange. The Group has an interest of 30% in the entity. Management has assessed the level of influence that the Group has on Anthogyr SAS and determined that it has significant influence and therefore applies the equity method of accounting.

The tables below provide summarized financial information for botiss medical AG, Rapid Shape GmbH and Anthogyr SAS. The information disclosed reflects the amounts presented in the financial statements of these companies, and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

(in CHF 1000)	2018			2017	
	botiss medical AG	Rapid Shape GmbH	Anthogyr SAS	Rapid Shape GmbH	Anthogyr SAS
Current assets	23 238	6 457	24 944	6 090	19 956
Non-current assets	43 069	14 711	29 591	16 823	35 141
Current liabilities	(7 147)	(2 384)	(14 788)	(3 573)	(8 819)
Non-current liabilities	(9 505)	(4 699)	(16 795)	(5 068)	(22 759)
<b>Net assets</b>	<b>49 655</b>	<b>14 085</b>	<b>22 951</b>	<b>14 272</b>	<b>23 519</b>

**RECONCILIATION TO CARRYING AMOUNT:**

Opening net assets	49 719	14 272	23 519	14 327	25 407
Result for the period	1 228	320	173	(322)	(1 951)
Other comprehensive income	22	0	902	0	(1 401)
Dividends declared	0	0	(814)	0	(654)
Currency translation adjustments	(1 314)	(507)	(829)	267	2 118
<b>Closing net assets at 31 December</b>	<b>49 655</b>	<b>14 085</b>	<b>22 951</b>	<b>14 272</b>	<b>23 519</b>
Group share's in %	30.0	35.0	30.0	35.0	30.0
Group share's in CHF	14 897	4 930	6 885	4 995	7 056
Goodwill	30 557	17 682	6 486	17 682	6 486
Currency translation adjustments on goodwill	(791)	(283)	218	349	462
<b>CARRYING AMOUNT</b>	<b>44 663</b>	<b>22 328</b>	<b>13 590</b>	<b>23 026</b>	<b>14 004</b>

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

(in CHF 1000)	2018			2017	
	botiss medical AG	Rapid Shape GmbH	Anthogyr SAS	Rapid Shape GmbH	Anthogyr SAS
Revenue	11 431	15 752	57 788	3 161	50 949
Result from continuing operations	1 228	320	173	(322)	(1 951)
<b>PROFIT FOR THE PERIOD</b>	<b>1 228</b>	<b>320</b>	<b>173</b>	<b>(322)</b>	<b>(1 951)</b>
Other comprehensive income	51	0	902	0	(1 401)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1 279</b>	<b>320</b>	<b>1 075</b>	<b>(322)</b>	<b>(3 352)</b>

**OTHER INVESTMENTS:**

In addition to the investments in botiss medical AG, Rapid Shape GmbH and Anthogyr SAS disclosed above, the Group also has investments in other associates that are accounted for using the equity method. Considered individually they are immaterial for the presentation of the Group's financial statements.

The following table shows aggregated financial information about these other investments in associates:

(in CHF 1 000)	2018	2017
Aggregate carrying amount of individually immaterial associates	25 521	28 909
<b>AGGREGATE AMOUNT OF GROUP'S SHARE OF:</b>		
Result from continuing operations	(2 829)	(9 041)
Impairment charges	(7 688)	0
<b>PROFIT FOR THE PERIOD</b>	<b>(10 517)</b>	<b>(9 041)</b>

The investment in RODO Medical, Inc. (USA) has been impaired and an expense of CHF 7.7 million has been recognized within 'Share of results of associates'. The impairment is caused due to the delay in the development and commercialization of the company's prosthetic-retention system. In 2017, no impairment has been recognized for investments in associates.

**9 FINANCIAL ASSETS**

(in CHF 1 000)	2018	2017
Financial assets at fair value through profit or loss	351	351
Financial assets at fair value through other comprehensive income	13 413	14 669
Loans and other receivables	21 143	11 923
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>	<b>34 907</b>	<b>26 943</b>
Financial assets at fair value through profit or loss	1 079	1 149
Loans and other receivables	3	1 523
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>1 082</b>	<b>2 672</b>

**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This category mainly includes derivative financial instruments used by the Group to hedge its foreign currency risk.

**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Financial assets measured at fair value through other comprehensive income represent equity instruments in the medical device sector and an investment in a fund. The Group did not recognize any dividend income relating to these instruments during the periods under review.

**LOANS AND OTHER RECEIVABLES**

This position includes various non-derivative financial assets carried at amortized cost which generate variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties. The increase in 2018 mainly relates to a non-current loan granted to an associate.

**10 INVENTORIES**

(in CHF 1000)	2018	2017
Raw materials and supplies	30 124	22 860
Work in progress	36 504	31 447
Finished goods	115 425	97 840
<b>TOTAL INVENTORIES</b>	<b>182 053</b>	<b>152 146</b>
Inventories recognized as an expense in 'Cost of goods sold'	(306 374)	(231 784)
Obsolete inventories written down and recognized as an expense	(3 650)	(1 468)

The Group performed an analysis of its product lines to investigate whether the average price at which they were sold was below the current consolidated stock value. In both periods under review, no write-down to the net realizable value had to be conducted. No reversal of the net realizable value write-down emerged in 2018 and 2017.

**11 TRADE AND OTHER RECEIVABLES**

(in CHF 1000)	2018	2017
Trade receivables, net	231 301	191 868
Other receivables, thereof:	64 729	51 652
Sales related	23 514	22 606
VAT and other non-income taxes	33 881	22 879
Salary and social security prepayments	2 226	1 589
Cash deposits	1 164	976
Right of return asset	973	0
Prepaid rent	713	761
Dividend receivable from associates	542	0
Interest	83	797
Other	1 633	2 043
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>296 030</b>	<b>243 520</b>
thereof: financial assets as defined by IFRS 7	19 656	25 140
thereof:		
CHF	4 322	5 046
EUR	79 967	83 682
USD	69 528	59 269
BRL	49 603	44 019
CNY	24 981	12 077
TRY	14 649	0
GBP	8 074	7 544
Other	44 906	31 883

Trade receivables are non-interest bearing. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers who are dispersed internationally.

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

(in CHF 1000)	2018	2017
At 1 January	(51 261)	(23 451)
Change in consolidation scope	0	(363)
Charge for the year	(432)	(32 204)
Utilized	5 817	1 816
Unused amounts reversed	9 626	2 790
Currency translation adjustments	762	150
<b>AT 31 DECEMBER</b>	<b>(35 489)</b>	<b>(51 261)</b>

The charge for the year in 2017 is mainly related to the business expansion and increased default risks in certain distributor markets. The continuing reassessment in 2018 led to a partial reversal of the provision. The utilization emerged in 2018 mainly relates to discontinued business relationships.

There is no provision on other receivables.

The analysis of overdue trade receivables is as follows:

(in CHF 1000)	2018		2017	
	Gross	Allowance	Gross	Allowance
Not past due	204 206	(517)	181 559	(962)
Past due, thereof:	62 584	(34 972)	61 570	(50 299)
< 30 days	21 131	(2 007)	16 738	(7 997)
31 – 60 days	9 079	(4 292)	11 485	(9 936)
61 – 90 days	6 429	(4 678)	4 840	(4 222)
91 – 120 days	3 950	(2 962)	3 457	(3 211)
> 120 days	21 994	(21 032)	25 050	(24 933)
<b>TOTAL</b>	<b>266 790</b>	<b>(35 489)</b>	<b>243 129</b>	<b>(51 261)</b>

**12 CASH AND CASH EQUIVALENTS**

(in CHF 1 000)	2018	2017
Cash at banks and on hand, thereof:	268 252	271 630
CHF	201 161	225 042
CNY	8 074	5 286
EUR	30 338	17 510
INR	1 273	4 871
JPY	2 186	819
SEK	2 047	351
USD	10 803	9 979
Other	12 370	7 773
Short-term bank deposits, thereof:	10 422	10 186
BRL	6 455	9 073
GBP	445	874
TRY	2 287	0
Other	1 236	240
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>278 674</b>	<b>281 816</b>

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

**13 SHARE CAPITAL**

The share capital is represented by 15 878 984 issued shares (2017: 15 878 984) of CHF 0.10 par value, fully paid in.

The conditional share capital was approved for an unlimited period at an extraordinary Annual General Meeting in 1998 for use in equity participation plans for employees and management, and was increased in 2016. As of 31 December 2018 the conditional share capital amounted to CHF 28 395.50 (2017: CHF 28 395.50).

Treasury shares are valued at weighted average cost and have been deducted from equity. The fair value of the treasury shares at 31 December 2018 amounted to CHF 28.1 million (2017: CHF 45.4 million).

As of 31 December 2018 the number of outstanding shares amounted to 15 833 441 (2017: 15 813 002) and the number of treasury shares to 45 543 (2017: 65 982). In 2017, treasury shares were sold through an accelerated book-building offer to finance the strategic acquisitions/investments in the fields of orthodontics (ClearCorrect) and digital dentistry (Dental Wings, Rapid Shape).

The number of shares outstanding developed as follows:

	2018	2017
At 1 January	15 813 002	15 326 815
Treasury shares		
Purchased	(6 724)	(11 039)
Used	27 163	497 226
<b>AT 31 DECEMBER</b>	<b>15 833 441</b>	<b>15 813 002</b>

**14 STRAIGHT BOND**

The Group launched and fully placed an inaugural CHF-denominated domestic straight bond issue for an aggregate amount of CHF 200 million with issue date 30 April 2013 and interest rate of 1.625% p.a., payable annually in arrears on 30 April. The maturity date of the bond is 30 April 2020 with redemption at par. Denominations of the bond are CHF 5 000 nominal and multiples thereof.

The bond has been admitted to trading on the SIX Swiss Exchange with effect from 26 April 2013 until 27 April 2020 and listed in accordance with the Standard for Bonds on the SIX Swiss Exchange.

The interest-bearing borrowings recognized in the financial position are calculated as follows:

(in CHF 1 000)	2018	2017
Straight bond at 1 January	199 746	199 632
Interest expense	3 386	3 384
Redemption	(3 270)	(3 270)
thereof:		
Recognized in trade and other payables (Note 18)	(2 180)	(2 180)
Disbursement	(1 090)	(1 090)
<b>STRAIGHT BOND AT 31 DECEMBER</b>	<b>199 862</b>	<b>199 746</b>

**15 FINANCIAL LIABILITIES**

(in CHF 1 000)	2018	2017
Financial liabilities at amortized costs	5 476	1 449
Finance lease payables	1 329	1 076
Put options to non-controlling interests	33 112	54 736
Other	0	519
<b>TOTAL NON-CURRENT FINANCIAL LIABILITIES</b>	<b>39 917</b>	<b>57 780</b>
Finance lease payables	720	940
Financial liabilities at amortized costs	773	0
Financial liabilities at fair value through profit or loss	345	122
Put options to non-controlling interests	20 265	0
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>22 103</b>	<b>1 063</b>

The put options to non-controlling interests relate to the business combination Medentika in 2017 (Note 4).

Movements in liabilities arising from financing activities are as follows:

(in CHF 1 000)	2018	2017
At 1 January	58 843	1 271
Change in consolidation scope	6 707	52 855
Net change from financing cash flows	(1 150)	1 055
Change in fair values	(1 359)	4 921
Other changes	(950)	(1 284)
Currency translation adjustments	(71)	25
<b>AT 31 DECEMBER</b>	<b>62 020</b>	<b>58 843</b>

The 'Change in consolidation scope' in 2018 mainly relates to the business combination Createch and in 2017 to the business combination Medentika (Note 4).

## 16 OTHER LIABILITIES (NON-CURRENT)

(in CHF 1 000)	2018	2017
Other long-term employee benefits	6 314	6 035
Government grants	799	1 018
Rent payable	3 579	2 164
Contingent consideration	18 594	8 988
<b>TOTAL OTHER LIABILITIES</b>	<b>29 286</b>	<b>18 205</b>
thereof: financial liabilities as defined by IFRS 7	22 173	11 153

The contingent consideration mainly relates to the Batigroup and SDS business combinations. Government grants mainly relate to grants recognized in Germany in connection with investments in the manufacturing facilities of etkon GmbH.

## 17 PROVISIONS

(in CHF 1 000)	Sales-related	Tax-related	Other	Total 2018	Total 2017
At 1 January	8 621	16 630	15 397	40 648	41 296
Change in consolidation scope	0	0	0	0	7 860
Utilization	(6 429)	0	(1 306)	(7 735)	(5 950)
Reversal	0	(4 850)	(5 988)	(10 838)	(10 135)
Additions	295	595	1 641	2 531	7 417
Reclassification	250	(250)	0	0	0
Currency translation adjustments	(154)	0	(524)	(678)	160
<b>At 31 December</b>	<b>2 583</b>	<b>12 125</b>	<b>9 220</b>	<b>23 928</b>	<b>40 648</b>
Non-current 2018	2 583	12 125	9 096	23 804	
Current 2018	0	0	124	124	
<b>TOTAL PROVISIONS 2018</b>	<b>2 583</b>	<b>12 125</b>	<b>9 220</b>	<b>23 928</b>	
Non-current 2017	8 621	16 630	15 070		40 321
Current 2017	0	0	327		327
<b>TOTAL PROVISIONS 2017</b>	<b>8 621</b>	<b>16 630</b>	<b>15 397</b>		<b>40 648</b>

The position 'Sales-related' contains provisions for product warranties and similar items. In connection with the Group's go-to-market approach in the People's Republic of China, the Group was able to resolve a dispute and paid out an amount of CHF 6.4 million in the course of 2018.

The position 'Tax-related' contains provisions to income taxes as well as VAT and other non-income tax cases in a number of jurisdictions. The Group re-assessed its provision for tax risks to reflect recent developments in a number of jurisdictions including all ongoing disputes with tax authorities. Based on this reassessment, the Group increased non-current provisions for income taxes by CHF 0.6 million. The continuous evaluation of the provision related to Brazilian federal taxes imposed on revenue led to a reversal of CHF 4.9 million in 2018.

The increase in the position 'Other' of CHF 1.6 million consists of a number of separate legal matters, in various Group companies. The reversed provisions in the amount of CHF 6.0 million relate to the satisfactory settlement of litigations in the United States, such as the litigation initiated by Nobel Biocare against Neodent in 2014 and a reassessment of the risk exposure of the Group in other matters. The utilization in the amount of CHF 1.3 million mainly relates to the successful defense of Straumann Korea and Korean employees against claims from MegaGen.

By their nature, the amounts and timings of any outflows are difficult to predict.

**18 TRADE AND OTHER PAYABLES**

(in CHF 1000)	2018	2017
Trade payables	47 557	43 792
Other payables, thereof:	175 743	140 025
Salary and social security	69 216	68 319
Sales related	54 258	49 863
VAT and other non-income taxes	22 410	14 206
Refund liability	17 196	2 320
Contingent consideration	8 753	289
Interest accrued on straight bond (Note 14)	2 180	2 180
Rent payable	372	450
Other	1 357	2 398
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>223 299</b>	<b>183 817</b>
thereof: financial liabilities as defined by IFRS 7	56 810	55 103

The increase in the refund liability relates to expected product returns due to technical difficulties with a product and due to a discontinued cooperation with a partner. The contingent consideration mainly relates to the Batigroup business combination.

**19 INCOME TAX  
INCOME TAX EXPENSE**

(in CHF 1000)	2018	2017 (restated)
Income taxes from current period	(34 016)	(45 045)
Income taxes from other periods	(1 576)	979
Deferred	(13 047)	3 200
<b>Total income tax expense</b>	<b>(48 639)</b>	<b>(40 867)</b>
<b>EFFECTIVE INCOME TAX RATE (IN %)</b>	<b>14.9</b>	<b>12.6</b>

For 2018 the applicable Group tax rate is 15.5% (2017 (restated): 14.6%), which represents the weighted tax rate, calculated by multiplying the accounting profits (or losses) of each Group company by the respective statutory tax rate over the total pre-tax profit of the Group.

The following elements explain the difference between the income tax expense at the applicable Group tax rate and the effective income tax expense:

(in CHF 1000)	2018	2017 (restated)
Profit before tax	326 426	323 085
Applicable Group tax rate	15.5%	14.6%
Income tax at the applicable Group tax rate	(50 723)	(47 159)
Non-taxable / non-tax-deductible positions	127	(370)
Changes in recognition of tax assets from losses or tax credits (and their expiry)	(1 610)	1 739
Utilization of previously unrecognized tax losses or tax credits to offset current taxes	6 347	4 207
Tax losses or tax credits from current year that are not recognized	(520)	(183)
Effect of changes in tax rates or imposition of new taxes	(77)	(262)
Current taxes from other periods	(1 576)	979
Other	(607)	182
<b>EFFECTIVE INCOME TAX EXPENSE</b>	<b>(48 639)</b>	<b>(40 867)</b>

**AVAILABLE TAX LOSS CARRY-FORWARDS AND TAX CREDITS**

(in CHF 1000)	2018	2017
At 1 January	263 775	253 890
Adjustments of tax loss carry-forwards on opening balance	2 907	74
Change in consolidation scope	1 647	50 211
Tax losses and credits arising from current year	7 168	6 208
Tax losses and credits expired (not used) during current year	0	0
Tax losses and credits utilized against current year profits	(45 001)	(35 255)
Currency translation adjustments	(25 028)	(11 353)
<b>AT 31 DECEMBER</b>	<b>205 468</b>	<b>263 775</b>

Deferred income tax assets of CHF 62.5 million (2017: CHF 78.1 million) were recorded in respect of available tax loss carry-forwards and tax credits of CHF 195.0 million (2017: CHF 247.4 million). Deferred income tax assets for unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available, against which the unused tax losses and tax credits can be utilized in the respective countries, or to the extent that the individual companies have sufficient taxable temporary differences.

In 2012, the Group acquired 49% of Neodent through a fully owned subsidiary and subsequently conducted a downstream merger into Neodent. This transaction has led to recognition of tax deductible goodwill and a capitalization of a deferred tax asset in Neodent's financial statements. In 2015, the Group obtained control over Neodent and started to consolidate Neodent in its financial statements. At 1 March 2015, the tax deductible goodwill amounted to CHF 124.9 million and the carrying amount of the respective deferred tax assets amounted to CHF 42.5 million. Effective as of 1 January 2016, Straumann Brasil Ltda has been merged into

Neodent. As a result of the merger, Neodent will benefit from future tax savings and has consequently recognized a deferred tax asset of CHF 38.7 million in respect of the tax credit of CHF 113.7 million. At the balance sheet date, the remaining tax credit and deferred tax asset amounted to CHF 136.3 million (2017: CHF 180.9 million) and CHF 46.3 million (2017: CHF 61.5 million).

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

(in CHF 1 000)	2018	2017
Expiry in next business year (current year +1)	3 009	0
Expiry current year +2	4 621	3 366
Expiry current year +3	168	4 998
Expiry current year +4	419	396
Expiry current year +5 and later	2 225	7 596
<b>UNUSED TAX LOSS CARRY-FORWARDS AT 31 DECEMBER</b>	<b>10 442</b>	<b>16 356</b>

#### DEFERRED INCOME TAXES

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

#### 2018

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards, tax credits	Other	Total
Net deferred tax balance at 1 January	(6 036)	(63 711)	23 970	78 099	17 902	50 223
Change in consolidation scope		(3 855)	(312)	1 951		(2 216)
(Charged) / credited to income statement	(2 378)	13 143	1 358	(8 905)	(16 264)	(13 047)
Charged to statement of comprehensive income					3 064	3 064
(Charged) / credited to statement of changes in equity					(432)	(432)
Currency translation adjustments	226	5 734	(255)	(8 627)	(815)	(3 737)
<b>NET DEFERRED TAX BALANCE AT 31 DECEMBER</b>	<b>(8 189)</b>	<b>(48 690)</b>	<b>24 761</b>	<b>62 517</b>	<b>3 455</b>	<b>33 855</b>
Deferred tax assets at 31 December	439	1 064	28 457	62 517	23 639	116 116
Deferred tax assets after offset at 31 December						70 066
Deferred tax liabilities at 31 December	(8 628)	(49 754)	(3 696)	0	(20 184)	(82 261)
Deferred tax liabilities after offset at 31 December						(36 211)

#### 2017

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards, tax credits	Other	Total (restated)
Net deferred tax balance at 1 January	(4 452)	(31 445)	19 731	82 088	16 120	82 041
Change in consolidation scope		(42 883)	(446)	15 341	2	(27 986)
(Charged) / credited to income statement	(1 797)	9 338	4 870	(15 037)	5 824	3 199
Charged to statement of comprehensive income					(1 553)	(1 553)
(Charged) / credited to statement of changes in equity					(202)	(202)
Currency translation adjustments	213	1 279	(185)	(4 294)	(2 289)	(5 277)
<b>NET DEFERRED TAX BALANCE AT 31 DECEMBER</b>	<b>(6 036)</b>	<b>(63 711)</b>	<b>23 970</b>	<b>78 099</b>	<b>17 902</b>	<b>50 223</b>
Deferred tax assets at 31 December	282	1 363	27 464	78 099	24 915	132 122
Deferred tax assets after offset at 31 December						90 743
Deferred tax liabilities at 31 December	(6 319)	(65 074)	(3 493)	0	(7 013)	(81 898)
Deferred tax liabilities after offset at 31 December						(40 520)

At 31 December 2018, there was no recognized deferred tax liability (2017: CHF nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group does not expect significant income tax liabilities from the distribution of retained earnings to the parent company.

## 20 SHARE-BASED PAYMENTS

The Group currently uses three different compensation plans involving share-based payment components:

- Performance share plan
- Board of Directors remuneration
- Employee share plan

### PERFORMANCE SHARE PLAN

Under the Performance share plan introduced in 2012, Executive Management and Senior Management are granted 'Performance Share Units' (PSUs), which are convertible into shares after a three-year performance period. The current compensation model awards shares according to the number of PSUs allocated and total shareholder return (TSR) and EBIT growth amount (EGA) achieved per annum over a three-year performance period. Both KPI's are weighted equally with 50%.

The valuation is performed by independent specialists applying the following significant inputs into the model: grant date, vesting date, average reference price, performance target including 'cap' and 'floor', EGA target including 'cap' and 'floor', share price at issue, risk-free interest rate, expected volatility, expected EGA and expected dividend rate. At the end of the performance period, no shares will be allocated for a TSR of 0% p.a. or less; half a share will be granted per vested PSU if the TSR is + 7% p.a. and one share per vested PSU for a TSR of + 14% p.a. or more (capped at 200%). For a TSR between 0% and 7% p.a. or between 7% and 14% p.a., the number of shares allocated per vested PSU is calculated on a linear basis.

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

### BOARD OF DIRECTORS REMUNERATION

The compensation of the Board of Directors consists of a fixed compensation component only, paid in cash and undiscounted shares. The shares allocated to the members of the Board of Directors are blocked for 2 years. The value of shares allocated is calculated using the average closing price of the shares over the seven trading days following the ex-dividend day.

### EMPLOYEE SHARE PLAN

Effective in 2018, eligible employees in Switzerland are able to purchase Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The grant value is based on the average share price over the seven trading day period following the ex-dividend day. The shares are blocked for two years. During the reporting period, employees subscribed to 12 566 (2017: 12 636) of those shares.

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

(in CHF 1 000)	2018	2017
Performance share plan	8 118	6 180
Board of Directors remuneration	855	694
Employee share plan	1 733	852
<b>TOTAL SHARE-BASED PAYMENTS (NOTE 24)</b>	<b>10 706</b>	<b>7 726</b>

There were no cancellations or modifications to the PSU awards in 2018 or 2017.

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

### RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

	2018	2017
At 1 January	36 448	45 606
Granted	12 334	16 785
Exercised	(5 538)	(24 614)
Forfeited	(2 411)	(1 329)
<b>TOTAL AT 31 DECEMBER</b>	<b>40 833</b>	<b>36 448</b>
Exercisable at 31 December	0	0

12 334 'Performance Share Units' (PSUs) were granted in 2018 under the Performance share plan (2017: 16 785). The fair value of the internal performance (EGA) reflects the share price at grant and amounts to CHF 625.50 (2017: CHF 483.00). The fair value for the external condition (TSR) has been determined using the Monte Carlo method and amounts to CHF 230.34 (2017: CHF 195.08).

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

### INPUTS TO THE MODELS

	2018	2017
	PSU	PSU
Dividend yield (in %)	0.00	0.00
Expected volatility (in %)	22.18	26.42
Risk-free interest rate (in %)	(0.24)	(0.59)
Expected life of PSUs (in years)	3	3
Share price (in CHF) at grant date in April	625.50	483.00

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the instruments is indicative of future trends, which may not necessarily be the actual outcome.



## 21 RETIREMENT BENEFIT OBLIGATIONS

Apart from the legally required social security schemes, the Group has several independent pension plans. In most cases these plans are externally funded in vehicles which are legally separate from the Group. For certain Group companies, however, no independent plan assets exist for the pension plan of subsidiaries. In these cases the related unfunded liability is included in the statement of financial position. The defined benefit obligations and related plan assets are reappraised annually by independent actuaries.

The Swiss pension plan represents the most significant portion of the Group's total defined benefit obligation and plan assets. Current pension arrangements for employees in Switzerland are made through plans governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan is funded by regular employer and employee contributions. The final benefit is contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although the plan has many of the characteristics of a defined contribution plan.

The amounts for the Group's pension plans recognized in the statement of financial position are as follows:

### MOVEMENTS OF NET LIABILITIES RECOGNIZED IN STATEMENT OF FINANCIAL POSITION

(in CHF 1 000)	2018	2017
Net liabilities at 1 January	(49 453)	(46 763)
Currency translation adjustments	76	(178)
Expense recognized in consolidated income statement	(12 200)	(2 969)
Employer contributions	10 013	9 861
Remeasurements	(7 621)	(9 404)
<b>NET LIABILITIES AT 31 DECEMBER</b>	<b>(59 185)</b>	<b>(49 453)</b>

### BALANCE SHEET

(in CHF 1 000)	2018	2017
Fair value of plan assets	191 979	176 472
Present value of funded benefit obligations	(249 213)	(224 029)
Deficit in the plan	(57 234)	(47 557)
Present value of unfunded benefit obligations	(1 951)	(1 896)
<b>TOTAL RETIREMENT BENEFIT OBLIGATIONS</b>	<b>(59 185)</b>	<b>(49 453)</b>

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

(in CHF 1 000)	2018	2017
Current service cost	(11 644)	(10 239)
Interest expense on defined benefit obligation	(1 212)	(1 485)
Interest income on plan assets	936	1 123
Administration costs	(280)	(257)
Gains on curtailments, settlements and plan amendments	0	7 889
<b>EXPENSE RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT</b>	<b>(12 200)</b>	<b>(2 969)</b>

Plan amendment gains in 2017 are recorded mainly in respect of changes to the Swiss pension plan. The change represents the adoption of a lower conversion rate, which determines the annuity at the normal retirement age.

The defined benefit obligation of the Swiss pension plan amounts to CHF 247.9 million (2017: CHF 223.0 million), the plan assets are CHF 191.0 million (2017: CHF 175.6 million) and current service costs are CHF 11.1 million (2017: CHF 9.7 million).

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

(in CHF 1 000)	2018	2017
Present value of benefit obligation at 1 January	(225 925)	(198 277)
Current service cost	(11 644)	(10 239)
Interest expense on defined benefit obligation	(1 212)	(1 485)
Curtailments, settlements and plan amendments	0	7 889
Employee contributions	(5 988)	(5 322)
Experience losses on defined benefit obligation	(13 677)	(13 088)
Benefits paid/transferred in	2 115	919
Actuarial results arising from change in financial assumptions	5 092	(6 102)
Actuarial results arising from change in demographic assumptions	(31)	21
Currency translation adjustments	106	(241)
<b>PRESENT VALUE OF BENEFIT OBLIGATION AT 31 DECEMBER</b>	<b>(251 164)</b>	<b>(225 925)</b>
whereof due to active members	(219 379)	(194 001)
whereof due to pensioners	(31 785)	(31 924)

On 31 December 2018, the weighted-average duration of the defined benefit obligation was 13 years (2017: 14 years).

The calculation of defined benefit obligation is based on actuarial assumptions. The principal actuarial assumptions for the plans, which are determined with respect to local conditions, were as follows:

	2018		2017	
	Switzerland	Other	Switzerland	Other
Discount rate	0.65 %	1.62 % - 2.40 %	0.50 %	1.41 % - 2.83 %
Future salary increases	1.00 %	1.00 % - 2.50 %	1.00 %	1.00 % - 2.50 %
Future pension increases	0.00 %	0.00 %	0.00 %	0.00 %

Generational mortality tables are used where this data is available.

The defined benefit pension obligation is significantly impacted by assumptions regarding the discount rate. Furthermore, the rate of future salary increases significantly affects the value of the plans.

A quantitative sensitivity analysis for significant assumptions is shown below :

(in CHF 1 000)	2018		2017	
	Defined benefit obligation		Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 % movement)	7 948	(8 468)	7 351	(7 836)
Future salary growth (0.25 % movement)	(1 182)	1 149	(1 121)	1 095

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The movement in the fair value of plan assets over the year is as follows:

(in CHF 1 000)	2018	2017
Fair value of plan assets at 1 January	176 472	151 514
Interest income	936	1 123
Employer contributions	10 013	9 861
Employee contributions	5 988	5 322
Benefits paid/transferred in	(2 115)	(919)
Return on plan assets	995	9 765
Administration costs	(280)	(257)
Currency translation adjustments	(30)	63
<b>FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER</b>	<b>191 979</b>	<b>176 472</b>

Plan assets are comprised as follows:

(in CHF 1 000)	2018		2017	
Cash and cash equivalents	7 259	3.8 %	8 079	4.6 %
Debt instruments	36 296	18.9 %	36 357	20.6 %
Equity instruments	48 139	25.1 %	45 490	25.8 %
Real estate	55 207	28.8 %	47 949	27.2 %
Other	45 078	23.5 %	38 597	21.8 %
<b>TOTAL PLAN ASSETS</b>	<b>191 979</b>	<b>100.0 %</b>	<b>176 472</b>	<b>100.0 %</b>

Cash and cash equivalents, as well the largest part of the debt, equity instruments and 'Other' (mainly consisting of insurance-linked securities and investments in an infrastructure fund) have a quoted market price and are tradeable in liquid markets. 36% of the 'Real estate' investments have a quoted market price, while the rest is mainly invested in common investment foundation in Switzerland.

The strategic allocation of assets is determined with the objective of achieving an investment return which, together with the employer and employee contributions, is sufficient to maintain reasonable control over the various funding risks of the plan. The aim is to ensure that plan assets and liabilities are aligned in the medium and long term.

The Group's defined benefit plans are administered by independent foundations. The Board of Trustees, which is constituted by an equal number of representatives of the employer and employees, is responsible for the management of the plans. The Board of Trustees determines the investment strategy within the framework of the legal provisions taking into consideration the plans' risk objectives, benefit obligations and risk capacity. The Board of Trustees uses external actuarial reports to estimate the risk capacity.

Each year, the level of funding is reviewed as required by legislation. The duties of the Board of Trustees are laid down in the BVG and the pension fund regulations. In accordance with BVG, a temporary shortfall is permitted. The Board of Trustees must take appropriate measures in order to solve the shortfall within a reasonable time. Pursuant to BVG, additional employer and employee contributions may be incurred whenever a significant shortfall in accordance with BVG arises.

The expected amount of contribution to post-employment benefit plans for 2019 is CHF 10.5 million.

Apart from the defined benefit plans, the Group also operates several of defined contribution plans which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognized in the current period in relation to these contributions was CHF 5.1 million (2017: CHF 4.9 million).

**22 OTHER INCOME**

(in CHF 1 000)	2018	2017
Rental income	1 817	1 752
Other	1 607	1 601
<b>TOTAL OTHER INCOME</b>	<b>3 424</b>	<b>3 353</b>

**23 DEPRECIATION AND AMORTIZATION**

(in CHF 1 000)	2018	2017 (restated)
Depreciation of property, plant and equipment	(29 960)	(24 975)
Amortization of intangible assets	(22 407)	(15 283)
<b>TOTAL DEPRECIATION AND AMORTIZATION</b>	<b>(52 367)</b>	<b>(40 258)</b>

**24 EMPLOYEE BENEFITS EXPENSE**

(in CHF 1 000)	2018	2017
Wages and salaries	(407 538)	(338 387)
Share-based payments (Note 20)	(10 706)	(7 726)
Social security cost	(53 268)	(47 469)
Pension costs and other personnel expense	(36 716)	(22 448)
<b>TOTAL EMPLOYEE BENEFIT EXPENSE</b>	<b>(508 228)</b>	<b>(416 030)</b>

**25 FINANCE INCOME AND EXPENSE**

(in CHF 1 000)	2018	2017
<b>FINANCE INCOME</b>	<b>72 852</b>	<b>58 701</b>
Interest income	1 285	2 496
from financial instruments at amortized cost	1 216	1 821
from financial instruments at fair value	68	675
Fair value and other financial income	2 070	7 257
Foreign exchange gains	69 497	48 949
<b>FINANCE EXPENSE</b>	<b>(89 802)</b>	<b>(78 028)</b>
Interest expense	(8 727)	(6 020)
from financial instruments at amortized cost	(8 451)	(5 658)
on defined benefit obligation (net)	(276)	(362)
Fair value and other financial expense	(6 376)	(16 917)
Foreign exchange losses	(74 699)	(55 091)
<b>GAIN ON CONSOLIDATION OF FORMER ASSOCIATES</b>	<b>10 725</b>	<b>68 867</b>
Fair value income	11 098	74 771
Foreign exchange losses	(373)	(5 903)
<b>TOTAL FINANCE EXPENSE NET</b>	<b>(6 225)</b>	<b>49 541</b>

In 2018, the 'Gain on consolidation of former associates' relates to the business combination of T-Plus (CHF 6.9 million) and Createch (CHF 3.8 million) (2017: Medentika CHF 25.0 million and Dental Wings CHF 43.9 million). In 2017, the 'Fair value and other financial expense' included a financial impairment expense of CHF 16.3 million relating to a revaluation of loans. The Group incorporated its current knowledge into the valuation of the loans and estimated its risk-adjusted value.

**26 EARNINGS PER SHARE****BASIC EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of Straumann Holding AG by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

	2018	2017 (restated)
Net profit attributable to shareholders (in CHF 1 000)	272 770	279 544
Weighted average number of ordinary shares outstanding	15 825 644	15 496 962
<b>BASIC EARNINGS PER SHARE (IN CHF)</b>	<b>17.24</b>	<b>18.04</b>

**DILUTED EARNINGS PER SHARE**

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of Straumann Holding AG by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential of outstanding equity instruments into ordinary shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Performance Share Units.

	2018	2017 (restated)
Net profit used to determine diluted earnings per share (in CHF 1 000)	272 770	279 544
Weighted average number of ordinary shares outstanding	15 825 644	15 496 962
Adjustments for instruments issued	55 252	70 672
Weighted average number of ordinary shares for diluted earnings per share	15 880 896	15 567 634
<b>DILUTED EARNINGS PER SHARE (IN CHF)</b>	<b>17.18</b>	<b>17.96</b>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

**27 DIVIDENDS PER SHARE**

The dividend paid in 2018 was CHF 4.75 per share (2017: CHF 4.25 per share), resulting in a total payout of CHF 75.1 million in 2018 and CHF 65.1 million in 2017. A dividend for the year ended 31 December 2018 of CHF 5.25 per share, amounting to a total dividend of CHF 83.1 million, will be proposed at the Shareholders' General Meeting on 5 April 2019. These financial statements do not reflect this payable dividend.

**28 CONTINGENCIES AND COMMITMENTS****OPERATING LEASE COMMITMENTS**

(in CHF 1 000)	2018	2017
<b>MATURITY:</b>		
Within 1 year	21 375	20 948
After 1 year but not more than 5 years	57 570	66 618
More than 5 years	72 963	59 752
<b>TOTAL OPERATING LEASE COMMITMENTS</b>	<b>151 908</b>	<b>147 318</b>
<b>TOTAL RENTAL AND OPERATING LEASE EXPENSES</b>	<b>27 863</b>	<b>24 722</b>

The majority of the operating lease commitments are in connection with non-cancellable operating lease agreements for office buildings in Switzerland, Japan and the US, as well as for an office building and a manufacturing site in Germany and Brazil respectively. The increase of operating lease commitments compared to previous year relates to new or prolonged contracts in the countries mentioned above. The non-cancellable leases have remaining terms up to twenty-nine years. In addition, the Group entered into various cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

**CONTINGENT ASSETS AND LIABILITIES**

The Group has guarantee obligations with a maximum of CHF 5.0 million (2017: CHF 5.4 million). Some Group companies are involved in litigations arising from the normal course of their business and might be liable to pay compensations. The costs relating to these lawsuits may not be partially or fully covered by insurance. However, it is the view of the Group's management that the outcome of such litigations will not significantly affect the Group's financial position over and above the provisions already recognized in the statement of financial position. The decrease in purchase commitments relates to the progress made in Group's expansion projects in various plants.

**CONTINGENT LIABILITIES**

(in CHF 1 000)	2018	2017
Letter of credit facilities	4 992	5 446
Purchase commitments	12 600	17 411
<b>TOTAL</b>	<b>17 592</b>	<b>22 857</b>

**29 RELATED-PARTY DISCLOSURE**

Besides the associates, the joint venture and the Key Management Personnel, the Group has identified the following related parties:

- The International Team for Implantology (ITI) Foundation
- Medartis AG

In the period under review, the following related-party transactions were made:

(in CHF 1 000)	2018	2017
<b>PURCHASE OF GOODS FROM:</b>		
Associates	(20 274)	(15 859)
Joint Venture	(3 055)	0
Medartis	(222)	(168)
<b>SALE OF GOODS TO:</b>		
Associates	1 748	954
The International Team for Implantology (ITI) Foundation	231	0
Joint Venture	3 254	1 137
<b>SERVICES RENDERED TO:</b>		
Associates	596	28
The International Team for Implantology (ITI) Foundation	466	545
<b>SERVICES RECEIVED FROM:</b>		
Associates	(183)	(2 454)
The International Team for Implantology (ITI) Foundation	(10 316)	(11 101)
<b>TOTAL</b>	<b>(27 753)</b>	<b>(26 918)</b>

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 1000)	2018	2017
Associates	7 803	(1 397)
The International Team for Implantology (ITI) Foundation	564	(2 602)
Joint Venture	1 789	1 571
<b>TOTAL</b>	<b>10 156</b>	<b>(2 428)</b>

On 31 December 2018 loans granted to associates amounted to CHF 10.1 million (2017: nil). The amount is included in the Associate line in the table above.

#### KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel comprises of the Board of Directors and the Executive Management Board (EMB).

The Board of Directors is entitled to a fixed compensation, which is paid out in cash and shares. Approximately 40% of the compensation is paid out in shares; the shares allocated to the members of the Board of Directors are blocked for 2 years.

The compensation of the EMB consists of a fixed portion and variable portion, which depends on the course of business and individual performance. In addition, Executive Management Board members participate in the Straumann Performance Share Plan.

#### COMPENSATION

The following table shows the compensation of Key Management Personnel recognized in profit or loss in line with the Group's accounting policies.

(in CHF 1000)	2018	2017
Salaries and other short-term employee benefits	11 968	11 524
Post-employment benefits	1 715	2 430
Share-based payments	4 907	3 472
<b>TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION RECOGNIZED IN PROFIT OR LOSS</b>	<b>18 590</b>	<b>17 426</b>

#### 30 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise bank loans, a straight bond issued in the Swiss bond market, short-term overdrafts, finance leases and trade payables. The main purpose of these financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as trade receivables which arise directly from its operations and cash, cash equivalents and short-term deposits, which form part of the liquidity managed by Corporate Treasury.

The Group also enters into derivative transactions, primarily into forward currency contracts, options and non-deliverable foreign exchange forwards (NDF). The purpose of these contracts is to manage the currency risks arising from the Group's operations conducted in foreign currencies.

It is the Group's policy not to use derivatives without an underlying operational transaction, nor for trading (i.e. speculative) purposes.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Audit Committee agrees and reviews policies for managing each of these risks, which are summarized below. All derivative activities for risk management purposes are carried out by a specialist team that has the appropriate skills, experience and supervision.

#### MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include deposits, investments and derivative financial instruments. The sensitivity analysis in the following sections relates to the position at 31 December 2018 and 2017. The sensitivity analysis has been prepared on the basis that the amount of net cash and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place on 31 December 2018. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, as well as on provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2018 and 2017.

#### INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term interest-bearing assets and short-term debt obligations with floating interest rates. No material hedging activities (such as interest rate swaps) were conducted during the period under review. The Group is not exposed to cash flow interest risk by non-current borrowings.

The Group's policy is to manage its interest cost using variable and fixed rates.

**INTEREST RATE RISK SENSITIVITY**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rates on interest-bearing assets and borrowings). There is no material impact on the Group's equity.

(in CHF 1 000)	2018		2017	
	Increase / decrease (in base points)	Effect on profit before tax	Increase / decrease (in base points)	Effect on profit before tax
CURRENCY				
CHF	30	604	30	677
BRL	100	69	100	96
CHF	(30)	(604)	(30)	(677)
BRL	(100)	(69)	(100)	(96)

**FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, euro, Chinese renminbi, Brazilian real, Canadian dollar, British pounds and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and also net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities of the Group use forward currency contracts transacted with or agreed with Corporate Treasury. Corporate Treasury is responsible for managing the net positioning of each foreign currency by using external forward currency contracts, options and NDF. Corporate Treasury decides what to hedge based on information about the currency exposure provided by each subsidiary. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is to hedge recognized and anticipated transactions (mainly export sales) in each major currency for a maximum of 12 months based on actual exposures, budget assumptions and currency expectations. The forward currency contracts, NDF or options must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness

At 31 December 2018 the Group had hedged 92% (2017: 95%) of its foreign currency exposure for which firm commitments existed at the reporting date.

The Group has investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's investments in foreign operations is not hedged.

**FOREIGN CURRENCY RISK SENSITIVITY**

The following table demonstrates the sensitivity of the net booked exposure to a reasonably possible change in the exchange rate of the Chinese renminbi, the USD and Brazilian real against the Swiss franc, with all other variables held constant, in relation to the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's equity (due to changes in the fair value of forward exchange contracts designated as cash flow hedges). The Group's exposure to foreign currency changes for all other currencies is not material.

(in CHF 1 000)	2018			2017		
	Increase / decrease (in %)	Effect on profit before tax	Effect on equity	Increase / decrease (in %)	Effect on profit before tax	Effect on equity
CURRENCY						
CNY / CHF	5	439	0	5	143	0
USD / CHF	5	232	0	5	132	0
BRL / CHF	5	(144)	0	5	83	0
EUR / CHF	5	(171)	0	5	6	0
INR / CHF	5	156	0	5	0	0
CNY / CHF	(20)	(1 757)	0	(20)	(571)	0
USD / CHF	(20)	(931)	0	(20)	(528)	0
BRL / CHF	(20)	577	0	(20)	(332)	0
EUR / CHF	(20)	686	0	(20)	(22)	0
INR / CHF	(20)	(623)	0	(20)	0	0

**CREDIT RISK**

Credit risk is the risk that counterparties will not meet their obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**TRADE RECEIVABLES**

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances, their overall maturity profile and their overdue profile are monitored on an ongoing basis. The Group reviews its provision for impairment on an ongoing basis. Overall the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 11. In 2018, 96% (2017: 94%) of the transactions occur in the country of the respective operating unit. There are no significant concentrations of customer credit risk within the Group.

## FINANCIAL INSTRUMENTS AND CASH DEPOSITS

Credit risk from balances with banks and financial institutions is managed by Corporate Treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

The table below shows the balance of the major counterparties at the balance sheet date.

(in CHF 1 000)	2018		2017	
	Rating	Balance	Rating	Balance
<b>BANK</b>				
Bank A	AAA	19 837	AAA	19 799
Bank B	AA+	1 994	AA	1 985
Bank C	AA	4 953	AA+	4 953
Bank D	A+	133 274	A+	146 666
Bank E	BBB+	38 876	A-	32 068
Bank F	A	27 286	A	29 843
<b>TOTAL</b>		<b>226 220</b>		<b>235 315</b>

## LIQUIDITY RISK

The Group monitors its liquidity risk to avoid shortage of funds through prudent liquidity management using a recurring liquidity planning tool. This tool considers the maturity of its financial investments and financial assets (e.g. accounts receivable and other financial assets) as well as projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. Corporate Treasury maintains flexibility in funding through uncommitted credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facility, cash and cash equivalents on the basis of expected cash flow).

The following table reflects all undiscounted contractually agreed payments for repayments and interest resulting from recognized financial liabilities at 31 December 2018 and 31 December 2017.

(in CHF 1 000)	2018			2017		
	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Straight bond	1 090	203 290	0	1 090	206 560	0
Derivative financial liabilities	345	0	0	122	0	0
Other financial liabilities	21 758	36 723	3 194	940	56 290	1 491
Trade payables	47 557	0	0	43 792	0	0
Other payables	82 759	22 173	0	55 103	11 153	0
<b>TOTAL</b>	<b>153 509</b>	<b>262 186</b>	<b>3 194</b>	<b>101 047</b>	<b>274 002</b>	<b>1 491</b>

## CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and secure shareholder investments. The Group manages its capital structure and makes adjustments if required. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders through share buy-backs, or issue new shares. No changes were made in the objectives, policies or processes during 2018 and 2017.

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

## EQUITY RATIO

(in CHF 1 000)	2018	2017 (restated)
Total assets	1 864 569	1 696 968
Equity	1 204 320	1 077 044
<b>EQUITY RATIO</b>	<b>64.6%</b>	<b>63.5%</b>

## 31 FINANCIAL INSTRUMENTS

### FAIR VALUES

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables with a remaining term of up to twelve months, as well as other current financial assets and liabilities, represent a reasonable approximation of their fair values due to the short-term maturities of these instruments.

The fair value of equity instruments quoted in an active market is based on price quotations at the period-end date. The inaugural CHF 200.0 million domestic straight bond is listed on the SIX Swiss Exchange and the fair value is derived from quoted market prices.

The fair value of the put options granted to non-controlling interests mainly relates to the business combination with Medentika. Refer to Note 4 for further details.

The fair value of derivatives is determined on the basis of input factors observed directly or indirectly on the market. The fair value of foreign exchange forward contracts and non-deliverable forwards are based on forward exchange rates.

The unquoted equity instruments allocated to Level 3 hierarchy relate to a fund that is dedicated exclusively to investments in dental-related opportunities in China. As the market for this investment is not active or no market is available, fair value is determined based on the valuation techniques the fund uses to calculate its net asset value.

Other financial liabilities allocated to Level 3 hierarchy mainly include the contingent considerations in relation to the business combinations Batigroup in Turkey and SDS in Portugal. The fair value of the Batigroup contingent consideration is based on a profitability component (local contribution), while the fair value of the contingent consideration for SDS is based on revenue growth targets. The fair value of investments in Level 3 is reviewed regularly for a possible diminution in value.

#### FAIR VALUE HIERARCHY

The Group uses the following hierarchy for disclosure of the fair values of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: Techniques which predominantly use input data which are not based on observable market data.

At 31 December 2018 and 2017 the Group held the following financial instruments:

#### At 31 December 2018

(in CHF 1 000)	Carrying amount (by measurement basis)					Fair Value
	Amortized cost	Level 1	Level 2	Level 3	Total carrying amount	
<b>FINANCIAL ASSETS</b>						
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	
<b>FINANCIAL LIABILITIES</b>						
Straight bond	(199 862)				(199 862)	(204 380)
Derivative financial liabilities			(345)		(345)	
Put options to non-controlling interests				(53 377)	(53 377)	
Other financial liabilities	(8 298)			(27 347)	(35 645)	
Trade payables	(47 557)				(47 557)	
Other payables	(58 991)				(58 991)	

#### At 31 December 2017

(in CHF 1 000)	Carrying amount (by measurement basis)				Fair Value	
	Amortized cost	Level 1	Level 2	Level 3		
<b>Financial Assets</b>						
Derivative financial assets			1 149		1 149	
Equity instruments		7 578		7 091	14 669	
Convertible bonds				351	351	
Loans and other financial receivables	13 446				13 446	
Other receivables	25 140				25 140	
Trade receivables	191 868				191 868	
Cash and cash equivalents	281 816				281 816	
<b>Financial Liabilities</b>						
Straight bond	(199 746)				(199 746)	(207 250)
Derivative financial liabilities			(122)		(122)	
Put options to non-controlling interests				(54 736)	(54 736)	
Other financial liabilities	(3 466)			(9 796)	(13 262)	
Trade payables	(43 792)				(43 792)	
Other payables	(56 978)				(56 978)	

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

(in CHF 1 000)	2018		2017	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
At 1 January	7 442	(64 532)	36 776	(6 803)
Additions	0	(23 392)	0	(52 783)
Remeasurement recognized in OCI	(307)	230	2 749	(149)
Remeasurement recognized in profit or loss	0	(98)	(337)	(46)
Remeasurement recognized in equity	0	1 359	0	(4 920)
Settlements	0	5 709	(30 130)	169
Reclassifications	0	0	(1 616)	0
<b>AT 31 DECEMBER</b>	<b>7 135</b>	<b>(80 724)</b>	<b>7 442</b>	<b>(64 532)</b>

In 2018, the addition to Level 3 financial liabilities mainly related to the contingent consideration payable in conjunction with the Batigroup and SDS business combinations. In 2017, the main addition to Level 3 financial liabilities related to the put options granted to non-controlling interests in conjunction with the gain of control in Medentika, and its remeasurement was recognized within equity.



In 2018, the settlement of Level 3 financial liabilities mainly relates to repayment of contingent consideration in conjunction with the Equinox business combination. The settlement of Level 3 financial assets in 2017 related to the repayment of the convertible bonds by MegaGen Implant Co. Ltd.

In 2017, the Group gained significant influence in Rodo Medical Inc. Therefore, the investment was reclassified from Level 3 financial assets into 'Investments in associates'.

In 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

The significant unobservable inputs for material financial instruments within Level 3 of the fair value hierarchy and their quantitative sensitivity analysis at 31 December 2018 are as follows:

Instrument	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to fair value
Put options to non-controlling interests of Medentika	PV of the estimated redemption value by the Group in the event of full exercise	Enterprise value (based on EBITDA multiple)	Floor: CHF 32.7 million Cap: CHF 53.4 million	1 000 basis points decrease in enterprise value would result in a decrease in fair value of kCHF -5 338
Contingent Consideration Batigroup	DCF method	Local contribution	-	500 basis points increase (decrease) in the local contribution would result in a increase (decrease) in fair value of kCHF 1 262, resp. kCHF -1 262
		Interest rate	-	500 basis points increase (decrease) in the interest rate would result in a decrease (increase) in fair value of kCHF -1 039, resp. kCHF 1 160
Fund	Net asset valuation	Fair value of the financial assets of the fund	-	500 basis points increase (decrease) in the financial assets of the fund would result in an increase (decrease) in fair value of kCHF 336, resp. kCHF -336

Depending on the development of Medentika's EBITDA, the fair value of the put options to non-controlling interests are expected to range between CHF 32.7 million and CHF 53.4 million. As of 31 December 2018, the Group assesses that it is highly probable that Medentika will achieve the higher target due to expansion and the realization of synergies in the future. The fair value of the put options to non-controlling interests determined on 31 December 2018 reflects this development and is recorded at CHF 53.4 million.

The fair value of the contingent consideration Batigroup depends on the expected local contribution achievement and the interest rate prevailing at the balance sheet date. As of 31 December 2018, the Group assesses that it is highly probable that Batigroup will achieve the targets due to expansion and the realization of synergies in future. The fair value of the contingent consideration determined on 31 December 2018 reflects this development and the fair value is recorded at CHF 20.3 million.

The fair value of the fund is equal to its pro rata share of net asset value (NAV). The Group receives quarterly valuation statements from the fund which state the NAV based on valuation techniques used by the fund. Consequently, the Group itself does not determine the fair value of the fund. However, based on the information obtained in the quarterly valuation statements, the valuation performed by the fund is deemed to be representative for the fair value of the fund.

The Group did not perform any quantitative sensitivity analysis at 31 December 2018 for the remaining, individually immaterial instruments, categorized within Level 3 of the fair value hierarchy.

### HEDGES

At 31 December 2018, the group had forward exchange contracts for CHF 30.4 million (2017: CHF 39.1 million) but no NDF contracts (2017: CHF 1.8 million).

### 32 PRINCIPAL CURRENCY TRANSLATION RATES

CURRENCY	Unit	31 Dec 2018	Average 2018	31 Dec 2017	Average 2017
Brazilian real (BRL)	100	25.36	26.88	29.43	30.69
Canadian dollar (CAD)	1	0.72	0.75	0.78	0.76
Chinese renminbi (CNY)	100	14.31	14.73	14.97	14.56
euro (EUR)	1	1.13	1.15	1.17	1.11
Indian rupees (INR)	100	1.41	1.43	1.53	1.51
Japanese yen (JPY)	100	0.89	0.88	0.87	0.88
US Dollar (USD)	1	0.99	0.98	0.98	0.98

### 33 EVENTS AFTER THE BALANCE SHEET DATE

#### ZINEDENT

As of 2 January 2019, the Group increased its stake in Zinedent Implant Üretim Anonim Sirketi ('Zinedent') from 50% to full ownership for a cash consideration of CHF 1.4 million. In addition, the parties agreed on a contingent consideration agreement in the undiscounted amount of approximately CHF 8.0 million during a period of seven years. Zinedent, based in Turkey, distributes dental implants and related prosthetics components in Turkey and in surrounding markets.

The financial effects of this transaction have not been recognized at 31 December 2018. The operating results, assets and liabilities of the acquired company will be consolidated from 2 January 2019. On the date the Group obtained control over Zinedent, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of Zinedent and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time these consolidated financial statements have been authorized for issue.

**ETKON (SCHWEIZ) AG**

As of 29 January 2019, the Group acquired a 70% stake in etkon Schweiz AG ('etkon'), a Swiss dental laboratory for finalized prosthetic solutions in dentistry for a cash consideration of CHF 0.3 million. The Group has the right to obtain the remaining 30% stake from the founding shareholders until 2023 by exercising a call option. The sellers have a put option to sell the remaining 30% stake to the Group in 2023 and call options to re-purchase the shares held by the Group early under certain conditions. The contingent consideration arrangement requires the Group to pay up to a minimum undiscounted amount of approximately CHF 0.3 million and a maximum undiscounted amount of approximately CHF 4.3 million for the remaining non-controlling stake. The contractual obligation to purchase its own equity gives rise to a financial liability in the consolidated financial statement of the Group. The present value of the contingent consideration arrangement and the corresponding financial liability amounts to CHF 4.3 million and is recognized as of 29 January 2019.

The financial effects of this transaction have not been recognized at 31 December 2018. The operating results, assets, and liabilities of the acquired company will be consolidated from 29 January 2019. On the date the Group obtained control over etkon, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of etkon and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time these consolidated financial statements have been authorized for issue.

**VALOC AG**

As of 29 January 2019, the Group increased its stake in Valoc AG ('Valoc'), a Swiss company that develops and manufactures innovative retention systems for removable implant-borne dentures, from 44% to 55% for a cash consideration of CHF 1.2 million. The Group is going to consolidate Valoc in its consolidated financial statements effective as of 29 January 2019. The Group has the right to obtain the remaining 45% stake from the founding shareholders until 2023 by exercising a call option. The sellers may also sell the remaining 45% stake to the Group early by exercising a put option. The contingent consideration arrangement requires the Group to pay up to a minimum undiscounted amount of approximately CHF 3.2 million and a maximum undiscounted amount of approximately CHF 7.2 million for the remaining non-controlling stake. The contractual obligation to purchase its own equity gives rise to a financial liability in the consolidated financial statement of the Group. The present value of the contingent consideration arrangement and the corresponding financial liability amounts to CHF 7.2 million and is recognized as of 29 January 2019.

The financial effects of this transaction have not been recognized at 31 December 2018. The operating results, assets, and liabilities of the acquired company will be consolidated from 29 January 2019. On the date the Group obtained control over Valoc, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of Valoc and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time these consolidated financial statements have been authorized for issue.

**34 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE**

The consolidated financial statements of the Group include:

NAME	City	Country of incorporation	Interest and voting rights 2018 (in %)	Share capital 31.12.2018
<b>SUBSIDIARIES:</b>				
Institut Straumann AG	Basel	Switzerland	100.00 CHF	100 000
Straumann Italia Srl	Milan	Italy	100.00 EUR	270 000
Equinox Implants LLP	Mumbai	India	100.00 INR	270 000 000
Equinox Dental AG	Basel	Switzerland	100.00 CHF	100 000
Straumann Villeret SA	Villeret	Switzerland	100.00 CHF	9 000 000
Instradent AG	Basel	Switzerland	100.00 CHF	100 000
Straumann Middle East PJS	Tehran	Iran	100.00 IRR	40 000 000
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
T-Plus Implant Tech. Co. Ltd.	New Taipei City	Taiwan	58.06 TWD	154 901 960
Straumann Holding Deutschland GmbH	Freiburg	Germany	100.00 EUR	25 000
Straumann GmbH	Freiburg	Germany	100.00 EUR	200 000
etkon GmbH	Gräfelfing	Germany	100.00 EUR	326 000
Medentika GmbH	Hügelsheim	Germany	51.00 EUR	275 000
Medentika CNC GmbH	Hügelsheim	Germany	48.45 EUR	200 000
Straumann GmbH	Vienna	Austria	100.00 EUR	40 000
Straumann Ltd	Crawley	UK	100.00 GBP	300 000
Instradent Ltd	Crawley	UK	100.00 GBP	1 000
Manohay Dental SA	Madrid	Spain	100.00 EUR	60 101
Straumann SAS	Marne-la-Vallée	France	100.00 EUR	192 000
Straumann AB	Mölnådal	Sweden	100.00 SEK	100 000
Biora AB	Malmö	Sweden	100.00 SEK	950 152
Straumann AS	Oslo	Norway	100.00 NOK	1 000 000
Straumann Danmark Aps	Brøndby	Denmark	100.00 DKK	125 000
Straumann Oy	Helsinki	Finland	100.00 EUR	32 000
Straumann SA/NV	Zaventem	Belgium	100.00 EUR	2 081 620
Straumann BV	IJsselstein	Netherlands	100.00 EUR	18 151
JJGC Indústria e Comércio de Materiais Dentários S.A. ('Neodent')	Curitiba	Brazil	100.00 BRL	1 152 621 860
Straumann LLC	Moscow	Russia	100.00 RUB	21 000 000
Instradent LLC	Moscow	Russia	100.00 RUB	17 250 000
Straumann SRO	Prague	Czech Republic	100.00 CZK	200 000
Batigroup Dental Diş Ürünleri Ticaret AŞ	Ankara	Turkey	70.00 TRY	5 000 000

NAME	City	Country of incorporation	Interest and voting rights 2018 (in %)	Share capital 31.12.2018
Straumann Group South Africa (PTY) LTD	Somerset West	South Africa	100.00 ZAR	1 000
Straumann Manufacturing, Inc.	Andover	USA	100.00 USD	1
Straumann USA, LLC	Andover	USA	100.00 USD	1
ClearCorrect Holdings, Inc.	Round Rock	USA	100.00 USD	4 424
ClearCorrect Operating, LLC	Round Rock	USA	100.00 USD	1 000
Loop Digital Solutions, LLC	Lincoln	USA	100.00 USD	0
Instradent USA, Inc.	Andover	USA	100.00 USD	2 000 000
Straumann Canada Ltd	Burlington	Canada	100.00 CAD	2 100 000
M.I.S. Implants Canada Inc.	Montreal	Canada	100.00 CAD	96
Dental Wings Inc.	Montreal	Canada	100.00 CAD	1 648 923
Dental Wings GmbH	Chemnitz	Germany	100.00 EUR	25 000
Dental Wings Hong Kong Ltd	Hong Kong	China	100.00 HKD	4 635 044
Shenzhen Dental Wings Company Limited	Shenzhen	China	90.00 CNY	1 439 602
Manohay Colombia SAS	Bogotá	Colombia	100.00 COP	7 100 062 213
Manohay Argentina SA	Buenos Aires	Argentina	100.00 ARS	19 000 000
Manohay México SA de CV	México DF	Mexico	100.00 MXN	38 392 615
Manohay Chile SPA	Santiago	Chile	100.00 CLP	464 515 950
Straumann Group Peru SA	Lima	Peru	100.00 PEN	1 702 500
Straumann Singapore Pte Ltd	Singapore	Singapore	100.00 SGD	10 000
Straumann Pty Ltd	Victoria	Australia	100.00 AUD	100
Straumann New Zealand Ltd	Napier	New Zealand	100.00 NZD	0
Straumann Japan KK	Tokyo	Japan	100.00 JPY	10 000 000
etkon Japan KK	Shibayama	Japan	100.00 JPY	10 000 000
Straumann (Beijing) Medical Device Trading Co Ltd	Beijing	China	100.00 CNY	70 290 000
Straumann Dental Korea Inc	Seoul	Republic of Korea	100.00 KRW	2 300 000 000
Straumann Dental India LLP	Mumbai	India	100.00 INR	1 416 000 000
STM Digital Dentistry Holding Ltd	Hong Kong	China	49.00 HKD	780
etkon Dental Company Ltd	Shenzhen	China	49.00 CNY	16 212 681
Straumann Group (Thailand) Limited	Bangkok	Thailand	100.00 THB	120 000 000
Straumann Group (Taiwan) Co. Ltd.	Taipei	Taiwan	100.00 TWD	10 000 000
Straumann (China) Investment Company Limited	Shanghai	China	100.00 USD	0

NAME	City	Country of incorporation	Interest and voting rights 2018 (in %)
<b>ASSOCIATES:</b>			
Abutment Direct Inc.	Markham	Canada	25.50
Anthogyr SAS	Sallanches	France	30.00
botiss medical AG	Berlin	Germany	30.00
Dental Monitoring SAS	Paris	France	9.04
Geniova Technologies S.L.	Madrid	Spain	38.02
maxon dental GmbH	Kenzingen	Germany	49.00
Rodo Medical Inc.	San Jose	USA	30.00
Rapid Shape GmbH	Heimsheim	Germany	35.00
V2R Biomédical Inc.	Montreal	Canada	30.00
Valoc AG	Rheinfelden	Switzerland	44.00
Z-Systems AG	Oensingen	Switzerland	33.94
<b>JOINT VENTURE:</b>			
Zinedent Implant Üretim AŞ	Ankara	Turkey	50.00

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

# Audit Report – Consolidated financial statements

## Report of the statutory auditor to the general meeting of Straumann Holding AG, Basel

### STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS



#### OPINION

We have audited the consolidated financial statements of Straumann Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 133 to 173).

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



#### BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those

provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly,

our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

#### RECOVERABILITY OF GOODWILL AND BRAND

##### AREA OF FOCUS

Goodwill and brand with indefinite useful life stemming from various acquisitions represent 28% of the Group's total assets and 44% of the Group's equity as of balance sheet date (see Group's disclosure Note 7).

There is a risk of limited recoverability of these assets, in case the planned growth and margins for the domestic or international business are not realized as budgeted or forecasted by management. In determining the value in use of cash-generating units, management applies judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Such assumptions are affected by expected future market or economic conditions. Due to the significance of the carrying amount of the goodwill and brand and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

#### OUR AUDIT RESPONSE

We evaluated the Company's valuation model for the material goodwill and brand with indefinite useful life and analysed the underlying key assumptions, including future long-term growth and discount rates. We assessed the assumptions regarding future revenues and margins, historical accuracy of the Company's estimates and considered its ability to produce accurate mid- and long-term forecasts. We evaluated sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information.

Our audit procedures did not lead to any reservations concerning the measurement of goodwill and brand.

#### RECOVERABILITY OF DEFERRED TAX ASSETS NEODENT

##### AREA OF FOCUS

As of balance sheet date recognized deferred tax assets relating to tax deductible statutory goodwill and fair value step ups amount to CHF 46.3 million. The Neodent deferred tax assets represent in total 2% of the Group's total assets (see Group's disclosure Note 19). Such tax deductible statutory goodwill and fair value step ups stem from mergers subsequent to Neodent acquisitions through fully owned subsidiaries. The Company performs periodic assessments of the recoverability of deferred tax assets.

Brazilian tax authorities have challenged the legality of the tax deductibility of the statutory goodwill and intangibles assets which cause a risk of future recoverability of such deferred taxes. Key assumptions concerning the assessment of the deferred tax assets recoverability are disclosed in the notes to the consolidated financial statements. Due to the significance of the carrying amount of the deferred tax asset and the judgement involved in making an assessment regarding the decision by the court this matter was considered significant to our audit.

#### OUR AUDIT RESPONSE

We involved local Brazilian tax experts to assist in evaluating the Company's assessment regarding tax deductibility of statutory goodwill and fair value step ups. Further, we analysed the current assessment of Straumann related to the decision of the Brazilian Administrative Court of First Instance which may impact the appropriateness of the capitalisation of the deferred tax assets.

Our audit procedures did not lead to any reservations concerning the measurement of deferred tax assets Neodent.



### OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: [www.expertsuisse.ch/en/audit-report-for-public-companies](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, 6 February 2019



# 2018 FINANCIAL REPORT

STRAUMANN HOLDING

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STRAUMANN HOLDING AG

# Balance sheet

## ASSETS

(in CHF 1000)	Notes	31 Dec 2018	31 Dec 2017
Cash and cash equivalents		167 441	183 075
Other short-term receivables		20 197	11 665
from third parties		952	2 577
from investments		19 245	9 088
Prepaid expenses		217	598
<b>Total current assets</b>		<b>187 855</b>	<b>195 338</b>
Financial assets	2.1	828 453	745 313
Investments	2.2	511 713	427 129
Intangible assets		178	368
<b>Total non-current assets</b>		<b>1 340 344</b>	<b>1 172 810</b>
<b>TOTAL ASSETS</b>		<b>1 528 199</b>	<b>1 368 148</b>

## EQUITY AND LIABILITIES

(in CHF 1000)	Notes	31 Dec 2018	31 Dec 2017
Trade payables to third parties		327	449
Short-term interest-bearing liabilities to investments		6 498	1 908
Short-term provisions	2.3	51 764	37 483
Deferred income		2 693	2 593
<b>Total current liabilities</b>		<b>61 282</b>	<b>42 433</b>
Long-term interest-bearing liabilities	2.4	214 592	200 519
to third parties		200 000	200 519
to investments		14 592	0
Long-term provisions		3 000	3 000
<b>Total non-current liabilities</b>		<b>217 592</b>	<b>203 519</b>
<b>Total liabilities</b>		<b>278 874</b>	<b>245 952</b>
Share capital	2.5	1 588	1 588
Reserves from capital contributions <sup>1</sup>	2.6	66 254	66 327
Share premium		9 281	9 208
Legal retained earnings		23 572	29 587
Reserves for treasury shares	2.7	20 032	26 047
Statutory reserves		1 540	1 540
Extraordinary reserves		2 000	2 000
Voluntary retained earnings		1 148 630	1 015 486
Available earnings			
- Retained earnings		946 382	781 180
- Net result		202 248	234 307
<b>Total equity</b>		<b>1 249 325</b>	<b>1 122 196</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 528 199</b>	<b>1 368 148</b>

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

# Income statement

(in CHF 1'000)	Notes	2018	2017
Income from investments	2.9	152 050	111 179
Other financial income	2.10	13 743	124 162
Other operating income	2.11	69 540	59 962
Impairment reversal of investments	2.14	15 000	0
<b>Total income</b>		<b>250 333</b>	<b>295 303</b>
Other financial expense	2.12	(35 624)	(45 624)
Personnel expense		(1 506)	(1 519)
Other operating expense	2.13	(10 652)	(10 095)
Depreciation of intangible assets		(190)	(190)
<b>Total expenses</b>		<b>(47 972)</b>	<b>(57 428)</b>
<b>Result before income tax</b>		<b>202 361</b>	<b>237 875</b>
Direct taxes		(113)	(3 568)
<b>NET RESULT</b>		<b>202 248</b>	<b>234 307</b>



# 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 Instra-dent AG are treated as a VAT group by the Swiss Federal Tax Administration. Owing to this group taxation, Straumann Holding AG is liable to the Swiss Federal Tax Administration jointly and severally with all group members for any VAT.

### 1.2 FINANCIAL ASSETS

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the exchange rate at the balance sheet date, whereby unrealized losses are recorded but unrealized gains are not recognized.

### 1.3 TREASURY SHARES

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expense.

### 1.4 SHARE-BASED PAYMENTS

Should treasury shares be used for share-based payments for the Board Members' compensation, the difference between the acquisition costs and any consideration paid is recognized as personnel expense.

## 1.5 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized at nominal value. Discounts and issuing costs are recognized as 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 2018	31 Dec 2017
Loans to subsidiaries	805 823	724 771
Loans to third parties	12 118	9 120
Financial assets	10 512	11 422
<b>TOTAL</b>	<b>828 453</b>	<b>745 313</b>

### 2.2 INVESTMENTS

The direct and major indirect investments of the company are listed in Note 34 to the Straumann Group Financial Statements. Ownership interests equal voting rights.

### 2.3 SHORT-TERM PROVISIONS

Short-term provisions include provisions for unrealized foreign currency gains of CHF 51.36 million and provisions for taxes of CHF 0.4 million (2017: CHF 37.04 million and taxes CHF 0.5 million).

### 2.4 LONG-TERM INTEREST-BEARING LIABILITIES

(in CHF 1 000)	31 Dec 2018	31 Dec 2017
Bond	200 000	200 000
Other	0	519
<b>TOTAL</b>	<b>200 000</b>	<b>200 519</b>

### BOND CONDITIONS

Nominal value	200 000	200 000
Interest rate in %	1.625	1.625
Maturity / Term in years	7	7
Due date / Maturity	4/30/2020	4/30/2020

### 2.5 SHARE CAPITAL

The share capital for 2018 and 2017 is CHF 1 587 898.40 and is represented by 15 878 984 registered shares of CHF 0.10 par value.

### 2.6 RESERVES FROM CAPITAL CONTRIBUTION

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration (ESTV) acknowledged the reported reserves for capital contribution as a capital contribution in accordance with Article 5 Paragraph 1 bis VStG.

## 2.7 RESERVES FOR TREASURY SHARES

The shares of Straumann Holding AG on stock of Institut Straumann AG amount to 45 543 shares with an average value of CHF 439.85. The decrease occurred due to the share based payment program and employee shares program (2017: 65 982 with an average value of CHF 394.75).

## 2.8 TREASURY SHARES

In 2017 all shares have been sold and no transactions regarding treasury shares occurred in 2018.

	Number of Transactions	Lowest share price in CHF	Highest share price in CHF	Average share price in CHF	Amount of treasury shares
Balance at 1 January 2017					432 665
Sale of own shares	1	332.14	332.14	332.14	(1 033)
Sale of own shares	1	376.20	376.20	376.20	(431 632)
Balance at 31 December 2017					0
Balance at 31 December 2018					0

## 2.9 INCOME FROM INVESTMENTS

In the reporting period the dividend income amounted to CHF 152.05 million (2017: CHF 111.2 million).

## 2.10 OTHER FINANCIAL INCOME

Other financial income amounts to CHF 13.7 million (2017: CHF 124.2 million) and contains mainly the interest income from loans to subsidiaries and realized foreign exchange gains.

## 2.11 OTHER OPERATING INCOME

Other operating income amounts to CHF 69.5 million (2017: CHF 60 million) and consists of income from licenses.

## 2.12 OTHER FINANCIAL EXPENSE

In 2017, the financial expense includes an impairment expense of CHF 16.3 million relating to a revaluation of loans. The Group incorporated its current knowledge into the valuation of the loans and estimated its risk-adjusted value.

(in CHF 1000)	2018	2017
Interests	5 112	3 419
Foreign exchange losses	30 512	25 937
Impairment on financial assets	0	16 268
<b>TOTAL</b>	<b>35 624</b>	<b>45 624</b>

## 2.13 OTHER OPERATING EXPENSE

(in CHF 1 000)	2018	2017
Administrative expense	722	1 883
Consulting expense	9 340	7 709
Sundry expense	591	503
<b>TOTAL</b>	<b>10 652</b>	<b>10 095</b>

## 2.14 IMPAIRMENT REVERSAL OF INVESTMENTS

The reversal of the impairment of CHF 15.0 million relates to the Straumann Netherlands investment.

## 3 OTHER INFORMATION

### 3.1 FULL TIME EQUIVALENTS

Straumann Holding AG does not have any employees.

### 3.2 MAJOR SHAREHOLDERS

Shareholders who own more than 5 percent of voting rights are as follows:

(in %)	31 Dec 2018 <sup>1</sup>	31 Dec 2017 <sup>1</sup>
<b>MAJOR SHAREHOLDERS</b>		
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	17.1	17.1
Dr h.c. Rudolf Maag	11.5	11.9
Black Rock Group <sup>2</sup>	6.5	6.5

1 Or at last reported date if shareholdings are not registered in the share register.

2 Not registered in Straumann's share register.

### 3.3 ALLOCATION OF EQUITY INSTRUMENTS TO THE BOARD OF DIRECTORS

According to the compensation plan, Board members' fees are paid in a fixed remuneration and shares. The number of shares is calculated based on the average price over the last seven days prior to the allocation.

The allocation was as follows:

	2018		2017	
	Number	Value in CHF 1 000	Number	Value in CHF 1 000
Allocated to the Board of Directors	1 483	903	1 664	713

### 3.4 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed in these financial statements.

#### 4 EQUITY INSTRUMENTS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The following tables disclose the number of vested and non-vested equity instruments (shares, options and Performance Share Units) held on 31 December 2018 and 2017 by the members of the Board of Directors, the Executive Management Board and individuals related to them.

##### 2018

	Shares	Performance Share Units		
		20 Apr 2019	21 Apr 2020	30 Apr 2021
<b>BOARD OF DIRECTORS</b>				
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
<b>Total</b>	<b>2 759 448</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXECUTIVE MANAGEMENT BOARD</b>				
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
<b>Total</b>	<b>12 146</b>	<b>6 873</b>	<b>7 444</b>	<b>5 603</b>
<b>TOTAL</b>	<b>2 771 594</b>	<b>6 873</b>	<b>7 444</b>	<b>5 603</b>

##### 2017

	Shares	Performance Share Units		
		22 Apr 2018	20 Apr 2019	21 Apr 2020
<b>BOARD OF DIRECTORS</b>				
Gilbert Achermann	20 172	0	0	0
Dr h.c. Thomas Straumann	2 723 700	0	0	0
Monique Bourquin	738	0	0	0
Dr Sebastian Burckhardt	4 720	0	0	0
Ulrich Looser	4 407	0	0	0
Dr Beat Lüthi	3 774	0	0	0
Regula Wallimann	454	0	0	0
<b>Total</b>	<b>2 757 965</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXECUTIVE MANAGEMENT BOARD</b>				
Marco Gadola	1 750	0	2 542	2 470
Dr Peter Hackel	573	0	761	554
Dr Gerhard Bauer	3 871	0	489	475
Wolfgang Becker	600	0	521	507
Guillaume Daniellot	0	0	377	379
Jens Dexheimer	970	281	228	348
Frank Hemm	3 968	0	570	554
Patrick Loh	0	0	0	495
Dr Alexander Ochsner	0	0	570	554
Petra Rumpf	1 700	0	652	633
Mike Rynerson	0	0	0	0
Matthias Schupp	1 606	0	0	317
<b>Total</b>	<b>15 038</b>	<b>281</b>	<b>6 710</b>	<b>7 286</b>
<b>TOTAL</b>	<b>2 773 003</b>	<b>281</b>	<b>6 710</b>	<b>7 286</b>

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

(in CHF 1000)	2018	2017
Net result	202 248	234 307
Carried forward from previous year	940 366	763 236
Change in reserves for treasury shares	6 016	17 943
Profit available to the Annual General Meeting	1 148 630	1 015 486
Dividend paid out of the available earnings (CHF 4.75 per share)		(75 120)
<b>BALANCE CARRIED FORWARD</b>		940 366

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 5.25 per share be distributed, payable as of 11 April 2019. Calculated based on the total number of outstanding shares of 15 833 441, this corresponds to a total amount of CHF 83.1 million. In deciding on the appropriation of dividends, the Shareholders' General Meeting shall take into account that the Company will not pay a dividend on treasury shares held by the Company. The remaining amount of the available earnings is to be carried forward.

# Audit Report – Financial statements Straumann Holding AG

## Report of the statutory auditor to the General Meeting of Straumann Holding AG, Basel

### REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Straumann Holding AG, which comprise the balance sheet, income statement and notes (pages 177 to 182), for the year ended 31 December 2018.



#### BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require

that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



#### OPINION

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.



#### REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

##### AREA OF FOCUS

Investments in and loans to subsidiaries as at balance sheet date amount to CHF 1'316 million or 86% of total assets. The Company generally assesses the valuation of its investments and loans and determines potential impairments on an individual basis in accordance with the Swiss Code of obligations.

Due to the significance of the carrying amount of the investments and loans and the judgement involved in the determination of potential impairments, this matter was considered significant to our audit.

#### OUR AUDIT RESPONSE

Our procedures included, amongst other, an assessment of the Company's valuation model and we analysed the underlying key assumptions and methods that were used for its annual impairment test. We also assessed the historical accuracy of the Company's estimates.

Our audit procedures did not lead to any reservations concerning the measurement of investments in and loans to subsidiaries.



#### REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg  
Licensed audit expert  
(Auditor in charge)

Fabian Meier  
Licensed audit expert

Basel, 6 February 2019

