

2014 Half-year report – Media Release

Straumann reports solid revenue growth and sharp rise in profitability

- First-half revenue climbs 5% in local currencies (l.c.) and reaches CHF 359 million
- Q2 revenue rises 3% (l.c.) driven by strong performances in Japan and emerging markets; N. America solid but Europe softer mainly due to Easter effect
- Operating profit jumps 32% as volume expansion and cost savings more than offset currency headwinds
- Strategy to tap further into dynamic Asian market: agreement to take over distribution activities in China; investments in MegaGen and Biodenta
- Innovation leadership underpinned through multiple launches, collaborations and investments in novel technologies
- Group confirms full-year guidance of low-single-digit revenue growth and improved operating profit margin

KEY FIGURES

(in CHF million)	H1 2014 reported	H1 2013 reported	H1 2013 excluding exceptionals ¹
Revenue	359.1	354.8	
Change in CHF%	1.2	(1.9)	
Change in l.c. %	4.6	(1.7)	
Gross profit	283.4	276.2	
Margin in %	78.9	77.8	
Change in %	2.6	(0.8)	
EBITDA	88.8	74.5	80.0
Margin in %	24.7	21.0	22.5
Change in % ²	19.1	5.0	12.7
Operating profit (EBIT)	75.0	56.8	62.3
Margin in %	20.9	16.0	17.6
Change in % ²	32.0	4.1	14.1
Net profit	68.7	53.7	
Margin in %	19.1	15.1	
Change in %	28.0	20.5	
Basic EPS (in CHF)	4.42	3.48	
Free cash flow³	37.6	34.7	
Margin in %	10.5	9.8	
Number of employees (30 June)	2278	2313	2313

¹ In this release 'exceptionals' refers to restructuring charges in 2013 of CHF 13 million minus a decrease in pension obligations of CHF 7 million related to the restructuring.

² Change versus 2013 reported values

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

Basel, 26 August 2014: In the first six months of 2014, the Straumann Group posted solid revenue growth in local currencies. Despite currency headwind, profitability increased significantly, thanks to operational leverage and the full benefit of cost-reduction initiatives implemented last year. Strong demand for dental implants spurred growth in local currencies to 5% but unfavorable exchange rates reduced the increase in Swiss francs by 3 percentage-points, bringing revenue to CHF 359 million.

All regions posted first-half increases in l.c., with Asia/Pacific and North America delivering almost two thirds of the overall growth. After a strong first quarter, revenue growth slowed expectedly in Q2, reflecting the Easter effect.

The gross margin expanded 110 base points to 79%, while the EBIT margin improved 490 base points to 21%. Excluding currency effects and exceptionals in 2013, the improvement was 420 base points. Net profit rose 28% to CHF 69 million, lifting basic earnings per share by 94 centimes to CHF 4.42.

Marco Gadola, Chief Executive Officer, commented: “New marketing approaches and innovative solutions have enabled us to win customers and to grow ahead of the market for a fifth consecutive quarter. The single most impressive revenue driver has been our unique range of Roxolid® SLActive® implants which set the bar for true premium products and offer clear advantages to customers and patients. With strong volume expansions and the full impact of our cost-saving initiatives, we are clearly delivering the profitability improvements we promised. We have also made progress towards our strategic goals of penetrating the value segment and maintaining a lead in innovation. Nevertheless, we still need to achieve and invest more in order to reach our mid-term growth ambitions”.

BUSINESS PERFORMANCE

Straumann's implant business expanded strongly across all regions, driven by the increased shares of Roxolid, the high-performance implant material, and SLActive, the fast-healing surface technology. Key elements in this were a differentiated pricing approach in Europe, the success of Straumann's reduced invasiveness campaign with Roxolid and the introduction of SLActive Tissue Level implants in Japan.

The Group maintained its level of restorative sales, as declines in tooth-borne prosthetic elements and in-lab scanners were offset by growth in implant prosthetics, fuelled by the new Variobase™ abutment, patient-specific CAD/CAM abutments and the launch of a new comprehensive range of low-profile, abutments for screw-retained solutions for single-tooth to full-arch restorations.

The Regeneratives business achieved solid single-digit growth, led by Emdogain® and Straumann® Allograft.

Neodent, the value brand launched by Straumann in Iberia (fall 2013) and in the US (spring 2014), made an initial but still modest contribution to sales.

REVENUE BY REGION

(in CHF million)	Q2 2014	Q2 2013	H1 2014	H1 2013
Europe	95.0	97.4	197.5	195.9
Change in CHF in %	(2.5)	1.8	0.8	(3.1)
Change in local currencies in %	(1.5)	(0.1)	1.4	(4.4)
North America	46.8	47.3	92.2	92.6
Change in CHF in %	(1.2)	8.2	(0.4)	4.7
Change in local currencies in %	5.4	8.1	5.3	4.1
Asia / Pacific	28.8	26.8	51.0	49.5
Change in CHF in %	7.4	(7.2)	3.0	(8.2)
Change in local currencies in %	15.3	0.7	12.2	(1.7)
Rest of the World (ROW)	8.7	8.5	18.5	16.8
Change in CHF in %	3.1	1.6	10.2	(2.6)
Change in local currencies in %	9.0	4.1	18.6	0.7
GROUP	179.3	180.0	359.1	354.8
Change in CHF in %	(0.4)	1.9	1.2	(1.9)
Change in local currencies in %	3.2	2.3	4.6	(1.7)
Change in organic growth % ⁴		3.1		(0.9)

Modest growth in competitive European market

In Europe first-half revenues rose 1% (both in l.c. and CHF) amid stiff competition. Thanks to the intervention of the Swiss National Bank to stabilize the Euro exchange rate, the overall negative currency effect was modest, and revenue reached CHF 198 million or 55% of the Group total.

Sales decelerated in Q2, mainly due to the Easter effect, which reduced the number of working days in dental-practices. Individual country performances were mixed. In central Europe, where Straumann has a leading market position, revenues dipped. In contrast, France, Belgium and the UK continued to post good results and the contribution from Iberia was also positive.

Underlying momentum increases in North America

Straumann's second largest region, North America, grew 5% (l.c.) driven by strong demand for implant solutions, share-of-wallet gains, and further impetus from regenerative products. Due to a depreciation of the US dollar, revenue in Swiss francs was only in line with the previous year and reached CHF 92 million (26% of the Group).

Although quarterly sales grew 5% (l.c.) in both quarters, momentum increased in the second quarter, based on a comparison with the corresponding quarters of 2013. In addition to the positive underlying trend, the region has a number of growth initiatives planned and product launches pending, which should fuel sales going forward.

⁴ Excludes currency effects and the discontinuation of the intra-oral scanner business in October 2012.

Strong growth in key Asian countries

On the back of strong growth in Japan and China, first-half revenues in Asia/Pacific (APAC) climbed 12% (l.c.), with increases in both quarters. The pronounced currency effect cut growth by 9% points, leaving revenue in Swiss francs up just 3% at CHF 51 million, or 14% of the Group.

Straumann benefited from the continuing general market recovery in Japan, the region's largest market. Led by a strengthened local management team, the Group gained market share, thanks to a strong Q2 and exceptional growth in Q1, which was boosted by the launch of SLActive Tissue Level implants and increased purchases ahead of tax increases in April. SLActive Bone Level implants received regulatory clearance and will contribute initial sales later in Q3.

Sales accelerated in China, where Straumann has recently taken a significant step to broaden its footprint and increase its business. Since 2003, the Group has operated through a single distributor, Beijing Finest Medical Group (BJFM), which had an important role in establishing Straumann as a market leader, particularly in the public hospital segment. However, with the private-practice segment growing rapidly and the market expanding geographically, a broader approach is needed.

In July, the Group signed an agreement to take over distribution activities from BJFM and to establish a 'hybrid' model, in which Straumann China will market directly and sell through multiple distributors. This will bring Straumann closer to customers and will enable it to penetrate new segments. Under the agreement, Straumann is to pay BJFM a fixed consideration of CHF 9 million and a variable consideration of up to approximately CHF 18 million, depending on the development of the business. Moving forward, Straumann will invest significantly in China to build a consultative sales force and a local training-and-education organization to capture opportunities in this dynamic market.

Strong expansion in Rest of the World (RoW)

In the Rest of the World, where distributor ordering patterns are often erratic, net revenue rose 19% to CHF 19 million, or 5% of the Group total. The favorable trend reflects a positive underlying demand for Straumann solutions, particularly in Brazil and Mexico. Regional currency exchange rates cut growth in Swiss francs to 10%. Straumann's partner Neodent, which leads the Brazilian market, posted good growth.

In the second quarter, all main countries continued to grow strongly, although Mexico and the Middle-East distributor markets were unable to match the exceptionally strong growth they achieved in the first quarter.

STRATEGIC PROGRESS

In addition to pursuing a strategy to extend its global leadership in the premium segment, Straumann has taken several initiatives to penetrate the value segment of the global tooth replacement market through a multi-brand approach.

Under the name 'Instradent', it has established a business platform to drive and manage the distribution and internationalization of the brands in its portfolio. With a dedicated team in Basel, Instradent has started to plant subsidiaries to build the brands in various countries.

Substantial investments in dynamic Asia

One in every five dental implants is sold in the APAC region and, having some of the world's fastest growing local markets, the region is forecast to deliver above-average growth in the mid-term.

In addition to the aforementioned initiative to expand in China, Straumann has made a number of investments in the region this year, mainly to address the rapidly emerging value segment with tooth replacement solutions. They are as follows:

In Q2, the Group invested in **MegaGen**, one of Korea's fastest-growing dental implant companies. MegaGen is also active in key global markets, offering a broad range of value implant systems, supplemented by digital and regenerative tools and products to support implant procedures. The investment – in the form of convertible bonds and an option to purchase further shares – could provide the Group with a majority stake in MegaGen in 2016.

Straumann has also invested in **Biodenta**, a provider of comprehensive solutions for dentists and dental laboratories. Based in Taiwan and Switzerland, Biodenta focuses on emerging markets, where Straumann needs an established partner to offer a full solution. The investments are in convertible bonds which – if converted – could provide Straumann with a stake of approximately 12% in Biodenta by 2019.

With the aim of gaining leads to attractive technology/business opportunities in Asia, the Group participated in a fund, managed by **DM Capital**, which is devoted solely to investments in dental-related opportunities in public and private companies in China.

Portfolio expansion and innovation leadership

Apart from these initiatives, Straumann and **botiss**, Europe's second largest supplier of oral tissue regeneration products, agreed to combine strengths to provide complete oral tissue regeneration solutions worldwide. The agreement includes distribution rights and a call option for Straumann to obtain up to 30% of botiss in 2017. The collaboration will provide Straumann with a strong portfolio to compete against the regenerative market leader.

More recently, Straumann acquired a 12% stake in **RODO Medical, Inc.** a California-based, privately-held developer of innovative fixture devices that could revolutionize the way in which dental prosthetics are attached to implants.

The financial details and terms of all these agreements are summarized in the notes at the end of this release.

With regard to its advanced innovation pipeline, the Group launched a number of new products at the ITI World Symposium in April, including the Straumann® PURE Ceramic Implant, the aforementioned range of prosthetic components for screw-retained solutions, and broader CAD/CAM options offering efficiency and productivity gains.

One exciting first-half highlight was the start of the clinical program with Straumann's Bone Level Tapered (BLT) implant. It is estimated that tapered designs account for more than 50% of the global implant market – a segment that Straumann's current range does not address. However, the Group is in the process of bringing to market a new-generation BLT implant made of Roxolid and featuring the SLActive surface. The initial feedback from the trial program has been very positive.

OPERATIONS AND FINANCES

Gross margin expands to 79%

Despite a negative currency impact of CHF 11 million (or 50 base-points), gross profit rose 3% to CHF 283 million. The increase was slightly more than revenue growth and was achieved through strong volume increases, greater utilization of manufacturing capacity, successful implementation of efficiency measures – including the insourcing of certain processes, and a more profitable business mix. Accordingly, the gross margin expanded 110 base points to 79%.

Underlying operating profit (EBIT) jumps more than 20%

'Distribution costs', which comprise salesforce and directly-related sales activities, increased by CHF 6 million to CHF 88 million or 25% of sales (compared with 23% in 2013).

Administrative expenses decreased CHF 17 million to CHF 122 million or 34% of sales (39% in 2013). Excluding exceptionals of close to CHF 6 million (net) related to restructuring in 2013, the reduction amounted to CHF 11 million and was due to the combined benefit of cost-reduction measures and tighter cost control. To sustain an industry-leading portfolio, Straumann continues to invest 5-6% of its sales in R&D, which is in-line with historic levels.

As a result, operating expenses went down CHF 11 million on a reported basis or CHF 6 million excluding exceptionals.

Thanks to gross-profit improvements and the abovementioned items, earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals rose CHF 14 million to CHF 89 million. The corresponding margin expanded 370 base points to nearly 25%.

After amortization and depreciation charges of approximately CHF 14 million, operating profit amounted to CHF 75 million, compared with the previous year's level of CHF 57 million, or CHF 62 million excluding exceptionals. With the respective margin reaching 21%, profitability improved 490 base points, or 420 base points excluding the exceptional restructuring charges in 2013 and currency effects.

Net profit benefits from Neodent contribution

The net financial result was flat in contrast to a positive CHF 1 million in the prior-year period. Fair value gains from the company's financial assets helped to offset interest expenses related to the CHF-200-million bond launched at the end of April 2013.

Contributions from the associated partners Neodent, Dental Wings, Medentika and Createch, which are accounted for under the 'equity method', amounted to CHF 5 million with the major portion coming from Neodent.

Income taxes amounted to CHF 12 million, translating into a tax rate of 15%.

Taking the abovementioned factors into account, reported net profit amounted to CHF 69 million, with the corresponding margin reaching 19%, compared with 15% in the same period last year. Basic earnings per share amounted to CHF 4.42.

Profitability improvements drive cash flow

Net cash from operating activities increased 6% year-on-year to CHF 44 million, as improved profitability compensated for the increase in working capital. The latter was driven mainly by higher sales and accrued severance payables last year related to the restructuring. With capital expenditure (CAPEX) down slightly to CHF 6 million, free cash flow amounted to CHF 38 million and the respective margin was 11%.

Cash used for investing activities reached CHF 32 million, of which CHF 28 million was due to the purchase considerations for MegaGen, Biodenta and other financial assets. Net cash used in financing activities totaled CHF 55 million after the dividend payment of CHF 58 million. Consequently, cash and cash equivalents at June 2014 amounted to CHF 339 million, down from CHF 384 million at the end of 2013. The equity ratio remained at a solid level of 63% at the end of the period.

OUTLOOK 2014 (barring unforeseen circumstances)

Straumann expects the global implant market to develop positively in 2014 and its revenue to grow in the low-single-digit range (l.c.). The Group will continue to invest in growth markets and its non-premium offering. Despite this, and thanks to last year's cost-reduction measures, Straumann will deliver an expanded operating profit margin in 2014. In the mid-term, it aims to achieve solid growth with further operating margin improvements.

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. Straumann currently employs approximately 2280 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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Media and analysts' conference

Straumann's 2014 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). 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-2014-HY-Presentation.pdf and on the Media and Investors pages at www.straumann.com.

The telephone conference can be accessed at:

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UPCOMING CORPORATE / INVESTOR EVENTS

Date	Event	Location
2014		
26 August	2014 First-half conference	Basel HQ
27 August	Investor meetings	Zurich
04 September	Goldman Sachs Healthcare conference	London
05 September	Investor meetings	London
15 September	Investor meetings	Frankfurt
23 October	Third-quarter results	Webcast
20 November	Credit Suisse Swiss Midcap conference	Zurich
03 December	Berenberg European conference	Bagshot/London
04 December	Investor meetings	London
2015		
27 February 2015	2014 Full-year results conference	Basel HQ

Details on upcoming investor relations activities are published on www.straumann.com (Investors > Events).

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Interim selected financial information

REVENUE BY REGION

(in CHF million)	Q1, 2014	Q2, 2014	H1, 2014	H1, 2013
Europe	102.5	95.0	197.5	195.9
Change in %	4.0	(2.5)	0.8	(3.1)
Change in local currencies in %	4.1	(1.5)	1.4	(4.4)
in % of revenue	57.0	53.0	55.0	55.2
North America	45.5	46.8	92.2	92.6
Change in %	0.5	(1.2)	(0.4)	4.7
Change in local currencies in %	5.2	5.4	5.3	4.1
in % of revenue	25.3	26.1	25.7	26.1
Asia / Pacific	22.1	28.8	51.0	49.5
Change in %	(2.3)	7.4	3.0	(8.2)
Change in local currencies in %	8.3	15.3	12.2	(1.7)
in % of revenue	12.3	16.1	14.2	14.0
Rest of the World	9.8	8.7	18.5	16.8
Change in %	17.4	3.1	10.2	(2.6)
Change in local currencies in %	28.6	9.0	18.6	0.7
in % of revenue	5.4	4.9	5.1	4.7
Total	179.8	179.3	359.1	354.8
Change in %	2.9	(0.4)	1.2	(1.9)
Change in local currencies in %	6.0	3.2	4.6	(1.7)

OPERATING PERFORMANCE

(in CHF million)	H1, 2014	H1, 2013
Revenue	359.1	354.8
Change in %	1.2	(1.9)
Gross profit	283.4	276.2
Margin in %	78.9	77.8
Operating profit before depreciation and amortization (EBITDA)	88.8	74.5
Margin in %	24.7	21.0
Change in %	19.1	5.0
Operating profit (EBIT)	75.0	56.8
Margin in %	20.9	16.0
Change in %	32.0	4.1
Profit for the period	68.7	53.7
Margin in %	19.1	15.1
Change in %	28.0	20.5
Basic earnings per share (in CHF)	4.42	3.48

FINANCIAL PERFORMANCE

(in CHF million)	H1, 2014	H1, 2013
Cash and cash equivalents	339.2	316.6
Net working capital (net of cash)	82.5	85.1
Inventories	62.3	58.5
Days of supplies	150	142
Trade receivables	122.2	114.7
Days of sales outstanding	61	57
Balance sheet total	1 052.4	958.8
Return on assets in % (ROA)	13.7	12.1
Equity	659.0	599.4
Equity ratio in %	62.6	62.5
Return on equity in % (ROE)	21.8	17.6
Capital employed	177.5	212.4
Return on capital employed in % (ROCE)	76.9	51.9
Cash generated from operating activities	43.9	41.3
in % of revenue	12.2	11.7
Investments	6.3	6.9
in % of revenue	1.7	1.9
thereof capital expenditures	6.3	6.9
Free cash flow	37.6	34.7
in % of revenue	10.5	9.8
Dividend	58.3	57.8

Interim consolidated statement of financial position

ASSETS

(in CHF 1 000)	30 Jun 2014	31 Dec 2013
Property, plant and equipment	77 944	83 907
Investment properties	4 162	4 335
Intangible assets	70 374	72 278
Investments in associates	272 215	255 115
Financial assets	53 484	14 639
Other receivables	1 308	1 258
Deferred income tax assets	29 026	26 392
Total non-current assets	508 513	457 924
Inventories	62 337	62 328
Trade and other receivables	138 345	111 390
Financial assets	193	1 918
Income tax receivables	3 797	2 385
Cash and cash equivalents	339 192	383 795
Total current assets	543 864	561 816
Total assets	1052 377	1019 740

Interim consolidated statement of financial position

EQUITY AND LIABILITIES

(in CHF 1 000)	30 Jun 2014	31 Dec 2013
Share capital	1 568	1 568
Retained earnings and reserves	657 418	629 812
Total equity attributable to the shareholders of the parent company	658 986	631 380
Straight bond	199 355	199 301
Other liabilities	6 950	6 094
Financial liabilities	3 630	3 667
Provisions	27 667	32 221
Retirement benefit obligations	24 196	18 482
Deferred income tax liabilities	9 073	9 788
Total non-current liabilities	270 871	269 553
Trade and other payables	88 672	103 613
Financial liabilities	572	24
Income tax payables	14 764	9 100
Provisions	18 512	6 070
Total current liabilities	122 520	118 807
Total liabilities	393 391	388 360
Total equity and liabilities	1052 377	1019 740

Interim consolidated income statement

(in CHF 1 000)	H1, 2014	H1, 2013 ¹
Revenue	359 130	354 776
Cost of goods sold	(75 722)	(78 586)
Gross profit	283 408	276 190
Other income	1 382	1 537
Distribution costs	(88 260)	(82 255)
Administrative expenses	(121 529)	(138 651)
Operating profit	75 001	56 821
Financial income	11 494	11 866
Financial expense	(11 019)	(10 453)
Share of result of associates	4 935	4 540
Profit before income tax	80 411	62 774
Income tax expense	(11 676)	(9 089)
Profit for the period	68 735	53 685
Attributable to:		
Shareholders of the parent company	68 735	53 685
Basic earnings per share (in CHF)	4.42	3.48
Diluted earnings per share (in CHF)	4.35	3.48

¹ Prior year's presentation has been adapted to the 2014 format.

Interim consolidated statement of comprehensive income

(in CHF 1 000)	H1, 2014	H1, 2013
Profit for the period	68 735	53 685
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net foreign exchange gain on net investment loans	39	1 059
Net loss on cash flow hedges	(15)	(1 757)
Income tax effect	8	114
Exchange differences on translation of foreign operations	12 244	(3 668)
Other comprehensive income to be reclassified to profit or loss in subsequent periods	12 276	(4 252)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of financial assets designated through other comprehensive income	3 555	0
Remeasurements of retirement benefit obligations	(5 238)	7 270
Income tax effect	681	(945)
Items not to be reclassified to profit or loss in subsequent periods:	(1 002)	6 325
Other comprehensive income, net of tax	11 274	2 073
Total comprehensive income, net of tax	80 009	55 758
Attributable to:		
Shareholders of the parent company	80 009	55 758

Interim consolidated cash flow statement

(in CHF 1 000)	H1, 2014	H1, 2013
Profit for the period	68 735	53 685
Adjustments for:		
Taxes charged	11 676	9 089
Interest and other financial result	(528)	1 973
Share of result of associates	(4 935)	(4 540)
Depreciation and amortization of:		
Property, plant and equipment & investment properties	11 287	12 480
Intangible assets	2 477	3 426
Impairment of investment properties	0	1 787
Change in provisions, retirement benefit obligations and other liabilities	13 997	(6 057)
Change in long term assets	0	752
Share-based payments expense	2 262	1 711
Gains on disposal of property, plant and equipment	(10)	(74)
Working capital adjustments:		
Change in inventories	(44)	5 453
Change in trade and other receivables	(31 368)	(24 037)
Change in trade and other payables	(11 122)	782
Interest paid	(3 865)	(573)
Interest received	374	123
Income tax paid	(15 064)	(14 633)
Net cash from operating activities	43 872	41 347
Purchase of financial assets	(28 200)	0
Purchase of property, plant and equipment	(5 394)	(5 982)
Purchase of intangible assets	(887)	(889)
Purchase of investments in associates	0	(28)
Disbursement of loans	(3 437)	0
Dividends received from associates	5 169	1 556
Net proceeds from sale of non-current assets	52	222
Net cash used in investing activities	(32 697)	(5 121)
Issue of a straight bond	0	199 230
Dividends paid	(58 264)	(57 848)
Proceeds from finance lease	111	168
Repayment of finance lease	0	(13)
Proceeds from exercise of options	1 133	0
Purchase of treasury shares	0	(1 886)
Sale of treasury shares	1 582	0
Net cash used in / from financing activities	(55 438)	139 651
Exchange rate differences on cash held	(340)	179
Net change in cash and cash equivalents	(44 603)	176 056
Cash and cash equivalents at 1 January	383 795	140 504
Cash and cash equivalents at 30 June	339 192	316 560

Interim consolidated statement of changes in equity

H1, 2014

Attributable to the shareholders of the parent company

(in CHF 1 000)	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
Balance at 1 January 2014	1 568	18 280	(20 725)	0	(123 869)	756 126	631 380
Profit for the period						68 735	68 735
Other comprehensive income				(13)	12 289	(1 002)	11 274
Total comprehensive income	0	0	0	(13)	12 289	67 733	80 009
Dividends paid						(58 264)	(58 264)
Share-based payment						2 262	2 262
Sale of treasury shares			3 800			(201)	3 599
Balance at 30 June 2014	1 568	18 280	(16 925)	(13)	(111 580)	767 656	658 986

H1, 2013

Attributable to the shareholders of the parent company

(in CHF 1 000)	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
Balance at 1 January 2013	1 568	18 280	(33 975)	1 988	(88 774)	702 570	601 657
Profit for the period						53 685	53 685
Other comprehensive income				(1 539)	(2 713)	6 325	2 073
Total comprehensive income	0	0	0	(1 539)	(2 713)	60 010	55 758
Dividends paid						(57 848)	(57 848)
Share-based payment						1 711	1 711
Purchase of treasury shares			(1 886)				(1 886)
Balance at 30 June 2013	1 568	18 280	(35 861)	449	(91 487)	706 443	599 392

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 interim condensed consolidated financial statements of the Straumann Group for the six months ended 30 June 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 21 August 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 '*Interim Financial Reporting*'. They do not include all the information and disclosures required in the annual financial statements, and should therefore be read in conjunction with the Group's annual financial statements as at 31 December 2013.

SIGNIFICANT ACCOUNTING POLICIES

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 2013.

The following standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2014, but have no impact to the Group's financial situation or financial statement presentation:

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

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 DIVIDENDS PAID

On 15 April 2014, Straumann Holding AG paid a dividend of CHF 3.75 (2013: CHF 3.75) per share to its shareholders. The total amount of the gross dividend paid was CHF 58.3 million (2013: CHF 57.8 million).

5 FINANCIAL INSTRUMENTS

Financial assets

(in CHF 1 000)	30 Jun 2014	31 Dec 2013
Financial assets at fair value	27 220	0
Investments measured at fair value through other comprehensive income	21 395	13 250
Loans and other receivables	4 869	1 369
Finance lease receivables	0	20
Total non-current financial assets	53 484	14 639
Financial assets at fair value	128	1 760
Finance lease receivables	65	158
Total current financial assets	193	1 918
Total financial assets	53 677	16 557

Financial liabilities

(in CHF 1 000)	30 Jun 2014	31 Dec 2013
Unpaid purchase price consideration	3 625	3 625
Finance lease payables	5	42
Total non-current financial liabilities	3 630	3 667
Financial liabilities at fair value through profit or loss	572	24
Total current financial liabilities	572	24
Total financial liabilities	4 202	3 691

'Financial assets at fair value' include the convertible bonds from Biodenta Corp. and MegaGen Implant Co Ltd. and derivative financial instruments used by the Group to hedge its foreign currency risk. 'Investments measured at fair value through other comprehensive income' represent non-derivative equity instruments in the medical device sector domiciled in emerging markets.

Fair value hierarchy

As required by IFRS, financial assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The Group uses the following hierarchy for disclosure of their 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 that 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 30 June 2014 and 31 December 2013, the Group held the following financial instruments measured at fair value:

(in CHF 1 000)	30 Jun 2014		31 Dec 2013	
	Level 1	Level 2	Level 1	Level 2
Assets measured at fair value				
Convertible bonds	0	27 220	0	0
Investments measured at fair value through other comprehensive income	16 806	4 589	13 250	0
Foreign exchange forward contracts - fair value hedge	0	128	0	1 701
Non-deliverable forward (NDF) - fair value hedge	0	0	0	59
Financial assets measured at fair value	16 806	31 937	13 250	1 760

(in CHF 1 000)	30 Jun 2014		31 Dec 2013	
	Level 1	Level 2	Level 1	Level 2
Liabilities measured at fair value				
Foreign exchange forward contracts - fair value hedge	0	353	0	24
Non-deliverable forward (NDF) - fair value hedge	0	219	0	0
Financial liabilities measured at fair value	0	572	0	24

The main financial assets classified in 'Level 2 fair value hierarchy' are convertible bonds (conventional bonds and American call options on the equity through conversion) and non-derivative equity instruments.

These assets are valued using a conventional financial-economic model. The bonds from Biodenta Corp. and MegaGen Implant Co. Ltd are valued by discounting future cash flows. The associated American call options are determined using a modified 'Binomial model'. Non-derivative equity instruments are valued using a valuation model incorporating the most recently published observable financial prices.

Foreign exchange forward contracts and non-deliverable forwards are valued using corroborated market data.

6 PROVISIONS

In the period under review, the Group increased the provision in connection with the agreed changes of its go-to-market approach in the People's Republic of China from CHF 14.0 million to CHF 26.5 million. CHF 17.5 million of the provisions are classified as current. The corresponding expense is recognized in the line 'Distribution costs' and relates to the operating segment 'Sales APAC'.

7 INVESTING ACTIVITIES

Biodenta Corporation (1st convertible bonds)

In March 2014, the Group purchased convertible bonds from Biodenta Corp. for CHF 5.9 million. Founded in Taiwan and Switzerland, Biodenta specializes in comprehensive solutions for dentists and dental laboratories, with a focus on emerging markets. The bonds bear 1% interest p.a. and Straumann has the right to convert them into common shares at a fixed price over a 5-year period.

MegaGen Implant Co. Ltd.

In April 2014, the Group completed the purchase of a secured, convertible bond from MegaGen Implant Co. Ltd, one of Korea's fastest-growing dental implant companies, for a total of CHF 17.7 million. Straumann also committed to purchase a second USD-10-million bond in 2015. The bonds will 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 MegaGen. Through an international network of own subsidiaries and distributors, MegaGen offers a broad range of implant systems, supplemented by digital and regenerative tools and products to support implant procedures.

DM Capital

With the aim of gaining leads to attractive technology/business opportunities in Asia, the Group invested a total of CHF 4.6 million with DM Capital (DMC), an investment management group with offices in Hong Kong, Shenzhen, Shanghai, Beijing, and New York and Zurich. DMC identifies, pursues and manages investments in public and private companies, with a primary focus on Eastern Asia. One of the funds managed by DMC is dedicated exclusively to investments in dental-related opportunities in China.

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.

The previous year 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 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. 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 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 CAD/CAM 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.

The 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 2014 and 2013, respectively.

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

H1, 2013 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	All other segments	Eliminations	Group
Revenue											
Third party	111 620	89 862	92 611	49 346	8 996	710	0	0	1 631	0	354 776
Inter-segment	117	0	0	0	0	5 715	173 975	17	0	(179 824)	0
Total revenue	111 737	89 862	92 611	49 346	8 996	6 425	173 975	17	1 631	(179 824)	354 776
Operating profit	20 199	(2 830)	(6 185)	4 653	(81)	(29 459)	111 824	(37 812)	(35)	(3 453)	56 821
Financial result											1 413
Share of result of associates											4 540
Income tax expenses											(9 089)
Net profit											53 685

The remaining operating profit under 'Eliminations' (H1 2014 and H1 2013) 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 2014 and 31 December 2013:

at 30 Jun 2014 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	All other segments	Eliminations	Group
Segment assets	43 016	56 719	32 886	42 923	12 938	2 688	244 787	8 577	3 138	(93 201)	354 471
Unallocated assets											697 907
Group											1052 377

at 31 Dec 2013 (in CHF 1 000)	Sales CE	Sales WE	Sales NAM	Sales APAC	Sales LATAM	Marketing / R+D	Operations	Support functions	All other segments	Eliminations	Group
Segment assets	40 390	46 852	31 757	34 499	11 298	4 014	231 248	15 478	1 186	(81 226)	335 496
Unallocated assets											684 244
Group											1019 740

9 RELATED-PARTY TRANSACTIONS

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)		H1, 2014	H1, 2013
Related party	Nature		
The International Team for Implantology (ITI) Foundation	Collaboration agreement	6 875	6 264
Straumann Pension Fund	Employer's contribution	3 565	4 393
Neodent	Purchase of goods	1 664	0
Dental Wings	Purchase of software licenses	1 424	0
Open Digital Dentistry	Purchase of software licenses	0	414
Total		13 528	11 071

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

(in CHF 1 000)		30 Jun 2014	31 Dec 2013
The International Team for Implantology (ITI) Foundation	Collaboration agreement	(2 710)	(2 063)
Straumann Pension Fund	Employer's contribution	12	784
Neodent	Purchase of goods	(609)	(222)
Dental Wings	Purchase of software licenses	(2)	0
Total		(3 309)	(1 501)

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

The Group purchased

- dental design software and software licenses from the associate Dental Wings, and
- dental implants and prosthetic elements from Neodent.

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

KEY MANAGEMENT PERSONNEL COMPENSATION

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

The Board of Directors is entitled to a fixed attendance fee and a defined number of shares reflecting their roles, responsibilities and expected work time. The shares are granted at the beginning of the relevant service period and are blocked for 2 years. The value of shares is calculated using the average closing price of the shares over the seven trading days following the ex-dividend day.

The compensation of the Executive Management Board consists of a fixed portion and a variable portion, the latter depends on the course of the business and individual performance. In addition, Executive Management Board members participate in the Straumann Performance Share Plan, the respective Performance Share Units (PSU) are granted once a year and might entitle the participants to receive shares after a three-year vesting period if defined performance criteria have been met.

At the balance sheet date, the Straumann Executive Management Board comprised of nine members and the total compensation for the key management personnel for the six-month period ended 30 June 2014 amounted to CHF 6.4 million. In the comparative period of 2013, the total compensation was CHF 6.0 million.

10 EVENTS AFTER THE BALANCE SHEET DATE

Biodenta Corporation

In July 2014, the Group agreed to purchase further convertible bonds from Biodenta (see Note 7) for CHF 1.5 million. The bonds will bear 1% interest p.a. and the Group has the right to convert them into common shares at a fixed price over a 5-year period. The conversion of these and the bonds acquired in H1 would provide Straumann with an overall stake of approximately 12% in Biodenta.

botiss group

In the first half, Straumann and botiss group, Europe's second largest supplier of oral tissue regeneration products, agreed to combine strengths to provide complete oral tissue regeneration solutions worldwide. The agreement includes distribution rights and a call option for Straumann to obtain up to 30% of botiss medical AG in 2017. To advance the companies' global strategy, Straumann made a secured loan of CHF 3.6 million to botiss, which was paid in July and bears interest of 3% p.a. above the Euro libor.

RODO

In July, Straumann purchased 12.5% of the shares in RODO Medical, Inc. of Sunnyvale, California, a privately-held developer of innovative dental-implant restoration devices.

BJFM

In July, the Group signed an agreement to take over certain assets from Beijing Finest Medical New Tech Co., Ltd (BJFM), its sole distributor in China since 2003, and its affiliate Beijing Jialian Chengye Medical Device Sales Co., Ltd. A provision relating to a fixed consideration of CHF 9.0 million and a variable consideration of CHF 17.5 million have been recognized as of the balance sheet date.

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