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MANAGEMENT SUMMARY

Straumann delivers 21% growth in sales

In 2005, the Straumann Group's full-year sales surpassed half a billion Swiss francs (CHF) for the first time in the company's history. Group sales climbed 21% both in local currencies (l.c.) and CHF, to CHF 510 million. Operating profit rose 23% to CHF 156 million, contributing to a 28% rise in net profit to CHF 128 million. Earnings per share climbed to CHF 8.22, representing an improvement of 28%.

Operational and strategic achievements

2005 was characterized by a number of important operational and strategic initiatives to expand and consolidate the organization and to launch new product innovations. Each of these influenced the operating performance to a certain degree.

Distribution channels taken over

With regard to distribution channels, we integrated BIO srl in Italy, we established subsidiaries in Australia and Mexico, and we took steps towards acquiring our Danish distributor DenTech at the beginning of 2006.

Infrastructure

In terms of site improvements, we put the finishing touches to our relocation to Basel, which was a major undertaking at the outset of 2005. Towards the end of the year, we succeeded in concluding long-term leasing agreements for the Waldenburg site, which had been vacant since the move to Basel. We also expanded capacity at our main production site, in Villeret, and we considerably upgraded our Biologics production unit in Malmö.

In addition, our Austrian organization relocated. However, our most ambitious achievement in this regard in 2005 was the transfer of our North American headquarters to a new site in Andover, with state-of-the-art education and manufacturing centers. Here we inaugurated our first implant component production line outside Switzerland. Both the Andover and Malmö production units gained ISO certifications in 2005.

Innovation and new launches

We maintained our commitment to purposeful, scientifically proven innovation. In 2005, we had a higher number of ongoing clinical studies in more centers worldwide than ever before, to support and position our new products. With regard to the latter, we also passed significant milestones including the introductions of SLActive, CARES titanium and Ceramic, and Straumann Bone Ceramic. Our marketing efforts for these and other products included a strong presence at major congresses and meetings.

Increased global workforce

To absorb and sustain the current level of growth, Straumann continued to invest in recruiting and training new talent. More than 200 new jobs were created worldwide. These and the addition of the BIO srl team brought Straumann's global workforce to 1342 at year-end.

Sales expansion

Our overall performance was driven by solid top-line growth, which accelerated in the latter part of the year. Sales expansion was due predominantly to organic growth, which contributed 16% points of overall sales growth. The acquisition of our distribution organization in Italy, at the beginning of the year, and the transfer of distribution in Australia to Straumann in mid-year, collectively contributed 5% points. Currency developments, which were influenced mainly by the US Dollar and the Euro, amounted to less than 1% point.

Strong sales growth across all regions

Europe

European sales rose 20% (21% in CHF) to CHF 316 million, supported by the contribution of the new Italian subsidiary as well as the recovery in Germany, our biggest single market. There, our sales continuously improved over the year with the result that full-year revenues grew in the mid-teens, clearly ahead of the German market. Swedish sales were softer than in the previous year, reflecting recent changes surrounding reimbursement. Elsewhere in Europe, performances developed as expected. European sales contribute 62% of total Group sales.

North America

In North America, full-year sales rose 18% in local currencies (19% in CHF) to CHF 131 million, corresponding to 26% of total Group sales. On the basis of available figures, we believe that we continued to grow slightly faster than the US market but not at our target level. This was because, in addition to mastering the challenge of relocating, our US team has recruited and trained many new staff members who are yet to reach their full performance level. Having upgraded our organization and infrastructure we are convinced that the fundamentals are in place to take us into the next phase of our growth.

Asia/Pacific and RoW

10% of Group sales were generated in the Asia/Pacific region, which grew 26% to CHF 51 million, driven by good growth in Japan and boosted by strong increases in Australia/New Zealand and Southeast Asia. Elsewhere, in the rest of the world, sales climbed 54% to CHF 11 million or 2% of Group revenues.

Operating profit (EBIT) rises 23%

The strategic expansion of production and our innovative product mix squeezed the gross profit margin although the impact was – for the most part – absorbed by an under-proportional increase in operating costs. As a result, operating profit (EBIT) rose 23% to CHF 156 million and the EBIT margin expanded slightly to 31%.

The cost of goods sold rose from 18% to 19% of sales with the result that our full-year gross profit margin eased to 81%. This was due primarily to the start-up costs of the new North American production site in Andover and the higher production costs of our new innovative SLActive surface.

Operating costs, excluding other income, decreased by 1% point to 51% of sales, partly due to a reduction in amortization charges on goodwill of less than 1% point. Selling costs and research and development decreased to 37% and 5% of Group sales respectively, while general and administrative costs remained at 8% of sales.

Net profit increases 28%

The development of the Swiss franc against other currencies contributed to a positive financial result. This together with the overall improved operating result and efficient tax management led to a 28% increase in net income to CHF 128 million. As a result, the net profit margin improved by 1% point to 25% of sales. Earnings per share consequently increased to CHF 8.22.

High levels of capital expenditure

Operating cash flow reached CHF 144 million, leading to a continued strong cash-flow margin of 28%. Capital expenditure almost doubled to CHF 121 million, reflecting our significant investments in the aforementioned projects and the expansion of our subsidiary network.

The free cash flow of CHF 23 million together with other inflow from financing activities and part of the previous year's cash position were used to pay a dividend of CHF 31 million and to repay short-term loans of CHF 14 million. As a result, liquidity amounted to CHF 94 million at year-end.

Total assets increased by CHF 129 million to CHF 533 million, to a great extent based on the above-mentioned investment activities and the sales expansion, while return on assets (ROA) was maintained at 27%. Net working capital increased to CHF 36 million or 5% of sales.

74 With the equity ratio increasing slightly to 79%, return on equity (ROE) remained unchanged at 35%, while return on capital employed (ROCE) decreased slightly to 43% due to our operational expansion. Based on a weighted average cost of capital of 9%, Straumann achieved an economic profit of CHF 93 million, an increase of CHF 13 million over the prior year.

30% dividend on net profit

On the basis of the good full-year performance, the Board of Directors will propose an ordinary dividend of CHF 2.50 per share to the General Meeting. This corresponds to a total dividend of CHF 39 million and a payout ratio of 30%.

Outlook

In 2006, barring unforeseen circumstances, we anticipate continued growth slightly above the market, coupled with stable profitability margins, comparable to 2005. Taking into account the significant step-up in fixed costs over the past few years, the higher depreciation charges, the costs of launching multiple innovative products and services with initially lower contribution margins, and the costs of integrating newly-secured distribution channels, we consider this to be an ambitious goal for 2006.

RISK ASSESSMENT

Business execution risks

The implant dentistry and dental tissue regeneration market is growing rapidly due to, among other factors, the low level of penetration, the aging population, the increasing level of education on implantology and the growing awareness among patients and dental professionals of the benefits of implants and oral tissue regeneration products. Today, there are no discernible reasons why this market should not continue to offer attractive prospects for future growth.

One of the main challenges facing Straumann is the need to expand organizationally in order to capture the significant market potential. Straumann's future revenues depend on the Group's ability to expand its business with existing customers, to increase its customer base, and to develop innovative products and services that meet customers' needs. In addition, competitive conditions have intensified as the number of companies supplying cheaper "copy-cat" alternatives has increased in all markets.

"Leap-frog" technologies

While interesting and promising results in basic research of novel tooth replacement technologies continue to emerge, such as stem-cell based tooth regeneration, we believe that such technologies do not pose a substitution risk to current implant treatment methods in the medium-term.

Potential changes in health-care regulation

Reimbursement or subsidization of implant treatment is rare, which places treatment costs largely on the patient. Even though materials make up only about 15% of the overall treatment costs, implant manufacturers may nevertheless be touched by changes in health-care regulation affecting the total cost burden on the patient, as was experienced with the recent change in health-care regulation in Germany.

Financial risk management

Approximately 75% of Group sales are generated in currencies other than the Swiss franc and are therefore exposed to translation risk. Straumann invoices its subsidiaries in local currencies. Therefore, foreign transaction risks mainly concern the headquarters. To avoid adding risk to the operating performance, Straumann does not enter into currency hedging contracts. The Group uses forward contracts on main currencies very selectively. The new production facility in the US will provide a better natural hedge on the cost side as it complements our existing facility in Switzerland.

Straumann has no considerable concentration of commercial credit risk, as no individual customer accounts for an unusual share of Group sales. Furthermore, the level of trade receivables increased only slightly to 42 days.

To reduce investment risk, Straumann only enters into contracts with selected high-quality financial institutions of good repute and high credit rating. Liquid funds are managed centrally at Straumann. Liquidity risk is minimized by ensuring that sufficient cash and cash equivalents are maintained to cover operational needs. For strategic acquisitions, Straumann may consider entering into loan agreements, with the goal of repaying loans with operating cash flow within a reasonable time frame. Straumann aims to maintain an equity ratio of at least 50%.

Straumann's interest rate risk is minimal, as the Group has no significant interest-bearing assets and liabilities.

Legal and intellectual property risks

Straumann operates in a competitive market in which intellectual property rights are of significant importance. The Group therefore actively pursues a strategy of protecting its intellectual property, especially its know-how, patents and trademarks. Consequently the Group is currently, and may continue to be, engaged in litigations related to intellectual property, either as a claimant or a defendant. The Group is also involved in other litigations which are not IP-related and are not considered to be material.

SELECTED FINANCIAL INFORMATION

Operating performance

(in CHF million)	2005	2004
Group sales	509.6	420.3
Growth in %	21.2	22.2
Gross profit	410.1	342.4
Margin in %	80.5	81.5
Operating result before depreciation and amortization (EBITDA) ¹	181.1	156.0
Margin in %	35.5	37.1
Growth in %	16.1	30.0
Operating result before amortization (EBITA) ¹	162.2	136.8
Margin in %	31.8	32.6
Growth in %	18.5	33.8
Operating profit (EBIT) ¹	155.9	127.0
Margin in %	30.6	30.2
Growth in %	22.8	30.2
Net profit	128.2	100.5
Margin in %	25.2	23.9
Growth in %	27.5	24.2
Earnings per share (in CHF)	8.22	6.44
Value added (economic profit)	93.2	80.1
Increase in value added	13.1	20.9
Increase in value added in %	16.4	35.4
In % of Group sales	18.3	19.1
Number of employees (year-end)	1 342	1 104
Number of employees (average)	1 236	1 006
Sales per employee (average) in CHF 1 000	412	418

¹ 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense.

Financial performance

(in CHF million)	2005	2004
Net cash and cash equivalents	94.2	107.1
Net working capital (net of cash)	35.5	17.0
In % of Group sales	5.2	5.8
Inventories	48.1	35.5
Inventory days	152	162
Trade receivables	69.6	48.8
Trade receivable days	42	39
Balance sheet total	533.3	404.5
Return on assets in % (ROA)	27.3	26.6
Equity	420.0	311.6
Equity ratio in %	78.8	77.0
Return on equity in % (ROE)	35.0	35.4
Capital employed	420.0	311.6
Return on capital employed in % (ROCE) ¹	42.6	43.6
Cash generated from operating activities ²	144.5	145.5
In % of Group sales ²	28.4	34.6
Investments	121.0	66.1
In % of Group sales	23.8	15.7
Capital expenditures	59.4	65.5
Acquisitions	61.7	0.6
Free cash flow ²	23.4	79.4
In % of Group sales ²	4.6	18.9
Dividend	31.1	48.1
Pay-out ratio in %	31.0	59.4

1 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense.

2 2004 reclassified due to the changed disclosure in consolidated cash flow statements.

Sales by region

(in CHF million)	H1	H2	Total 2005	Total 2004
Europe	164.3	151.8	316.1	262.1
Growth in %	19.0	22.3	20.6	22.6
Growth in local currencies in %	19.5	21.6	20.5	21.1
In % of Group sales	64.2	59.8	62.0	62.4
North America	60.6	70.7	131.3	110.4
Growth in %	12.1	25.6	19.0	22.5
Growth in local currencies in %	17.1	18.4	17.7	31.8
In % of Group sales	23.7	27.9	25.8	26.2
Asia/Pacific	25.5	25.6	51.1	40.6
Growth in %	17.9	34.8	25.8	15.5
In % of Group sales	10.0	10.1	10.0	9.7
Rest of the World	5.6	5.5	11.1	7.2
Growth in %	59.2	49.3	54.1	47.8
In % of Group sales	2.2	2.2	2.2	1.7
Total	256.0	253.6	509.6	420.3
Growth in %	17.8	24.9	21.2	22.2
Growth in local currencies in %	19.3	22.2	20.7	23.6
In % of full-year sales	50.2	49.8	100.0	100.0

Quarterly sales by region

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(in CHF million)	Q1	Q2	Q3	Q4	Total 2005
Europe	79.6	84.7	68.6	83.1	316.1
Growth in %	12.9	25.4	19.5	24.8	20.6
Growth in local currencies in %	14.0	25.0	18.8	24.0	20.5
In % of Group sales	63.4	65.0	59.5	60.1	62.0
North America	28.9	31.6	33.6	37.2	131.3
Growth in %	11.4	12.7	20.5	30.5	19.0
Growth in local currencies in %	18.5	15.7	18.4	18.3	17.7
In % of Group sales	23.0	24.3	29.1	26.9	25.8
Asia/Pacific	14.1	11.5	10.8	14.7	51.1
Growth in %	46.7	(5.0)	21.4	46.8	25.8
In % of Group sales	11.2	8.8	9.4	10.7	10.0
Rest of the World	3.0	2.5	2.3	3.2	11.1
Growth in %	64.0	53.8	18.2	84.2	54.1
In % of Group sales	2.4	1.9	2.0	2.3	2.2
Total	125.6	130.3	115.4	138.2	509.6
Growth in %	16.4	19.2	19.9	29.4	21.2
Growth in local currencies in %	18.9	19.7	18.7	25.2	20.7
In % of full-year sales	24.7	25.6	22.6	27.1	100.0

STRAUMANN GROUP

CONSOLIDATED BALANCE SHEETS

Assets

(in CHF 1 000)	Notes	31 Dec 2005	31 Dec 2004
Property, plant and equipment	1	132 233	112 158
Investment property	1	12 200	0
Intangible assets	2	142 229	65 926
Financial assets	3	432	2 220
Deferred tax assets	13	22 434	22 785
Non-current assets		309 528	203 089
Inventories	5	48 141	35 545
Trade receivables	6	69 648	48 814
Other receivables	7	3 703	6 162
Tax receivables		632	221
Prepaid expenses and accrued income	8	7 441	3 598
Cash and cash equivalents	9	94 195	107 105
Current assets		223 760	201 445
Total assets		533 288	404 534

Equity and liabilities

(in CHF 1 000)	Notes	31 Dec 2005	31 Dec 2004
Share capital	10	1 558	1 552
Retained earnings and reserves		416 920	307 945
		418 478	309 497
Minority interest	11	1 511	2 131
Total equity		419 989	311 628
Provisions	12	2 527	1 902
Deferred tax liabilities	13	13 232	10 302
Pension liability	14	3 487	3 340
Total non-current liabilities		19 246	15 544
Trade payables	15	24 220	15 268
Other liabilities	16	19 983	17 013
Tax liabilities		26 881	22 633
Accrued expenses and deferred income	17	22 969	22 448
Total current liabilities		94 053	77 362
Total liabilities		113 299	92 906
Total equity and liabilities		533 288	404 534

CONSOLIDATED INCOME STATEMENTS

(in CHF 1 000)	Notes	2005	2004
Group sales	18/29	509 553	420 296
Cost of goods sold		(99 404)	(77 866)
Gross profit		410 149	342 430
Other income	19	3 078	3 861
Selling costs ¹		(190 552)	(159 655)
General administrative costs		(40 333)	(34 417)
Research and development costs		(26 404)	(25 250)
Operating profit		155 938	126 969
Financial income	26	3 099	1 269
Financial expense ¹	26	(543)	(2 059)
Profit before taxes		158 494	126 179
Tax expense	27	(30 287)	(25 652)
Net profit		128 207	100 527
<i>Attributable to:</i>			
Equity holders of the parent		127 863	99 948
Minority interest		344	579
Basic earnings per share (in CHF)	28	8.22	6.44
Diluted earnings per share (in CHF)	28	8.19	6.42

The operating expense according to the nature of expense method is as follows:

(in CHF 1 000)	Notes	2005	2004
Operating expense as per nature of expense			
Other income	19	3 078	3 861
Cost of material and goods	20	(58 610)	(45 422)
Personnel expense	21/22/23	(143 012)	(122 746)
Depreciation	24	(18 861)	(19 163)
Amortization	24	(6 255)	(9 857)
Other operating expense ¹	25	(129 955)	(100 000)
Operating expense		(353 615)	(293 327)

¹ 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to selling costs/other operating expense.

CONSOLIDATED CASH FLOW STATEMENTS

(in CHF 1'000)	Notes	2005	2004 ¹
Operating profit		155 938	126 969
Depreciation and amortization	24	25 116	29 020
Change in provisions		(497)	(2 055)
Change in prepaid pension liability/asset	22	(382)	2 025
Issuance of share options/employee shares	10/23	2 705	1 647
Change in minority interest	11	(943)	(311)
Gains and losses from disposals of assets		(123)	202
Change in working capital	30	(17 129)	9 094
Cash generated from operations		164 685	166 591
Interest received		918	1 270
Interest paid		(543)	(675)
Exchange differences		2 181	(1 383)
Income tax paid		(22 776)	(20 332)
Net cash flow from operating activities		144 465	145 471
Investments in land and buildings	1	(8 656)	(30 128)
Investments in other tangible assets	1	(41 016)	(26 270)
Investments in intangible assets	2	(11 467)	(9 122)
Investments in acquisitions	2/4	(61 697)	(565)
Proceeds from sale in financial assets	3	1 788	4
Cash flow from investing activities		(121 048)	(66 081)
Dividend payment		(31 135)	(48 075)
Issuance of share capital	10/23	8 368	2 059
Repayment of loans		(14 079)	(29 200)
Cash flow from financing activities		(36 846)	(75 216)
Effect of foreign currency translation		519	(430)
Net increase in cash and cash equivalents		(12 910)	3 744
Cash and cash equivalents at 1 January	9	107 105	103 361
Cash and cash equivalents at 31 December	9	94 195	107 105

¹ Adjusted to changed disclosure.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in CHF 1 000)	Attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Capital reserves and share premium	Translation reserve	Retained earnings	Total		
Balance at 1 January 2004	1 551	32 631	(1 109)	221 718	254 791	1 877	256 668
Dividend payment				(48 075)	(48 075)		(48 075)
Issuance of share capital	1	2 058			2 059		2 059
Issuance of share options		1 647			1 647		1 647
Currency translation differences			(873)		(873)	(14)	(887)
Acquisition of minority interest						(311)	(311)
Net profit				99 948	99 948	579	100 527
Balance at 31 December 2004	1 552	36 336	(1 982)	273 591	309 497	2 131	311 628
Balance at 1 January 2005	1 552	36 336	(1 982)	273 591	309 497	2 131	311 628
Dividend payment				(31 135)	(31 135)		(31 135)
Issuance of share capital	1	8 367			8 368		8 368
Issuance of share options	5	2 700			2 705		2 705
Currency translation differences			1 180		1 180	(21)	1 159
Acquisition of minority interest						(943)	(943)
Net profit				127 863	127 863	344	128 207
Balance at 31 December 2005	1 558	47 403	(802)	370 319	418 478	1 511	419 989

The share capital is represented by 15 576 761 issued shares of CHF 0.10 nominal value each, fully paid in.

The shareholders' General Meeting on 24 March 2005 approved a dividend payment of CHF 2.00 per share (total dividend payment of CHF 31.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Corporate information

Straumann Holding AG is a public company whose shares are traded on the Swiss stock exchange. As the parent company of the Straumann Group, the purpose of Straumann Holding AG is to acquire, dispose and manage participations in the field of dental and medical technology.

Headquartered in Basel, Switzerland, the Straumann Group is a global leader in implant dentistry and oral tissue regeneration. In collaboration with the International Team for Implantology (ITI), leading clinics, research institutes and universities, the Group researches and develops implants, instruments and tissue regeneration products for use in tooth replacement solutions or to prevent tooth loss. The Group manufactures implant system components and instruments in Switzerland and the US and dental tissue regeneration products in Sweden. Straumann also offers comprehensive training and services to the dental profession worldwide. Altogether, Straumann employs approximately 1340 people worldwide and its products and services are available in more than 60 countries through the Group's 18 distribution subsidiaries and broad network of distribution partners.

The consolidated financial statements of Straumann for the year ended 31 December 2005 were authorized for issue in accordance with a resolution of the Board of Directors on 2 February 2006.

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of Straumann have been prepared in accordance with International Financial Reporting Standards (IFRS).

They are based on the financial statements of the individual Straumann Companies prepared for the same reporting period using consistent accounting policies. The consolidated financial statements are prepared using the historical cost convention, except for financial assets and liabilities, which are carried at fair value.

All figures included in the tables in these financial statements and notes to the financial statements are rounded to the nearest CHF 1000 except where otherwise indicated.

Changes in accounting policies

In 2005, Straumann adopted the new standard IFRS 3 Business Combinations and the following amended International Accounting Standards:

- IAS 36, Impairment of Assets
- IAS 38, Intangible Assets

IFRS 3

IFRS 3 had to be applied for acquisitions after 30 March 2004.

For Straumann, the main effect of the adoption of these standards is that goodwill is not amortized anymore. Instead, goodwill is tested for impairment annually at the cash generating unit level. Up to 31 December 2004, goodwill was amortized on a straight-line basis over the period of the expected useful life, not exceeding 20 years. The carrying amount of goodwill is reviewed annually for impairment and, in addition, when events or changes in circumstances indicate that the carrying value is not recoverable.

IAS 38

Straumann has reassessed the useful life of its intangible assets in accordance with IAS 38. No impairment resulted from this reassessment.

Others

Additionally there was a change in accounting policy of investment property. Up to 31 December 2004, investment properties were carried at fair value. Since 2005, such properties are carried at cost, less accumulated depreciation and any impairment in value. As Straumann did not hold any investment property in this category until 31 December 2004, no adjustments of comparatives were necessary.

In 2004, Straumann initiated the early adoption of the new standard IFRS 2 Share-based Payment as well as the following amended International Accounting Standards:

- IAS 1, Presentation of Financial Statements
- IAS 2, Inventories
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10, Events after the Balance Sheet Date
- IAS 16, Property, Plant and Equipment
- IAS 17, Leases
- IAS 21, The Effects of Changes in Foreign Exchange Rates
- IAS 24, Related Party Disclosures
- IAS 27, Consolidated and Separate Financial Statements
- IAS 28, Investments in Associates
- IAS 31, Interest in Joint Ventures
- IAS 32, Financial Instruments: Disclosure and Presentation
- IAS 33, Earnings per Share
- IAS 39, Financial Instruments: Recognition and Measurement
- IAS 40, Investment Property

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 but which the Group has not adopted early, as follows:

- *IAS 19, (amendment) Employee Benefits* (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As Straumann does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. Straumann will apply this amendment from annual periods beginning 1 January 2006.

- *IAS 39, (amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective from 1 January 2006). This amendment is not relevant to Straumann's operations, as Straumann does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31 December 2005 and 2004.
- *IAS 39, (amendment) The Fair Value Option* (effective from 1 January 2006). This amendment should not have a significant impact on Straumann, as there are currently no financial instruments classified at fair value through profit or loss.
- *IAS 39 and IFRS4, (amendment) Financial Guarantee Contracts* (effective from 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value and subsequently measured at the higher of: (a) the un-amortized balance of the related fees received and deferred, and (b) the expenditure required settling the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to Straumann.
- *IFRS 1, (amendment) First-time Adoption of International Financial Reporting Standards and IFRS 6 (amendment), Exploration for and Evaluation of Mineral Resources* (effective from 1 January 2006). These are not relevant to Straumann's operations.
- *IFRS 6, Exploration for and Evaluation of Mineral Resources* (effective from 1 January 2006). IFRS 6 is not relevant to Straumann's operations.

- *IFRS 7, Financial Instruments: Disclosures, and complementary amendment to IFRS 1, Presentation of Financial Statements – Capital Disclosures* (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Straumann assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. Straumann will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- *IFRIC 4, Determining whether an Arrangement contains a Lease* (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is, or contains, a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on Straumann's operations.
- *IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective from 1 January 2006) IFRIC 5 is not relevant to Straumann's operations.
- *IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* (effective from 1 December 2005). IFRIC 6 is not relevant to Straumann's operations.

Basis of consolidation

The consolidated financial statements of Straumann include the financial statements of Straumann Holding AG and all its domestic and foreign subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to Straumann and cease to be consolidated from the date on which control is transferred out of Straumann.

Investments in subsidiaries

In cases where Straumann Holding AG directly or indirectly holds a majority of voting rights or otherwise exercises any other form of direct or indirect control, the assets and liabilities, expense and income of the companies concerned are included in full in the consolidated financial statements. Minority interests in the profit and equity of subsidiaries are disclosed separately.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Straumann. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Sales are made and services performed at market prices between Straumann companies. Intercompany profits from inventories and supplies not yet realized through sales to third parties are eliminated. Intercompany transactions and balances are eliminated in the consolidated financial statements.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are entities in which Straumann has significant influence (20–50% ownership) and which are neither subsidiaries nor joint ventures of Straumann. The investment in associates is carried in the balance sheet at cost plus post-acquisition changes in Straumann's share of net assets of the associates, less any impairment in value. The income statement reflects Straumann's share of the results of operations of these associates. Straumann did not own any investment in associates during the period under review.

Interest in joint ventures

Interest in joint ventures is accounted for by proportionate consolidation, which involves recognizing a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. No joint venture was held by Straumann during the period under review.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Foreign currency translation

The consolidated financial statements are expressed in Swiss francs (CHF). The functional currency of each Straumann company is the applicable local currency. Transactions in foreign currencies are accounted for at the rates prevailing at the dates of the transaction. Translation differences from financial transactions are included in the financial result along with any related hedge effects.

Gains and losses resulting from foreign currency transactions and from the adjustment of foreign-currency monetary assets and liabilities at the balance sheet date are recognized in the income statement.

Assets and liabilities of foreign entities are translated into Swiss francs using the balance sheet exchange rates at year-end. Income and expenses are translated on a monthly basis at monthly average exchange rates. Differences arising from the translation of foreign currency financial statements using the above method are recorded as translation reserve in equity.

Exchange differences arising on intercompany loans of an equity nature that essentially form part of the company's net investment in the foreign entity are classified as translation reserve within equity until the disposal of the net investment, at which time they are included in income as part of the gain or loss on disposal.

Currency	Unit	31 Dec 2005	Average 2005	31 Dec 2004	Average 2004
EUR	1	1.56	1.55	1.54	1.54
GBP	1	2.28	2.26	2.18	2.27
SEK	100	16.48	16.68	17.11	16.91
NOK	100	19.35	19.30	18.73	18.43
USD	1	1.31	1.24	1.13	1.25
CAD	1	1.13	1.03	0.94	0.95
BRL	100	56.28	51.20	42.70	42.40
AUD	1	0.96	0.95	0.89	0.91
MXN	1	0.12	0.11	0.10	0.11

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on a straight-line basis over the estimated useful life of the asset or the lease term. The useful lives applied are 30 years for manufacturing and administration buildings, and 3–10 years for production facilities, machinery, equipment and vehicles. 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.

The carrying value of tangible fixed assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If this occurs, Straumann estimates the future cash flows expected to result from the use of the asset and its eventual disposal. If the sum of such expected cash flows is less than the carrying amount of the asset, an impairment loss is recognized in the amount by which the asset's book value exceeds its fair market value.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the property for its intended use, as part of the cost of the asset.

Investment property

Investment property is held for long-term purposes and is not operationally used by Straumann itself. Such properties are treated as non-current investments and are carried at cost, less accumulated depreciation and any impairment in value. Depreciation is computed on a straight-line basis over the estimated useful life of the investment property. The useful lives applied for such properties are 20–30 years. Land is not depreciated as it is deemed to have an indefinite life. The carrying value of investment property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If this occurs, the market value is determined by external appraisers. If the market value is less than the carrying amount of the asset, an impairment loss is recognized in the amount by which the asset's book value exceeds its fair market value.

In the period under review the former headquarter buildings in Waldenburg were reclassified from Land and Buildings to Investment Property.

Intangible assets

Goodwill

Acquisitions prior to 31 March 2004 were accounted in accordance with IAS 22 and goodwill was amortized over its useful life (maximum 20 years). Acquisitions since 1 April 2004 are accounted for in accordance with IFRS 3 and goodwill is no longer amortized but instead is assessed annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level of separately identifiable cash flows.

Patents, licenses and brands with definite useful lives

Costs related to patents, licenses and brands acquired are capitalized and amortized on a straight-line basis over their useful life.

Patents, licenses and brands with indefinite useful lives

Costs related to patents, licenses and brands acquired are capitalized and not amortized. The carrying amount of patents, licenses and brands with indefinite useful lives is reviewed annually for impairment and, in addition, when events or changes in circumstances indicate that the carrying value is not recoverable.

Research and development costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of a new product line; these are recognized as an asset to the extent that it is expected that the assets concerned will generate future economic benefits. Deferred development costs are amortized on a straight-line basis over the period of their expected benefit, but not exceeding 3 years, starting from the date of full commercial use of the product.

Other intangibles

Intangible assets acquired in a business combination after 31 March 2004 are identified separately and recognized at fair value at the date of acquisition. The mentioned intangible assets have a definite useful life and are amortized. Amortization is calculated using the straight-line method over 3–5 years.

Other purchased intangible assets such as computer software are capitalized at cost in the balance sheet and amortized over a period of 3–5 years or over the duration of their effective use.

Costs associated with developing or maintaining IT systems are recognized as an expense, except for those costs that are directly associated with ERP projects whose economic benefits are expected to exceed costs for longer than 1 year. Expenditure which enhances or extends the performance of ERP systems beyond their original specifications is recognized as a capital improvement and added to the original costs. These costs are recognized and disclosed as other intangibles. Amortization is calculated using the straight-line method over 3 years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and at least once a year. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Leasing

Leases of assets under which Straumann essentially assumes all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the future value of the leased property or, if lower, at the present value of the minimum lease payments. The assets acquired under these contracts are depreciated over the shorter of the estimated useful life of the asset or the lease term. The corresponding financial obligations are included in the liabilities. Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases, and payments made are charged to the income statement as they incur. No finance lease was held by Straumann during the period under review.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs of raw materials are determined using the weighted average purchase price. Work-in-progress and finished goods are valued at manufacturing costs, including the cost of materials, labor and production overheads. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are set up in the case of slow-moving and obsolete stock.

Trade receivables

Trade receivables are stated at their nominal value less an allowance for any uncollectible amount. An allowance for doubtful accounts is made based on individual evaluation when collection is no longer possible. Net book value of trade receivables represents the estimated fair value of future cash flows.

Cash and cash equivalents

This item includes cash in hand and at banks, deposits held at call with banks, and other short-term highly liquid investments with original maturities of 3 months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of short-term bank overdrafts.

Financial assets

Straumann classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. During the period under review, Straumann did not hold any investments in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Straumann provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance-sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Held-to-maturity investments

Held-to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance-sheet date.

Purchases and sales of investments are recognized on trade date. This is the date on which Straumann commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and Straumann has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair-value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Straumann assesses at each balance-sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. In the period under review, Straumann did not hold any investment of the above categories.

Provisions

Provisions are recognized when Straumann has a present obligation (legal or constructive) as a result of a past event, where it is probable that a cash outflow will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Taxes

Current income taxes are calculated on the basis of the results of the reporting period of the individual companies, and are recognized as current tax liabilities. Deferred income taxes are provided for using the liability method on all temporary differences at the balance-sheet date arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred taxes are calculated on the basis of the tax rates that are expected to apply in the period when the assets are realized or the liabilities settled using local tax rates. Deferred tax assets relating to tax loss carry-forwards are recognized when it is probable that such tax losses can be utilized in the future.

Shareholder equity

Dividends are recognized in equity in the period in which they are approved by the Company's shareholders. Where the parent company or a subsidiary purchases the company's equity, the consideration paid (including any attributable transaction costs) is deducted from the total shareholder equity as treasury stock until the shares concerned are withdrawn. Where treasury stock is subsequently sold or reissued, any consideration received is also included in shareholder equity.

Employee benefits

Pension obligations

The employees of all Straumann companies are eligible for retirement benefits under defined benefit and defined contribution plans provided through separate funds, insurance plans, or unfunded arrangements. The pension plans are generally funded through regular contributions made by the employer and the employee and through the income generated by their capital investments, taking account of the recommendations of independent actuaries. Where, due to local conditions, a plan is not funded, a liability is recorded in the financial statements. In the case of defined contribution plans, the net periodic pension cost to be recognized in the income statement equals the contributions made by the employer.

In the case of defined benefit plans, the net periodic pension cost is assessed using the projected unit credit method. The defined benefit obligation is measured at the present value of the estimated future cash flows. The net periodic pension cost less employee contributions is included in the personnel expenses where the employees are located. Plan assets are recorded at their fair value. Significant gains or losses arising from adjustments posted, changes in actuarial assumptions, and amendments to pension plans, are recognized over the average remaining service lives of the related employees, where these differences exceed 10% of the higher amount of the discounted value of the obligation and the fair value of assets at the beginning of the year under review.

Cash bonus plan

As part of the annual compensation, a cash target bonus is defined for each employee as well as for management. This cash target bonus is multiplied based on the improvement of the economic profit. For strategic management, the bonus is subject to a partial retention on a bonus bank.

Straumann recognizes a liability and an expense when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based compensation

The parent company offers management a stock option plan as part of the management equity compensation program. The options have a term of 5 years and are subject to a vesting period of 1–3 years. The value of the options is equivalent to the market value at grant date calculated using the Black-Scholes method based on the share price at year-end. The options granted are recognized as personnel expenses over the vesting period.

Employees have the right to buy between 10 and 100 shares on the basis of the employee equity compensation program. The parent company offers the employees a discount of 25% based on the share price at year-end, which is recognized as personnel expenses at the date of the creation of the shares. The shares are subject to a 2-year lock-up period.

The Annual Shareholder Meeting of the parent company has created conditional share capital for both plans. Non-employee shareholders are excluded from subscribing for these shares.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the benefits. Straumann recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

*Revenue recognition**Sales of goods*

Sales represent amounts received and receivable for goods supplied to customers after deducting trade discounts, cash discounts and volume rebates and excluding sales and value added taxes. Revenues from the sale of products are recognized upon transfer to the customer of significant risks and rewards, usually upon shipment.

Sales of services

Sales of services are recognized in the accounting period in which the services are rendered.

License revenue

License revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

Financial risk factors

Straumann operates worldwide and is therefore exposed to a variety of financial risks such as foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk. Straumann's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Special guidelines exist for risk management, and are monitored by Straumann management. Straumann only concludes contracts with selected high-quality financial institutions of good reputation.

Foreign exchange risk

In order to reduce its foreign exchange exposure, Straumann may enter into currency contracts to hedge against foreign currency exchange risks, in particular relating to settlements of intercompany transactions. An evaluation based on market values is performed regularly.

Credit risk

Straumann has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

Liquidity risk

Prudent liquidity-risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

Cash flow and fair value interest rate risk

As Straumann has no significant interest-bearing assets and liabilities, the income and operating cash flows are substantially independent of changes in market interest rates.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Straumann designates derivatives as either fair value hedges, cash flow hedges, hedges of net investments in foreign operations, and derivatives that do not qualify for hedge accounting. In the period under review, Straumann did not hold any derivative financial instruments.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

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, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the key management personnel of the entity or close members of the family are also considered related parties as well as post-employment benefit plans for the benefit of employees of the entity.

Transactions with related parties are conducted on an arm's length basis.

Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Straumann did not receive any government grants in the period under review.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Straumann makes estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed below.

Goodwill

Straumann tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The underlying calculations require the use of estimates (Note 3 [Intangible assets]).

A sensitivity analysis shows that a deterioration of free cash flow of up to 5% at most would not result in an impairment of goodwill.

Investment property

In 2005, Straumann reported its former headquarters in Waldenburg, Switzerland as investment property.

The fair value of the building, which is subject to changing market conditions, was estimated by two independent valuers. The results support the actual carrying amount.

Income taxes

Straumann is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Property, plant and equipment

(in CHF 1 000)	Land	Buildings	Machinery and fixtures	Furniture equipment, cars	Property, plant and equipment 2005	Property, plant and equipment 2004
Cost						
At 1 January	2 130	90 883	58 175	53 326	204 514	148 318
Change in consolidation scope		1 226		120	1 346	0
Additions	156	8 500	24 617	16 399	49 672	56 398
Disposals		(36)	(36)	(1 715)	(1 787)	(202)
Reclassification to investment property	(1 487)	(12 444)			(13 931)	0
Currency translation adjustments		828	51	432	1 311	0
At 31 December	799	88 957	82 807	68 562	241 125	204 514
Accumulated depreciation						
At 1 January		29 543	32 674	30 139	92 356	73 193
Additions		3 595	6 498	8 768	18 861	19 163
Disposals		(12)	(26)	(1 078)	(1 116)	0
Reclassification to investment property		(1 731)			(1 731)	0
Currency translation adjustments		35	58	429	522	0
At 31 December		31 430	39 204	38 258	108 892	92 356
Book value	799	57 527	43 603	30 304	132 233	112 158
Insurance value		31 000				

Tangible assets are insured in accordance with the above-mentioned book values. Repair and maintenance expenses for property, plant and equipment for the business year 2005 amounted to CHF 4.1 million.

The former headquarters buildings in Waldenburg, Switzerland, with a carrying value of CHF 12.2 million, were reclassified from land and buildings to investment property.

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Investment property

(in CHF 1 000)	Investment property 2005
Cost	
At 1 January	0
Reclassification from property, plant and equipment	13 931
At 31 December	13 931
Accumulated depreciation	
At 1 January	0
Reclassification from property, plant and equipment	(1 731)
At 31 December	(1 731)
Book value	12 200
Insurance value	24 350

Investment properties are treated as non-current investments and are carried at cost, less accumulated depreciation and any impairment in value.

(in CHF 1 000)	2005
Rental income	0
Direct operating expenses arising from investment properties	
that generate rental income	0
Direct operating expenses that did not generate rental income	632

From the beginning of 2006 the two buildings were fully rented out and are depreciated on a straight line base.

2 Intangible assets

(in CHF 1 000)	Goodwill	Development costs	Other intangibles	Intangible assets 2005	Intangible assets 2004
Cost					
At 1 January	59 617	10 095	16 578	86 290	78 190
Change in consolidation scope			4 994	4 994	0
Additions	66 509	5 290	5 521	77 320	9 687
Derecognition				0	(1 587)
Reclassification	(4 796)	2 346		(2 450)	0
Currency translation adjustments	210			210	0
At 31 December	121 540	17 731	27 093	166 364	86 290
Accumulated amortization					
At 1 January	9 514	1 467	9 383	20 364	12 094
Additions		1 658	4 597	6 255	8 270
Derecognition				0	1 587
Impairment				0	(1 587)
Reclassification	(4 796)	2 346		(2 450)	0
Currency translation adjustments	(42)		8	(34)	0
At 31 December	4 676	5 471	13 988	24 135	20 364
Book value	116 864	12 260	13 105	142 229	65 926

(in CHF 1 000)	2005	2004
Breakdown of development costs at 31 December 2005		
Development projects	10 190	5 907
Projects in commercial use	2 070	2 721
At cost	5 089	4 082
Accumulated amortization	(3 019)	(1 361)
Book value development costs	12 260	8 628

In 2005, additional development costs of CHF 5.3 million were capitalized. On the other hand, amortization of development costs amounted to CHF 1.7 million.

Other intangibles include patents and capitalized IT-related costs.

Impairment test for goodwill

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The goodwill in connection with the acquisitions of Straumann Italia srl, Italy (former BIO srl), and Biora has 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 3-year period for Straumann Italia srl and a 5-year period for Biora AB. No perpetual growth of the cash flows is extrapolated beyond the 3-year/5-year period. The growth rate does not exceed the long-term average growth rate for the implant dentistry and oral tissue regeneration market.

No events or circumstances indicate that the carrying value is not recoverable. Based on impairment tests, further evidence is available that there is no impairment.

A summary of the goodwill allocation per CGU is presented below:

(in CHF 1 000)	2005	2004
Straumann Italia srl, Milan, Italy	66 307	0
Biora AB, Malmö, Sweden	44 974	45 159
Straumann SA, Madrid, Spain	4 987	4 944
Straumann Pty Ltd, Victoria, Australia	596	0
Total goodwill	116 864	50 103

The following key assumptions have been made for the goodwill impairment test of Straumann Italia srl and Biora AB:

(in %)	Straumann Italia srl	Biora AB
Gross profit margin ¹	34.7	60.0
Growth rate	16.0	20.6
WACC ²	16.1	12.1

1 Budgeted gross profit margin

2 Pre-tax discount rate applied to the cash flow projections

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

3 Financial assets

(in CHF 1 000)	2005	2004
Life insurance policies for US pension plan	0	1 809
Long-term loan	120	180
Other financial assets	312	231
At 31 December	432	2 220

Financial assets include a loan to the buyer of Straumann's former production site in Niederdorf, Switzerland, which is repayable in 3 equal installments over the remaining period of 2 years.

The other financial assets mainly consist of securities paid in connection with a rental agreement of a subsidiary.

The capitalized amount of CHF 1.8 million in 2004 related to a life insurance policy for a retirement plan funded in the US, which was fully paid back due to termination of the plan in the fiscal year 2005.

4 Investments in subsidiaries

The consolidated financial statements of Straumann include the financial statements of Straumann Holding AG and the subsidiaries listed in the following table:

	Purpose	Currency	Share capital	Interest and voting rights (in %) 2005	Interest and voting rights (in %) 2004
Institut Straumann AG, Basel, Switzerland	Production/Sales	CHF	9 000 000	100	100
Straumann GmbH, Freiburg, Germany	Sales	EUR	170 000	100	100
Straumann USA, LLC, Andover, USA	Sales	USD	1	100	100
Straumann Ltd, Uckfield, UK	Sales	GBP	100 000	100	100
Straumann BV, IJsselstein, Netherlands	Sales	EUR	18 151	100	100
Straumann SARL, Marne-la-Vallée, France	Sales	EUR	192 000	100	100
Straumann AB, Gothenburg, Sweden	Sales	SEK	100 000	100	100
Straumann AS, Oslo, Norway	Sales	NOK	500 000	100	100
Straumann OY, Helsinki, Finland	Sales	EUR	25 228	100	100
Straumann SA, Madrid, Spain	Sales	EUR	60 101	100	100
Straumann Canada Ltd, Burlington, Canada	Sales	CAD	1 500 000	100	100
Straumann GmbH, Vienna, Austria	Sales	EUR	40 000	100	100
Straumann Brasil Ltda, São Paulo, Brazil	Sales	BRL	465 999	100	100
Straumann SA/NV, Zaventem, Belgium	Sales	EUR	100 000	100	100
Straumann Holding Italy srl, Milan, Italy	Participation	EUR	1 510 000	100	–
Straumann Italia srl, Milan, Italy	Sales	EUR	270 000	100	–
Straumann Manufacturing Inc, Andover, USA	Production	USD	1	100	–
Straumann Pty Ltd, Victoria, Australia	Sales	AUD	100	100	–
Straumann Mexico SA de CV, Mexico DF, Mexico	Sales	MXN	50 000	100	–
Straumann Holding Sweden AB, Malmö, Sweden	Participation	SEK	100 000	100	100
Biora AB, Malmö, Sweden	Production/Sales	SEK	950 152	94	92
Biora Ltd, London, UK	Dormant	GBP	2	94	92
Biora Option AB, Malmö, Sweden ¹	Dormant	SEK	–	–	92
Bioventures BV, Amsterdam, Netherlands	Patents	EUR	18 151	94	92
Biora BioEx AB, Malmö, Sweden	Patents	SEK	100 000	94	92

¹ merged in 2005

Business combinations*Straumann Italia srl, Italy*

In January 2005, Straumann acquired 100% of the share capital of its current third-party distributor in Italy, BIO srl. The company was renamed Straumann Italia srl.

Details of net assets acquired and goodwill are as follows:

(in CHF 1 000)	Purchase consideration
Cash paid	61 327
Direct costs relating to the acquisition	494
Fair value of net assets acquired	3 958
Total goodwill	65 779

The goodwill is attributable to the continuous growth expectation of the acquired business and the significant market expansion potential.

The assets and liabilities arising from the acquisition are as follows:

(in CHF 1 000)	Fair value	Acquiree's carrying amount
Current assets	14 305	14 305
Non-current assets	6 793	13 065
Liabilities	(25 056)	(25 056)
Net assets acquired	(3 958)	2 314

(in CHF 1 000)	2005
Purchase consideration settled in cash	61 821
Cash and cash equivalents	(124)
Cash outflow on acquisition	61 697

In the context of the acquisition of BIO srl, Straumann Holding Italy srl was established. The purpose of this company is limited to the holding of the investment of Straumann Italia srl.

Straumann Manufacturing Inc, USA

During the first quarter of 2005, Straumann restructured its US organization as part of the establishment of a new production facility in the US. At the end of March 2005, a new entity – Straumann Manufacturing Inc, USA – was established and took over all manufacturing activities from Straumann USA, LLC. Straumann USA, LLC continues to perform all distribution activities in the US.

Straumann Mexico SA de CV, Mexico

In addition, a new distribution subsidiary Straumann Mexico SA de CV was established in August 2005 and will become operative in January 2006.

Biora AB, Sweden (compulsory acquisition)

The integration of the Biora distribution organization into the Straumann distribution subsidiaries was completed during 2004. By 31 December 2005, Straumann held a total 93.7% of the shares and votes of Biora AB, Sweden. The compulsory acquisition of the remaining minorities is expected to be completed in the first half of 2006. As a first step in the completion, Straumann had to deposit the initial offer of SEK 17 per share in an escrow account. This and accrued interest totals CHF 5.3 million.

Biora Option AB, Sweden

Biora Option AB, Sweden, which had ceased activities, was merged with Biora AB, Sweden.

Straumann Pty Ltd, Australia

Straumann Pty Ltd, Australia was already established in December 2004 and became operational on 1 July 2005. The new Australian subsidiary took over the business from the former third-party distributor in Australia.

5 Inventories

(in CHF 1 000)	2005	2004
Raw materials	6 794	3 803
Work in progress	16 554	14 193
Finished goods	24 793	17 549
At 31 December	48 141	35 545

No inventories are pledged.

6 Trade receivables

(in CHF 1 000)	2005	2004
Trade receivables	71 563	50 590
Allowance for doubtful accounts	(1 915)	(1 776)
At 31 December	69 648	48 814

Of the total amount of CHF 69.6 million, 12% relate to the Japanese distributor.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed. Straumann has not recognized any material losses from impairments of its trade receivables under the period of review.

104 7 Other receivables

(in CHF 1 000)	2005	2004
At 31 December	3 703	6 162

Other receivables amounted to CHF 3.7 million and decreased by CHF 2.5 million compared with the previous year. They mainly consist of VAT receivables of CHF 2.2 million in Switzerland and minor amounts in other countries.

8 Prepaid expenses and accrued income

(in CHF 1 000)	2005	2004
At 31 December	7 441	3 598

Prepaid expenses and accrued income mainly contain prepayments attributable to the following financial year.

9 Cash and cash equivalents

(in CHF 1 000)	2005	(in %)	2004	(in %)
Cash at banks and in hand	94 195	100.0	92 445	100.0
in EUR	16 367	17.4	53 014	57.4
in CHF	52 825	56.1	13 289	14.4
in SEK	17 819	18.9	11 405	12.3
in USD	4 630	4.9	10 448	11.3
other currencies	2 554	2.7	4 289	4.6
Short-term bank deposits	0		14 660	
At 31 December	94 195		107 105	

Changes in cash and cash equivalents are reflected in the cash flow statement where the amounts concerned correspond to the cash and cash equivalents item.

In connection with the squeeze-out of the minority shareholders of Biora AB, Sweden, an amount of CHF 4.4 million (SEK 26.4 million) is on an escrow account as of 31 December 2005.

10 Share capital

(in CHF 1 000)	2005	2004
At 1 January	1 552	1 551
Issuance of new shares		
Compensation plan – shares	1	1
Compensation plan – options	5	0
At 31 December	1 558	1 552

In 2005, share capital increased by CHF 5 764. Through the year, 48 340 options were executed at a strike price of CHF 127.80 and 9 301 shares were issued for the employee share plan.

The Board of Directors will propose a dividend for 2005 of CHF 2.50 per share, or CHF 38.9 million in total, to the general assembly.

The number of shares developed as follows:

	2005	2004
Number of shares		
At 1 January	15 519 120	15 507 160
Issuance of new shares		
Compensation plan – shares	9 301	10 240
Compensation plan – options	48 340	1 720
At 31 December	15 576 761	15 519 120

The additional share capital was created from conditional share capital that can be used for the employee share plan and the option plan for management. Non-employee shareholders are excluded from subscribing for these shares. The effective amount of registered conditional share capital at year-end was CHF 42 324 (423 239 shares with a par value of CHF 0.10 each at year-end).

(in CHF)	2005	2004
Conditional share capital		
At 1 January	48 088	49 284
Issuance of new shares		
Compensation plan – shares	(930)	(1 024)
Compensation plan – options	(4 834)	(172)
At 31 December	42 324	48 088

	2005	2004
Number of conditional shares		
At 1 January	480 880	492 840
Issuance of new shares		
Compensation plan – shares	(9 301)	(10 240)
Compensation plan – options	(48 340)	(1 720)
At 31 December	423 239	480 880

106 11 Minority interest

(in CHF 1 000)	2005	2004
At 1 January	2 131	1 877
Minority share in profit	344	579
Purchase of minority shares Biora AB	(943)	(311)
Currency translation differences	(21)	(14)
At 31 December	1 511	2 131

As of 31 December 2005, Straumann owned 22 256 186 shares of Biora AB (93.7%) of which 297 500 (1.3%) were purchased during 2005. As of 31 December 2005, 1 497 614 (6.3%) minority shares were outstanding.

The compulsory acquisition of the minorities is not fully completed as of 31 December 2005. Straumann expects to take over the remaining minority interests in the first half of 2006.

12 Provisions

(in CHF 1 000)	Warranties	Other	Total 2005	Total 2004
At 1 January	697	1 205	1 902	3 956
Change in consolidation scope		1 362	1 362	0
Utilization	(41)	(193)	(234)	(301)
Reversal		(726)	(726)	(2 680)
Additions		223	223	927
At 31 December	656	1 871	2 527	1 902

The warranty provision relates to the settlement with the insurance company of a previous insurance case.

The overall increase in other provisions is mainly due to a provision of CHF 1.2 million for severance payments for sales agents of the acquired company in Italy.

13 Deferred taxes

Deferred income tax assets are recognized for deductible temporary differences and tax loss carry-forwards only to the extent that realization of the related tax benefit is probable. The company has tax losses of CHF 69.0 million to carry forward against future taxable income. The tax losses have not been fully recognized in these financial statements because their recoverability is uncertain. The expiry date of the tax loss carry-forwards and the amount recognized are as follows:

(in CHF 1 000)	2005	2004
Tax loss carry-forwards by expiry date		
2006	0	85
2007	0	179
2008	0	0
2009	0	0
2010	0	0
after 2010	68 996	89 989
	68 996	90 253
Potential tax relief effect	20 830	27 730
Tax credits	943	1 042
Valuation allowance	(6 004)	(11 301)
At 31 December	15 769	17 471

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority and are based on the same item. The following amounts are shown in the consolidated balance sheet:

(in CHF 1 000)	2005	2004
Deferred tax assets		
At 1 January	22 785	19 225
Change in deferred tax assets	(351)	3 560
At 31 December	22 434	22 785

There is a valuation allowance based on the uncertainty that all tax loss carry-forwards can be realized. On the other hand, changes in temporary differences as well as the use of tax loss carry-forwards are included in the change of the deferred tax assets. Deferred tax assets are attributable to the following items:

(in CHF 1 000)	2005	2004
Deferred tax assets		
Tax loss carry-forwards and tax credits	15 769	17 471
Inventories	2 376	2 061
Trade receivables	690	199
Tangible assets	136	322
Provisions	2 808	2 402
Accruals	655	0
Others	0	330
Total	22 434	22 785

108 The following deferred tax liabilities are shown in the consolidated balance sheet:

(in CHF 1 000)	2005	2004
Deferred tax liabilities		
At 1 January	10 302	6 489
Change in deferred tax liabilities	2 930	3 813
At 31 December	13 232	10 302

Deferred tax liabilities represent taxable temporary differences and are attributable to the following items:

(in CHF 1 000)	2005	2004
Deferred tax liabilities		
Fixed assets	3 956	2 073
Deferred development costs	3 042	2 261
Financial assets/acquisitions	0	1 526
Trade receivables	1 134	834
Provisions	3 730	3 365
Accruals	1 092	0
Others	278	243
Total	13 232	10 302

14 Pension liability

(in CHF 1 000)	2005	2004
At 1 January	3 340	1 315
Change in consolidation scope	405	0
Expense recognized in income statement	3 828	4 509
Employer's contributions	(4 086)	(2 484)
At 31 December	3 487	3 340

The pension liability relating to the defined benefit pension plans was calculated at 31 December 2005 by independent actuaries in accordance with IAS 19. The net liability is disclosed as pension liability. A detailed explanation is given in Note 22.

15 Trade payables

(in CHF 1 000)	2005	2004
At 31 December	24 220	15 268

Trade payables are non-interest-bearing and consist of payables arising in the ordinary course of business.

16 Other liabilities

(in CHF 1 000)	2005	2004 ¹
Value added tax	1 333	2 533
ITI Foundation	1 821	1 596
Vacation accrual	3 700	3 424
Sales commissions	2 229	4 046
Personnel liabilities/social security/pension costs	5 713	3 778
Other liabilities	5 187	1 636
At 31 December	19 983	17 013

¹ Minor reclassifications of 2004 figures to increase the transparency and comparability with current year figures.

17 Accrued expenses and deferred income

(in CHF 1 000)	2005	2004
At 31 December	22 969	22 448

Accrued expenses and deferred income includes accrued personnel expense of CHF 14.5 million, accruals for marketing and sales expenses of CHF 3.4 million, CHF 1.1 million for accrued professional services, accruals for rental and lease expenses of CHF 1.1 million and several minor items.

18 Group sales

(in CHF 1 000)	2005	2004
Straumann products	488 649	405 298
Third-party products	12 097	7 537
Training courses	8 263	6 973
Other income	544	488
Total	509 553	420 296

Consolidated net sales rose by CHF 89.3 million or 21.2% in 2005.

The growth was predominantly organic; 5.2% points were acquisition related, while 0.5% points were due to currency effects.

110 19 Other income

(in CHF 1 000)	2005	2004
Other income	3 078	3 861

Other income in 2005 includes license income of CHF 1.0 million, reversal of unutilized provisions in the amount of CHF 0.7 million, and various other minor items, such as expense refunds from employees and gains from disposals of fixed assets.

20 Cost of material and goods

(in CHF 1 000)	2005	2004
Cost of material and goods	71 206	46 317
Change in inventories	(12 596)	(895)
Total	58 610	45 422

Cost of material and goods contains inventory write-offs of CHF 1.2 million.

21 Personnel expense

(in CHF 1 000)	2005	2004
Wages and salaries	111 809	93 433
Social security cost	21 510	22 109
Other personnel expense	9 693	7 204
Total	143 012	122 746

The numbers of employees were as follows:

(in CHF 1 000)	2005	2004
Finance and administration	269	194
Sales and Market and Product Support	553	478
Products	99	98
Operations	421	334
Total number of employees	1 342	1 104
Average number of employees	1 236	1 006

22 Post-employment benefits

Most employees are insured under various pension schemes, which are funded by Straumann, state insurance schemes or by private institutions. The provision schedules are tailored to local conditions (legal, fiscal and economic environment). The defined benefit obligations and related assets of the major plans are reappraised yearly, and independent actuaries reassess the obligation at least every 3 years. The most recent actuarial assessments were made in 2005.

The principal actuarial assumptions for the different plans that are determined with respect to local conditions are given below:

(in %)	Switzerland 2005	Switzerland 2004	Italy 2005	Italy 2004
Discount rates	2.75	3.50	4.25	–
Expected return on plan assets	3.75	4.25	–	–
Average future salary increase	1.50	1.50	3.00–3.50	–
Expected future pension increase	0.25	0.50	–	–
Average retirement age (in years)	62/62	62/62	–	–
Inflation rate	1.00	1.00	–	–

The defined benefit plan for the management in the US was terminated in 2004. Parts of the liabilities remain in the balance sheet as pension liabilities due to an agreement not to pay out these liabilities immediately. No further liabilities will arise from this plan from 2004 onwards.

In the context of the acquisition of BIO srl, an additional defined benefit plan has to be considered. Including the Swiss plan, which covers all Swiss employees, Straumann has two defined benefit plans as of 31 December 2005.

	2005	2004
Overview of plans		
Funded plans	9	5
Unfunded plans	0	0
Total	9	5
Defined benefit plans	2	1
Defined contribution plans	7	4
Total	9	5

112 The net pension cost developed as follows:

(in CHF 1 000)	2005	2004 ¹
Net pension cost for defined benefit plans		
Current service cost	5 648	5 852
Interest cost	1 735	1 614
Expected return on plan assets	(1 534)	(1 348)
Net actuarial gain (loss) recognized in year	772	569
Curtailment, settlement, plan amendment (gain) loss	(69)	0
	6 552	6 687
Employees' contribution	(2 724)	(2 178)
Net pension expense	3 828	4 509
Employer's contributions	4 086	2 484

¹ Prior year adjusted by the non-pension liability part of the former US plan.

The actual return on plan assets is CHF 4.0 million.

(in CHF 1 000)	2005	2004 ¹
Funded status (defined benefit plans only)		
Plan assets at fair value	56 001	36 096
Present value of defined benefit obligation	(67 635)	(51 863)
Funded status	(11 634)	(15 767)
Unrecognized actuarial loss	8 147	12 427
Net liability in balance sheet	3 487	3 340

¹ Prior year adjusted by the non-pension liability part of the former US plan.

23 Share-based payments

Part of the compensation paid to the Board of Directors, Executive Committee and other members of senior management takes the form of stock options. The options have a term of 5 years and a vesting period of 1–3 years. The options can be exercised 1:1 into shares. The fair value of the options granted is determined using the Black-Scholes valuation model. The calculation of the option value was performed by independent specialists, applying the following significant inputs into the model:

(in CHF)	2005	2004
Black-Scholes parameters		
Market price of stock	305	236
Exercise price of option	305	236
Volatility (in %)	22.5	23.0
Risk-free interest rate (in %)	2.1	2.0
Option term (in years)	5	5
Dividend yield (in %)	0.8	0.8

The options granted are recognized as personnel expense over the vesting period. In 2005, 51 480 options were granted. 48 340 options were exercised during 2005 and a corresponding number of shares issued. The weighted average share price at the date of exercise was CHF 259.

The option program developed as follows:

	2005	2004
Equity compensation plan – outstanding options		
At 1 January	199 535	147 980
Granted options	51 480	53 275
Exercised options	(48 340)	(1 720)
Forfeited options	0	0
Expired options	0	0
At 31 December	202 675	199 535
Options available for exercise at period-end	63 382	79 082

114 The options are structured as private placement. Since 2000, a Swiss bank has functioned as "Market Maker" for the quoted and private placement warrants. The range of exercise prices of the options outstanding at period-end is between CHF 146.70 and CHF 304.50. The exercise period and the expiry date of the outstanding options are as follows:

	Options available for exercise	Options expiring at year-end
2005	63 382	–
2006	86 822	18 574
2007	98 880	35 336
2008	81 014	50 591
2009	51 480	46 694
2010	–	51 480
Total		202 675

Employees have the right to buy shares on the basis of the employee equity compensation program. Straumann offers the employees a discount of 25% based on the share price at year-end. This discount is recognized as personnel expense at the date of the issue of the shares. The shares are subject to a 2-year lock-up period. During the reporting period, employees subscribed 9 301 of those shares. Share-based payments for both option and employee share plans are shown under personnel expense.

The cost of share-based payment was as follows:

(in CHF)	2005	2004
Employee share plan	548 759	486 400
Option plan	2 151 192	1 647 875
Total share based payments	2 699 951	2 134 275

24 Depreciation and amortization

(in CHF 1 000)	2005	2004
Depreciation	18 861	19 163
Amortization	6 255	9 857
Total	25 116	29 020

This position includes depreciation on buildings, machinery and fixtures, furniture, equipment and cars. The amortization includes the amortization on development costs, software and other intangible assets. Please refer to Notes 1 and 2 for details.

The decrease in amortization is due to the fact that goodwill is no longer amortized over its anticipated useful life but is instead assessed annually for impairment.

25 Other operating expense

(in CHF 1 000)	2005	2004
Administration expense	24 831	21 587
Sales expense	65 380	48 645
Contribution to the ITI Foundation	7 880	7 351
External research and development expense	4 871	3 812
Other operating expense	26 993	18 605
Rental	13 916	6 205
Maintenance, repairs and utilities	9 179	7 060
Insurance and other fees	3 363	2 921
Other minor items	1 588	1 738
Operating exchange result ¹	(1 053)	681
Total	129 955	100 000

¹ 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense.

In the fiscal year 2004, exchange gains and losses related to operations were stated under foreign exchange result. To increase transparency, for 2005 Straumann has reported all exchange gains and losses on trade receivables and trade payables under other operating expense. The 2004 figures have been reclassified accordingly. Based on this reclassification, other operating expense increased and foreign exchange result correspondingly decreased by CHF 0.7 million in the prior year.

116 26 Financial result

(in CHF 1 000)	2005	2004 ¹
Financial income	3 099	1 269
Financial expense	(543)	(2 059)
Total	2 556	(790)

¹ 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense.

The positive financial result in 2005 is due to exchange-rate gains on cash and cash equivalents and on intercompany loans mainly owing to the positive effect of the US dollar and the Euro.

Financial income consists of interest on cash and cash equivalents. The two main items in financial expense are cost incurred in the setting-up of the new employee option plan, and cost incurred in Italy after the acquisition in the first half of the year.

27 Tax expense

(in CHF 1 000)	2005	2004
Current income tax expense	26 369	25 858
Deferred tax income/expense	3 918	(206)
Total	30 287	25 652
Effective tax rate (in %)	19.1	20.3

The applicable tax rate is the domestic income tax rate applicable to the profits of the company concerned for the fiscal period under review.

The following table is a reconciliation of the income taxes calculated at the domestic tax rate to the effective income tax expense.

(in CHF 1 000)	2005	2004
Profit before taxes	158 494	126 179
Domestic income tax rate (in %)	24.8	24.5
Expected income tax expense	39 306	30 914
Tax relief of the period	(9 113)	(2 000)
Previously unrecognized tax losses	(579)	(3 285)
Influence of other effective tax rates	673	23
Tax expense	30 287	25 652
Effective current income tax rate (in %)	19.1	20.3

28 Earnings per share

Basic earnings per share

Total shares outstanding at year-end were 15 576 761. Basic earnings per share are calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the year.

	2005	2004
Net profit attributable to shareholders (in CHF 1 000)	127 863	99 948
Weighted average number of outstanding shares	15 560 767	15 513 612
Basic earnings per share (in CHF)	8.22	6.44

Diluted earnings per share

In the case of diluted earnings per share, the weighted number of shares outstanding is adjusted to assume conversion of all dilutive potential shares. The weighted average number of shares is adjusted for the options issued under the stock option plan. The calculation of diluted earnings per share is based on the same net profit for the period as is used in calculating basic earnings per share.

	2005	2004
Net profit attributable to shareholders (in CHF 1 000)	127 863	99 948
Adjusted weighted average number of outstanding shares	15 606 972	15 561 601
Diluted earnings per share (in CHF)	8.19	6.42

29 Segment information

At 31 December 2005, Straumann is organized into one business segment, Products. The former business units of implants and regenerative products have been merged in all areas.

The geographical segments reported are broken down as follows:

- Europe consists of Switzerland, Germany, United Kingdom, the Netherlands, France, all Scandinavian countries, Spain, Portugal, Austria, Belgium, Italy, Denmark, Iceland, Greece, Turkey and all Eastern Europe countries including Russia.
- North America consists of the United States, Canada and Mexico.
- Asia/Pacific consists of Japan, Australia and South East Asia.
- Rest of the World consists of all other countries.

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(in CHF 1000)	Europe	North America	Asia/ Pacific	Rest of the World	Corporate/ unallocated	Eliminations	Group
2005							
Segment assets	468 291	64 581	3 507	4 174		(64 114)	476 439
Corporate/unallocated assets					584 519	(527 670)	56 849
Consolidated total assets	468 291	64 581	3 507	4 174	584 519	(591 784)	533 288
Segment liabilities	85 294	17 955	451	1 388		(43 487)	61 601
Corporate/unallocated liabilities					365 884	(314 186)	51 698
Consolidated total liabilities	85 294	17 955	451	1 388	365 884	(357 673)	113 299
Capital expenditures	99 304	19 526	1 688	530			121 048
Net sales to external customers	316 060	131 297	51 110	11 086			509 553
Net sales to other segments	67 224	0	0	0		(67 224)	0
Total net sales	383 284	131 297	51 110	11 086		(67 224)	509 553
Other income	4 772	9 758	0	3	24 948	(36 403)	3 078
Segment result before depreciation and amortization	156 761	7 392	132	(358)	20 351	(3 224)	181 054
Depreciation/amortization	21 266	2 922	47	91	790		25 116
Operating profit	135 495	4 470	85	(449)	19 561	(3 224)	155 938

(in CHF 1000)	Europe	North America	Asia/ Pacific	Rest of the World	Corporate/ unallocated	Eliminations	Group
2004							
Segment assets	320 915	36 964	0	1 697		(36 149)	323 427
Corporate/unallocated assets					319 023	(237 916)	81 107
Consolidated total assets	320 915	36 964	0	1 697	319 023	(274 065)	404 534
Segment liabilities	62 195	10 619	0	744		(18 835)	54 723
Corporate/unallocated liabilities					157 149	(118 966)	38 183
Consolidated total liabilities	62 195	10 619	0	744	157 149	(137 801)	92 906
Capital expenditures	57 165	8 793	0	123			66 081
Impairment losses	(1 587)	0	0	0			(1 587)
Net sales to external customers	262 106	110 362	40 632	7 196			420 296
Net sales to other segments	51 997	0	0	0		(51 997)	0
Total net sales	314 103	110 362	40 632	7 196		(51 997)	420 296
Other income	7 724	0	0	154	16 579	(20 596)	3 861
Segment result before depreciation and amortization ¹	147 767	(1 921)	0	(639)	15 481	(4 699)	155 989
Depreciation/amortization	21 387	1 044	0	55	4 947		27 433
Impairment charges	1 587	0	0	0			1 587
Operating profit ¹	124 793	(2 965)	0	(694)	10 534	(4 699)	126 969

¹ 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense see note 25 and 26.

30 Changes in working capital

In the cash flow statement, working capital comprises:

(in CHF 1 000)	2005	2004
Changes in working capital		
Inventories	10 193	895
Trade receivables	11 292	6 388
Other receivables	(2 589)	2 376
Prepaid expenses and accrued income	3 015	1 119
Trade payables	(3 041)	(6 276)
Other liabilities	(2 553)	(5 166)
Accrued expenses and deferred income	812	(8 430)
Total changes in working capital	17 129	(9 094)

31 Contingencies and commitments

(in CHF 1 000)	2005	2004
Leasing, rental and other commitments		
Off-balance-sheet rent and operating lease commitments	101 457	121 764
<i>The maturity schedule is as follows:</i>		
– Up to 1 year	12 740	6 279
– 2–5 years	48 617	62 021
– More than 5 years	40 100	53 464
Rental and operating lease expenses	13 916	6 205

The majority of the rent and operating lease commitments are in connection with the move of the global headquarters to Basel in early 2005 and the new opening of the US headquarters in Andover.

The lease term in Basel is 8 years including an option for three 5-year extensions. The Andover lease term is 15 years and provides for two 5-year extensions.

Contingent assets and liabilities

In the US, the Company has entered into USD 3.0 million letter of credit facilities as deposit for the future lease payments. Some group companies are involved in litigation arising from the normal course of their business and they may be liable to pay compensation. 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 litigation will not significantly affect the Group's financial position.

120 32 Related party transactions

The ITI Foundation, the pension fund, VISCHER, Anwälte und Notare, the Board of Directors and the Executive management were all identified as related parties. In 2005, the following related party transactions were made:

(in CHF 1 000)	2005	2004
Transactions		
ITI Foundation	7 842	7 351
Pension fund	4 070	3 278
VISCHER, Anwälte und Notare	204	321
Total related party transactions	12 116	10 950
Open balances at period-end		
ITI Foundation	1 821	1 597
Pension fund	0	20
VISCHER, Anwälte und Notare	60	183
Total open balances due to related parties	1 881	1 800

The payments to the ITI Foundation are based on a license agreement between Straumann and the ITI. The payments to VISCHER, Anwälte und Notare, were made for tax and legal consulting and are priced at arm's length.

Board of Directors and Management compensation

The compensation to the Board of Directors depends on the course of business. The Board of Directors receives a cash bonus and a fixed number of options. The options have a term of 5 years and are subject to a vesting period of 1–3 years. The price of the options is based on the stock price at the end of December.

The compensation of the management consists of a fixed and a variable portion depending on the course of business. Besides a fixed salary, management receives an individual performance-based bonus and a fixed number of options. The options have a term of 5 years and are subject to a vesting period of 1–3 years. The price of the options is based on the stock price at the end of December.

(in CHF 1 000)	Number of persons	Salaries	Cash bonus	Value of options at grant date	Fringe benefits	Total compensation 2005	Total compensation 2004
Compensation							
Chairman of the Board of Directors	1		142	130		272	238
Members of the Board of Directors	5		389	358		747	655
	6		531	488		1 019	893
CEO	1	390	292	325	36	1 043	803
Members of the Executive Management	6	1 465	762	845	192	3 264	3 548
Executive Management leaving	2	320	260	81	47	708	0
	9	2 175	1 314	1 251	275	5 015	4 351
Total	15	2 175	1 845	1 739	275	6 034	5 244

The options granted for 2005 are based on the year-end share price of CHF 304.50 and expire in December 2010. They have a vesting period of 1–3 years and a value at grant date of CHF 65.00.

	Number of persons	Number of options	Value at grant date (in CHF)	Total value (in CHF 1 000)
Granted options 2005				
Chairman of the Board of Directors	1	2 000	65	130
Members of the Board of Directors	5	5 500	65	358
Total	6	7 500		488
Granted options 2006				
CEO	1	5 000	65	325
Members of the Executive Committee	5	13 000	65	845
Executive Management leaving	1	1 250	65	81
Total	7	19 250		1 251
Total	13	26 750		1 739

33 Events after the balance sheet date

Business combinations

On 31 January 2006 Straumann acquired 100% of the share capital of DenTech Danmark ApS, a Danish distribution company, for a cash consideration of CHF 3.4 million.

REPORT OF THE GROUP AUDITORS



Report of the Group auditors to the General Meeting of Straumann Holding AG, Basel

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes – pages 82 to 121) of Straumann Holding AG for the year ended 31 December 2005. The consolidated financial statements of the Company as of 31 December 2004 were audited by another auditor whose report dated 3 February 2005 expressed an unqualified opinion on those statements.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'Brüderlin'.

Thomas Brüderlin

A handwritten signature in black ink, appearing to read 'G. Siegrist'.

Gerhard Siegrist

Basel, 2 February 2006

STRAUMANN HOLDING AG

BALANCE SHEETS

Assets

(in CHF 1 000)	Notes	31 Dec 2005	31 Dec 2004
Intangible assets		2 863	3 591
Participations	2	86 145	66 628
Intercompany loans		206 498	108 445
Non-current assets		295 506	178 664
Intercompany receivables		11 796	1 749
Other receivables		88	162
Cash		11 434	44 831
Current assets		23 318	46 742
Assets		318 824	225 406

Equity and liabilities

(in CHF 1 000)	Notes	31 Dec 2005	31 Dec 2004
Share capital		1 558	1 552
General reserve		1 540	1 540
Additional paid-in capital		38 302	28 491
Special reserve		2 000	2 000
Available earnings		258 679	169 222
Equity	3	302 079	202 805
Intercompany loans		0	8 453
Other provisions		12 188	10 618
Long-term liabilities		12 188	19 071
Tax liabilities		3 767	2 007
Intercompany payables		6	0
Other liabilities		784	1 523
Short-term liabilities		4 557	3 530
Liabilities		16 745	22 601
Equity and liabilities		318 824	225 406

INCOME STATEMENTS

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(in CHF 1 000)	31 Dec 2005	31 Dec 2004
Income from participations	97 642	55 945
Financial income	6 461	8 068
License income	24 213	15 920
Other income	735	659
Income	129 051	80 592
Administration expense	(4 635)	(4 197)
Depreciation and amortization	(790)	(484)
Financial expense	(834)	(3 097)
Expenses	(6 259)	(7 778)
Profit before taxes	122 792	72 814
Income and capital tax expense	(2 200)	(1 476)
Net profit	120 592	71 338

NOTES TO THE FINANCIAL STATEMENTS

General

Straumann Holding AG is a public company whose shares are traded on the Swiss stock exchange. As the parent company of the Straumann Group, the purpose of Straumann Holding AG is to acquire, dispose and manage participations in the field of dental and medical technology.

These financial statements were drawn up in accordance with the regulations of the Swiss Code of Obligations.

1 Guarantees

In favor of its subsidiaries, the company has issued letters of subordination in a total amount of CHF 5.4 million. The company has further issued a letter of comfort of CHF 0.4 million in favor of one of its subsidiaries.

2 Participations

In January 2005, Straumann Holding AG acquired its former Italian distributor BIO srl and established Straumann Holding Italy srl, Italy. The purpose of Straumann Holding Italy srl is limited to the holding of the investment in Straumann Italia srl, Italy. A new distribution subsidiary Straumann Mexico, SA de CV, Mexico was established in August 2005. The new Australian subsidiary, Straumann Pty Ltd, Australia, took over the business from the current third-party distributor in July 2005. Straumann Holding AG holds the following participations:

(in CHF 1 000)	Interest and voting rights (in %) 2005	Participation value 2005	Interest and voting rights (in %) 2004	Participation value 2004
Institut Straumann AG, Basel, Switzerland	100	9 000	100	9 000
Straumann GmbH, Freiburg, Germany	100	31 980	100	31 980
Straumann USA, LLC, Andover, USA	100	1	100	10 419
Straumann Ltd, Uckfield, UK	100	4 415	100	4 415
Straumann BV, IJsselstein, Netherlands	100	58	100	58
Straumann SARL, Marne-la-Vallée, France	100	301	100	301
Straumann AB, Gothenburg, Sweden	100	26	100	26
Straumann AS, Oslo, Norway	100	94	100	94
Straumann OY, Helsinki, Finland	100	105	100	105
Straumann SA, Madrid, Spain	100	6 726	100	6 726
Straumann Canada Ltd, Burlington, Canada	100	1 415	100	1 415
Straumann GmbH, Vienna, Austria	100	730	100	730
Straumann Brasil Ltda, São Paulo, Brazil	100	372	100	372
Straumann SA/NV, Zaventem, Belgium	100	148	100	148
Straumann Holding Sweden AB, Malmö, Sweden	100	2 470	100	842
Straumann Manufacturing Inc, Andover, USA	100	10 419	–	–
Straumann Holding Italy srl, Milan, Italy	100	17 882	–	–
Straumann Pty Ltd, Victoria, Australia	100	1	–	–
Straumann Mexico SA de CV, Mexico DF, Mexico	100	6	–	–
Balance sheet		86 145		66 628

(in l.c. 1 000)	Purpose	Currency	Share capital
Details of the participations			
Institut Straumann AG, Basel, Switzerland	Production/Sales	CHF	9 000
Straumann GmbH, Freiburg, Germany	Sales	EUR	170
Straumann Ltd, Uckfield, UK	Sales	GBP	100
Straumann BV, IJsselstein, Netherlands	Sales	EUR	18
Straumann SARL, Marne-la-Vallée, France	Sales	EUR	192
Straumann AB, Gothenburg, Sweden	Sales	SEK	100
Straumann AS, Oslo, Norway	Sales	NOK	500
Straumann OY, Helsinki, Finland	Sales	EUR	25
Straumann SA, Madrid, Spain	Sales	EUR	60
Straumann Canada Ltd, Burlington, Canada	Sales	CAD	1 500
Straumann GmbH, Vienna, Austria	Sales	EUR	40
Straumann Brasil Ltda, São Paulo, Brazil	Sales	BRL	466
Straumann SA/NV, Zaventem, Belgium	Sales	EUR	100
Straumann Holding Sweden AB, Malmö, Sweden	Participation	SEK	100
<i>This company holds:</i>			
– Biora AB, Malmö, Sweden (Biora Group)	Production/Sales	SEK	950
Straumann Manufacturing Inc, Andover, USA	Production	USD	1
<i>This company holds:</i>			
– Straumann USA, LLC, Andover, USA	Sales	USD	1
Straumann Holding Italy srl, Milan, Italy	Participation	EUR	1 510
<i>This company holds:</i>			
– Straumann Italia srl, Milan, Italy	Sales	EUR	270
Straumann Pty Ltd, Victoria, Australia	Sales	AUD	1
Straumann Mexico SA de CV, Mexico DF, Mexico	Sales	MXN	50

130 **3 Equity**

The share capital of CHF 1 558 million consists of 15 576 761 registered shares with a par value of CHF 0.10 each.

(in %)	31 Dec 2005	31 Dec 2004
Major shareholders		
Dr h.c. Thomas Straumann (Member of the Board)	36.6	38.8
Rudolf Maag (Chairman of the Board)	8.2	6.1
Simone Maag de Moura Cunha	6.1	6.1
Total	50.9	51.0

There are no shareholder commitment contracts or other material agreements between shareholders.

Conditional share capital

In 2005, share capital increased by CHF 5 764. The additional share capital was created from conditional share capital that can be used for the employee share plan and the option plan for management. Non-employee shareholders are excluded from subscribing for these shares.

48 340 options were exercised during 2005 and a corresponding number of shares issued.

Employees have the right to buy shares on the basis of the employee equity compensation program. Straumann offers the employees a discount of 25% based on the share price at year-end. The shares are subject to a 2-year lock-up period. During the reporting period, employees subscribed 9 301 of those shares.

The effective amount of registered conditional share capital on 31 December 2005 was CHF 42 324 (423 239 shares with a par value of CHF 0.10 each) at year-end.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF THE AVAILABLE EARNINGS

(in CHF 1 000)	2005	2004
Balance brought forward	138 087	97 884
Net profit	120 592	71 338
Available earnings	258 679	169 222
<i>Proposal of the Board of Directors:</i>		
– Dividend (CHF 2.50 for 15 576 761 shares)	(38 942)	(31 135)
To be carried forward	219 737	138 087

Until the time of the shareholders' General Meeting, 151 195 free options could be exercised and converted into shares. The maximum dividends related to such options if exercised would be CHF 0.378 million.

REPORT OF THE STATUTORY AUDITORS

PRICEWATERHOUSECOOPERS

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes – pages 126 to 131) of Straumann Holding AG for the year ended 31 December 2005. The financial statements of the Company as of 31 December 2004 were audited by another auditor whose report dated 3 February 2005 expressed an unqualified opinion on those statements.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin



Gerhard Siegrist

Basel, 2 February 2006

APPENDIX

FIVE-YEAR OVERVIEW

Operating performance

(in CHF million)	2001	2002	2003	2004	2005
Group Sales	231.6	274.9	343.9	420.3	509.6
Growth in %	21.8	18.7	25.1	22.2	21.2
Gross profit	185.0	220.8	274.9	342.4	410.1
Margin in %	79.9	80.2	80.0	81.5	80.5
Operating result before depreciation and amortization (EBITDA) ¹	77.0	93.7	120.0	156.0	181.1
Margin in %	33.3	34.1	34.9	37.1	35.5
Growth in %	27.2	21.6	28.4	30.0	16.1
Operating result before amortization (EBITA) ¹	62.2	81.2	102.3	136.8	162.2
Margin in %	28.2	29.5	29.7	32.6	31.8
Growth in %	24.9	24.5	27.0	33.8	18.5
Operating profit (EBIT) ¹	61.9	75.1	97.5	127.0	155.9
Margin in %	26.7	27.3	28.4	30.2	30.6
Growth in %	20.9	21.3	30.2	30.2	22.8
Net profit	40.7	56.0	80.9	100.5	128.2
Margin in %	17.6	20.3	23.5	23.9	25.2
Growth in %	8.3	37.4	43.3	24.2	27.5
Earnings per share (in CHF)	2.64	3.62	5.22	6.44	8.22
Value added (economic profit)	34.0	38.7	59.2	80.1	93.2
Increase in value added	7.3	4.7	20.5	20.9	13.1
Increase in value added in %	27.3	13.8	52.9	35.4	16.4
In % of Group sales	14.7	14.1	17.2	19.1	18.3
Number of employees (year-end)	673	750	903	1 104	1 342
Number of employees (average)	579	721	845	1 006	1 236
Sales per employee (average) in CHF 1 000	400	381	407	418	412

¹ 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense.

Financial performance

(in CHF million)	2001	2002	2003	2004	2005
Net cash and cash equivalents	38.2	70.3	88.4	107.1	94.2
Net working capital (net of cash)	35.9	41.1	31.6	17.0	35.5
In % of Group sales	15.5	14.9	10.6	5.8	5.2
Inventories	39.3	38.0	34.7	35.5	48.1
Inventory days	368	256	190	162	152
Trade receivables	29.1	33.6	42.4	48.8	69.6
Trade receivable days	42	41	40	39	42
Balance sheet total	211.3	251.0	351.8	404.5	533.3
Return on assets in % (ROA)	20.9	24.2	26.8	26.6	27.3
Equity	147.4	188.9	256.7	311.6	420.0
Equity ratio in %	69.8	75.3	73.0	77.0	78.8
Return on equity in % (ROE)	31.1	33.3	36.2	35.4	35.0
Long-term financial debt	14.5	14.2	14.2	0.0	0.0
Capital employed	161.9	203.1	270.9	311.6	420.0
Return on capital employed in % (ROCE) ¹	42.5	41.1	41.1	43.6	42.6
Cash generated from operating activities ²	46.8	69.7	118.0	145.5	144.5
In % of Group sales ²	29.3	25.3	34.3	34.6	28.4
Investments	19.6	22.8	84.8	66.1	121.0
In % of Group sales	8.5	8.3	24.7	15.7	23.8
Capital expenditures	19.6	15.3	26.9	65.5	59.4
Acquisitions	–	7.5	57.9	0.6	61.7
Free cash flow ²	27.2	46.9	33.1	79.4	23.4
In % of Group sales ²	11.7	17.0	9.6	18.9	4.6
Dividend	7.7	9.3	17.4	48.1	31.1
Pay-out ratio in %	20.5	22.8	30.9	59.4	31.0

1 2004 reclassified due to the reallocation of exchange result related to operations, from financial result to other operating expense.

2 2004 reclassified due to the changed disclosure in consolidated cash flow statements.

INFORMATION FOR INVESTORS

Capital structure

(in CHF 1 000)	31 Dec 2005	31 Dec 2004
Equity	419 989	311 628
Share capital	1 558	1 552
Reserves	47 403	36 336
Retained earnings	370 319	273 591
Conditional share capital	42	48
Number of registered shares	15 576 761	15 519 120
Nominal value per share (in CHF)	0.10	0.10
Registration restrictions	none	none
Voting restrictions	none	none
Opting-out, opting-up	none	none

Number of shareholders

Shares	31 Dec 2005	31 Dec 2004
1–100	7 566	5 201
101–1000	4 115	3 951
1 001–10 000	318	336
10 001–100 000	57	60
100 001–1 000 000	7	9
1 000 001 and more	2	1
Total	12 065	9 558

Shareholders by category

(in %)	31 Dec 2005	31 Dec 2004
Major shareholders	50.9	51.0
Institutional shareholders	19.6	22.1
Private individuals	13.0	12.9
Non-registered shareholders	16.5	14.0

Major shareholders

(in %)	31 Dec 2005	31 Dec 2004
Dr h.c. Thomas Straumann (Member of the Board)	36.6	38.8
Rudolf Maag (Chairman of the Board)	8.2	6.1
Simone Maag de Moura Cunha	6.1	6.1
Total	50.9	51.0

Share price data

(in CHF)	2005		2004	
First trading day	236.00	03.01.	185.00	05.01.
Lowest	236.00	03.01.	174.50	13.01.
Highest	358.50	03.10.	276.50	16.06.
Last trading day	304.50	30.12.	236.00	30.12.
Average	279.91		236.81	
Tax value	304.50		236.00	
Total shareholder return (in %)	29.90		25.80	
Market capitalisation 31 Dec (in CHF million)	4 743		3 662	

Share earnings and dividend

(in CHF)	2005	2004
Earnings	8.22	6.44
Ordinary dividend	2.50	2.00

Stock exchange information

Expected ex date	31 March 2006
Security ID	001228007
ISIN	CH0012280076
Reuters	STHZn
Investdata	STMN

Share price



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Stock exchange listing

SWX Swiss Exchange

Ticker symbols

Bloomberg: STMN SW

Reuters: STHZn

Telekurs (Investdata): STMN

Information policy

The Straumann Annual Report is published in February and presented at the analysts and press conference. The half-year interim report is published in August. Other media releases include the quarterly sales reports published in April for the first quarter and in October for the third quarter. Where necessary or appropriate Straumann also publishes additional information on key significant events. All press releases can be downloaded from the Straumann homepage at www.straumann.com.

Key reporting dates in 2006

16 February
Full-year results 2005

24 March
Annual General Meeting

26 April
Q1 sales

11 August
Q2 sales and H1 results

25 October
Q3 and 9M sales

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Straumann Annual Report on the internet

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Straumann's products and services are available in more than 60 countries through our subsidiaries and broad network of distributors.

GLOSSARY OF SELECTED TERMS AND ABBREVIATIONS USED IN THIS REPORT

Dental/medical terms

<i>Abutment</i>	A component that connects the implant with the prosthesis and protrudes into the oral cavity (see illustration on page 22)
<i>Angiogenesis</i>	The process of vascularization of tissues, involving the development of new blood vessels
<i>Bone ceramic</i>	Straumann's fully synthetic bone substitute for bone augmentation procedures
<i>Bridge</i>	An appliance used literally to bridge the gap left by missing teeth by using one or more false teeth fixed to crowns anchored to tooth stumps or implants
<i>CAD/CAM</i>	Computer Aided Design/Computer Aided Manufacturing; computer system is used both for designing a product and for controlling manufacturing processes
<i>CARES</i>	Straumann's Computer Aided Restoration Service (see page 25)
<i>CAT</i>	Computerized Axial Tomography: adds x-ray images using a computer to generate cross-sectional views
<i>CNC lathe</i>	Computerized Numerically Controlled lathe used to machine implants and other components
<i>Coping</i>	A covering or cap that fits on an abutment and usually made of metal, ceramic or plastic (see illustration on page 22)
<i>Crown</i>	A tooth-shaped cap attached to a tooth stump or implant prosthesis
<i>Dental technician</i>	Dental professional who manufactures patient-specific crowns, bridges, dentures and other dental prosthetics according to the dentist's specifications
<i>Edentulous</i>	Having no teeth
<i>GBR</i>	Guided Bone Regeneration
<i>GTR</i>	Guided Tissue Regeneration
<i>Hydrophilic</i>	Readily absorbing or attracting water, or having chemical groups that interact with water
<i>Hydrophobic</i>	Not readily absorbing or attracting water, or adversely affected by water
<i>ITI</i>	International Team for Implantology (see page 38)
<i>Loading</i>	Subjecting an implant to biting pressure by fitting a temporary/permanent crown
<i>Membrane</i>	A barrier used in GBR and GTR to prevent rapidly growing soft tissue occupying space into which new bone should form and to stabilize bone augmentation materials

144	<i>One-stage procedure</i>	Surgical procedure whereby the implant is placed but not covered by the gum tissue during healing, so no second surgical procedure is necessary to uncover the implant
	<i>Osseointegration</i>	The integration of an implant with the surrounding bone
	<i>Peri-implantitis</i>	Inflammation of the tissues around an implant that can lead to disintegration of bone and implant loss
	<i>Periodontist</i>	Dental professional specialized in the periodontal tissue and bone surrounding the teeth and in treating diseases that affect them
	<i>Prosthodontist</i>	A dental professional who carries out the prosthetic restoration on natural teeth and implants
	<i>SLA</i>	Sand blasted with Large grit and Acid etched
	<i>"Substantial equivalency"</i>	Medical devices, including dental implants, can be cleared for sale in a fast-track process if they are recognised by regulatory authorities as substantially equivalent to existing products that already have marketing clearance
	<i>synOcta®</i>	Prosthetic system combining Morse taper and octagonal connections
	<i>Titanium</i>	Metallic substance isolated from minerals as a an iron-gray powder; available in many forms and used in many dental and orthopedic applications
	<i>Zirconia</i>	ZrO ₂ – the white oxide of zirconium used on account of its infusibility and luminosity in dental prosthetics, enamels and glazes
	<i>Zirconium</i>	A grayish-white, strong, ductile metallic element obtained from zircon and used in ceramic and refractory compounds, as an alloying agent

Financial terms

<i>Amortization</i>	Systematic allocation of the depreciable amount of an intangible asset or goodwill over its useful life
<i>Depreciation</i>	Systematic allocation of the depreciable amount of a tangible asset
<i>Earnings per share (EPS)</i>	Net profit divided by the number of shares
<i>EBIT</i>	Earnings before interest and taxes; also referred to here as operating profit
<i>EBITDA</i>	Earnings before interest, taxes, depreciation and amortization
<i>EBIT margin</i>	Operating profit (EBIT) divided by group sales in %
<i>Economic profit (EP)</i>	Operating profit minus taxes and minus cost of capital
<i>Equity ratio</i>	Shareholder equity divided by total assets in %
<i>ERP</i>	Enterprise Resource Planning
<i>Goodwill</i>	Future economic benefits arising from assets that are not capable of being individually identified and separately recognized
<i>Gross profit margin</i>	Gross profit divided by group sales in %
<i>IFRS</i>	International Financial Reporting Standards
<i>Net profit margin</i>	Net profit divided by group sales in %
<i>Pay-out ratio</i>	Dividend paid divided by previous year's net profit in %
<i>Revenues</i>	Sales – see also "license revenue" on page 94
<i>ROA</i>	Return on assets; net profit divided by average assets in %
<i>ROCE</i>	Return on capital employed; earnings before interest and taxes divided by average capital employed in %
<i>ROE</i>	Return on equity; net profit divided by average equity in %
<i>Sales</i>	See "sales of goods" and "sales of services" on page 94
<i>WACC</i>	Weighted average cost of capital