FINANCIAL REPORT 2013

60 YEARS

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STRAUMANN GROUP

Contents

This detailed Financial Report is a separate volume of the Straumann Annual Report. The full version is available online and can be ordered at www.straumann.com.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in CHF 1 000)	Notes	31 Dec 2013	31 Dec 2012	1 Jan 2012
			Restated	Restated
Property, plant and equipment	4	83 907	97 362	110 588
Investment properties	5	4 335	6 680	7 500
Intangible assets	6	72 278	75 595	100 740
Investments in associates	7	255 115	249 239	6 624
Financial assets	8	14 639	354	857
Other receivables		1 258	2 216	2 351
Deferred income tax assets	18	26 392	28 701	30 685
Total non-current assets		457 924	460 147	259 345
Inventories	9	62 328	63 636	67 010
Trade and other receivables	10	111 390	104 447	109 898
Financial assets	8	1 918	6 240	982
Income tax receivables		2 385	1 900	1 069
Cash and cash equivalents	11	383 795	140 504	377 053
Total current assets		561 816	316 727	556 012
Total assets		1 019 740	776 874	815 357

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2013	31 Dec 2012	1 Jan 2012
			Restated	Restated
Share capital	12	1 568	1 568	1 568
Retained earnings and reserves		629 812	600 089	641 253
Total equity attributable to the shareholders of the parent company		631 380	601 657	642 821
Straight bond	13	199 301	0	0
Other liabilities	15	6 094	6 725	6 703
Financial liabilities	14	3 667	34	64
Provisions	16	32 221	13 467	8 817
Retirement benefit obligations	20	18 482	37 089	33 713
Deferred income tax liabilities	18	9 788	10 888	12 343
Total non-current liabilities		269 553	68 203	61 640
Trade and other payables	17	103 613	93 964	89 655
Financial liabilities	14	24	25	1 758
Income tax payable		9 100	10 423	18 449
Provisions	16	6 070	2 602	1 034
Total current liabilities		118 807	107 014	110 896
Total liabilities		388 360	175 217	172 536
Total equity and liabilities		1 019 740	776 874	815 357

The notes on pages 10–69 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in CHF 1 000)	Notes	2013	2012 Restated
Revenue	3	679 922	686 253
Cost of goods sold		(144 007)	(154 733)
Gross profit		535 915	531 520
Other income	21	2 747	1 763
Distribution costs		(168 507)	(156 372)
Administrative expenses		(254 372)	(313 858)
Operating profit		115 783	63 053
Finance income	24	22 175	16 693
Finance expense	24	(23 909)	(16 818)
Share of result of associates	7	5 841	(5 743)
Profit before income tax		119 890	57 185
Income tax expense	18	(18 689)	(19 680)
Net profit		101 201	37 505
Attributable to:			
Shareholders of the parent company		101 201	37 505
Basic earnings per share (in CHF)	25	6.55	2.43
Diluted earnings per share (in CHF)	25	6.50	2.43

The notes on pages 10 – 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in CHF 1 000)	2013	2012
		Restated
Net profit	101 201	37 505
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange loss on net investment loans	(2 858)	(3 559)
Income tax effect	208	286
Net movement on cash flow hedges	(2 284)	2 281
Income tax effect	296	(296)
Exchange differences on translation of foreign operations	(32 445)	(14 894)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	(37 083)	(16 182)
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets designated through other comprehensive income	(2 903)	0
Remeasurements of retirement benefit obligations	10 010	(2 707)
Income tax effect	(1 302)	401
Items not to be reclassified to profit or loss in subsequent periods:	5 805	(2 306)
Other comprehensive income, net of tax	(31 278)	(18 488)
Total comprehensive income, net of tax	69 923	19 017
Attributable to:		
Shareholders of the parent company	69 923	19 017

The notes on pages 10–69 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in CHF 1 000)	Notes	2013	2012
			Restated
Net profit		101 201	37 505
Adjustments for:			
Taxes charged	18	18 689	19 680
Interest and other financial result		3 695	927
Foreign exchange result		6 144	5 534
Fair value adjustments		1 940	(3 668)
Share of result of associates	7	(5 841)	5 743
Depreciation and amortization of:			
Property, plant and equipment	4; 22	24 392	27 104
Investment properties	5; 22	558	300
Intangible assets	6; 22	6 807	7 488
Impairment of investment properties	5; 22	1 787	520
Impairment of intangible assets	6; 22	0	21 000
Impairment reversal of property, plant and equipment	4; 22	(883)	
Change in provisions, retirement benefit obligations and other liabilities		9 912	1 363
Share-based payments expense	19; 23	3 336	3 348
Gain / (loss) on disposal of property, plant and equipment		(90)	113
Working capital adjustments:			
Change in inventories		(518)	2 207
Change in trade and other receivables		(4 835)	3 350
Change in trade and other payables		4 292	5 292
Interest paid		(1 519)	(728)
Interest received		325	651
Income tax paid		(17 902)	(23 169)
Net cash from operating activities		151 490	114 560

(in CHF 1 000)	Notes	2013	2012
			Restated
Purchase of financial assets		(16 154)	0
Purchase of property, plant and equipment		(10 907)	(15 051)
Purchase of intangible assets		(1 743)	(4 375)
Purchase of investments in associates		(37 985)	(265 973)
Contingent consideration paid		0	(740)
Disbursement of loans		(1 200)	0
Dividends received from associates		5 009	503
Net proceeds from sale of non-current assets		393	88
Net cash used in investing activities		(62 587)	(285 548)
Issue of a straight bond	13	199 230	0
Dividends paid	26	(57 848)	(58 033)
Proceeds from finance lease		292	732
Repayment of finance lease		(42)	(244)
Transaction costs paid		0	(995)
Purchase of treasury shares		(1 886)	(6 637)
Sale of treasury shares		15 907	1 687
Net cash received from / (used in) financing activities		155 653	(63 490)
Exchange rate differences on cash held		(1 265)	(2 071)
Net change in cash and cash equivalents		243 291	(236 549)
Cash and cash equivalents at 1 January	11	140 504	377 053
Cash and cash equivalents at 31 December	11	383 795	140 504

The notes on pages 10 – 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2013
(in CHF 1 000)

As at 1 January 2013
Profit for the period
Other comprehensive income
Total comprehensive income
Dividends paid
Share-based payment transactions
Purchase of treasury shares
Sale of treasury shares
As at 31 December 2013

2012
(in CHF 1 000)

As at 1 January 2012
Changes in accounting policies (Note 2.2)
As at 1 January 2012 (Restated)
Profit for the period
Other comprehensive income
Total comprehensive income
Transactions with equity owners
Dividends paid
Share-based payment transactions
Purchase of treasury shares
Sale of treasury shares
As at 31 December 2012

On 31 December 2013, the share capital is represented by 15 676 549 issued shares (2012: 15 676 549) of CHF 0.10 par value each, fully paid in. The number of treasury shares amounted to 143 391 (2012: 235 290).

The notes on pages 10 – 69 are an integral part of these consolidated financial statements.

	Attributable to the shareholders of the parent company						
Notes	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
	1 568	18 280	(33 975)	1 988	(88 774)	702 570	601 657
						101 201	101 201
				(1 988)	(35 095)	5 805	(31 278)
	0	0	0	(1 988)	(35 095)	107 006	69 923
26						(57 848)	(57 848)
19; 23						3 336	3 336
			(1 886)				(1 886)
			15 136			1 062	16 198
	1 568	18 280	(20 725)	0	(123 869)	756 126	631 380

	Attributable to the shareholders of the parent company						
Notes	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
	1 568	42 267	(30 261)	3	(70 532)	728 073	671 118
					(75)	(28 222)	(28 297)
	1 568	42 267	(30 261)	3	(70 607)	699 851	642 821
						37 505	37 505
				1 985	(18 167)	(2 306)	(18 488)
	0	0	0	1 985	(18 167)	35 199	19 017
						(995)	(995)
26		(23 987)				(34 046)	(58 033)
19; 23						3 348	3 348
			(6 637)				(6 637)
			2 923			(787)	2 136
	1 568	18 280	(33 975)	1 988	(88 774)	702 570	601 657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in implant and restorative dentistry and oral tissue regeneration. In collaboration with leading clinics, research institutes and universities, Straumann researches, develops and manufactures dental implants, instruments, prosthetics and tissue regeneration products for use in tooth replacement and restoration solutions or to prevent tooth loss. Straumann employs approx. 2 200 people worldwide and its products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

The consolidated financial statements of the Straumann Group for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 21 February 2014 and are subject to approval by the Annual General Meeting on 11 April 2014.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except financial assets and financial liabilities (including derivative financial instruments), which have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest thousand, except where otherwise indicated.

STATEMENT OF COMPLIANCE

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Straumann Holding AG and its subsidiaries as at 31 December 2013.

Subsidiaries

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

Associates

Associates are those entities in which the Group has significant influence, but neither control nor joint control over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initally recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount within 'share of result of associates' in the income statement.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except that the Group adopted the following new and amended IFRS:

(A) NEW STANDARDS AND AMENDMENTS EFFECTIVE IN 2013

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013:

- IAS 1, (Revised), 'Financial statement presentation' (effective 1 July 2012): The amendments to IAS 1 retain the 'one or two statement' approach at the discretion of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' through the income statement, and those elements that will not. The Group keeps its current disclosure of two separate statements and adapts the statement of comprehensive income presentation according to the new requirements.

- IAS 19, (Revised), 'Employee benefits' (effective 1 January 2013): The revised standard eliminates the 'corridor approach' and thus requires that an entity recognize the actual deficit or surplus of its defined benefit plans in the statement of financial position. IAS 19R requires to recognize immediately all past services costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. The defined benefit cost is split into three categories, of which service cost and net interest cost are presented in the income statement, whereas actuarial gains and losses (remeasurements) are presented in the statement of comprehensive income. IAS 19R has been applied retrospectively as of 1 January 2012.

- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of IFRS 10 had no impact on the currently held investments of the Group.

- IFRS 11, 'Joint Arrangements' (effective 1 January 2013) replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly-controlled Entities - Non-monetary Contribution by Venturers'. IFRS 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group re-evaluated its agreements with external parties and came to the conclusion that none of the current involvements qualify as a joint arrangement under the new standard.

- IFRS 12, 'Disclosures of interests in other entities', (effective 1 January 2013) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. As a result of IFRS 12, the Group has expanded its disclosure .

- IFRS 13, 'Fair value measurement', (effective 1 January 2013) aims to improve consistency and reduce complexity by providing a concise definition of fair value and providing a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 30.

The following tables summarize the impact on the adoption of IAS 19R and the presentation changes of the income statement, comprehensive income statement and the statement of financial position:

(in CHF 1 000)	2013	2012
Income statement		
Distribution costs	11	38
Administrative expenses	562	2 005
Finance expense	(694)	(761)
Income tax expense	20	(215)
Net profit	(101)	1 067
Statement of comprehensive income		
Exchange differences on translation of foreign operations	(16)	(13)
Remeasurements	10 010	(2 707)
Income tax	(1 469)	401
Other comprehensive income for the year, net of tax	8 525	(2 319)
Total comprehensive income for the year	8 424	(1 252)

(in CHF 1 000)	31 Dec 2013	31 Dec 2012	1 Jan 2012
Statement of financial position			
Other receivables	0	(199)	(183)
Deferred income tax assets	3 166	4 466	4 275
Retirement benefit obligations	24 350	34 240	32 549
Other liabilities	0	(424)	(160)
Retained earnings and reserves	(27 516)	(29 549)	(28 297)

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, and the Group has not adopted them early:

- IFRS 10, IFRS 12 and IAS 27 (Amendments), 'Investment Entities' (effective 1 January 2014)
- IAS 32, (Amendment), 'Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2014)
- IAS 36, (Amendment), 'Recoverable Amount Disclosures for Non-Financial Assets' (effective 1 January 2014)
- IAS 39, (Amendement), 'Novation of Derivatives and Continuation of Hedge Accounting' (effective January 2014)
- IFRIC 21, 'Levies' (effective 1 January 2014)

2.3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and assets not yet in use are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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

The following table shows the sensitivity of the value-in-use of the most critical assumptions for the cash-generating unit 'Global Implant Business':

(in CHF million)	Base Points	Global Implant Business
Growth rate for first 5 years	+100	298.8
	–100	(277.7)
Terminal growth rate	+100	461.9
	–100	(336.0)
Gross profit margin of the CGU	+100	48.9
	–100	(48.9)
Weighted average cost of capital (WACC)	+100	(454.3)
	–100	624.8

None of these changes in assumptions individually would lead to a recognition of an impairment charge for the cash-generating unit (CGU) 'Global Implant Business'.

DEFERRED INCOME TAX ASSETS

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of recognized tax losses at 31 December 2013 was CHF 23.5 million (2012: CHF 30.8 million) and the unrecognized tax losses at 31 December 2013 were CHF 19.5 million (2012: CHF 27.4 million). Further details are provided in Note 18.

INCOME TAXES

Straumann is subject to income taxes in numerous jurisdictions. Significant Management judgment is required in determining the worldwide liabilities for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. When the final tax outcome differs from the amounts that were initially recognized, the difference impacts current earnings. Details on tax-related provisions are disclosed in Note 16.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations, which involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee retirement benefit obligation at 31 December 2013 was CHF 18.5 million (2012: CHF 37.1 million). Further details are given in Note 20.

INVESTMENTS IN MEDENTIKA GMBH AND MEDENTIKA IMPLANT GMBH

Management has assessed the level of influence that the Group has on Medentika GmbH and Medentika Implant GmbH and determined that it only has significant influence and not control even though the share holding for both companies is above 50% because of the board representation and contractual terms. Consequently, those investments have been classified as associates. Further details are provided in Note 7.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

An item of property, plant and equipment is derecognized when it is abandoned, removed or classified as 'held for sale'. Prior to classification as 'held for sale', any excess of the net carrying value of the asset over the fair value less costs to sell is charged to profit or loss in the year the asset is reclassified. For assets that are abandoned or removed, any remaining net carrying value is charged to profit or loss.

The residual values, useful lives and methods of depreciation of assets are reviewed, and adjusted if appropriate, at the end of each financial year.

INVESTMENT PROPERTIES

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the investment properties. 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 properties 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 value. Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property, plant and equipment up to the date of change in use. No assets held under operating lease have been classified as investment properties.

BUSINESS COMBINATIONS AND GOODWILL

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

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

RESEARCH AND DEVELOPMENT COSTS

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

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

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

CUSTOMER RELATIONSHIPS, TECHNOLOGY AND TRADEMARKS

Intangible assets acquired in a business combination are identified separately and recognized at fair value at the date of acquisition. Customer relationships, technology, brands and trademarks have finite useful lives and are amortized using the straight-line method over their useful lives, usually over a period of 7–20 years.

SOFTWARE

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software in use. These costs are amortized over their estimated useful lives, usually two to three years.

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

	Customer relationships	Technology	Brands & trademarks	Development costs	Software
Useful life	Finite	Finite	Finite	Finite	Finite
Amortization method	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis
Time period	Usually 7–10 years	Usually 10 years	Usually 20 years	Over period of expected sales from the related project but not exceeding 3 years	Over estimated useful life but not exceeding 3 years
Internally generated or acquired	Acquired	Acquired	Acquired	Internally generated	Acquired

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The Group assesses whether there are any indications that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill on 30 November.

OTHER FINANCIAL ASSETS

The Group initially recognizes financial assets on the trade date at which it becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset acquisition. The Group subsequently measures financial assets at either amortized cost or fair value.

Financial assets measured at amortized cost

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

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

Financial assets measured at fair value

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

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

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. In the case of investments for which there is no active market, fair value is determined using valuation techniques such as recent arm's length market transactions, the current market value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

IMPAIRMENT OF FINANCIAL ASSETS

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

Assets measured at amortized cost

If there is objective evidence that an impairment loss on assets measured at amortized cost has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (taking the future expected credit losses into consideration) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials

- Purchase cost on a weighted average basis.

Finished goods and work in progress

- Cost of direct materials and labor and a proportion of manufacturing overhead, valued at standard cost. The standards are regularly reviewed and, if necessary, revised to reflect current conditions.

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

TREASURY SHARES

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

CASH AND CASH EQUIVALENTS

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

TRADE PAYABLES

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

FINANCIAL LIABILITIES

Interest-bearing loans and borrowings

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as 'effective hedging instruments'. Gains or losses on liabilities held for trading are recognized in profit or loss.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time-value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

EMPLOYEE BENEFITS

Pension obligations

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in the income statement.

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

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

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

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

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

The cost of equity-settled transactions is measured with reference to the fair value at the date on which they are granted. The fair value is determined either based on observable market prices or by external valuation experts using an appropriate pricing model, further details of which are given in Note 19.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the Board of Directors and the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

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

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

The dilutive effect of outstanding performance share units (PSUs) and options is reflected as additional share dilution in the computation of earnings per share (Note 25).

Selected employees have the right to buy Straumann shares. The employees are offered a discount of 25% based on the average share price over the seven trading day period following the ex-dividend day. The difference between the fair value at grant and the cash consideration paid by the employees is immediately recognized as personnel expense. The shares are subject to a two-year blocking period.

Conditional share capital was approved for an unlimited period at an extraordinary Shareholders' General Meeting in 1998 for share-based compensation. Non-employee shareholders are excluded from subscribing for these shares.

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the remuneration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from customer training and education

Revenue from customer training and education is recognized once the related services are performed.

Interest income

Revenue is recognized as interest accrued (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss as finance cost.

Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in profit or loss, usually on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

When the Group enters into a manufacturer lessor transaction, the present value of the future lease payments is recognized as revenue at the date of transaction. The difference between the cash consideration received and the settlement of the receivable is recognized as finance income over the term of the lease and is reflected within the financial result.

RELATED PARTIES

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

GOVERNMENT GRANTS

Government grants are recognized where there is a reasonable assurance that the grant will be received and all associated conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the assets and grants are recorded at nominal amounts and released to profit or loss over the expected useful life of the relevant assets by equal annual installments.

TAXES

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

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

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

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

Sales taxes

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly into profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

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

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

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in profit or loss. For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortized through profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in other comprehensive income, while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in other comprehensive income is transferred to profit or loss.

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 profit or loss.

DIVIDEND DISTRIBUTION

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

SHARE CAPITAL

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

3 OPERATING SEGMENTS

For management purposes, the Group is organized into profit centers based on organizational responsibility. The profit center structure forms the basis for segment disclosure under IFRS 8. The 'chief operating decision-maker' (which has been identified as the Executive Management Board) uses the Group's internal reporting in order to assess performance and allocate resources. During the first quarter of 2012 the Group reorganized and the reported operating segments were adapted to reflect these organizational changes. The most significant changes were the separation of the businesses with regenerative and intra-oral scanning products away from the sales segments (which were organized by managerial responsibility on a country by country basis) into 'Regenerative' and 'All other segments'. The corresponding principle was reallocated from 'Finance & Operations' to the corresponding segment. Additionally a number of support functions were reallocated to reflect the new distribution of managerial responsibilities.

The Group maintained this reporting structure until June 2013 when it reorganized again. The most significant changes were the re-integration of the business with regenerative products back into the sales segments, a new allocation of countries to sales segments, and a reorganization of the segment 'Business units'. The 2013 figures have been adapted to the structures prevailing at the balance sheet date to the largest extent possible. As of the balance sheet date, Management has identified nine reportable operating segments based on the guidelines of IFRS 8. These operating segments are defined as follows:

SALES CE: 'Sales CE' comprises the Group's distribution businesses in Germany, Switzerland, Austria, Hungary and the Czech Republic, as well as the business with European, African and Middle Eastern distributors. It includes segment-related management functions located inside and outside of Switzerland.

SALES WE: 'Sales WE' comprises the Group's distribution businesses in Scandinavia, the UK, France, the Benelux countries, Iberia and Italy. It includes segment-related management functions located inside and outside of Switzerland.

SALES NAM: 'Sales NAM' comprises the Group's distribution businesses in the United States and Canada. It includes segment-related management functions located inside and outside of Switzerland.

SALES APAC: 'Sales APAC' comprises the Group's distribution businesses in Japan, China, Korea, Australia and New Zealand, as well as the business with Asian distributors. It includes segment-related management functions located inside and outside of Switzerland.

SALES LATAM: 'Sales LATAM' comprises the Group's distribution businesses in Brazil and Mexico, as well as the business with Latin American distributors. It includes segment-related management functions located inside and outside of Switzerland.

MARKETING/R&D: 'Marketing / R&D' comprises customer marketing, event management, the global training & education business, research & development, corporate quality management and regulatory affairs.

OPERATIONS: 'Operations' acts as the principle (except for Intra-oral Scanning products and the distribution activities of fully controlled group companies with Neodent products) towards all distribution businesses of the Group. It also contains the global manufacturing network (i.e. the manufacturing plants), which includes production of implants, regenerative and CADCAM products as well as all corporate logistics functions.

SUPPORT FUNCTIONS: 'Support functions' contains all headquarter finance functions, central facility management, corporate internal audit, corporate investor relations, corporate information technology, corporate purchasing, alliances & strategic projects, corporate human resources, corporate communication & public affairs, legal / compliance & intellectual property, all financial holding companies and the office of the CEO.

ALL OTHER SEGMENTS: 'All other segments' comprises the remaining distribution activities for Intra-Oral-Scanning related products and the distribution business of fully controlled group companies with Neodent products.

Management monitors the operating results of its profit centers separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's-length basis in a similar manner to transactions with third parties.

In the comparative period, Management had identified eight reportable operating segments based on the guidelines of IFRS 8. These operating segments were defined as follows:

SALES 1: 'Sales 1' comprised the Group's distribution businesses (except for Regenerative and intra-oral-scanning products) in Europe, Brazil and Mexico as well as the business with distributors. It included segment related management functions located inside and outside of Switzerland.

SALES 2: 'Sales 2' comprised the Group's distribution businesses (except for Regenerative and intra-oral-scanning products) in the United States and Canada. It included segment-related management functions located inside and outside of Switzerland.

SALES 3: 'Sales 3' comprised the Group's distribution businesses (except for Regenerative and intra-oral-scanning products) in Japan, China, Korea, Australia and New Zealand. It included segment-related management functions located inside and outside of Switzerland.

REGENERATIVE: 'Regenerative' comprised the distribution businesses for Regenerative products. It included segment-related management functions and an allocated share of distribution-related expenses. Furthermore, it included all expenses for research & development, product and life-cycle management activities as well as the global sales management function for Regenerative products.

OPERATIONS: 'Operations' acted as the principle (except for Regenerative and intra-oral-scanning products) towards all distribution businesses of the Group. It also contained the global manufacturing network (i.e. the manufacturing plants), which included production of implants, Regenerative and CADCAM products as well as corporate quality management.

BUSINESS UNITS: 'Business units' comprised research & development, product management, regulatory affairs and product life-cycle management except for Regenerative products.

SUPPORT FUNCTIONS: 'Support functions' contained all headquarter finance functions, central facility management, internal audit, corporate investor relations, corporate information technology, corporate logistics and global purchasing, corporate marketing, corporate communication & public affairs, the global training & education business, corporate business development & licensing, corporate human resources, legal & compliance, all financial holding companies and the office of the CEO.

ALL OTHER SEGMENTS: 'All other segments' comprised the distribution businesses for intra-oral-scanning products. It included segment-related management functions, an allocated share of distribution-related expenses as well as the global sales management function for Intra-Oral Scanning products.

Comparative information was not restated to the structure prevailing at the balance sheet date as the necessary information is not available. The cost of developing this information would be excessive as all affected individual transactions would have to be re-allocated.

During the first quarter of 2012, the Group transitioned its management reporting from the old structure to the new structure. While the new reporting structure was implemented at the beginning of the year, a number of transactions were only allocated to the new segments as of 1 April when the new organization came fully into effect. This means that for the first quarter 2012, the vast majority of transactions relating to 'All other segments' and 'Regenerative' were still allocated to Sales 1 – 3 and a smaller number of transactions were allocated to the 'Business units' and 'Operations' segments.

The term 'Net revenue, thereof Q1 2012 restated' refers to an additional estimate by management of how revenue with third parties in 2012 would have looked if the new organization had been in effect for the whole period. This level of information is not available for inter-segment revenues and expenses and would require re-allocation of all affected individual transactions. The cost of developing this information would be excessive.

INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

2013 (in CHF 1 000)	Sales CE	Sales WE
Revenue third party	211 195	167 114
Revenue inter-segment	190	5
Total revenue	211 385	167 119
Depreciation & amortization	(1 029)	(1 468)
Impairment	0	0
Impairment reversal	0	0
Other expenses / income	(172 982)	(168 880)
Operating profit	37 374	(3 229)
Financial result		
Share of profit of associates		
Income tax expenses		
Net profit		
Segment assets	40 390	46 852
Unallocated assets, thereof:		
Cash and cash equivalents		
Deferred income tax assets		
Financial assets		
Investments in associates		
Income tax receivables		
Group		
Segment liabilities	(22 384)	(29 561)
Unallocated liabilities, thereof:		
Deferred income tax liabilities		
Straight bond		
Financial liabilities		
Income tax payable		
Group		
Addition in non-current assets	294	574

The remaining operating profit under 'Eliminations' represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies. 'Addition in non-current assets' consists of additions of property, plant and equipment and intangible assets including assets recognized as part of business combinations.

	Sales NAM	Sales APAC	Sales LATAM	Marketing / R +D	Operations	Support functions	All other segments	Eliminations	Group
	181 707	98 189	17 993	896	0	0	2 828	0	679 922
				8 290	338 654	0	2	(347 141)	0
	181 707	98 189	17 993	9 186	338 654	0	2 830	(347 141)	679 922
	(1 774)	(632)	(231)	(3 885)	(15 589)	(7 148)	(1)	0	(31 757)
	0	0	0	0	0	(1 787)	0	0	(1 787)
	0	0	0	0	883	0	0	0	883
	(180 907)	(105 515)	(20 845)	(61 197)	(96 852)	(58 142)	(3 540)	337 382	(531 478)
	(974)	(7 958)	(3 083)	(55 896)	227 096	(67 077)	(711)	(9 759)	115 783
									(1 734)
									5 841
									(18 689)
									101 201
	31 757	34 499	11 298	4 014	231 248	15 478	1 186	(81 226)	335 496
									383 795
									26 392
									16 557
									255 115
									2 385
									1 019 740
	(16 520)	(26 815)	(7 189)	(1 634)	(78 382)	(29 344)	(132)	45 481	(166 480)
									(9 788)
									(199 301)
									(3 691)
									(9 100)
									(388 360)
	782	527	741	2 829	5 971	2 647	84	0	14 449

2012 (in CHF 1 000)	Sales 1	
Revenue third party	406 988	
Revenue inter-segment	76	
Total revenue	407 064	
Depreciation & amortization	(3 750)	
Impairment	0	
Other expenses / income	(365 620)	
Operating profit	37 694	
Financial result		
Share of profit of associates		
Income tax expenses		
Net profit		
Revenue, thereof Q1 2012 restated:		
Revenue third party	402 323	
Segment assets	93 693	
Unallocated assets, thereof:		
Cash and cash equivalents		
Deferred income tax assets		
Financial assets		
Investments in associates		
Income tax receivables		
Group		
Segment liabilities	(45 820)	
Unallocated liabilities, thereof:		
Deferred income tax liabilities		
Financial liabilities		
Income tax payable		
Group		
Addition in non-current assets	963	

	Sales 2	Sales 3	Regenerative	Operations	Business units	Support functions	All other segments	Eliminations	Group
	162 180	92 353	20 330	0	0	0	4 402	0	686 253
				332 944		0	6	(333 026)	0
	162 180	92 353	20 330	332 944	0	0	4 408	(333 026)	686 253
	(1 548)	(599)	0	(15 068)	(3 246)	(11 078)	(125)	0	(35 414)
	0	0	(21 000)	0	0	(520)	0	0	(21 520)
	(158 204)	(90 785)	(24 965)	(112 689)	(52 338)	(78 452)	(12 743)	329 530	(566 266)
	2 428	969	(25 635)	205 187	(55 584)	(90 050)	(8 460)	(3 496)	63 053
									(125)
									(5 743)
									(19 680)
									37 505
	157 721	92 001	26 996	0	0	0	7 212	0	686 253
	28 111	30 733	10 483	233 914	3 038	14 846	1 055	(65 937)	349 936
									140 504
									28 701
									6 594
									249 239
									1 900
									776 874
	(16 729)	(12 621)	(98)	(71 008)	(1 579)	(43 645)	(442)	38 095	(153 847)
									(10 888)
									(59)
									(10 423)
									(175 217)
	1 164	100	0	8 968	1 543	6 675	13	0	19 426

NON-CURRENT ASSETS PER LOCATION

(in CHF 1 000)	2013	2012
Switzerland	76 253	90 331
Brazil	210 534	239 142
Germany	52 189	15 308
United States of America	16 842	19 843
Other	70 664	64 252
Group	426 482	428 876

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

REVENUES WITH EXTERNAL PARTIES

(in CHF 1 000)	2013	2012
Per Business Franchise		
Implant solutions	412 525	402 760
Restorative solutions	221 617	228 988
Other	45 780	54 505
Group	679 922	686 253
Per location of customer		
Switzerland	32 420	33 972
United States	158 894	149 106
Germany	134 414	141 740
Other	354 194	361 435
Group	679 922	686 253

- The Business Franchise 'Implant solutions' comprises primarily implants and related instruments
- The Business Franchise 'Restorative solutions' comprises abutments and related parts as well as milling elements
- 'Other' comprises scanner hardware, software licenses, regenerative products, customer training and other miscellaneous products.

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

4 PROPERTY, PLANT AND EQUIPMENT

2013 (in CHF 1 000)	Land	Buildings	Plant and machinery	Other equipment	Total
Cost					
At 1 January	799	100 224	143 249	84 407	328 679
Additions	0	1 404	5 141	4 362	10 907
Disposals	0	(787)	(1 322)	(3 491)	(5 600)
Reclassifications	0	(8)	(2 017)	1 982	(43)
Currency translation adjustments	0	(361)	(363)	(976)	(1 700)
At 31 December	799	100 472	144 688	86 284	332 243
Accumulated depreciation					
At 1 January	0	(65 233)	(96 075)	(70 009)	(231 317)
Depreciation charge (Note 22)	0	(5 173)	(11 459)	(7 760)	(24 392)
Impairment reversal (Note 22)	0	0	883	0	883
Disposals	0	458	1 292	3 583	5 333
Reclassifications	0	7	0	(2)	5
Currency translation adjustments	0	167	283	702	1 152
At 31 December	0	(69 774)	(105 076)	(73 486)	(248 336)
Net book value	799	30 698	39 612	12 798	83 907

2012 (in CHF 1 000)	Land	Buildings	Plant and machinery	Other equipment	Total
Cost					
At 1 January	799	99 162	138 568	82 132	320 661
Additions	0	2 691	6 586	5 774	15 051
Disposals	0	(171)	(1 292)	(3 280)	(4 743)
Reclassifications	0	(943)	318	605	(20)
Currency translation adjustments	0	(515)	(931)	(824)	(2 270)
At 31 December	799	100 224	143 249	84 407	328 679
Accumulated depreciation					
At 1 January	0	(60 035)	(85 900)	(64 138)	(210 073)
Depreciation charge (Note 22)	0	(5 560)	(11 849)	(9 695)	(27 104)
Disposals	0	133	1 232	3 198	4 563
Reclassifications	0	0	1	(1)	0
Currency translation adjustments	0	229	441	627	1 297
At 31 December	0	(65 233)	(96 075)	(70 009)	(231 317)
Net book value	799	34 991	47 174	14 398	97 362

The net book value of assets under finance lease – included in property, plant and equipment – amounted to CHF 0.5 million (2012: CHF 0.8 million). Repair and maintenance expenses for property, plant and equipment for the business year 2013 amounted to CHF 5.5 million (2012: CHF 4.6 million).

5 INVESTMENT PROPERTIES

(in CHF 1 000)	2013	2012
Cost		
At 1 January	13 931	13 931
At 31 December	13 931	13 931
Accumulated depreciation		
At 1 January	(7 251)	(6 431)
Depreciation charge (Note 22)	(558)	(300)
Impairment (Note 22)	(1 787)	(520)
At 31 December	(9 596)	(7 251)
Net book value	4 335	6 680
Fair value	4 335	6 680

Investment properties are treated as non-current investments and are carried at cost, less accumulated depreciation and any impairment in value. Straumann's investment properties refer to the former headquarters in Waldenburg comprising two buildings.

In 2013 an impairment loss of CHF 1.8 million (2012: CHF 0.5 million) has been recognized to write down the investment properties to their current fair value. The impairment is caused by a reduction in expected rental revenues. The latest independent valuation was obtained in December 2012.

AMOUNTS RECOGNIZED IN PROFIT OR LOSS FROM INVESTMENT PROPERTIES

(in CHF 1 000)	2013	2012
Rental income	708	789
Direct operating expenses arising from investment properties that generated rental income	(62)	(77)
Direct operating expenses that did not generate rental income	(2 420)	(886)

6 INTANGIBLE ASSETS

2013
(in CHF 1 000)

	Goodwill	Development costs	Software	Other intangibles	Total
Cost					
At 1 January	192 507	29 218	47 492	125 399	394 616
Additions	0	1 928	1 614	129	3 671
Disposals	0	0	(139)	(23)	(162)
Reclassifications	0	0	43	0	43
Currency translation adjustments	248	(37)	(186)	(13 131)	(13 106)
At 31 December	192 755	31 109	48 824	112 374	385 062
Accumulated amortization					
At 1 January	(129 223)	(27 913)	(38 763)	(123 122)	(319 021)
Amortization charge (Note 22)	0	(1 126)	(5 131)	(550)	(6 807)
Disposals	0	0	117	11	128
Reclassifications	0	0	(6)	0	(6)
Currency translation adjustments	(401)	37	159	13 127	12 922
At 31 December	(129 624)	(29 002)	(43 624)	(110 534)	(312 784)
Net book value	63 131	2 107	5 200	1 840	72 278

2012
(in CHF 1 000)

	Goodwill	Development costs	Software	Other intangibles	Total
Cost					
At 1 January	193 730	29 177	43 892	134 656	401 455
Additions	0	0	4 161	214	4 375
Disposals	0	0	(397)	0	(397)
Reclassifications	0	0	9	0	9
Currency translation adjustments	(1 223)	41	(173)	(9 471)	(10 826)
At 31 December	192 507	29 218	47 492	125 399	394 616
Accumulated amortization					
At 1 January	(108 450)	(26 775)	(34 142)	(131 348)	(300 715)
Amortization charge (Note 22)	0	(1 097)	(5 147)	(1 244)	(7 488)
Impairment (Note 22)	(21 000)	0	0	0	(21 000)
Disposals	0	0	375	0	375
Reclassifications	0	0	0	0	0
Currency translation adjustments	227	(41)	151	9 470	9 807
At 31 December	(129 223)	(27 913)	(38 763)	(123 122)	(319 021)
Net book value	63 284	1 305	8 729	2 277	75 595

DEVELOPMENT COSTS

(in CHF 1 000)	2013	2012
Development projects	272	0
Projects in commercial use	1 835	1 305
At cost	31 110	29 218
Accumulated amortization	(29 003)	(27 913)
Net book value at 31 December	2 107	1 305

In 2013, CHF 1.9 million of additional development costs were capitalized (2012: nil). Existing development costs include costs relating to the design and testing of new product lines.

OTHER INTANGIBLE ASSETS

'Other intangibles' include customer relationships, brands, trademarks and proprietary technology recognized during a business combination, as well as patents.

IMPAIRMENT TEST FOR GOODWILL

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The Group distinguishes the following CGUs for goodwill impairment testing purposes:

Global Implant Business:

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

- Straumann Italia srl, Italy
- Straumann Japan KK, Japan
- Manohay Dental SA (formerly Straumann SA), Spain
- Straumann Danmark ApS, Denmark.

Global Regenerative Business:

The CGU 'Global Regenerative Business' develops and sells regenerative products (including bone augmentation and tissue regeneration) based on technology acquired with Biora AB, Malmö, Sweden. The CGU (which is part of the operating segment 'Operations') contains goodwill recognized as part of the acquisition of Biora AB, Malmö, Sweden.

Other CGUs:

The Group distinguishes a number of smaller CGUs which contain goodwill positions recognized during the acquisition of the respective distributor:

- Implant Business Czech Republic (which is part of the operating segment 'Sales CE')
- Implant Business Australia (which is part of the operating segment 'Sales APAC')
- Implant Business Spain (which is part of the operating segment 'Sales WE')
- Implant Business Denmark (which is part of the operating segment 'Sales WE')

The goodwill 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 five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the dental implant, restoration and tissue regeneration sector.

Key assumptions for the most material goodwill positions include:

(in %)	2013	2012
Global Implant Business		
Gross profit margin of the CGU[1]	71.0	70.0
Terminal growth rate[2]	1.5	1.5
Weighted average cost of capital (WACC)[3]	9.1	8.9

1 Budgeted gross profit margin.
2 Used for calculating the terminal value.
3 Pre-tax discount rate applied to the cash flow projections.

Gross profit margin was determined by Management based on past performance and its expectations for market development. The growth rates used for the CGU 'Global Implant Business' are consistent with the forecasts included in industry reports. The WACCs used are pre-tax and reflect specific risks relating to the relevant cash-generating units.

Based on the impairment tests conducted, no impairment has been recognized in 2013. In 2012 the Group recognized an impairment amount of CHF 21.0 million relating to the CGU Global Regenerative Business which is disclosed under the operating segment 'Regenerative' and in 'Administrative expenses'.

A summary of the goodwill allocation per cash-generating unit is presented below:

(in CHF 1 000)	2013	2012
Global Implant Business	60 730	60 793
Global Regenerative Business	626	626
Implant Business Czech Republic	650	650
Implant Business Australia	491	588
Implant Business Spain	333	329
Implant Business Denmark	301	298
Total goodwill	63 131	63 284

IMPAIRMENT TEST FOR OTHER INTANGIBLE ASSETS

No impairment has been recognized in the periods under review.

7 INVESTMENTS IN ASSOCIATES

The Group has a significant investment in JJGC Indústria e Comércio de Materiais Dentários S/A ('Neodent') and certain other smaller investments which are accounted for as associated companies:

(in CHF 1 000)	2013		2012	
	Balance sheet value	Net income statement effect	Balance sheet value	Net income statement effect
Neodent, Brazil	207 139	9 177	238 552	(4 991)
Others	47 976	(3 336)	10 687	(752)
Total	255 115	5 841	249 239	(5 743)

Neodent:
In the opinion of Key Management Personnel, the associate Neodent is material to the Group as at 31 December 2013. Neodent has share capital consisting solely of ordinary shares, which are held directly by the reporting entity. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Nature of investment in Neodent 2013 and 2012:

Name of entity	Place of business / country of incorporation	2013 percentage of ownership interest	2012 percentage of ownership interest	Measurement method
JJGC Indústria e Comércio Materiais Dentários S/A ('Neodent')	Brazil	49%	49%	Equity method

Neodent is the leader in the Brazilian market for implants and prosthetic components. Neodent is a private company and there is no quoted market price available for its shares.

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

Summarized financial position of Neodent:

(in CHF 1 000)	2013	2012
Current assets	61 022	53 389
Non-current assets	139 703	181 284
Current liabilities	(24 682)	(18 396)
Non-current liabilities	(38 361)	(62 324)
Net assets	137 682	153 953
Reconciliation to carrying amount:		
Opening net assets	153 953	175 037
Profit for the period	27 764	(10 184)
Other comprehensive income	505	0
Dividends declared	(19 672)	0
Currency translation adjustments	(24 868)	(10 900)
Closing net assets as of 31 December	137 682	153 953
Group share's in %	49.0	49.0
Group share's in CHF	67 464	75 437
Goodwill	174 745	174 745
Currency translation adjustments on goodwill	(35 070)	(11 630)
Carrying amount	207 139	238 552

Summarized comprehensive income statement of Neodent:

(in CHF 1 000)	2013	2012
Revenue	97 806	55 490
Profit from continuing operations	27 764	(10 184)
Profit from discontinued operations	0	0
Profit for the period	27 764	(10 184)
Other comprehensive income	505	0
Total comprehensive income	28 269	(10 184)
Dividends received	0	0

The information in the table above reflects the amounts presented in the financial statements of Neodent (and not the Group's share of those amounts) adjusted for differences between in accounting policies between the Group and the associates.

The acquisition date of Neodent was 31 May 2012. Consequently, the prior year figures only include the period from 1 June to 31 December 2012.

In addition to the interests in Neodent disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

(in CHF 1 000)	2013	2012
Aggregate carrying amount of individually immaterial associates	47 976	10 687
Aggregate amount of Group's share of:		
Loss from continuing activities	(1 810)	(752)
Impairment charges	(1 526)	0
Post-tax profit / (loss) from discontinued operations	0	0
Other comprehensive income	0	0
Total comprehensive income	(3 336)	(752)

In September 2013, the Group acquired a 30% stake in Createch Medical, SL (Spain), a specialist in high quality CADCAM prosthetics for multiple implant systems. The products are mainly sold in Spain, Germany and other markets in Europe.

The Group purchased 51% of the German companies Medentika GmbH and 51% of Medentika Implant GmbH (collectively referred to as 'Medentika') in October 2013. Medentika, based in Germany, is a provider of implant prosthetics that are used with leading implant and CADCAM systems. The company also supplies a range of titanium implants and instruments. The products are sold directly in Germany, its major market, and through distributors in many other countries in Europe and the rest of the world.

Accordingly, the information presented in the above table includes the results of Createch Medical and Medentika as of the acquisition dates.

The investment in Createch Medical has been partially impaired and an expense of CHF 1.3 million has been recognized within 'share of result of associates'. The impairment is caused by a reduction of the recoverable amount due to a projected delay in the international commercialization of certain product families.

The investment in Open Digital Dentistry has been fully written off as the entity is currently in liquidation and an expense of CHF 0.3 million has been recognized within 'share of result of associates'.

8 FINANCIAL ASSETS

(in CHF 1 000)	2013	2012
Investments measured at fair value through other comprehensive income (Note 30)	13 250	0
Loans and other receivables	1 369	166
Financial lease receivables	20	188
Total non-current financial assets	14 639	354
Financial assets at fair value (Note 30)	1 760	5 966
Finance lease receivables	158	274
Loans and other receivables	0	0
Total current financial assets	1 918	6 240

Investments measured at fair value through other comprehensive income represent non-derivative equity instruments in the medical device sector domiciled in emerging markets (according to the current MSCI classification). The Group is using this presentation alternative as it intends to hold these instruments for the foreseeable future. The Group did not recognize any dividend income relating to these instruments during the periods under review.

FINANCE LEASE RECEIVABLES

(in CHF 1 000)	2013			2012		
	Total future payments	Unearned finance income	Present value	Total future payments	Unearned finance income	Present value
Maturity:						
Within 1 year	170	12	158	296	22	274
After 1 year but not more than 5 years	23	3	20	220	32	188
More than 5 years	0	0	0	0	0	0
Total	193	15	178	516	54	462

For selected customers, the Group acts as a manufacturer lessor for its CADCAM scanner equipment. These contracts usually have a lease term of four years. The Group has not recognized any allowance for uncollectible minimum lease payment receivables. None of these lease contracts were cancelled for the periods under review.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Current financial assets classified as 'fair value through profit or loss' contain mainly derivative financial instruments used by the Group to hedge its foreign currency risk.

9 INVENTORIES

(in CHF 1 000)	2013	2012
Raw materials and supplies	14 726	14 852
Work in progress	19 139	19 825
Finished goods	28 463	28 959
Total inventories	62 328	63 636
Inventories recognized as an expense in 'Cost of goods sold'	(116 556)	(132 972)
Obsolete inventories written down and recognized as an expense	(1 790)	(3 089)

The impact of various products that have been sold at an average price that is below their current consolidated stock value has resulted in a net realizable value write-down of CHF 1.3 million in the period under review (2012: CHF 1.3 million). The reversal at the net realizable value write-down amounted to CHF nil in 2013 (2012: reversal of CHF 0.3 million).

10 TRADE AND OTHER RECEIVABLES

(in CHF 1 000)	2013	2012
Trade receivables, net	93 230	91 797
Other receivables, thereof:	18 160	12 650
Sales related	7 036	6 002
Dividend from associates	4 513	0
VAT and other non-income taxes	3 399	2 915
Prepaid rent	993	1 344
Salary and social security prepayments	557	760
Cash deposits	556	520
Other	1 106	1 109
Total trade and other receivables, thereof:	111 390	104 447
CHF	23 436	20 177
EUR	29 717	31 551
USD	17 603	15 454
Other	40 634	37 265

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

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

(in CHF 1 000)	2013	2012
At 1 January	(4 944)	(4 603)
Charge for the year	(1 531)	(1 244)
Utilized	1 160	292
Unused amounts reversed	163	535
Currency translation adjustments	65	76
At 31 December	(5 087)	(4 944)

The analysis of overdue trade receivables is as follows:

(in CHF 1 000)	2013 Gross	2013 Allowance	2012 Gross	2012 Allowance
Not past due	74 684	(375)	71 952	(364)
Past due, thereof:	23 633	(4 712)	24 788	(4 580)
< 30 days	8 762	(68)	10 729	(136)
31–60 days	4 533	(39)	4 250	(46)
61–90 days	1 602	(89)	2 074	(166)
91–120 days	1 333	(419)	1 169	(215)
> 120 days	7 403	(4 097)	6 566	(4 017)
Total	98 317	(5 087)	96 740	(4 944)

11 CASH AND CASH EQUIVALENTS

(in CHF 1 000)	2013	2012
Cash at banks and on hand, thereof:	383 297	140 064
CHF	343 040	105 995
EUR	17 588	15 777
USD	4 978	5 577
SEK	10 079	4 975
Other	7 612	7 740
Short-term bank deposits, thereof:	498	440
Other	498	440
Total cash and cash equivalents	383 795	140 504

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

12 SHARE CAPITAL

The share capital is represented by 15 676 549 issued shares (2012: 15 676 549) of CHF 0.10 par value, fully paid in. In 2013 and 2012, the total share capital remained unchanged.

Treasury shares are valued at weighted average cost and have been deducted from equity. The fair value of the treasury shares at 31 December 2013 amounted to CHF 23.9 million (2012: CHF 26.4 million). At 31 December 2013, the number of outstanding shares amounted to 15 533 158 (2012: 15 441 259) and the number of treasury shares to 143 391 (2012: 235 290).

The number of shares outstanding developed as follows:

	2013	2012
At 1 January	15 441 259	15 475 290
Treasury shares		
Purchased	(15 000)	(49 470)
Used	106 899	15 439
At 31 December	15 533 158	15 441 259

Conditional share capital was approved for an unlimited period at an extraordinary Shareholders' General Meeting in 1998 for share-based compensation. Shareholders who are not employees are not eligible for these shares.

Non-employee shareholders are excluded from subscribing for these shares.

At 31 December 2013 and 2012, the conditional share capital amounted to CHF 32 345.10 and the number of conditional shares was 323 451.

13 STRAIGHT BOND

The Group launched and fully placed an inaugural CHF-denominated domestic straight bond issue for an aggregate amount of CHF 200 million with issue date 30 April 2013 and interest rate of 1.625% p.a, payable annually in arrears on 30 April; the first coupon is payable on 30 April 2014. The maturity date of the bond is 30 April 2020 with redemption at par. Denominations of the bond are CHF 5 000 nominal and multiples thereof.

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

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

(in CHF 1 000)	2013	2012
Nominal value of straight bond issued at 30 April 2013	200 000	0
Net fees	(700)	0
Out-of-pocket-expenses	(50)	0
SIX Swiss Exchange fees	(20)	0
Straight bond on initial recognition at 30 April 2013	199 230	0
Interest expense	2 251	0
thereof:		
Recognized in trade and other payables (Note 17)	(2 180)	0
Straight bond at 31 December 2013	199 301	0

14 FINANCIAL LIABILITIES

(in CHF 1 000)	2013	2012
Unpaid purchase price consideration	3 625	0
Finance lease payables	42	34
Total non-current financial liabilities	3 667	34

(in CHF 1 000)	2013	2012
Finance lease payables	0	13
Financial liabilities at fair value through profit or loss (Note 30)	24	12
Total current financial liabilities	24	25

15 OTHER LIABILITIES (NON-CURRENT)

(in CHF 1 000)	2013	2012
		Restated
Other long-term employee benefits	3 476	3 742
Government grants	1 313	1 501
Rent payable	1 108	1 194
Other	197	288
Total other liabilities	6 094	6 725

Government grants relate to grants recognized in Germany in connection with investments in the manufacturing facilities of Straumann CADCAM GmbH.

16 PROVISIONS

(in CHF 1 000)	Sales-related	Tax-related	Other	Total 2013	Total 2012
At 1 January	610	13 518	1 941	16 069	9 851
Utilization	0	0	(75)	(75)	(534)
Reversal	(65)	(780)	(312)	(1 157)	(443)
Additions	14 269	8 770	429	23 468	7 210
Currency translation adjustment	(4)	(11)	1	(14)	(15)
At 31 December	14 810	21 497	1 984	38 291	16 069
Non-current 2013	9 717	20 520	1 984	32 221	
Current 2013	5 093	977	0	6 070	
Total provisions 2013	14 810	21 497	1 984	38 291	
Non-current 2012	593	11 318	1 556		13 467
Current 2012	17	2 200	385		2 602
Total provisions 2012	610	13 518	1 941		16 069

The position ‘Sales-related’ contains provisions for product warranties and similar items. Additionally, in 2013 the Group recognized a provision of CHF 14 million in connection with the restructuring of its go-to-market approach in the People’s Republic of China. CHF 5 million of the provision are classified current and the remainder as non-current. The corresponding expense is recognized in the line ‘Distribution expenses’ and relates to the operating segment ‘Sales APAC’.

The position ‘Tax-related’ contains provisions related to income taxes as well as VAT and other non-income tax cases in a number of jurisdictions. In 2013 the group re-assessed its provisions for tax risks to reflect recent developments in a number of jurisdictions including all ongoing disputes with tax authorities. As a result of this reassessment the group increased non-current provisions for income taxes by CHF 4.0 million. The Non-current provisions for VAT risks were increased by CHF 4.8 million.

17 TRADE AND OTHER PAYABLES

(in CHF 1 000)	2013	2012
Trade payables	23 488	20 602
Other payables, thereof:	80 125	73 362
Salary and social security	45 634	46 378
Sales related	23 643	20 001
VAT and other non-income taxes	2 977	3 660
Interest accrued on straight bond (Note 13)	2 180	0
Rent payable	1 274	557
Other	4 417	2 766
Total trade and other payables	103 613	93 964

18 INCOME TAX

INCOME TAX EXPENSE

(in CHF 1 000)	2013	2012
		Restated
Current	(20 128)	(19 449)
Deferred	1 439	(231)
Total income tax expense	(18 689)	(19 680)
Effective income tax rate (in %)	15.6	34.4

For 2013, the applicable Group tax rate is 15.4% (2012: 18.6%), which represents the weighted tax rate, calculated by multiplying the accounting profits (or losses) of each Group company by the respective statutory tax rate over the total pre-tax profit of the Group.

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

(in CHF 1 000)	2013	2012
		Restated
Income tax at the applicable Group tax rate	(18 495)	(10 588)
Non-taxable / non-tax-deductible positions	1 122	(3 864)
Changes in recognition of tax assets from losses or tax credits (and their expiry)	1 547	548
Utilization of previously unrecognized tax losses or tax credits to offset current taxes	18	70
Tax losses or tax credits from current year that are not recognized	(3)	(380)
Effect of changes in tax rates or imposition of new taxes	(254)	(322)
Current taxes from other periods	(2 465)	(5 064)
Other	(159)	(80)
Effective income tax expense	(18 689)	(19 680)

TAX LOSS CARRY-FORWARDS

(in CHF 1 000)	2013	2012
Available tax loss carry-forwards at 1 January	58 189	68 762
Exchange differences	(9 600)	(6 611)
Adjustments of tax loss carry-forwards on opening balance	38	(89)
Tax losses and credits arising from current year	660	1 004
Tax losses and credits utilized against current year profits	(6 351)	(4 877)
Available tax loss carry-forwards at 31 December	42 936	58 189

Deferred income tax assets of CHF 8.1 million (2012: 10.5 million) were recorded in respect of available tax loss carry-forwards and tax credits of CHF 23.5 million (2012: CHF 30.8 million). Deferred income tax assets for unused tax losses are recognized to the extent that it is probable that future taxable profits will be available, against which the unused tax losses can be utilized in the respective countries, or to the extent that the individual companies have sufficient taxable temporary differences.

Deferred tax assets recognized for tax loss carry-forwards contain CHF 6.0 million (2012: CHF 7.1 million) relating to Straumann Japan KK, Tokyo, Japan.

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

(in CHF 1 000)	2013	2012
Expiry in next business year (current year +1)	0	0
Expiry current year +2	0	0
Expiry current year +3	0	0
Expiry current year +4	0	0
Expiry current year +5 and later	19 446	27 394
Unused tax loss carry-forwards at 31 December	19 446	27 394

DEFERRED INCOME TAXES

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

2013

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards	Other	Total
Deferred tax assets at 1 January	343	252	7 315	10 474	10 317	28 701
Deferred tax liabilities at 1 January	(4 374)	(383)	(2 478)	–	(3 653)	(10 888)
Net deferred tax balance at 1 January	(4 031)	(131)	4 837	10 474	6 664	17 813
(Charged) / credited to income statement	846	(113)	2 183	(1 194)	(429)	1 293
Charged to statement of comprehensive income	–	–	–	–	(652)	(652)
Currency translation adjustments	82	(1)	(27)	(1 131)	(773)	(1 850)
Net deferred tax balance at 31 December	(3 103)	(245)	6 993	8 149	4 810	16 604
Deferred tax assets at 31 December	358	198	9 574	8 149	8 113	26 392
Deferred tax liabilities at 31 December	(3 461)	(443)	(2 581)	–	(3 303)	(9 788)

2012
RESTATED

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards	Other	Total
Deferred tax assets at 1 January	589	2 148	6 077	12 228	9 643	30 685
Deferred tax liabilities at 1 January	(5 417)	(669)	(2 541)	–	(3 716)	(12 343)
Net deferred tax balance at 1 January	(4 828)	1 479	3 536	12 228	5 927	18 342
(Charged) / credited to income statement	800	(1 223)	1 390	(601)	(597)	(231)
Credited to statement of comprehensive income	–	–	–	–	392	392
Credited to statement of changes in equity	–	–	–	–	256	256
Currency translation adjustments	(3)	(387)	(89)	(1 153)	686	(946)
Net deferred tax balance at 31 December	(4 031)	(131)	4 837	10 474	6 664	17 813
Deferred tax assets at 31 December	343	252	7 315	10 474	10 317	28 701
Deferred tax liabilities at 31 December	(4 374)	(383)	(2 478)	–	(3 653)	(10 888)

At 31 December 2013, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was CHF 23.4 million (2012: CHF 22.1 million). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19 SHARE-BASED PAYMENTS

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

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

OPTION PLAN

Up to 2011, Executive Management and Senior Management received a part of their compensation in the form of stock options. The granted options have a term of six years and a vesting period of two years. Unvested options are forfeited when an employee leaves the company. The options are structured as a private placement. The options, which were issued in the form of warrants (one option = 50 warrants), can be exercised 1:1 into shares. A Swiss bank functions as market maker for the quoted and private placement warrants. The fair value of the options granted was determined using the Black-Scholes valuation model.

PERFORMANCE SHARE PLAN

Under the Performance share plan introduced in 2012, Executive Management and Senior Management are granted 'Performance Share Units' (PSUs), which are convertible into shares after a three-year vesting period. The conversion factor is a linear function of the Group's total shareholder return (TSR) and can vary between 0 and a cap of 2.0. An annual TSR of 10% results in a conversion factor of 1.0, a TSR of 0% or below leads to a conversion factor of zero. Employees must remain in service for a period of three years from the date of grant. The fair value of PSUs granted is estimated at the date of grant using a Monte Carlo simulation model, taking into account the terms and conditions upon which the PSUs were granted.

BOARD OF DIRECTORS REMUNERATION

For the first half of 2013 members of the Board of Directors were entitled to a fixed attendance fee of which 25% were provided in Straumann shares. For the service period from January to March 2013 the shares were allocated at market value based on the average share price over the seven trading day period following the ex-dividend day. For the service period from April to June 2013 the shares were allocated at market value based on the average share price over the last seven trading days in 2013. For the second half of 2013 members of the Board of Directors were entitled to a fixed attendance fee and a fixed number of shares which were granted at year end. No discount is given on those shares granted and the shares are blocked for two years.

EMPLOYEE SHARE PLAN

Selected employees had the right to buy between 10 and 150 shares (depending on the hierarchical level) in 2013. The employees were offered a discount of 25% based on the average share price over the seven trading day period following the ex-dividend day. The difference between the fair value at grant and the cash consideration paid by the employees was immediately recognized as personnel expense. The shares are subject to a two-year blocking period. During the reporting period, employees subscribed to 2 405 (2012: 15 439) of those shares.

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

(in CHF 1 000)	2013	2012
Option plan	149	1 573
Performance share plan	1 740	907
Board of directors remuneration	1 306	553
Employee share plan	141	315
Total share-based payments (Note 23)	3 336	3 348

There were no cancellations or modifications to the awards in 2013 or 2012.

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

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

	2013	2012
At 1 January	32 894	0
Granted	64 977	41 747
Exercised	0	0
Forfeited	(18 733)	(8 853)
Expired	0	0
Total at 31 December	79 138	32 894
Exercisable at 31 December	0	0

The option program developed as follows:

RECONCILIATION OF OUTSTANDING OPTIONS

	2013	2012
At 1 January	260 676	325 000
Exercised	0	0
Forfeited	(12 497)	(15 832)
Expired	(48 709)	(48 492)
Total at 31 December	199 470	260 676
Exercisable at 31 December	156 057	152 520

The exercise prices, the exercise period and the expiry date of the outstanding options are as follows:

	Strike price	Options expiring at year-end	Total options available for exercise
2013	312.25	48 709	156 057
2014	185.50	55 204	199 470
2015	292.50	48 607	144 266
2016	214.00	52 246	95 659
2017	162.10	43 413	43 413
Total		248 179	

The following table list the inputs to the models used for the performance share plan (PSU) and the option plan for the year ended 31 December 2013 and 2012, respectively:

INPUTS TO THE MODELS

	2013	2012
	PSU	PSU
Dividend yield (in %)	0.00	0.00
Expected volatility (in %)	31.28	29.58
Risk-free interest rate (in %)	0.15	0.18
Expected life of PSUs / options	3	3
Share price (in CHF) at grant date in April	114.00	143.90
Fair value (in CHF)	88.24	110.25
Model used	Monte Carlo	Monte Carlo

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

20 RETIREMENT BENEFIT OBLIGATIONS

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

Defined benefit pension plans cover Group subsidiaries mainly in Switzerland, Italy, France, United States and Norway. The defined benefit obligations and related plan assets are reappraised annually by independent actuaries. The defined benefit obligation of unfunded pension plans was CHF 2.7 million (2012: CHF 3.0 million) and for funded pension plans CHF 140.2 million (2012: CHF 163.6 million).

The amounts recognized in the statement of financial position are as follows:

MOVEMENTS OF NET LIABILITIES RECOGNIZED IN STATEMENT OF FINANCIAL POSITION

(in CHF 1 000)	2013	2012
		Restated
Net liabilities at 1 January	(37 089)	(33 713)
Exchange differences	21	41
Expense recognized in consolidated income statement (Note 23)	(2 680)	(10 164)
Employer´s contributions	11 256	9 452
Remeasurements	10 010	(2 705)
Net liabilities at 31 December	(18 482)	(37 089)

BALANCE SHEET

(in CHF 1 000)	2013	2012
		Restated
Fair value of plan assets	124 463	129 432
Present value of funded benefit obligations	(140 227)	(163 567)
Deficit in the plan	(15 764)	(34 135)
Present value of unfunded benefit obligations	(2 718)	(2 954)
Total retirement benefit obligations	(18 482)	(37 089)

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

(in CHF 1 000)	2013	2012
		Restated
Current service cost	(10 880)	(9 114)
Interest expense on defined benefit obligation	(3 119)	(3 433)
Interest income on plan assets	2 425	2 607
Administration costs	(238)	(224)
Gains on curtailments, settlements and plan amendments	9 131	0
Expense recognized in the consolidated income statement	(2 681)	(10 164)

Mainly in connection with the headcount reductions in Switzerland, the Group recognized gains on curtailments, settlements and plan amendments of CHF 9.1 million in 2013 (2012: nil). The gains are disclosed within the primary reporting segment 'Support Functions' and 'Administrative expenses'.

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

(in CHF 1 000)	2013	2012
		Restated
Present value of benefit obligation at 1 January	(166 521)	(142 135)
Current service cost	(10 880)	(9 114)
Interest expense on defined benefit obligation	(3 119)	(3 433)
Curtailments, settlements and plan amendments	38 440	0
Employee contributions	(4 999)	(5 170)
Experience gains on defined benefit obligation	2 129	658
Benefits paid	(756)	484
Actuarial gains / (losses) arising from change in financial assumptions	3 883	(7 825)
Actuarial losses arising from change in demographic assumptions	(1 183)	0
Exchange differences	61	14
Present value of benefit obligation at 31 December	(142 945)	(166 521)
whereof due to active members	(118 519)	(148 729)
whereof due to pensioners	(24 426)	(17 792)

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

(in CHF 1 000)	2013	2012 Restated
Fair value of plan assets at 1 January	129 432	108 422
Interest income	2 425	2 607
Employer contributions	11 256	9 452
Employee contributions	4 999	5 170
Curtailments, settlements and plan amendments	(29 309)	0
Benefits paid	756	(484)
Return on plan assets	5 181	4 462
Administration costs	(238)	(224)
Exchange differences	(39)	27
Fair value of plan assets at 31 December	124 463	129 432

Plan assets are comprised as follows:

(in CHF 1 000)	2013		2012	
Cash and cash equivalents	19 061	15.3%	23 306	18.0%
Debt instruments	32 848	26.4%	32 367	25.0%
Equity instruments	25 077	20.1%	25 048	19.4%
Real estate	28 267	22.7%	34 303	26.5%
Other	19 210	15.5%	14 408	11.1%
Total plan assets	124 463	100.0%	129 432	100.0%

Plan assets are recorded at fair value and their actual return in 2013 was a gain of CHF 5.6 million (2012: CHF 6.8 million).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The expected amount of contribution to post-employment benefit plans for 2014 is CHF 7.7 million (2013: CHF 9.5 million). At 31 December 2013, the weighted-average duration of the defined benefit obligation was 10.9 years (2012: 12.8 years)

Defined pension plans in Switzerland, Italy and France represent 92% of the Group's total defined benefit pension obligation. In all of these countries the defined benefit pension obligation is significantly impacted by assumptions regarding the discount rate. Furthermore, the rate of future salary increases significantly affects the value of the plans. Generational mortality tables are used where this data is available.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is as shown below :

	Defined benefit obligation	
(in CHF 1 000)	Increase	Decrease
Discount rate (0.25 % movement)	3 746	(3 957)
Future salary growth (0.25 % movement)	(766)	689

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

The principal actuarial assumptions for the plans in Switzerland, Italy and France, which are determined with respect to local conditions, were as follows:

	2013			2012		
	Switzerland	Italy	France	Switzerland	Italy	France
Discount rate	2.00 %	3.00 %	3.00 %	1.75 %	3.00 %	2.80 %
Future salary increases	1.50 %	3.00 %	2.65 %	1.50 %	3.00 %	2.80 %
Future pension increases	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

21 OTHER INCOME

(in CHF 1 000)	2013	2012
Rental income	1 390	1 041
Gain on disposal of property, plant and equipment	164	38
Royalty income	37	61
Other	1 156	623
Total other income	2 747	1 763

22 DEPRECIATION AND AMORTIZATION

(in CHF 1 000)	Notes	2013	2012
Depreciation of property, plant and equipment	4	(24 392)	(27 104)
Depreciation of investment properties	5	(558)	(300)
Amortization of intangible assets	6	(6 807)	(7 488)
Impairment reversal of property, plant and equipment	4	883	0
Impairment of investment properties	5	(1 787)	(520)
Impairment of intangible assets	6	0	(21 000)
Total depreciation and amortization		(32 661)	(56 412)

23 EMPLOYEE BENEFITS EXPENSE

(in CHF 1 000)	2013	2012 Restated
Wages and salaries	(235 156)	(250 694)
Share-based payments (Note 19)	(3 336)	(3 348)
Social security cost	(31 734)	(30 303)
Pension costs – defined benefit plan (Note 20)	(2 680)	(10 164)
Pension costs – defined contribution plan	(3 983)	(3 034)
Other personnel expense	(9 024)	(11 693)
Total employee benefit expense	(285 913)	(309 236)

24 FINANCE INCOME AND EXPENSE

(in CHF 1 000)	2013	2012 Restated
Finance income	22 175	16 693
Interest income	325	611
Fair value & other financial income	1 760	3 732
Foreign exchange gains	20 090	12 350
Finance expense	(23 909)	(16 818)
Interest expense	(3 698)	(1 489)
Fair value & other financial expense	(4 021)	(113)
Foreign exchange losses	(16 190)	(15 216)
Total finance expense net	(1 734)	(125)

25 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of Straumann Holding AG by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Group and held as treasury shares (see Note 12).

	2013	2012 Restated
Net profit attributable to shareholders (in CHF 1 000)	101 201	37 505
Weighted average number of ordinary shares	15 459 501	15 456 765
Basic earnings per share (in CHF)	6.55	2.43

DILUTED EARNINGS PER SHARE

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

	2013	2012
		Restated
Net profit used to determine diluted earnings per share (in CHF 1 000)	101 201	37 505
Weighted average number of ordinary shares outstanding	15 459 501	15 456 765
Adjustments for instruments issued	104 317	0
Weighted average number of ordinary shares for diluted earnings per share	15 563 818	15 456 765
Diluted earnings per share (in CHF)	6.50	2.43

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

Based on the average share price all outstanding options are 'out-of-the-money' at the balance sheet date and do not have any dilutive effect on earnings per share. The dilutive effect on earnings per share is exclusively caused by the outstanding issues of Performance Share Units, which are 'in-the-money' at the balance sheet date.

26 DIVIDENDS PER SHARE

The dividend paid in 2013 and 2012 was CHF 3.75 per share, resulting in a total payout of CHF 57.8 million in 2013 and CHF 58.0 million in 2012. A dividend for the year ended 31 December 2013 of CHF 3.75 per share, amounting to a total dividend of CHF 58.3 million, is to be proposed at the Shareholders' General Meeting on 11 April 2014. These financial statements do not reflect this payable dividend.

27 CONTINGENCIES AND COMMITMENTS

OPERATING LEASE COMMITMENTS

(in CHF 1 000)	2013	2012
Maturity:		
Within 1 year	17 756	18 839
After 1 year but not more than 5 years	45 089	49 762
More than 5 years	7 713	11 927
Total operating lease commitments	70 558	80 528
Total rental and operating lease expenses	22 867	22 802

The majority of the operating lease commitments are in connection with non-cancellable operating lease agreements for office buildings in Switzerland, the US and the UK as well as for a manufacturing site in Germany. The non-cancellable leases mainly have remaining terms of between four and 10 years. In addition, the Group entered into various cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

FINANCE LEASE COMMITMENTS

(in CHF 1 000)	2013	2012
Other equipment	36	47
Total carrying amount of finance lease commitments	36	47

Finance lease commitments mainly consist of financial lease contracts acquired through the acquisition in 2007 of Straumann CADCAM GmbH.

RECONCILIATION BETWEEN TOTAL OF MINIMUM LEASE PAYMENTS AND THEIR PRESENT VALUE

(in CHF 1 000)	2013			2012		
	Total future payments	Unpaid finance costs	Present value	Total future payments	Unpaid finance costs	Present value
Maturity:						
Within 1 year	0	0	0	14	(1)	13
After 1 year but not more than 5 years	38	(2)	36	37	(3)	34
More than 5 years	0	0	0	0	0	0
Total	38	(2)	36	51	(4)	47

CONTINGENT LIABILITIES

(in CHF 1 000)	2013	2012
Letter of credit facilities	4 235	4 291
Purchase commitments	2 624	1 818
Others	676	800
Total	7 535	6 909

CONTINGENT ASSETS AND LIABILITIES

The Group has guarantee obligations of max. CHF 4.2 million (2012: CHF 4.3 million). Some Group companies are involved in litigation arising from the normal course of their business and might 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 over and above the provisions already recognized in the statement of financial position.

28 RELATED-PARTY DISCLOSURE

The Group has identified the following related parties:

- The International Team for Implantology (ITI) Foundation
- Straumann Pension Fund
- Straumann Board of Directors
- Straumann Executive Management Board
- JJGC Indústria e Comércio Materiais Dentários S/A ('Neodent')
- Medentika GmbH and Medentika Implant GmbH ('Medentika')
- Dental Wings Inc and Dental Wings GmbH ('Dental Wings')
- Open Digital Dentistry AG
- Medartis AG
- Createch Medical, SL

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

(in CHF 1 000)		2013	2012
Related Party	Nature		
The International Team for Implantology (ITI) Foundation	Collaboration agreement	(13 682)	(14 678)
Straumann Pension Fund	Employer´s contribution	(8 286)	(8 875)
Neodent	Purchase of goods	(1 143)	0
Dental Wings	Purchase of software licences	(619)	0
Dental Wings	Purchase of services	(90)	0
Dental Wings	Transfer of assets	320	0
Open Digital Dentistry	Purchase of software licenses	(460)	(1 008)
Total		(23 960)	(24 561)

The following open balances due to related parties are recognized in the statement of financial position:

(in CHF 1 000)	2013	2012
The International Team for Implantology (ITI) Foundation	(2 063)	(2 250)
Straumann Pension Fund	784	(10)
Associates	(222)	0
Total	(1 501)	(2 260)

Payments to the ITI Foundation are based on a collaboration agreement between Straumann and the ITI.

The Group purchased
- dental design software and software licences from the associate Open Digital Dentistry AG and Dental Wings
- software-related services from Dental Wings, and
- dental implants & prosthetic elements from Neodent.

Purchases of goods and services from Neodent and Dental Wings are carried out under normal commercial terms and conditions.

In January 2013 the Group transferred its software development activities to Dental Wings. The value-in-use of the assets transferred was determined with reference to their net book value at the time of transfer.

The Group has entered into a commitment to purchase scanner assembly services from Dental Wings for a total amount of CHF 0.5 million in 2014.

KEY MANAGEMENT PERSONNEL COMPENSATION

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

For the first half of 2013 members of the Board of Directors were entitled to a fixed attendance fee of which 25% were provided in Straumann shares. For the service period from January to March 2013 the shares were allocated at market value based on the average share price over the seven trading day period following the ex-dividend day. For the service period from April to June 2013 the shares were allocated at market value based on the average share price over the last seven trading days in 2013. For the second half of 2013 members of the Board of Directors were entitled to a fixed attendance fee and a fixed number of shares which were granted at year end. No discount is given on those shares granted and the shares are blocked for two years.

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

The Straumann Executive Management board was enlarged by two members as of 1 June 2013.

COMPENSATION

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

(in CHF 1 000)	2013	2012
Salaries and other short-term employee benefits	9 337	5 847
Post-employment benefits	1 192	897
Termination benefits[1]	480	1 629
Share-based payments	2 096	1 481
Total Key Management Personnel compensation recognized in profit or loss	13 105	9 854

[1] Salary until end of notice period as the employee renders no further service that provides economic benefits to the entity.

29 FINANCIAL RISK MANAGEMENT

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

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

It is, and has been throughout 2013 and 2012, the Group's policy not to use derivatives without an underlying operational transaction, or for trading (i.e. speculative) purposes.

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

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include deposits, investments and derivative financial instruments. The sensitivity analysis in the following sections relates to the position as at 31 December 2013 and 2012. The sensitivity analysis has been prepared on the basis that the amount of net cash and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2013. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, as well as on provisions and on non-financial assets and liabilities of foreign operations.

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

- The statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2013 and 2012 including the effect of hedge accounting in 2013 and 2012.

INTEREST RATE RISK

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

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

INTEREST RATE RISK SENSITIVITY

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

(in CHF 1 000)	2013		2012	
Currency	Increase / decrease (in base points)	Effect on profit before tax	Increase / decrease (in base points)	Effect on profit before tax
CHF	30	1 029	30	318
EUR	50	87	50	79
SEK	40	40	40	20
USD	50	25	50	28
CNY	50	14	50	14
CHF	(30)	(1 029)	(30)	(318)
EUR	(50)	(87)	(50)	(79)
SEK	(40)	(40)	(40)	(20)
USD	(50)	(25)	(50)	(28)
CNY	(50)	(14)	(50)	(14)

FOREIGN CURRENCY RISK

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

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

Straumann's risk management policy is to hedge recognized and anticipated transactions (mainly export sales) in each major currency for a maximum of 12 months based on actual exposures, budget assumptions and currency expectations. The forward currency contracts, NDF or options must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. At 31 December 2013, the Group had hedged foreign currency sales in euros, Australian dollars, British pounds, Japanese yen, Mexican pesos, Norwegian krona, Chinese renminbi, Brazilian real, Korean wong, Singapore dollars and Czek krona for which firm commitments existed at the balance sheet date, and also for anticipated transactions and short- and long-term loans in Japanese yen, Chinese renminbi, Singapore dollars and Mexican pesos.

At 31 December 2013 the Group had hedged 86% of its foreign currency exposure (2012: 90%) for which firm commitments existed at the reporting date.

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

FOREIGN CURRENCY RISK SENSITIVITY

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

(in CHF 1 000)	2013			2012		
Currency	Increase / decrease (in %)	Effect on profit before tax	Effect on equity	Increase / decrease (in %)	Effect on profit before tax	Effect on equity
CNY / CHF	5	(181)	0	5	(203)	0
EUR / CHF	3	(56)	0	3	(7)	0
CAD / CHF	3	45	0	3	(57)	0
USD / CHF	5	125	0	5	1	0
BRL / CHF	5	(196)	0	5	(79)	0
CNY / CHF	(5)	181	0	(5)	203	0
EUR / CHF	(3)	56	0	(3)	7	0
CAD / CHF	(3)	(45)	0	(3)	57	0
USD / CHF	(5)	(125)	0	(5)	(1)	0
BRL / CHF	(5)	196	0	(5)	79	0

CREDIT RISK

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

Trade receivables

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances, their overall maturity profile and their overdue profile are monitored on an ongoing basis. The Group reviews its provision for impairment on an ongoing basis. Overall the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 10. 94% of the transactions occur in the country of the relevant operating unit (2012: 94%). There are no significant concentrations of customer credit risk within the Group.

Financial instruments and cash deposits

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

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

(in CHF 1 000)	2013		2012	
Bank	Rating	Balance	Rating	Balance
Bank A	AAA	137 355	AAA	35 425
Bank B	AA	31 934	AA+	32 055
Bank C	AAA	45 687	AAA	31 370
Bank D	A	81 779	A	20 126
Bank E	A	8 979	A+	3 143
Bank F	A	59 993	A+	812
Total		365 727		122 931

LIQUIDITY RISK

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. Corporate Treasury maintains flexibility in funding by maintaining availability under committed and uncommitted credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow). The Group's policy follows the principle of maintaining liquidity reserves higher than the daily and monthly demand of operating cash and the target of maintaining a minimum cash on hand of CHF 60 million and available liquidity including credit lines of more than CHF 100 million.

The following tables summarize the maturity profile of the Group's financial liabilities at 31 December 2013 and 31 December 2012, based on contractual payments.

(in CHF 1 000)	2013			2012		
	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Trade and other payables (Note 17)	99 952	0	0	93 964	0	0
Financial liabilities at fair value through profit or loss	24	0	0	12	0	0
Financial liabilities measured at amortized costs	0	42	0	13	34	0
Unpaid purchase price consideration	0	3 625	0	0	0	0
Total	99 976	3 667	0	93 989	34	0

(in CHF 1 000)	2013			2012		
	On demand	<3 months	3–12 months	On demand	<3 months	3–12 months
Trade and other payables (Note 17)	737	60 746	42 130	2 579	58 641	32 744
Financial liabilities at fair value through profit or loss	0	24	0	0	12	0
Financial liabilities measured at amortized costs	0	0	0	1	2	10
Total	737	60 770	42 130	2 580	58 655	32 754

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and secure shareholder investments. The Group manages its capital structure and makes adjustments if required. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders by the means of share buy-backs, or issue new shares. No changes were made in the objectives, policies or processes during 2013 and 2012.

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

EQUITY RATIO

(in CHF 1 000)	2013	2012
		Restated
Total assets	1 019 740	776 874
Equity	631 380	601 657
Equity ratio	61.9%	77.4%

30 FINANCIAL INSTRUMENTS

FAIR VALUES

The fair values of the Group's financial assets and liabilities are equal to their carrying amounts, due to the short-term maturities of these instruments.

FAIR VALUE HIERARCHY

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

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

At 31 December 2013 and 2012, the Group held the following financial instruments measured at fair value:

(in CHF 1 000)	2013		2012	
Assets measured at fair value	Level 1	Level 2	Level 1	Level 2
Investment measured at fair value through OCI (Note 8)	13 250	0	0	0
Foreign exchange forward contracts - cash flow hedge	0	0	0	2 284
Foreign exchange forward contracts - fair value hedge	0	1 701	0	3 629
Non-deliverable forward (NDF) - fair value hedge	0	59	0	53
Financial assets at fair value	13 250	1 760	0	5 966

	2013		2012	
Liabilities measured at fair value	Level 1	Level 2	Level 1	Level 2
Foreign exchange forward contracts – fair value hedge (Note 14)	0	24	0	0
Non-deliverable forward (NDF) – fair value hedge	0	0	0	12
Financial liabilities measured at fair value	0	24	0	12

CASH FLOW HEDGES

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 profit or loss. Amounts recognized in equity are transferred to the profit or loss 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 recognized in equity are transferred from equity and are 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 recognized in equity is transferred to the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized in equity is immediately transferred to the profit or loss.

At 31 December 2013, the Group had no option contracts open (2012: CHF 12.3 million), forward exchange contracts for CHF 1.6 million (2012: 3.8 million) and NDF of CHF 2.7 million (2012: 0 million) designated as hedges of expected future sales to customers for which the Group had no firm commitments from customers. Forward exchange contracts, NDF and options were used during 2013 and 2012 to hedge the Group's foreign currency risk of the firm commitments. The cash flow hedges of the expected future sales during 2013 and 2012 were assessed to be highly effective.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the profit or loss.

At the end of December 2013, there were no cash flow hedges of expected future sales in 2014. As per 31 December 2012, the amount of unrealized gains resulting from cash flow hedges was CHF 2.3 million with a deferred tax liability of CHF 0.3 million, and the amount was included in other comprehensive income in respect of these contracts.

FAIR VALUE HEDGES

Changes in the fair value of derivatives are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. At 31 December 2013, the Group had forward exchange contracts qualifying as fair value hedges of CHF 43.3 million (2012: CHF 50.3 million). At 31 December 2013 the Group held six non-deliverable foreign exchange forwards (NDF) for the amount of CHF 2.7 million (2012: CHF 2.5 million).

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

The Group does not use any derivative financial instruments to hedge net investments in foreign operations. It is the Group's policy to use natural hedges and foreign currency financing to hedge net investments in foreign operations as much as possible. Monetary items that form part of net investment in foreign operations are accounted for similarly to cash flow hedges. Any foreign currency gain or loss on the monetary instrument is recognized in equity. Gains and losses accumulated in equity are included in the profit or loss when the foreign operation is disposed of. At 31 December 2013, the Group recognized CHF 36.0 million of foreign currency losses in equity (2012: losses of CHF 33.2 million).

31 PRINCIPAL CURRENCY TRANSLATION RATES

Currency	Unit	31 Dec 2013	Average 2013	31 Dec 2012	Average 2012
AUD	1	0.79	0.89	0.94	0.97
BRL	100	37.94	42.77	44.31	47.80
CAD	1	0.83	0.89	0.92	0.93
CNY	100	14.69	14.97	14.58	14.76
CZK	100	4.46	4.73	4.81	4.78
DKK	100	16.38	16.41	16.14	16.15
EUR	1	1.23	1.23	1.21	1.21
GBP	1	1.47	1.45	1.47	1.48
HUF	100	0.41	0.41	0.41	0.42
INR	100	1.44	1.58	1.66	1.75
JPY	100	0.85	0.95	1.06	1.17
KRW	100	0.08	0.08	0.08	0.08
MXN	100	6.82	7.17	7.02	7.08
NOK	100	14.49	15.67	16.34	16.07
NZD	1	0.73	0.75	0.75	0.76
SEK	100	13.68	14.12	13.94	13.82
SGD	1	0.70	0.74	0.75	0.75
USD	1	0.89	0.92	0.91	0.93

32 RISK ASSESSMENT

COMPREHENSIVE RISK MANAGEMENT

Straumann is committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value. The Group addresses risk assessment and management through a holistic, disciplined and deliberate approach, with the view that they must be embedded in a comprehensive internal control framework.

RESPONSIBILITIES

In accordance with Swiss corporate law and Straumann's Articles of Incorporation, the Board of Directors and the Executive Management Board bear the overall responsibility for assuring the viability and profitability of the company. The Board has delegated the task of risk management to the Chief Risk Officer, who is also the Chief Financial Officer.

Risk management

The monitoring and control of risks are management objectives. The risk-assessment process analyzes the implications and potential impact of external and internal factors on the achievement of the Group's objectives, and provides a basis for managing them. Risks are categorized as follows:

- Strategic
- Operational
- Financial
- Financial reporting risks
- Compliance.

This matches the approach of COSO (the Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used. For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout Straumann's Internal Control System (ICS) framework.

RISK REPORTING

A comprehensive corporate assessment report is produced annually and serves as a working document for the coming year. It includes all identified risks that are critical for Straumann's business. The risks are ranked and prioritized. Action plans are defined and the implementation of measures to reduce risk is monitored. The report is prepared by Internal Audit and the Chief Risk Officer and discussed with the Executive Management Board. The Audit Committee of the Board of Directors assesses and discusses the risks on the basis of that report in consultation with the Chief Risk Officer and/or the relevant members of Senior Management on a regular basis. Key findings are presented to the Board. Pressing risks that emerge very rapidly are discussed by the Board at short notice.

For details on financial risks see also Note 29.

33 EVENTS AFTER THE BALANCE SHEET DATE

On 17 February 2014 the Group has entered into a binding agreement to purchase unlisted financial instruments for the equivalent of CHF 6.0 million denominated in foreign currency.

34 SUBSIDIARIES

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	Interest and voting rights 2013 (in %)	Interest and voting rights 2012 (in %)
Subsidiaries:				
Institut Straumann AG	Sales / Principal	Switzerland	100.00	100.00
Straumann Villeret SA	Manufacturing	Switzerland	100.00	100.00
Straumann GmbH	Sales	Germany	100.00	100.00
Straumann USA, LLC	Sales	USA	100.00	100.00
Straumann Ltd	Sales	UK	100.00	100.00
Straumann BV	Sales	Netherlands	100.00	100.00
Straumann SARL	Sales	France	100.00	100.00
Straumann AB	Sales	Sweden	100.00	100.00
Straumann AS	Sales	Norway	100.00	100.00
Straumann OY	Sales	Finland	100.00	100.00
Manohay Dental SA (formerly Straumann SA)	Sales	Spain	100.00	100.00
Straumann Canada Ltd	Sales	Canada	100.00	100.00
Straumann GmbH	Sales	Austria	100.00	100.00
Straumann Brasil Ltda	Sales	Brazil	100.00	100.00
Straumann SA / NV	Sales	Belgium	100.00	100.00
Straumann Italia srl	Sales	Italy	100.00	100.00
Straumann Manufacturing, Inc.	Manufacturing	USA	100.00	100.00
Straumann Pty Ltd	Sales	Australia	100.00	100.00
Straumann Mexico SA de CV	Sales	Mexico	100.00	100.00
Straumann Danmark ApS	Sales	Denmark	100.00	100.00
Biora AB	Manufacturing	Sweden	100.00	100.00
Straumann Holding Deutschland GmbH	Sub-Holding	Germany	100.00	100.00
Straumann CADCAM GmbH	Production	Germany	100.00	100.00
Straumann Japan KK	Sales	Japan	100.00	100.00
Straumann Dental Korea Inc.	Sales	Republic of Korea	100.00	100.00
Straumann Singapore Pte Ltd	Management	Singapore	100.00	100.00
Straumann sro	Sales	Czech Republic	100.00	100.00
Straumann (Beijing) Medical Device Trading Co Ltd	Sales	China	100.00	100.00
Straumann Dental India Pvt Ltd	Sales	India	100.00	100.00
Instramed AG	Sub-Holding	Switzerland	100.00	0.00
Neodent USA, Inc	Sales	USA	100.00	0.00

Name	Principal activities	Country of incorporation	Interest and voting rights 2013 (in %)	Interest and voting rights 2012 (in %)
Associates:				
Dental Wings Inc.	Manufacturing / Sales	Canada	44.42	44.42
Open Digital Dentistry AG (in liquidation)	Sales	Switzerland	44.39	29.60
JJGC Indústria e Comércio de Materiais Dentários S / A ('Neodent')	Manufacturing / Sales	Brazil	49.00	49.00
Createch Medical, SL	Manufacturing / Sales	Spain	30.00	0.00
Medentika GmbH	Sales	Germany	51.00	0.00
Medentika Implant GmbH	Sales	Germany	51.00	0.00

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

AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Straumann Holding AG, which comprise the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 2 to 69), for the year ended 31 December 2013.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements for the year ended 31 December 2013 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.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

PricewaterhouseCoopers AG

Dr. Rodolfo Gerber	Manuela Baldisweiler
Audit expert	Audit expert
Auditor in charge	

Münchenstein, 21 February 2014

STRAUMANN HOLDING

Contents

BALANCE SHEET

ASSETS

(in CHF 1 000)	Notes	31 Dec 2013	31 Dec 2012
Intangible assets		746	955
Financial assets		13 251	0
Investments	1	528 866	528 738
Intercompany loans		237 372	268 707
Total non-current assets		780 235	798 400
Treasury shares		5 806	10 357
Intercompany receivables		844	390
Other receivables		933	294
Cash and cash equivalents		342 575	101 892
Total current assets		350 158	112 933
Total assets		1 130 393	911 333

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2013	31 Dec 2012
Share capital	2	1 568	1 568
General reserve		1 540	1 540
Reserves from capital contributions[1]		11 085	11 085
Special reserve		2 000	2 000
Reserve for treasury shares	3	20 889	34 139
Available earnings		862 811	845 212
Total equity		899 893	895 544
Straight bond		200 000	
Other provisions		3 000	3 000
Total non-current liabilities		203 000	3 000
Income tax liabilities		1 741	2 343
Intercompany payables		24 962	9 609
Other liabilities		797	837
Total current liabilities		27 500	12 789
Total liabilities		230 500	15 789
Total equity and liabilities		1 130 393	911 333

[1] thereof CHF 10 450 526 not accepted by the Swiss Federal Tax Administration

INCOME STATEMENT

(in CHF 1 000)	2013	2012
Income from investments	29 473	84 136
Financial income	19 628	14 880
License income	44 447	45 368
Total income	93 548	144 384
Administration expense	(11 155)	(12 198)
Depreciation and amortization	(271)	(208)
Financial expense	(16 965)	(26 064)
Total expenses	(28 391)	(38 470)
Profit before taxes	65 157	105 914
Income and capital tax expense	(2 960)	(1 832)
Net profit	62 197	104 082

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

Straumann Holding AG is a public company whose shares are traded on the Swiss Exchange (SIX). As the parent company of the Straumann Group, the purpose of Straumann Holding AG is to acquire, dispose of and manage investments in the field of dental and medical technology. These financial statements were drawn up in accordance with the regulations of the Swiss Code of Obligations.

1 INVESTMENTS

Straumann Holding AG directly holds the following investments:

(in LCU 1 000)	Purpose	Currency	Share capital	Interest and voting rights (in %)
Details on the investments				
Institut Straumann AG, Basel, Switzerland	Sales / Principal	CHF	100	100
Straumann Villeret SA, Villeret, Switzerland	Manufacturing	CHF	9 000	100
Straumann Ltd, Crawley, UK	Sales	GBP	300	100
Straumann BV, Ijsselstein, Netherlands	Sales	EUR	18	100
Straumann SARL, Marne-la-Vallée, France	Sales	EUR	192	100
Straumann AB, Gothenburg, Sweden	Sales	SEK	100	100
Straumann AS, Oslo, Norway	Sales	NOK	1 000	100
Straumann Oy, Helsinki, Finland	Sales	EUR	32	100
Manohay Dental SA (formerly Straumann SA)	Sales	EUR	60	100
Straumann Canada Ltd, Burlington, Canada	Sales	CAD	100	100
Straumann GmbH, Vienna, Austria	Sales	EUR	40	100
Straumann Brasil Ltda, São Paulo, Brazil	Sales	BRL	3 406	100
Straumann SA / NV, Zaventem, Belgium	Sales	EUR	2 082	100
Biora AB, Malmö, Sweden	Manufacturing	SEK	950	100
Straumann Manufacturing Inc., Andover, USA	Manufacturing	USD	0	100
Straumann Pty Ltd, Victoria, Australia	Sales	AUD	0	100
Straumann Mexico SA de CV, Mexico DF, Mexico	Sales	MXN	19 407	100
Straumann Danmark ApS, Brondby, Denmark	Sales	DKK	125	100
Straumann Holding Deutschland GmbH, Freiburg, Germany	Sub-Holding	EUR	25	100
Straumann Japan KK, Tokyo, Japan	Sales	JPY	10 000	100
Straumann Dental Korea Inc, Seoul, Republic of Korea	Sales	KRW	2 300 000	100
Straumann Singapore Pte Ltd, Singapore, Singapore	Management	SGD	0	100
Straumann sro, Prague, Czech Republic	Sales	CZK	200	100
Straumann (Beijing) Medical Device Trading Co Ltd, Beijing, China	Sales	CNY	40 000	100
Instramed AG, Basel, Switzerland	Sub-Holding	CHF	100	100
Straumann Dental India Pvt Ltd, Gurgaon, India	Sales	INR	6 000	99
Dental Wings Inc, Montreal, Canada	Manufacturing / Sales	CAD	1 001	44
Open Digital Dentistry AG, Zug, Switzerland (in liquidation)	Sales	CHF	189	44

2 EQUITY

The share capital of CHF 1.568 million (2012: CHF 1.568 million) consists of 15 676 549 (2012: 15 676 549) registered shares with a par value of CHF 0.10 each.

(in %)	31 Dec 2013	31 Dec 2012
Major shareholders		
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	17.3	17.3
Government of Singapore Investment Corporation Pte Ltd	13.7	13.8
Dr h.c. Rudolf Maag	12.2	12.2
Parvus Asset Management (UK) LLP	10.8	n/a
Simone Maag de Moura Cunha	4.7	5.2
Sprucegrove Investment Management	4.4	3.0
Gabriella Straumann	3.4	3.4
Total major shareholders	66.5	54.9

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

CONDITIONAL SHARE CAPITAL

In 2013 and 2012, the total share capital remained unchanged. The effective amount of registered conditional share capital on 31 December 2013 was CHF 32 345.10 (323 451 shares with a par value of CHF 0.10 each).

3 TREASURY SHARES

The reserve for treasury shares was valued using the weighted average purchase price method. On the balance sheet of Straumann Holding AG, it amounted to CHF 20.889 million on 31 December 2013 (2012: CHF 34.139 million).

The number of treasury shares held by Straumann Holding AG and Institut Straumann AG changed as shown in the table below:

Shares held by:	2013	2012
Straumann Holding AG		
At 1 January	92 470	47 452
Purchased	15 000	49 470
Used	(57 470)	(4 452)
At 31 December	50 000	92 470
Institut Straumann AG		
At 1 January	142 820	153 807
Purchased	0	0
Used	(49 429)	(10 987)
At 31 December	93 391	142 820

4 COMPENSATION

The following tables show the compensation of the Board of Directors and Executive Management Board in line with articles 663b^bis and 663c of the Swiss Code of Obligations. The variable compensation in the form of performance share units and options comprises the amount of instruments granted for the respective fiscal year valued at the fair value consistent with the Group's policies regarding share-based payments.

2013

(in CHF 1 000)	Fixed compensation			Other compensation	Total compensation
Board of Directors					
Gilbert Achermann (Chairman)	863			147	1 010
Dr h.c. Thomas Straumann (Vice Chairman)	399			23	422
Dr Sebastian Burckhardt	264			15	279
Dominik Ellenrieder	264			15	279
Roland Hess (Chairman Audit Committee)	318			18	336
Ulrich Looser (Chairman Strategy Committee)	318			18	336
Dr Beat Lüthi	264			15	279
Stefan Meister (Chairman HR Committee)	318			18	336
Total	3 008			269	3 277

(in CHF 1 000)	Fixed compensation	Performance bonus	Performance share units	Other compensation	Total compensation
Executive Management Board					
Marco Gadola (President & CEO) (since 1 March 2013)	627	986	780	775	3 168
Other members (6 until 31 May 2013, thereafter 8)[1]	2 720	2 302	1 478	907	7 407
Former members	891	431	0	238	1 560
Total	4 238	3 719	2 258	1 920	12 135
Total	7 246	3 719	2 258	2 189	15 412

[1] Includes kCHF 347 for Gilbert Achermann in his function as CEO ad interim for the period 1 Jan to 31 March 2013.

2012

(in CHF 1 000)	Fixed compensation			Other compensation	Total compensation
Board of Directors					
Gilbert Achermann (Chairman)	840			143	983
Dr h.c. Thomas Straumann (Vice Chairman)	366			21	387
Dr Sebastian Burckhardt	236			14	250
Dominik Ellenrieder	236			14	250
Roland Hess (Chairman Audit Committee)	288			14	302
Ulrich Looser (Chairman Strategy Committee)	288			17	305
Dr Beat Lüthi	236			17	253
Stefan Meister (Chairman HR Committee)	288			17	305
Total	2 778			257	3 035

(in CHF 1 000)	Fixed compensation	Performance bonus	Performance share units	Other compensation	Total compensation
Executive Management Board					
Beat Spalinger (President & CEO)	750	131	0	197	1 078
Other members (5; 6 as of 1 Sep 2012)	1 953	684	1 021	623	4 281
Former members	513	275	0	164	952
Total	3 216	1 090	1 021	984	6 311
Total	5 994	1 090	1 021	1 241	9 346

The following tables show the equity holdings in Straumann Holding AG of the Board of Directors and Executive Management Board and their related parties in line with articles 663b^{bis} and 663c of the Swiss Code of Obligations.

2013

	Shares	Options		PSUs	
		Vested	1 Jan 2014	17 Apr 2015	15 Apr 2016
Board of Directors					
Gilbert Achermann	18 771	0	0	0	0
Dr h.c. Thomas Straumann	2 722 014	1 000	0	0	0
Dr Sebastian Burckhardt	4 534	1 000	0	0	0
Dominik Ellenrieder	2 924	1 000	0	0	0
Roland Hess	2 821	0	0	0	0
Ulrich Looser	2 721	0	0	0	0
Dr Beat Lüthi	2 788	0	0	0	0
Stefan Meister	2 771	0	0	0	0
Total	2 759 344	3 000	0	0	0
Executive Management Board					
Marco Gadola	100	0	0	0	9 577
Thomas Dressendörfer	2 250	0	584	2 740	3 423
Wolfgang Becker	254	5 000	2 500	1 295	1 578
Guillaume Daniellot	0	0	0	626	792
Andy Molnar	161	625	1 500	750	1 858
Dr Alexander Ochsner	0	0	0	0	3 141
Frank Hemm	1 022	0	1 000	1 588	1 984
Dr Sandro Matter	1 822	2 000	3 500	2 540	3 174
Dr Gerhard Bauer	774	834	1 000	908	1 134
Total	6 383	8 459	10 084	10 447	26 661
Total	2 765 727	11 459	10 084	10 447	26 661

2012

	Shares	Options			PSUs
		Vested	1 Jan 2013	1 Jan 2014	17 Apr 2015
Board of Directors					
Gilbert Achermann	14 714	3 000	7 500	0	0
Dr h.c. Thomas Straumann	2 720 548	2 000	0	0	0
Dr Sebastian Burckhardt	3 266	2 000	0	0	0
Dominik Ellenrieder	1 656	2 000	0	0	0
Roland Hess	1 120	0	0	0	0
Ulrich Looser	320	0	0	0	0
Dr Beat Lüthi	120	0	0	0	0
Stefan Meister	120	0	0	0	0
Total	2 741 864	9 000	7 500	0	0
Executive Management Board					
Beat Spalinger	9 156	3 500	5 375	10 000	0
Thomas Dressendörfer	1 800	0	0	584	2 740
Dr Sandro Matter	1 822	9 500	3 500	3 500	2 540
Dr René Willi	1 617	1 000	1 000	1 000	1 588
Frank Hemm	1 022	0	1 000	1 000	1 588
Andy Molnar	162	0	625	1 500	750
Dr Alexander Ochsner	0	0	0	0	0
Total	15 579	14 000	11 500	17 584	9 206
Total	2 757 443	23 000	19 000	17 584	9 206

5 GUARANTEES

The Company has issued guarantees of CHF 4.7 million (2012: CHF 5.1 million) in favor of subsidiaries.

Straumann Holding AG together with its subsidiaries Institut Straumann AG, Straumann Villeret SA and Instramed AG are treated as a VAT group by the Swiss Federal Tax Administration. Owing to this group taxation, Straumann Holding AG is liable to the Swiss Federal Tax Administration jointly and severally with all group members for any VAT.

6 RISK ASSESSMENT

COMPREHENSIVE RISK MANAGEMENT

Straumann is committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value. The Group addresses risk assessment and management through a holistic, disciplined and deliberate approach, with the view that they must be embedded in a comprehensive internal control framework.

RESPONSIBILITIES

In accordance with Swiss corporate law and Straumann's Articles of Incorporation, the Board of Directors and the Executive Management Board bear the overall responsibility for assuring the viability and profitability of the company. The Board has delegated the task of risk management to the Chief Risk Officer, who is also the Chief Financial Officer.

Risk management

The monitoring and control of risks are management objectives. The risk-assessment process analyzes the implications and potential impact of external and internal factors on the achievement of the Group's objectives, and provides a basis for managing them. Risks are categorized as follows:

- Strategic
- Operational
- Financial
- Financial reporting risks
- Compliance.

This matches the approach of COSO (the Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used. For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout Straumann's Internal Control System (ICS) framework.

RISK REPORTING

A comprehensive corporate assessment report is produced annually and serves as a working document for the coming year. It includes all identified risks that are critical for Straumann's business. The risks are ranked and prioritized. Action plans are defined and the implementation of measures to reduce risk is monitored. The report is prepared by Internal Audit and the Chief Risk Officer and discussed with the Executive Management Board. The Audit Committee of the Board of Directors assesses and discusses the risks on the basis of that report in consultation with the Chief Risk Officer and/or the relevant members of Senior Management on a regular basis. Key findings are presented to the Board. Pressing risks that emerge very rapidly are discussed by the Board at short notice.

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

(in CHF 1 000)	2013	2012
Net profit	62 197	104 082
Carried forward from previous year	787 363	744 845
Change in reserve of treasury shares	13 250	(3 715)
Profit available to the Annual General Meeting	862 810	845 212
Dividend paid out of the available earnings (CHF 3.75 per share)		(57 849)
Balance carried forward		787 363

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 3.75 per share be distributed, payable as of 15 April 2014. Calculated based on the total number of outstanding shares of 15 533 158, this corresponds to a total amount of CHF 58.2 million. In deciding on the appropriation of dividends, the Shareholders' General Meeting shall take into account that the Company will not pay a dividend on treasury shares held by the Company.

Until the time of the Shareholders' General Meeting, 199 470 free options could be exercised and converted into shares. The maximum dividends related to such options if exercised would be CHF 0.7 million.

The remaining amount of the available earnings is to be carried forward.

AUDIT REPORT – FINANCIAL STATEMENTS STRAUMANN HOLDING AG

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Straumann Holding AG, which comprise the balance sheet, income statement and notes (pages 74 to 82), for the year ended 31 December 2013.

BOARD OF DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

OPINION

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

PricewaterhouseCoopers AG

Dr. Rodolfo Gerber	Manuela Baldisweiler
Audit expert	Audit expert
Auditor in charge	

Münchenstein, 21 February 2014

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Straumann Holding AG
Peter Merian-Weg 12
4002 Basel
Switzerland
www.straumann.com