

## 2015 Half-year report – Media Release

### Straumann reports organic<sup>1</sup> growth of 9% in first half of 2015 with further profitability improvements

- First-half revenue climbs 17% in local currencies and 11% in Swiss francs to CHF 399m (including CHF 28m from Neodent<sup>1</sup>), despite significant Euro impact
- Q2 is strongest quarter since economic recession shook the dental markets in 2008; organic growth reaches 10% driven by the US, Germany, Japan and emerging markets
- Operational leverage and cost-reduction measures underpin EBIT margin at 21%
- Net profit reaches CHF 73m before exceptional charges related to the Neodent business-combination<sup>2</sup>
- Further investments in fast-growing markets, value segment and technology platform
- Group raises its expectation for full-year performance

#### KEY FIGURES

(in CHF million)	<b>H1 2015</b> reported	<b>H1 2015</b> excl. business combination exceptionals <sup>2</sup>	<b>H1 2014</b> reported
<b>Revenue</b>	<b>398.5</b>		<b>359.1</b>
<i>Change in CHF %</i>	11.0		1.2
<i>Change in l.c. %</i>	17.1		4.6
<i>Change organic %</i>	9.2		4.6
<b>Gross profit</b>	<b>301.9</b>	<b>315.0</b>	<b>283.4</b>
<i>Margin in %</i>	75.8	79.1	78.9
<i>Change in %</i>	6.5	11.2	2.6
<b>EBITDA</b>	<b>98.6</b>	<b>111.7</b>	<b>88.8</b>
<i>Margin in %</i>	24.8	28.0	24.7
<i>Change in %</i>	11.1	25.9	19.1
<b>Operating profit (EBIT)</b>	<b>82.7</b>	<b>95.8</b>	<b>75.0</b>
<i>Margin in %</i>	20.7	24.0	20.9
<i>Change in %</i>	10.2	27.7	32.0
<b>Net profit</b>	<b>(0.7)</b>	<b>72.6</b>	<b>68.7</b>
<i>Margin in %</i>	(0.2)	18.2	19.1
<i>Change in %</i>	(101.0)	5.6	28.0
<b>Basic EPS (in CHF)</b>	<b>(0.10)</b>	<b>4.59</b>	<b>4.42</b>
<b>Free cash flow<sup>3</sup></b>	<b>44.9</b>		<b>37.6</b>
<i>Margin in %</i>	11.3		10.5
<b>Number of employees</b> (at end of period)	<b>3363</b>		<b>2278</b>

<sup>1</sup> The term 'organic' in this release means 'excluding the effects of currency fluctuations and acquired business activities'. As of 1 March 2015, the Neodent business was fully consolidated and led to an acquisition effect in the Latin American region.

<sup>2</sup> Charges in 2015 related to the Neodent business combination amounted to CHF 77m (CHF 73m after tax), which includes inventory revaluation expenses of CHF 13m and a CHF 64m net loss below the EBIT line (see p. 5). All the exceptionals are non-cash-relevant and apply to the first half only.

<sup>3</sup> i.e. net cash from operating activities, less capital expenditures, plus net proceeds from property, plant and equipment.

**Basel, 20 August 2015:** In the first six months of 2015, the Straumann Group posted strong organic growth of 9% driven by all business segments and regions. With the recently acquired Neodent business contributing CHF 28 million in four months, Group revenue reached CHF 399 million, representing an increase of 11% in Swiss francs – despite the significant negative currency impact due mainly to the Euro. In local currencies, first-half growth reached 17%.

Building on the good start to the year and thanks to a strong performance in the EMEA region, the Group increased organic growth to 10% in Q2. Including CHF 21 million from Neodent, reported Q2 revenue rose 15% in Swiss francs to CHF 205 million. Throughout the quarter, all businesses and regions contributed to growth, with the strongest organic growth coming from Latin America.

The robust operational performance, accretive income from Neodent and benefits from cost-saving measures to mitigate the currency impact combined to improve the Group's underlying profitability, as gross, operating and net profit rose 11%, 28% and 6%, respectively, with the corresponding margins reaching 79%, 24% and 18%.

However, the effects of combining the Neodent business with Straumann resulted in exceptional, non-cash relevant charges of CHF 73m after tax, which in turn led to an overall reported net loss of CHF 1 million.

**Marco Gadola, Chief Executive Officer,** commented: “We have sustained and built on the recovery in Europe and, with strong organic growth in Latin America as well as good performances elsewhere, we have posted our strongest quarter since economic recession shook the dental markets in 2008. Top-line growth was fuelled by new products, including our new Bone Level Tapered implant and our comprehensive range of regenerative solutions, which have helped to win business from competitors. Our initiatives to mitigate the strong negative currency impact are paying off and, with the good top-line performance, we are well on the way to delivering our full-year profitability targets. In pursuit of our strategy to become a total solution provider in tooth replacement, we have expanded our technology platform. We have also continued to target unexploited growth markets and segments, investing further in value players and emerging markets in Asia and Latin America, which are a key source of future growth.

## **BUSINESS PERFORMANCE**

Straumann's **implant business** was the main source of first-half growth across all regions. The high-performance implant material Roxolid® was the key driver, with additional impetus provided by the full market release of Straumann's Bone Level Tapered (BLT) implant in initial markets. This new implant line, which offers higher primary stability, already accounts for 9% of Straumann's implant volumes, despite the fact that it has not yet been launched in Asia Pacific and Latin America.

**Restorative** sales, including CAD/CAM prosthetics and digital equipment, posted solid first-half growth. Demand was especially strong for Straumann Variobase® abutments, which have doubled in volumes over the past 12 months.

The **Regeneratives** business posted double-digit growth, driven by the botiss range, which Straumann launched in Europe in October 2014. Emdogain®, which celebrated its 20<sup>th</sup> anniversary, continues to be a focal point for scientific research and a good source of revenue. Together with the new Straumann Osteogain™ formulation, which was presented at the Europerio congress in London, it complements Straumann's comprehensive portfolio of guided bone and tissue regeneration solutions.

## REVENUE BY REGION

(in CHF million)	Q2 2015	Q2 2014	H1 2015	H1 2014
<b>Europe, Middle East &amp; Africa (EMEA)<sup>4</sup></b>	<b>94.4</b>	<b>98.2</b>	<b>193.0</b>	<b>205.8</b>
Change in CHF in %	(3.9)	(2.9)	(6.2)	1.2
Change organic in %	8.3	(2.0)	4.1	1.8
<b>North America</b>	<b>53.4</b>	<b>46.8</b>	<b>107.1</b>	<b>92.2</b>
Change in CHF in %	14.1	(1.2)	16.1	(0.4)
Change organic in %	9.3	5.4	10.5	5.3
<b>Asia / Pacific</b>	<b>31.5</b>	<b>28.8</b>	<b>60.3</b>	<b>51.0</b>
Change in CHF in %	9.2	7.4	18.4	3.0
Change organic in %	12.8	15.3	22.2	12.2
<b>Latin America<sup>4</sup></b>	<b>26.1</b>	<b>5.6</b>	<b>38.1</b>	<b>10.1</b>
Change in CHF in %	368.3	17.8	275.9	7.6
Change in local currencies in %	469.4	30.6	339.5	23.1
Change organic in %	15.6	30.6	14.3	23.1
<b>GROUP</b>	<b>205.3</b>	<b>179.3</b>	<b>398.5</b>	<b>359.1</b>
Change in CHF in %	14.5	(0.4)	11.0	1.2
Change in local currencies in %	21.9	3.2	17.1	4.6
Change organic in %	10.1	3.2	9.2	4.6

### EMEA continues to pick up

The recovery in main European markets was sustained, contributing to first-half organic revenue growth of 4% in the EMEA (Europe, the Middle East and Africa) region. The strong negative currency effect due to the sharp depreciation of the Euro squeezed revenue in Swiss francs by 6% to CHF 193 million or 48% of the Group total. In Q2, organic growth accelerated to 8%, reflecting a pick-up in the economy and in dental procedures in most European markets. Straumann has also benefitted from a rich launch pipeline, which was presented at the International Dental Show in March.

<sup>4</sup> Owing to the Neodent business combination, Straumann has re-allocated markets from the 'Rest of the World' region to EMEA and Latin America with effect of 1 January 2015. The respective regional figures for 2014 have been restated accordingly. Neodent was fully consolidated as of 1 March 2015 and led to an acquisition effect in the LATAM region.

Germany was the main contributor to organic growth in Q2, with Spain, France, the UK, and Sweden all performing well, while the more mature markets in the Netherlands and Switzerland were unable to keep pace with the comparative period of the prior year. Q2 sales in distributor markets were lifted by successful public healthcare tenders, partly offsetting the impact of price reductions forced by the sharp appreciation of the Swiss franc earlier in the year.

### **Strong growth continues in North America**

North America, which accounts for 27% of Group sales, posted another strong first half with organic growth of nearly 11%. Benefitting from an appreciation of the dollar, regional revenue climbed 16% in Swiss francs to CHF 107 million. Growth was driven by strong demand for implant solutions, complemented by new regenerative products.

Growth eased slightly to 9% in Q2 after a very strong first quarter, which was boosted by the full market release of BLT. The Group launched its Pro Arch edentulous solution in conjunction with a training program for experienced dentists. At the same time, Straumann expanded capacity at its US CAD/CAM production facility to cater for future demand for screw-retained bars and bridges.

### **APAC lifted by double-digit growth in Asia**

With strong growth in China and continued good results in Japan, first-half revenues in Asia/Pacific (APAC) climbed 22% organically. The negative currency effect reduced growth in Swiss francs to 18%, bringing regional revenue to CHF 60 million (15% of the Group).

Straumann has almost completed its new distribution model in China, establishing its own consultative sales force, training-and-education organization and network of 20 regional sales distributors. Following a sales boost in the first quarter related to stocking orders from new dealers, Q2 sales were expectedly softer but remained robust.

Apart from this, Roxolid and BLT both received regulatory clearances in Japan in July, which will offer customers the latest differentiated premium implant technology. Elsewhere in the region Straumann Australia celebrated its tenth anniversary and the Group gained further control over its business in Thailand through a new agreement with its agent.

### **Resilience in Latin America**

Despite the economic recession in Latin America's biggest economy, Brazil, both Straumann and Neodent reported regional organic growth in the mid-teens. The pronounced decline of the Brazilian Real reduced reported growth in Swiss francs, which was otherwise boosted by the consolidation of Neodent in March. In Q2, organic growth accelerated to 16%, driven by Brazil, which benefitted from an increase in trading days, and Mexico. BLT recently received regulatory approval in Brazil and is due to launch there in the coming months.

## OPERATIONS AND FINANCES

Straumann's 49% share in Neodent was reported as '*Share of results of associates*' up to the end of February 2015. Following the consolidation on 1 March, it contributed to all levels of the Group's financial statements.

The business combination resulted in several non-cash-relevant effects and exceptional bookings to various positions in the Group's income statement. These collectively amounted to CHF 86 million (pre-tax) and comprised the following:

- '*Cost of goods sold*': One-time adjustments for Neodent's inventory totaling CHF 13 million.
- '*Loss on consolidation of Neodent*': a one-time accumulated foreign-exchange loss of CHF 85 million due to the depreciation of the Brazilian Real against the Swiss franc in the period between the acquisition of the initial 49% stake in 2012 and the business combination in March 2015. This loss was reclassified from 'Equity' to the 'Income Statement' in accordance with IFRS. In addition, a revaluation gain of CHF 21 million was booked due to the de-recognition of the investment in the initial 49% stake.

The following effects, which are not defined as exceptionals, also affected the Group's net profit in the first half:

- '*Distribution costs*': an amortization expense of CHF 2 million for customer-related intangible assets from March to June.
- '*Share of result of associates*': provisions related to a local distributor agreement and an ongoing litigation case prior to the business combination, which reduced the Neodent result by CHF 7 million.

The acquisition of Neodent also added 930 employees, bringing the Group's global team to 3363 on 30 June.

### **Gross margin maintained at 79% despite adverse currency effects**

Excluding the aforementioned exceptional inventory adjustment charge of CHF 13 million, underlying gross profit increased 11% to CHF 315 million driven by the top-line improvement and increased utilization of manufacturing capacity. The respective margin reached the prior year's high level of 79%, which is remarkable in view of the fact that Straumann had to compensate for a negative currency impact of CHF 19 million (or 1 margin-point). After exceptionals the reported margin was 76%.

### **EBIT margin sustained above 20%**

Distribution costs, which comprise salesforce and directly-related sales activities, increased by CHF 1 million to CHF 90 million. This includes the aforementioned expense of CHF 2 million for customer-related intangible assets from Neodent. Relative to revenue, distribution costs decreased by two percentage points to 23%.

Administrative expenses, which include Marketing, Research & Development, General Management and Support functions, increased by CHF 9 million to CHF 130 million. As a percentage of revenue, administrative expenses decreased by one percentage point to 33%.

Thanks to the improvements in gross-profit and the abovementioned items, earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals increased to CHF 112 million, lifting the underlying margin by 330 base points to 28%.

After total amortization and depreciation charges of CHF 16 million, reported operating profit amounted to CHF 83 million, compared with CHF 75 million in the same period of 2014. The reported EBIT margin came to 21% in both cases.

Excluding business-combination exceptionals, operating profit amounted to CHF 96 million and the EBIT margin expanded to 24%.

#### **Bottom line negatively affected by Neodent consolidation effects**

The net financial result was a negative CHF 7 million – in contrast to a more-or-less neutral result in the prior year – and is predominantly related to foreign-exchange losses subsequent to the sudden appreciation of the Swiss franc in January.

Straumann's share of results from its associate partners (Dental Wings, Medentika, Createch, T-Plus, Valoc, and Neodent until 28 February), which are accounted for under the equity method, came to a negative CHF 7 million in contrast to a positive CHF 5 million in the comparative period of last year. This was mainly due to the aforementioned Neodent provisions and the fact that the company, which is highly profitable, contributed over the full first-half period in 2014 but for only the first two months of 2015.

Income taxes amounted to CHF 6 million compared with CHF 12 million in the first half of 2014. The decrease was primarily due to the way in which the aforementioned exceptionals are taxed and does not reflect the normal underlying tax rate of approximately 16%.

Taking all the aforementioned factors into account, the Group generated first-half net profit of CHF 73 million, which was reduced by the abovementioned exceptionals to a net loss of CHF 1 million. Basic earnings per share adjusted for exceptionals increased to CHF 4.59 from CHF 4.42 a year previously.

#### **Free cash flow increases by 19%**

Net cash from operating activities increased 16% year-on-year and amounted to CHF 62 million thanks to improvements in profitability and working capital.

During the first six months of the year, Straumann expanded its North American CAD/CAM production and invested in a new CAD/CAM production center in Narita near Tokyo. These investments were the main cause of a CHF-10-million increase in capital expenditure.

The combination of these effects meant that free cash flow increased by 19% to CHF 45 million and the respective margin reached 11%.

### **Further investments in value segment and technology platform**

Cash used for investing activities amounted to CHF 25 million. Straumann invested further in the value segment and in companies that advance its technology platform and strategy to be a total solution provider. These investments came to CHF 22 million of which CHF 9 million were to purchase an additional convertible bond issued by the Korean value implant company MegaGen. The remaining CHF 13 million were used to acquire: a 49% stake in T-Plus – the Taiwan-based implant supplier, an additional 11% stake in Straumann's digital technology partner Dental Wings, and a 44% stake in Valoc – a Swiss supplier of denture attachment systems.

Including the purchase consideration of CHF 225 million for the remaining 51% stake in Neodent as well as the payment of the regular annual dividend in the amount of CHF 59 million (CHF 3.75 per share), net cash used in financing activities totaled CHF 287 million.

Consequently, cash and cash equivalents at the end of June 2015 amounted to CHF 205 million, down from CHF 459 million at the end of 2014. With an equity ratio of 55%, the company remains solidly financed.

### **OUTLOOK 2015 (barring unforeseen circumstances)**

Straumann expects the global implant market to continue growing in 2015 and, based on the good first-half performance, expects full-year revenue to grow organically in the mid- to higher-single-digit range. The Group will balance investments between growth markets and strategic projects. Taking this and the anticipated revenue growth into account and assuming that the currency exchange rates remain more or less at their H1 levels, the Group aims to achieve an EBIT margin in the low twenties, before business combination exceptionals.<sup>5</sup>

#### **About Straumann**

Headquartered in Basel, Switzerland, Straumann (SIX: STMN) is a global leader in implant, restorative and regenerative dentistry. 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. The Straumann Group currently employs approximately 3400 people worldwide and its products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

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<sup>5</sup> Inventory adjustments related to the business combination of Neodent of CHF 13 million in COGS.

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### Media and analysts' conference

Straumann's 2015 first-half results conference will take place at 10.30h Swiss time in Basel today. The event will be webcast live on the internet ([www.straumann.com/webcast](http://www.straumann.com/webcast)). The audio webcast of the conference call will be available for the next month.

### Presentation slides

The corresponding conference visuals are available at [www.straumann.com/Straumann-2015-HY-Presentation.pdf](http://www.straumann.com/Straumann-2015-HY-Presentation.pdf) and on the Media and Investors pages at [www.straumann.com](http://www.straumann.com).

The telephone conference can be accessed at:

Europe & RoW: +41 (0)58 310 50 09  
 UK: +44 (0)203 059 58 62  
 USA: +1 (1)631 570 56 13

## UPCOMING CORPORATE / INVESTOR EVENTS

Date	Event	Location
<b>2015</b>		
<b>20 August</b>	<b>First-half 2015 results conference</b>	<b>Basel HQ</b>
09 September	ZKB investor breakfast	Zurich (CH)
09 September	St. Galler Kantonalbank Investor Day	St. Gallen (CH)
01 September	Investor meetings	Boston (US)
02 September	Investor meetings	New York (US)
03 September	Investor meetings	Montreal / Toronto (CA)
14 September	Investor meetings	Vienna (AT)
15 September	Investor meetings	Frankfurt (D)
23 September	Investor meetings	Copenhagen (DK)
24 September	Investor meetings	Stockholm (SWE)
<b>29 October</b>	<b>Third-quarter results</b>	<b>Webcast</b>
17 November	Investor meetings	Edinburgh (UK)
18 November	Investor meetings	London (UK)

Details on upcoming investor relations activities are published on [www.straumann.com](http://www.straumann.com) (Investors > Events).



### Disclaimer

This release contains certain forward-looking statements that reflect the current views of management. Such statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Straumann Group to differ materially from those expressed or implied in this release. Straumann is providing the information in this release as of this date and does not undertake any obligation to update any statements contained in it as a result of new information, future events or otherwise.

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## Interim selected financial information

### OPERATING PERFORMANCE

(in CHF million)	H1, 2015	H1, 2014
Revenue	398.5	359.1
Change in %	11.0	1.2
Gross profit	301.9	283.4
Margin in %	75.8	78.9
Operating profit before depreciation and amortization (EBITDA)	98.6	88.8
Margin in %	24.8	24.7
Change in %	11.1	19.1
Operating profit (EBIT)	82.7	75.0
Margin in %	20.7	20.9
Change in %	10.2	32.0
Profit for the period	- 0.7	68.7
Margin in %	( 0.2)	19.1
Change in %	( 101.0)	28.0
Basic earnings per share (in CHF)	- 0.096	4.424

## FINANCIAL PERFORMANCE

(in CHF million)	H1, 2015	H1, 2014
Cash and cash equivalents	204.8	339.2
Net working capital (net of cash)	114.4	82.5
Inventories	81.7	62.3
Days of supplies	156	150
Trade receivables	146.3	122.2
Days of sales outstanding	64	61
Balance sheet total	1 033.0	1 052.4
Return on assets in % (ROA)	( 0.3)	13.7
Equity	564.9	659.0
Equity ratio in %	54.7	62.6
Return on equity in % (ROE)	( 0.5)	21.8
Capital employed	416.7	177.5
Return on capital employed in % (ROCE)	55.7	76.9
Cash generated from operating activities	61.6	43.9
in % of revenue	15.5	12.2
Investments	22.1	6.3
in % of revenue	5.5	1.7
thereof capital expenditures	16.9	6.3
Free cash flow	44.9	37.6
in % of revenue	11.3	10.5
Dividend	58.6	58.3

## Interim consolidated statement of financial position

### ASSETS

(in CHF 1 000)	30 Jun 2015	31 Dec 2014
Property, plant and equipment	100 614	78 545
Investment properties	3 828	4 001
Intangible assets	272 621	68 987
Investments in associates	52 859	266 589
Financial assets	56 934	48 676
Other receivables	2 928	834
Deferred income tax assets	80 680	29 948
<b>Total non-current assets</b>	<b>570 464</b>	<b>497 580</b>
Inventories	81 653	69 193
Trade and other receivables	164 714	128 482
Financial assets	3 293	2 995
Income tax receivables	8 087	3 110
Cash and cash equivalents	204 778	459 421
<b>Total current assets</b>	<b>462 525</b>	<b>663 201</b>
<b>TOTAL ASSETS</b>	<b>1 032 989</b>	<b>1 160 781</b>

## Interim consolidated statement of financial position

### EQUITY AND LIABILITIES

(in CHF 1 000)	30 Jun 2015	31 Dec 2014
Share capital	1 572	1 568
Retained earnings and reserves	563 308	735 268
Non-controlling interests	0	0
<b>Total equity</b>	<b>564 880</b>	<b>736 836</b>
Straight bond	199 465	199 410
Other liabilities	6 547	6 954
Financial liabilities	1 404	3 587
Provisions	31 820	29 913
Retirement benefit obligations	39 243	37 492
Deferred income tax liabilities	43 970	9 353
<b>Total non-current liabilities</b>	<b>322 449</b>	<b>286 709</b>
Trade and other payables	104 927	105 264
Financial liabilities	5 560	1 326
Income tax payables	13 232	18 697
Provisions	21 941	11 949
<b>Total current liabilities</b>	<b>145 660</b>	<b>137 236</b>
<b>Total liabilities</b>	<b>468 109</b>	<b>423 945</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 032 989</b>	<b>1 160 781</b>

## Interim consolidated income statement

(in CHF 1 000)	H1, 2015	H1, 2014
Revenue	398 483	359 130
Cost of goods sold	(96 582)	(75 722)
Gross profit	301 901	283 408
Other income	877	1 382
Distribution costs	(89 670)	(88 260)
Administrative expenses	(130 428)	(121 529)
Operating profit	82 680	75 001
Finance income	25 588	11 494
Finance expense	(32 536)	(11 019)
Loss on consolidation of Neodent	(63 891)	0
Share of result of associates	(6 588)	4 935
Profit before income tax	5 253	80 411
Income tax expense	(5 916)	(11 676)
<b>RESULT FOR THE PERIOD</b>	<b>( 663)</b>	<b>68 735</b>
Attributable to:		
Shareholders of the parent company	(1 507)	68 735
Non-controlling interests	844	0
Earnings per share (EPS):		
Basic, result for the period attributable to ordinary shareholders of the parent company (in CHF)	-0.096	4.424
Diluted, result for the period attributable to ordinary shareholders of the parent company (in CHF)	-0.095	4.352

## Interim consolidated statement of comprehensive income

(in CHF 1 000)	H1, 2015	H1, 2014
<b>Result for the period</b>	<b>( 663)</b>	<b>68 735</b>
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	(19 580)	39
Net movement on cash flow hedges	227	( 15)
Income tax effect	1 554	8
Exchange differences on translation of foreign operations	36 023	12 244
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>18 224</b>	<b>12 276</b>
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	3 271	3 555
Remeasurements of retirement benefit obligations	( 698)	(5 238)
Income tax effect	( 170)	681
<b>Items not to be reclassified to profit or loss in subsequent periods:</b>	<b>2 403</b>	<b>(1 002)</b>
<b>Other comprehensive income, net of tax</b>	<b>20 627</b>	<b>11 274</b>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>19 964</b>	<b>80 009</b>
Attributable to:		
Shareholders of the parent company	26 375	80 009
Non-controlling interests	(6 411)	0

## Interim consolidated cash flow statement

(in CHF 1 000)	H1, 2015	H1, 2014
Result for the period	( 663)	68 735
Adjustments for:		
Taxes charged	5 916	11 676
Interest and other financial result	4 944	( 528)
Loss on consolidation of Neodent	63 891	0
Share of result of associates	6 588	(4 935)
Depreciation and amortization	15 947	13 764
Change in provisions, retirement benefit obligations and other liabilities	(3 796)	13 997
Change in long term assets	( 166)	0
Share-based payment expense	1 792	2 262
Gains on disposal of property, plant and equipment	0	( 10)
Working capital adjustments:		
Change in inventories	5 743	( 44)
Change in trade and other receivables	(17 105)	(31 368)
Change in trade and other payables	(1 411)	(11 122)
Interest paid	(3 844)	(3 865)
Interest received	1 083	374
Income tax paid	(17 307)	(15 064)
<b>Net cash from operating activities</b>	<b>61 612</b>	<b>43 872</b>

(in CHF 1 000)	H1, 2015	H1, 2014
Purchase of financial assets	(9 479)	(28 200)
Purchase of property, plant and equipment and intangible assets	(16 862)	(6 281)
Purchase of investments in associates	(13 328)	0
Deemed acquisition of a subsidiary, net of cash acquired	8 083	0
Proceeds from loans	3 149	0
Disbursement of loans	0	(3 437)
Dividends received from associates	3 388	5 169
Net proceeds from sale of non-current assets	120	52
<b>Net cash used in investing activities</b>	<b>(24 929)</b>	<b>(32 697)</b>
Purchase of shares of non-controlling interests	(224 532)	0
Transaction costs paid	( 813)	0
Dividends paid to the equity holders of the parent	(58 564)	(58 264)
Dividends paid to non-controlling interests	(5 016)	0
Proceeds from finance lease	22	111
Proceeds from exercise of options	702	1 133
Sale of treasury shares	912	1 582
<b>Net cash used in financing activities</b>	<b>(287 289)</b>	<b>(55 438)</b>
Exchange rate differences on cash held	(4 037)	( 340)
<b>Net change in cash and cash equivalents</b>	<b>(254 643)</b>	<b>(44 603)</b>
Cash and cash equivalents at 1 January	459 421	383 795
Cash and cash equivalents at 30 June	204 778	339 192



## Interim consolidated statement of changes in equity

### H1, 2015

(in CHF 1000)	Attributable to the shareholders of the parent company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings			
Balance at 1 January 2015	1 568	18 280	(8 877)	( 197)	(131 338)	857 400	736 836	0	736 836
Result for the period						(1 507)	(1 507)	844	( 663)
Other comprehensive income				197	25 282	2 403	27 882	(7 255)	20 627
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>197</b>	<b>25 282</b>	<b>896</b>	<b>26 375</b>	<b>(6 411)</b>	<b>19 964</b>
Issue of share capital	4						4		4
Dividends to equity holders of the parent						(58 564)	(58 564)		(58 564)
Dividends to non-controlling interests								(5 016)	(5 016)
Share-based payment						1 792	1 792		1 792
Sale of treasury shares			1 647			( 33)	1 614		1 614
Changes in consolidations scope								92 782	92 782
Purchase of non-controlling interests						(143 177)	(143 177)	(81 355)	(224 532)
Balance at 30 June 2015	1 572	18 280	(7 230)	0	(106 056)	658 314	564 880	0	564 880

### H1, 2014

(in CHF 1000)	Attributable to the shareholders of the parent company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings			
Balance at 1 January 2014	1 568	18 280	(20 725)	0	(123 869)	756 126	631 380	0	631 380
Result for the period						68 735	68 735		68 735
Other comprehensive income				( 13)	12 289	(1 002)	11 274		11 274
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 13)</b>	<b>12 289</b>	<b>67 733</b>	<b>80 009</b>		<b>80 009</b>
Dividends to equity holders of the parent						(58 264)	(58 264)		(58 264)
Share-based payment						2 262	2 262		2 262
Sale of treasury shares			3 800			( 201)	3 599		3 599
Balance at 30 June 2014	1 568	18 280	(16 925)	( 13)	(111 580)	767 656	658 986	0	658 986

## Notes to the interim condensed consolidated financial statements

### 1 CORPORATE INFORMATION

Straumann Holding AG is a public company incorporated and domiciled in Switzerland, whose shares are publicly traded on the SIX Swiss Exchange. The unaudited interim condensed consolidated financial statements of the Straumann Group for the six months ended 30 June 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 18 August 2015.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 '*Interim Financial Reporting*'. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014. The interim condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements as at 31 December 2014, as they provide an update of previously reported information.

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts. Because of the inherent uncertainties, actual outcomes and results may differ from these estimates and assumptions.

### 3 SEASONALITY OF OPERATIONS

The Group operates in industries where significant seasonal or cyclical variations in the total sales are not experienced during the financial year.

### 4 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS

#### Neodent: Consolidation with 49% voting rights

In 2012, the Group purchased 49% of the shares of JJGC Indústria e Comércio de Materiais Dentários S.A. ('Neodent'), Latin America's leading dental implant company. Neodent was accounted for using the 'equity method' and therefore the Group's share of its results was reported as 'share of result from associates' in the Group's income statement until 28 February 2015.

The majority shareholders granted the Group three call options to purchase all remaining shares in Neodent exercisable at various times. On 1 March 2015, the first of these options to obtain a majority stake in Neodent became exercisable and was considered to be substantive. As a result, the Group considered that it had obtained control over Neodent and started to consolidate Neodent in its financial statements based on its ownership interests of 49% on 1 March 2015 with 51% non-controlling interests.

The Group recognized an overall loss of CHF 63.9 million as a result of derecognizing its 49% equity interest in Neodent held before the business combination. The fair value of the 49% stake in Neodent was CHF 212.7 million and the associate carrying amount was CHF 191.2 million on 1 March 2015. The revaluation gain resulting from the revaluation to fair value of the 49% equity instrument in Neodent immediately before the deemed acquisition amounted to CHF 21.5 million. The related portion of translation differences of CHF 85.4 million loss resulting from the devaluation of the Brazilian Real against the Swiss franc since 2012 has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under "Loss on consolidation of Neodent".

The provisional fair values of the identifiable assets and liabilities of Neodent on 1 March 2015 were:

(in CHF 1000)	Fair Value
<b>Assets</b>	
Property, plant and equipment	24 514
Brand	61 266
Customer relationships	48 224
Other intangible assets	799
Deferred tax assets	52 081
Inventories	19 777
Trade receivables	31 584
Other receivables	8 286
Cash and cash equivalents	8 083
	<b>254 614</b>
<b>Liabilities</b>	
Deferred tax liabilities	(41 712)
Provisions	(20 006)
Trade payables	(5 297)
Other liabilities	(5 674)
	<b>(72 689)</b>
<b>Total identifiable net assets at fair value</b>	<b>181 925</b>
<b>Deemed consideration:</b>	
Fair value 49% stake after revaluation	212 673
Non-controlling interests	92 782
	<b>305 455</b>
<b>Goodwill</b>	<b>123 530</b>
<b>Cash flow:</b>	
Net cash from subsidiary	8 083
Cash paid	0
<b>Net cash inflow</b>	<b>8 083</b>

At the date of the business combination the fair value of the trade receivables was CHF 31.6 million. The gross contractual amount for trade receivables is CHF 35.1 million, of which CHF 3.5 million is expected to be uncollectable.

Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how. The goodwill has been provisionally allocated to 'Other segments'.

The 51% non-controlling interest of CHF 92.8 million was measured on the basis of the proportionate fair value of the identifiable net assets.

**Neodent: Acquisition of 51% non-controlling interests**

Negotiations between the existing shareholders Geninho Thomé and Clemilda Thomé and the Group started in April 2015 and led to a new agreement on the acquisition of the remaining 51% interest in Neodent. The purchase price for the outstanding 51% was BRL 680 million (CHF 225 million) paid in cash to the company's founding shareholders on 24 April 2015. The acquisition extends the Group's overall leadership in implant dentistry and makes it a substantial contender in the global value segment.

The purchase of this non-controlling interest on 1 April 2015 has been accounted for as an equity transaction. The difference of CHF 143 million between the consideration paid and the carrying amount of the non-controlling interest acquired has been recorded in equity and attributed to the shareholders of the parent company.

In the period from 1 March to 30 June 2015, Neodent contributed revenues of CHF 28.0 million and a net income of CHF -0.5 million to the Group. If Neodent had been included as of 1 January 2015, management estimates the impact on consolidated revenues and consolidated net income for the six months ended 30 June 2015 would have been CHF 39.8 million and CHF -11.4 million.

**5 DIVIDENDS PAID**

On 15 April 2015, Straumann Holding AG paid a dividend of CHF 3.75 (2014: CHF 3.75) per share to its shareholders. The total amount of the gross dividend paid was CHF 58.6 million (2014: CHF 58.3 million).

**6 FINANCIAL INSTRUMENTS****Fair Values**

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

The fair value of equity instruments quoted in an active market is based on price quotations at the period-end date. The inaugural CHF-200-million domestic straight bond is listed on the SIX Swiss Exchange and the fair value is derived from quoted market prices.

The fair value of derivatives is determined on the basis of input factors observed directly or indirectly on the market. The fair value of foreign exchange forward contracts and non-deliverable forwards are based on forward exchange rates. Currency options are valued based on option pricing models using observable input data.

The unquoted equity instruments allocated to 'Level 3' hierarchy relate to an investment in the medical device sector in the US and a fund that is dedicated exclusively to investments in dental-related opportunities in China. As the market for those investments is not active or no market is available, fair values are determined using other valuation techniques. The US investment is valued by discounting future cash flows. For the fund, the Group receives quarterly valuation statements which state the net asset value (NAV) based on the valuation techniques used by the fund.

The convertible bonds allocated to 'Level 3' hierarchy are valued using a model that calculates the fair value on observable and unobservable parameters including credit spreads, expected volatility and expected dividend yield. The model is calibrated on a regular basis. The underlying instruments are valued by discounting future cash flows. The associated American call options are determined using a modified binomial model.

The fair value of investments in 'Level 3' is reviewed regularly for a possible diminution in value.

**Fair Value Hierarchy**

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

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

At 30 June 2015 and 31 December 2014 the Group held the following financial instruments:

(in CHF 1 000)	30 Jun 2015					Fair Value
	Carrying amount (by measurement basis)				Total carrying amount	
	Amortized cost	Level 1	Level 2	Level 3		
<b>Financial assets</b>						
Derivative financial assets			3 293		3 293	
Equity instruments		7 938		6 363	14 301	
Convertible bonds				35 090	35 090	
Loans and other financial receivables	7 543				7 543	
Other receivables	1 726				1 726	
Trade receivables	146 253				146 253	
Cash and cash equivalents	204 778				204 778	
<b>Financial liabilities</b>						
Straight bond	199 465				199 465	212 700
Derivative financial liabilities			87		87	
Other financial liabilities	6 877				6 877	
Trade payables	15 580				15 580	
Other payables	1 812				1 812	

(in CHF 1 000)	31 Dec 2014					Fair Value
	Carrying amount (by measurement basis)				Total carrying amount	
	Amortized cost	Level 1	Level 2	Level 3		
<b>Financial assets</b>						
Derivative financial assets			1 655		1 655	
Equity instruments		4 491		6 774	11 265	
Convertible bonds				27 035	27 035	
Loans and other financial receivables	11 716				11 716	
Other receivables	4 805				4 805	
Trade receivables	106 767				106 767	
Cash and cash equivalents	459 421				459 421	
<b>Financial liabilities</b>						
Straight bond	199 410				199 410	208 440
Derivative financial liabilities			1 326		1 326	
Other financial liabilities	3 587				3 587	
Trade payables	24 538				24 538	
Other payables	3 523				3 523	

The changes in carrying values associated with 'Level 3' financial instruments were as follows:

(in CHF 1000)	
<b>As at 1 January 2015</b>	<b>33 809</b>
Purchases	9 479
Remeasurement recognized in OCI	( 410)
Remeasurement recognized in profit or loss	(1 425)
<b>As at 30 June 2015</b>	<b>41 453</b>

There were no transfers between 'Level 1' and 'Level 2' fair value measurements and no transfers into or out of 'Level 3' fair value measurements during the six-month period ended 30 June 2015.

In March 2015 the Group purchased a second secured, convertible bond from MegaGen Implant Co. Ltd, for a total of CHF 9.5 million and allocated it to 'Level 3'. In April 2014, the Group initially invested an amount of CHF 17.7 million in a first secured, convertible bond of MegaGen. Both bonds bear 3% interest p.a. and mature in five years. The Group has options to convert the bonds into MegaGen shares in 2016 and to purchase further shares to obtain a majority stake in the company. MegaGen is a Korean implant company with its own subsidiaries and distributors offering implant systems, supplemented by digital and regenerative tools and products to support implant procedures.

## 7 RETIREMENT BENEFIT OBLIGATIONS

A qualified estimate of retirement benefit obligations is given in the interim financial reports based on the development of actuarial parameters. In the present interim financial statements, a discount rate of 0.95% (1.15% at 31 December 2014) was applied for pension provisions in Switzerland. The reduction in the interest rate led to an increase of actuarial losses from pension obligations recognized in equity. All other parameters relevant to the measurement of pension obligations remained unchanged compared with 31 December 2014.

## 8 SEGMENT INFORMATION

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. As of the balance sheet date, Management has identified nine reportable operating segments based on the guidelines of IFRS 8.

The integration of the newly acquired Neodent business in the Group structure is not yet complete as the Group is currently re-evaluating its profit center structures. The Neodent business has therefore been allocated provisionally to 'Other segments'.

The 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 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 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 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 Switzerland.

### **Sales LATAM**

'Sales LATAM' comprises the Group's distribution businesses in Brazil and Mexico as well as the business with Latin American distributors (excluding the distribution activities with Neodent products). It includes segment-related management functions located inside and outside 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 principal towards all distribution businesses of the Group; it does not include the distribution activities of fully-controlled Group companies with Neodent products. It includes the global manufacturing network i.e. the manufacturing plants, production of implants, regenerative and CAD/CAM products as well as all Corporate logistics functions. It does not include Neodent's manufacturing site in Brazil.

### 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.

### Other segments

'Other segments' comprises the remaining distribution activities for intra-oral-scanning and related products. It also includes Neodent's distribution business in Brazil, as well as Neodent's business with Latin American distributors. It acts as the principal (excluding the distribution businesses performed by 'Operations') towards all distribution activities of fully controlled Group companies with Neodent products. It contains Neodent's manufacturing network (i.e. the manufacturing plant in Brazil), which includes production of implants, regenerative and CAD/CAM 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.

## INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

The following tables' present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2015 and 2014, respectively.

H1, 2015 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	Other segments	Eliminations	Group
<b>Revenue</b>											
Third party	102 498	86 787	105 915	60 480	10 047	9	0	212	32 534		398 482
Inter-segment	87	0	0	0	0	2	200 639	0	3	(200 731)	0
<b>Total revenue</b>	<b>102 585</b>	<b>86 787</b>	<b>105 915</b>	<b>60 480</b>	<b>10 047</b>	<b>11</b>	<b>200 639</b>	<b>212</b>	<b>32 537</b>	<b>(200 731)</b>	<b>398 482</b>
<b>Operating profit</b>	<b>15 643</b>	<b>1 181</b>	<b>1 009</b>	<b>5 172</b>	<b>(2 154)</b>	<b>(24 135)</b>	<b>133 038</b>	<b>(43 184)</b>	<b>(6 996)</b>	<b>3 106</b>	<b>82 680</b>
Financial result											(70 839)
Share of result of associates											(6 588)
Income tax expenses											(5 916)
<b>Result for the period</b>											<b>(663)</b>

H1, 2014 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	Other segments	Eliminations	Group
<b>Revenue</b>											
Third party	111 065	92 414	92 009	51 089	10 375	0	0	0	2 178	0	359 130
Inter-segment	37	1	0	0	0	1	182 905	0	0	(182 944)	0
<b>Total revenue</b>	<b>111 103</b>	<b>92 415</b>	<b>92 009</b>	<b>51 089</b>	<b>10 375</b>	<b>1</b>	<b>182 906</b>	<b>0</b>	<b>2 178</b>	<b>(182 944)</b>	<b>359 130</b>
<b>Operating profit</b>	<b>20 371</b>	<b>(235)</b>	<b>2 526</b>	<b>(9 687)</b>	<b>(3 020)</b>	<b>(24 997)</b>	<b>124 887</b>	<b>(34 246)</b>	<b>(2 697)</b>	<b>2 099</b>	<b>75 001</b>
Financial result											475
Share of result of associates											4 935
Income tax expenses											(11 676)
<b>Result for the period</b>											<b>68 735</b>

The remaining operating profit under 'Eliminations' (H1 2015 and H1 2014) represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

The following tables' present segment assets of the Group's operating segments at 30 June 2015 and 31 December 2014:

at 30 Jun 2015 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	Other segments	Eliminations	Group
<b>Segment assets</b>	<b>46 261</b>	<b>52 084</b>	<b>47 706</b>	<b>35 830</b>	<b>12 180</b>	<b>4 151</b>	<b>249 595</b>	<b>8 223</b>	<b>287 537</b>	<b>(117 209)</b>	<b>626 358</b>
Unallocated assets											406 631
<b>Group</b>											<b>1032 989</b>

at 31 Dec 2014 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	Other segments	Eliminations	Group
<b>Segment assets</b>	<b>34 003</b>	<b>49 214</b>	<b>44 127</b>	<b>45 321</b>	<b>11 641</b>	<b>4 230</b>	<b>235 129</b>	<b>14 244</b>	<b>11 359</b>	<b>(99 226)</b>	<b>350 042</b>
Unallocated assets											810 739
<b>Group</b>											<b>1160 781</b>