**2010 First-half report / Media release**

# Straumann lifts operating income in first half as net revenue rises 4% in local currencies to CHF 392 million

- *Top-line growth increases to 5% (l.c.) in second quarter and is fuelled by implant volumes, with increased contribution from new generation implant systems (Bone Level and Roxolid®)*
- *Growth reported by all regions with strong performances in North America and the Rest of the World*
- *Operating margin leveraged by consistent pricing and effective cost management, despite currency headwind and increased investments in sales and innovation*
- *Solid free cash flow (CHF 80 million), despite rise in net working capital due to sales increase*
- *Full-year guidance maintained (barring additional currency headwind and unforeseen circumstances)*

## KEY FIGURES

| (in CHF million) | H1, 2010 | H1, 2009 |
|---|---|---|
| **Net revenue** | **392.4** | **384.1** |
| Change in % | 2.2 | (6.9) |
| Change in local currencies in % | 4.2 | (3.3) |
| | | |
| **Gross profit** | **314.6** | **306.5** |
| Margin in % | 80.2 | 79.8 |
| Change in % | 2.6 | (9.7) |
| | | |
| **Operating profit (EBIT)** | **98.8** | **93.8** |
| Margin in % | 25.2 | 24.4 |
| Change in % | 5.3 | (21.7) |
| | | |
| **Profit for the period** | **82.0** | **84.6** |
| Margin in % | 20.9 | 22.0 |
| Change in % | (3.1) | (15.8) |
| | | |
| **Free cash flow**[1] | **80.3** | **91.8** |
| Margin in % | 20.5 | 23.9 |
| | | |
| **Basic earnings per share** (in CHF) | **5.24** | **5.43** |
| Change in % | (3.5) | (15.8) |
| | | |
| **Number of employees (30 June)** | **2 268** | **2 161** |

[1] Defined as net cash from operating activities less capital expenditures plus net proceeds from property, plant and equipment.

**Basel, 19 August 2010:** Amid continued sluggish market conditions, the Straumann Group today reported top-line growth of 4% (l.c.) over the first six months of 2010, bringing net revenues to CHF 392 million. Growth momentum increased to 5% (l.c.) in the second quarter, when the number of trading days was identical to the comparative prior-year period. There were no material acquisition effects in 2010. The strength of the Swiss franc against the Euro and other currencies resulted in a negative currency effect of 2% points. As a result, net revenue growth amounted to 2% in Swiss francs.

Sustained cost efficiency measures together with improved production output lifted the EBITDA margin above 31%. With operating profit (EBIT) reaching CHF 99 million, the EBIT margin expanded to more than 25% despite adverse currency effects. A negative financial result squeezed basic earnings per share to CHF 5.24. Notwithstanding, net profit amounted to CHF 82 million, yielding a margin of 21%.

Beat Spalinger, President & CEO commented: "This performance is well in line with our forecast in spite of the very demanding environment. The results have been driven by implant volume growth. We have underpinned our established products with new long-term data and we have brought innovations to customers around the world. These achievements together with our service model have enabled us to maintain consistent and transparent pricing. At the same time we have been able to improve margins and, providing that there is no unexpected additional currency headwind, we are on track to meet the full-year guidance we gave in February."

## REVENUE DEVELOPMENT

Throughout the downturn, high unemployment, limited access to credit and low consumer confidence have resulted in reduced patient traffic at dental practices and increased postponements of complex treatments. However, latest figures suggest that the tooth replacement market is gradually improving from last year's unprecedented decline.

Straumann's implant business delivered a solid performance driven by volume growth and new generation products (Bone Level and Roxolid implant systems). Increased demand for regeneratives also contributed to net revenue growth. On the other hand, the CADCAM business posted lower sales than in the comparative period of last year, mainly due to slowing demand for in-lab scanners. This stems from a reluctance among laboratories to invest in the present economy and from the fact that customers are waiting for the launch of Straumann's new scanner and CADCAM system later this year. In contrast, sales of CADCAM elements continued to expand.

### Innovation and clinical excellence support growth

At the end of the first quarter, impressive long-term data were presented on Straumann SLA implants. The results come from the first randomized controlled clinical trial to report 10-year data[2] on a currently available screw-type dental implant with roughened surface technology.

Further 10-year data from other studies will be presented in the near future, adding to the body of long-term clinical evidence supporting Straumann's implant system and surface technology. This is particularly significant as implant surface and design performance in general are coming under increasing scrutiny.

[2] K. Fischer: '10-year outcome of SLA implants in the edentulous maxilla'; presented at the ITI World Symposium in Geneva, Switzerland, April 2010

**Roxolid establishes benchmark**
The success story of Roxolid small diameter implants continues to unfold, not just in market uptake but also through clinical results and independent recognition. Further regulatory approvals were obtained and research findings were presented at major congresses around the world. To complement the ongoing clinical program, new studies involving centers around the world were started in the second quarter. In May, Roxolid was honored with the 2009 'Medical Device Technology of the Year Award' bestowed by Frost & Sullivan for best practice in innovation.

**Advancing in digital dentistry**
In the first quarter, Straumann presented an array of digital solutions comprising integrated technologies and services. These include intra-oral scanning, computer-guided surgery, and a new CADCAM system.

The second quarter saw the roll-out of the iTero intra-oral scanner in Europe, where Straumann has exclusive distribution rights. Intra-oral scanning obviates the less precise and unpleasant process of conventional impression-taking by enabling the dentist to create a chair-side 3D image of the patient's teeth using an optical scanner inside the mouth. To coincide with the launch, Straumann released new software that connects iTero users with the Straumann CADCAM system. As this is a new business area, the Group has had to build up the necessary systems/organization and the contribution to net revenue will increase gradually.

Another highlight was the introduction of the Group's guided surgery system, which was acquired in 2009, and launched under the Straumann brand with multiple new features in initial European markets and the US.

The third component of Straumann Digital Solutions is a new CADCAM system, which was presented at several major dental meetings. It includes a new in-lab scanner and software that are scheduled to come to market later in the year. The new CADCAM range will incorporate tooth-borne (inlays, onlays, etc.) and implant-borne restoration options (screw-retained bridges etc).

**Complement to regenerative range**
At major meetings great interest was shown in Straumann's innovative PEG membrane for guided bone regeneration, which complements the company's regenerative range. Further data to support the product were collected in ongoing multicenter clinical studies. With clinical and regulatory goals achieved in Europe and the US, the product is on track for controlled market release later in the year.

**Ongoing commitment to R&D**
Straumann's investment in R&D rose to a record level in the first half of 2010 as the company continues to drive evidence-based treatment and innovation. At the same time, the Group maintained its commitment to fostering independent research, which was manifest in the André Schroeder Research Prize – one of the most prestigious awards in dentistry – and the newly created IADR/Straumann Award for Periodontal Regenerative Medicine. The awards were presented in April and July respectively and were collectively worth a total of CHF 35 000.

## REGIONAL PERFORMANCE

**Stable progress in Europe**
Revenue growth was achieved across all regions in the first half of 2010, although the improvement in Europe was modest. Net revenue in the region grew by 3% (l.c.) to CHF 242

million (62% of Group total). The weakness of the Euro and the British pound against the Swiss franc resulted in a negative currency effect of almost 4% points. During the second quarter, growth accelerated slightly to 4% (l.c.).

In the large German market, sales surpassed the comparative level achieved in the first half of last year. France, the UK and Iberia all achieved strong top-line growth, while Italy contracted slightly.

**Strong performance in North America**
After another encouraging quarter, the Group was able to report an 8% (l.c.) rise in first-half net revenue in North America. Currency headwind cut growth in Swiss francs to 6%. Straumann's net revenues in the United States and Canada amounted to CHF 85 million or 22% of the Group total. New implant products (Bone Level and Roxolid) together with portfolio and sales team expansions in regeneratives enabled Straumann to win new accounts and strengthen its position in the region.

**Positive trend in Asia/Pacific**
The Asia/Pacific region contributed 13%, or CHF 52 million, to Group net revenue. This represents a 3% increase over the first half of 2009. The positive currency effect – due mainly to the strength of the Japanese yen – lifted growth to 7% in Swiss francs. Dynamic growth in China and positive developments in Korea more than offset the soft performance in Japan, where the market in general continued to decline. The performance was also characterized by strong orders from distributors in the region following inventory reductions through the recession. A further recent highlight in the region was the regulatory approval of SLActive Bone Level implants in Taiwan.

**Solid growth elsewhere**
In the Rest of the World, net revenue rose 16% to CHF 14 million or 3% of the Group total, reflecting the positive underlying demand for Straumann solutions, particularly in Brazil and Mexico. Regional currency exchange rates were favorable and lifted growth in Swiss francs to 23%.

## OPERATIONS AND FINANCES

**Effective cost management**
Due to the combination of top-line improvement, increased volumes and cost management, the gross margin surpassed the 80% threshold, despite the overall negative currency effect of 40 basis points. Excluding this, the underlying margin expansion amounted to 80 basis points.

Focused cost management and currency exchange effects had a favorable effect on Selling & Administrative (SG&A) costs. These remained more or less stable at CHF 195 million, despite investments in Marketing & Sales – mainly in CADCAM and regenerative personnel. This was a main contributor to the increase in overall headcount, which rose 5% year on year to 2268 at the end of the reporting period. As a proportion of net revenue, SG&A expenses were reduced by 90 basis points to 50%.

R&D costs rose to CHF 23 million, reflecting the Group's strategy to invest in innovation despite the unfavorable market conditions. This corresponds to 6% of net revenue and positions Straumann at the front of the industry.

Earnings before interest, tax, depreciation and amortization rose by CHF 4 million to CHF 123 million, driven mainly by the improvement in gross margin. The EBITDA margin amounted to 31%.

**Operating margin improves by 170 basis points (currency adjusted)**
After amortization and depreciation charges of CHF 24 million, operating profit (EBIT) amounted to CHF 99 million. The EBIT margin increased to 25%, 80 basis points up from the previous first-half level. Excluding a negative currency effect, the margin expansion amounted to 170 basis points.

The net financial result was a negative CHF 4 million due mainly to foreign exchange and hedging losses, most of which are still unrealized. Tax expenses came to CHF 13 million (CHF 2 million less than in the first six months of 2009) resulting in a tax rate of 14%. Going forward, the underlying rate is expected to be around 16-17%.

As a result of all these effects, first-half net profit amounted to CHF 82 million, yielding a margin of 21% and basic earnings per share of CHF 5.24.

**Operating cash flow squeezed by higher net working capital**
Net cash from operating activities decreased by 16% to CHF 90 million. This was due mainly to an absolute increase in trade receivables driven by increased sales. The mid-year number of days of sales outstanding decreased by 2 to 53 days.

At CHF 10 million, capital expenditure was significantly lower than in the first half of 2009. Thanks to production expansion in recent years, lower capital investments in property, plant, equipment and software were required.

Free cash flow amounted to CHF 80 million, with the respective margin at 21%. There were no investments in acquisition-related transactions in the period under review.

Net cash used for financing activities totaled CHF 56 million after the payment of CHF 59 million for the ordinary dividend, slightly offset by the sale of treasury shares for CHF 3 million.

Consequently, cash and cash equivalents on 30 June 2010 amounted to CHF 279 million, which, together with a high level of profitability (ROE=28%) gives the Group a high degree of flexibility.

**OUTLOOK (barring unforeseen circumstances)**

With continuing uncertainty in the global economy, Straumann continues to assume that its market will grow in the low-single-digit range in 2010.

Based on its clinically-proven innovative products, organizational strength, market presence, and differentiated services, the Group is convinced that it can deliver above-market performance. With the goal of simply doing more for customers and patients in 2010, it will continue to invest in all its business franchises, its innovation pipeline, and its marketing and sales organizations to create superior treatment solutions and services.

Taking this into account and assuming that there will be no unexpected additional currency headwind, the Group expects to achieve levels of full-year net revenue (in Swiss francs) and operating margin at least in line with the prior year – in spite of additional second-half operating expenses related to the introduction of new products/technologies in digitalization and regeneratives.

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**Disclaimer**

This release contains certain “forward-looking statements”, which can be identified by the use of terminology such as “forecast”, “provide”, “”on track”, “suggest”, “will be”, “near future”, “increase gradually”, “scheduled to”, “going forward”, “expect”, “will”, “assume”, or similar wording. Such forward-looking statements reflect the current views of management and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied. These include risks related to the success of and demand for the Group’s products, the potential for the Group’s products to become obsolete, the Group’s ability to defend its intellectual property, the Group’s ability to develop and commercialize new products in a timely manner, the dynamic and competitive environment in which the Group operates, the regulatory environment, changes in currency exchange rates, the Group’s ability to generate revenues and profitability, and the Group’s ability to realize its expansion projects in a timely manner. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. Straumann is providing the information in this release as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

**About Straumann**

Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in implant and restorative dentistry and oral tissue regeneration. In collaboration with leading clinics, research institutes and universities, Straumann researches, develops and manufactures dental implants, instruments, prosthetics and tissue regeneration products for use in tooth replacement and restoration solutions or to prevent tooth loss. Straumann currently employs more than 2200 people worldwide and its products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

**Media and analysts' conference**

Straumann's First-half 2010 financial results conference will take place at 10.00h Swiss time in Basel today. The event will be webcast live on the internet (www.straumann.com/conference-webcast) and a playback will be available until 19 September 2010.

**Presentation slides**

The corresponding conference visuals are available at www.straumann.com/Straumann-2010-HY-Presentation.pdf and on the Corporate Communication and Investor Relations pages at www.straumann.com.

In addition, a telephone conference can be accessed under the following dial-in numbers:
+41 (0)91 610 56 00 (Europe)
+44 (0)207 107 06 11 (UK)
+1 (1) 866 291 41 66 (USA)
Please note that the telephone conference participants are in a listen-only mode.

**Upcoming events**

| | |
|---|---|
| 23 August – 7 September 2010 | Half-year (non-deal) investor 'road-show' |
| 28 October 2010 | Q3 and 9M sales 2010 |
| 15 February 2011 | Full-Year results 2010 |

Details on upcoming investor relations activities are published on www.straumann.com (Investor Relations > Calendar).

## Interim selected financial information

### SALES BY REGION

| (in CHF million) | Q1, 2010 | Q2, 2010 | H1, 2010 | H1, 2009 |
|---|---|---|---|---|
| Europe | 125.0 | 116.6 | 241.6 | 244.2 |
| Growth in % | ( 0.2) | ( 2.0) | ( 1.1) | ( 9.6) |
| Growth in local currencies in % | 1.4 | 3.9 | 2.6 | ( 2.6) |
| in % of net revenue | 62.7 | 60.3 | 61.6 | 63.6 |
| | | | | |
| North America | 41.6 | 43.6 | 85.2 | 80.3 |
| Growth in % | 3.6 | 8.9 | 6.2 | 1.2 |
| Growth in local currencies in % | 8.4 | 7.7 | 8.1 | ( 1.9) |
| in % of net revenue | 20.9 | 22.6 | 21.7 | 20.9 |
| | | | | |
| Asia / Pacific | 25.5 | 26.2 | 51.7 | 48.4 |
| Growth in % | ( 0.5) | 15.0 | 6.8 | ( 4.8) |
| Growth in local currencies in % | ( 1.7) | 8.3 | 3.1 | ( 9.0) |
| in % of net revenue | 12.8 | 13.6 | 13.2 | 12.6 |
| | | | | |
| Rest of the World | 7.1 | 6.8 | 13.9 | 11.3 |
| Growth in % | 33.6 | 14.0 | 23.2 | ( 10.0) |
| Growth in local currencies in % | 26.3 | 5.9 | 15.5 | ( 1.6) |
| in % of net revenue | 3.6 | 3.5 | 3.5 | 2.9 |
| Total | 199.2 | 193.2 | 392.4 | 384.1 |
| Growth in % | 1.5 | 2.9 | 2.2 | ( 6.9) |
| Growth in local currencies in % | 3.1 | 5.4 | 4.2 | ( 3.3) |

### OPERATING PERFORMANCE

| (in CHF million) | H1, 2010 | H1, 2009 |
|---|---|---|
| Net revenue | 392.4 | 384.1 |
| Growth in % | 2.2 | ( 6.9) |
| | | |
| Gross profit | 314.6 | 306.5 |
| Margin in % | 80.2 | 79.8 |
| | | |
| Operating profit before depreciation and amortization (EBITDA) | 122.9 | 118.8 |
| Margin in % | 31.3 | 30.9 |
| Growth in % | 3.5 | ( 21.0) |
| | | |
| Operating profit (EBIT) | 98.8 | 93.8 |
| Margin in % | 25.2 | 24.4 |
| Growth in % | 5.3 | ( 21.7) |
| | | |
| Profit for the period | 82.0 | 84.6 |
| Margin in % | 20.9 | 22.0 |
| Growth in % | ( 3.1) | ( 15.8) |
| | | |
| Basic earnings per share (in CHF) | 5.24 | 5.43 |

## FINANCIAL PERFORMANCE

| (in CHF million) | H1, 2010 | H1, 2009 |
|---|---|---|
| Cash and cash equivalents | 279.0 | 137.2 |
| | | |
| Net working capital (net of cash) | 82.9 | 92.3 |
| | | |
| Inventories | 70.7 | 76.2 |
| Days of supplies | 147 | 190 |
| | | |
| Trade receivables | 113.8 | 114.2 |
| Days of sales outstanding | 53 | 55 |
| | | |
| Balance sheet total | 826.6 | 721.7 |
| Return on assets in % (ROA) | 21.1 | 21.6 |
| | | |
| Equity | 655.3 | 571.8 |
| Equity ratio in % | 79.3 | 79.2 |
| Return on equity in % (ROE) | 27.5 | 27.9 |
| | | |
| Capital employed | 366.4 | 422.4 |
| Return on capital employed in % (ROCE) | 53.9 | 44.4 |
| | | |
| Cash generated from operating activities | 90.0 | 107.6 |
| in % of net revenue | 22.9 | 28.0 |
| | | |
| Investments | 10.0 | 21.9 |
| in % of net revenue | 2.5 | 5.7 |
| thereof capital expenditures | 10.0 | 16.1 |
| thereof acquisitions, incl. purchase of shares of non-controlling interests | - | 5.8 |
| | | |
| Free cash flow | 80.3 | 91.8 |
| in % of net revenue | 20.5 | 23.9 |
| | | |
| Dividend | 58.7 | 58.4 |

# Interim consolidated statement of financial position

## ASSETS

| (in CHF 1 000) | 30 Jun 2010 | 31 Dec 2009 |
|---|---|---|
| Property, plant and equipment | 131 251 | 137 625 |
| Investment properties | 7 950 | 8 100 |
| Intangible assets | 165 692 | 177 662 |
| Financial assets | 1 854 | 1 661 |
| Other receivables | 2 127 | 2 026 |
| Deferred income tax assets | 34 110 | 30 901 |
| **Total non-current assets** | **342 984** | **357 975** |
| | | |
| Inventories | 70 736 | 71 501 |
| Trade and other receivables | 129 142 | 109 876 |
| Financial assets | 2 804 | 883 |
| Income tax receivables | 1 900 | 1 132 |
| Cash and cash equivalents | 279 026 | 261 575 |
| **Total current assets** | **483 608** | **444 967** |
| | | |
| Total assets | 826 592 | 802 942 |

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## Interim consolidated statement of financial position

### EQUITY AND LIABILITIES

| (in CHF 1 000) | 30 Jun 2010 | 31 Dec 2009 |
|---|---|---|
| Share capital | 1 568 | 1 568 |
| Retained earnings and reserves | 653 757 | 633 852 |
| **Total equity** | **655 325** | **635 420** |
| | | |
| Other liabilities | 7 782 | 5 747 |
| Financial liabilities | 589 | 1 099 |
| Provisions | 9 334 | 9 766 |
| Retirement benefit obligations | 2 729 | 2 831 |
| Deferred income tax liabilities | 27 599 | 24 825 |
| **Total non-current liabilities** | **48 033** | **44 268** |
| | | |
| Trade and other payables | 78 924 | 82 636 |
| Financial liabilities | 4 376 | 1 072 |
| Income tax payables | 35 730 | 32 333 |
| Provisions | 4 204 | 7 213 |
| **Total current liabilities** | **123 234** | **123 254** |
| | | |
| **Total liabilities** | **171 267** | **167 522** |
| | | |
| Total equity and liabilities | 826 592 | 802 942 |

## Interim consolidated income statement

| (in CHF 1 000) | H1, 2010 | H1, 2009 |
|---|---|---|
| Net revenue | 392 445 | 384 131 |
| | | |
| Cost of goods sold | (77 882) | (77 666) |
| Gross profit | 314 563 | 306 465 |
| | | |
| Other income | 1 422 | 1 046 |
| Selling and administrative costs | (194 661) | (193 817) |
| Research and development costs | (22 511) | (19 882) |
| Operating profit | 98 813 | 93 812 |
| | | |
| Financial income | 16 139 | 17 603 |
| Financial expense | (20 166) | (12 195) |
| Profit before income taxes | 94 786 | 99 220 |
| | | |
| Income tax expense | (12 783) | (14 620) |
| | | |
| Profit for the period | 82 003 | 84 600 |
| | | |
| Profit for the period attributable to: | | |
| Shareholders of the parent company | 82 003 | 84 600 |
| | | |
| **Basic earnings per share (in CHF)** | 5.24 | 5.43 |
| **Diluted earnings per share (in CHF)** | 5.23 | 5.43 |

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## Interim consolidated statement of comprehensive income

| (in CHF 1 000) | H1, 2010 | H1, 2009 |
|---|---|---|
| Profit for the period | 82 003 | 84 600 |
| | | |
| Net foreign exchange (loss) / gain on net investment loans | (7 917) | 4 560 |
| Income tax | 619 | ( 356) |
| Net | (7 298) | 4 204 |
| | | |
| Exchange differences on translation of foreign operations | (2 334) | 1 672 |
| | | |
| Net gain / (loss) on cash flow hedges | 180 | (3 373) |
| Income tax | ( 14) | 439 |
| Net | 166 | (2 934) |
| | | |
| Other comprehensive (loss) / income for the period, net of tax | (9 466) | 2 942 |
| | | |
| Total comprehensive income for the period, net of tax | 72 537 | 87 542 |
| | | |
| Total comprehensive income attributable to: | | |
| Shareholders of the parent company | 72 537 | 87 542 |

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## Interim consolidated cash flow statement

| (in CHF 1 000) | H1, 2010 | H1, 2009 [1] |
|---|---|---|
| Profit for the period | 82 003 | 84 600 |
| Adjustments for: | | |
| Taxes charged | 12 783 | 14 620 |
| Interest and other financial result | ( 12) | 587 |
| Foreign exchange result | 4 227 | (3 452) |
| Fair value result | 1 268 | 771 |
| Depreciation and amortization of: | | |
| Property, plant and equipment | 13 467 | 13 718 |
| Investment properties | 150 | 150 |
| Intangible assets | 10 501 | 11 103 |
| Change in provisions, pensions and other non-current liabilities | ( 773) | 41 |
| Share-based payments expense | 2 971 | 2 667 |
| Gains on disposal of property, plant and equipment | ( 223) | 0 |
| Gains on disposal of available-for-sale financial assets | 0 | ( 589) |
| Working capital adjustments: | | |
| (Increase) / decrease in inventories | ( 990) | 9 589 |
| Increase in trade and other receivables | (24 493) | (12 894) |
| Decrease in trade and other payables | (1 402) | (1 377) |
| Interest paid | ( 311) | ( 896) |
| Interest received | 473 | 341 |
| Income tax paid | (9 687) | (11 392) |
| **Net cash from operating activities** | **89 952** | **107 587** |
| Proceeds from available-for-sale financial assets | 0 | 6 165 |
| Purchase of property, plant and equipment | (8 316) | (12 336) |
| Purchase of intangible assets | (1 655) | (3 777) |
| Acquisition of subsidiaries, net of cash acquired | 0 | (5 795) |
| Net proceeds from sale of non-current assets | 305 | 323 |
| **Net cash used in investing activities** | **(9 666)** | **(15 420)** |
| Dividends paid | (58 691) | (58 408) |
| Proceeds from finance lease | 127 | 43 |
| Repayment of finance lease | ( 484) | ( 865) |
| Repayments of loans and borrowings | 0 | (50 008) |
| Sale of treasury shares | 3 313 | 2 532 |
| **Net cash used in financing activities** | **(55 735)** | **(106 706)** |
| (Decrease) / increase of exchange rate differences on cash held | (7 100) | 3 794 |
| **Net increase / (decrease) in cash and cash equivalents** | **17 451** | **(10 745)** |
| | | |
| Cash and cash equivalents at 1 January | 261 575 | 147 900 |
| Cash and cash equivalents at 30 June | 279 026 | 137 155 |

[1] Prior year's presentation has been adapted to the 2010 format.

# Interim consolidated statement of changes in equity

## H1, 2010

| (in CHF 1 000) | Share capital | Share premium | Treasury shares | Cash flow hedge reserve | Translation reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to the shareholders of the parent company | | | | | | |
| Balance at 1 January 2010 | 1 568 | 68 070 | (6 896) | 0 | (37 336) | 610 014 | 635 420 |
| Profit for the period | | | | | | 82 003 | 82 003 |
| Other comprehensive income | | | | 166 | (9 632) | | (9 466) |
| **Total comprehensive income** | **0** | **0** | **0** | **166** | **(9 632)** | **82 003** | **72 537** |
| Dividends paid | | | | | | (58 691) | (58 691) |
| Share-based payment | | | | | | 2 585 | 2 585 |
| Sale of treasury shares | | | 4 586 | | | (1 112) | 3 474 |
| Balance at 30 June 2010 | 1 568 | 68 070 | (2 310) | 166 | (46 968) | 634 799 | 655 325 |

## H1, 2009

| (in CHF 1 000) | Share capital | Share premium | Treasury shares | Cash flow hedge reserve | Translation reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| | Attributable to the shareholders of the parent company | | | | | | |
| Balance at 1 January 2009 | 1 563 | 57 248 | (12 333) | 4 627 | (36 079) | 522 630 | 537 656 |
| Profit for the period | | | | | | 84 600 | 84 600 |
| Other comprehensive income | | | | (2 934) | 5 876 | | 2 942 |
| **Total comprehensive income** | **0** | **0** | **0** | **(2 934)** | **5 876** | **84 600** | **87 542** |
| Dividends paid | | | | | | (58 408) | (58 408) |
| Share-based payments | | | | | | 2 596 | 2 596 |
| Sale of treasury shares | | | 5 437 | | | (2 974) | 2 463 |
| Balance at 30 June 2009 | 1 563 | 57 248 | (6 896) | 1 693 | (30 203) | 548 444 | 571 849 |

## 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 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 12 August 2010.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

**BASIS OF PREPARATION**

The interim condensed consolidated financial statements for the six months ended 30 June 2010 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 2009.

**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 2009, except for the adoption of new standards and interpretations, noted below:

- IFRS 8 (Amendment) 'Operating Segment Information'
  The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker reviews segment assets and liabilities on a regular basis, the Group has continued to disclose this information in Note 5.

- IAS 7 (Amendment) 'Statement of Cash Flows'
  The amendment explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration for business combinations upon cash settlement. This is reflected in the statement of cash flows.

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are currently not relevant for the Group:

- IFRS 2 (Amendment), 'Scope of IFRS 2 and IFRS 3 (Revised)'
- IFRS 3 (Revised) 'Business Combinations'
- IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'
- IAS 1 (Amendment), 'Current/non-current classification of convertible instruments'
- IAS 17 (Amendment), 'Classification of leases of land and buildings'
- IAS 27 (Revised) 'Consolidated and separate financial statements'
- IAS 36 (Amendment), 'Impairment of Assets'
- IAS 38 (Amendment), 'Additional consequential amendment arising from IFRS 3 (Revised)' and 'Measuring the fair value of an intangible asset acquired in a business combination'
- IAS 39 (Amendment), 'Additional consequential amendment arising from IFRS 3 (Revised)', 'Measuring the fair value of an intangible asset acquired in a business combination', Treating loan pre-payment penalties as closely related derivatives' and 'Scope exemption for business combination contracts'
- IFRIC 9 and IFRS 3 (Revised) (Amendment); 'Reassessment of Embedded Derivatives'
- IFRIC 16 'Hedges of Net Investment in a Foreign Operation'
- IFRIC 17, 'Distribution of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of assets from customers'

The Group has not implemented the early adoption of any other standard, interpretation or amendment that was issued but is not yet effective.

## 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 7 April 2010, Straumann Holding AG paid an ordinary dividend of CHF 3.75 (2009: CHF 3.75) per share, less 35% withholding tax, to its shareholders. The total amount of the gross dividend paid was CHF 58.7 million (2009: CHF 58.4 million).

## 5 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. Management has identified nine reportable operating segments based on the guidelines of IFRS 8. These operating segments are defined as follows:

**Europe 1**
'Europe 1' comprises the Group's distribution businesses in Germany, Switzerland, Austria, Hungary and the Czech Republic, as well as the business with most European, African and Middle Eastern distributors. The segment includes segment related management functions located inside and outside Switzerland.

**Europe 2**
'Europe 2' comprises the Group's distribution businesses in Scandinavia, the UK, France, the Benelux countries, Iberia and Italy. The segment includes segment-related management functions located inside and outside Switzerland.

**North America**
'North America' comprises the Group's distribution businesses in the United States and Canada. The segment includes segment-related management functions located inside and outside Switzerland.

**Asia / Pacific**
'Asia / Pacific' comprises the Group's distribution businesses in Japan, Korea, Australia and New Zealand, as well as the business with Asian distributors. The segment includes segment-related management functions located inside and outside Switzerland.

**Rest of World**
'Rest of World' comprises the Group's distribution businesses in Brazil and Mexico, as well as the business with Latin American distributors. The segment includes segment-related management functions located inside and outside Switzerland.

**Global Sales**
'Global Sales' contains the global training & education business, creative agency, customer marketing and all other sales management functions not allocated to any other segment.

**Products**
'Products' contains research & development, product management, regulatory affairs and product life-cycle management.

**Finance & Operations**
'Finance & Operations' acts as the principle towards all distribution businesses of the Group. It contains the global manufacturing network (i.e. the manufacturing plants), which includes production of implants, regenerative and CADCAM products. It also contains all headquarter finance functions, central facility management, internal audit, corporate investor relations, information technology, corporate logistics and global purchasing.

**Corporate Management**
'Corporate Management' contains corporate business development & licensing, corporate communication & public affairs, corporate human resources, legal & compliance, corporate quality management, all financial holding companies and the office of the CEO.

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 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 2010 and 2009, respectively.

**H1, 2010**

| (in CHF 1 000) | Europe 1 | Europe 2 | North America | Asia / Pacific | Rest of World | Global Sales | Products | Finance & Operations | Corp. Mgmt | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net revenue** | | | | | | | | | | | |
| Third party | 129'667 | 118'427 | 85'267 | 51'960 | 7'001 | 123 | 0 | 0 | 0 | 0 | 392'445 |
| Inter-segment | 0 | 6 | 311 | 0 | 0 | 22 | 0 | 226'452 | 0 | (226'791) | 0 |
| **Total Net revenue** | **129'667** | **118'433** | **85'578** | **51'960** | **7'001** | **145** | **0** | **226'452** | **0** | **(226'791)** | **392'445** |
| **Operating profit** | **6'415** | **1'703** | **1'688** | **240** | **(283)** | **(9'894)** | **(25'911)** | **116'384** | **7'362** | **1'109** | **98'813** |
| Financial result | | | | | | | | | | | (4'027) |
| Income tax expense | | | | | | | | | | | (12'783) |
| **Profit for the period** | | | | | | | | | | | **82'003** |

**H1, 2009**

| (in CHF 1 000) | Europe 1 | Europe 2 | North America | Asia / Pacific | Rest of World | Global Sales | Products | Finance & Operations | Corp. Mgmt | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net revenue** | | | | | | | | | | | |
| Third party | 130'469 | 119'413 | 80'252 | 48'452 | 5'086 | 57 | 307 | 0 | 94 | 0 | 384'131 |
| Inter-segment | 0 | 2 | 435 | 0 | 0 | 25 | 0 | 226'034 | 0 | (226'497) | 0 |
| **Total Net revenue** | **130'469** | **119'415** | **80'688** | **48'452** | **5'086** | **82** | **307** | **226'034** | **94** | **(226'496)** | **384'131** |
| **Operating profit** | **6'345** | **586** | **1'755** | **1'649** | **445** | **(12'052)** | **(21'443)** | **114'933** | **4'118** | **(2'524)** | **93'813** |
| Financial result | | | | | | | | | | | 5'409 |
| Income tax expense | | | | | | | | | | | (14'620) |
| **Profit for the period** | | | | | | | | | | | **84'600** |

The remaining operating profit under "Eliminations" (H1 2010 and H1 2009) represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

The following table presents segment assets of the Group's operating segments as at 30 June 2010 and 31 December 2009:

**at 30 Jun 2010**

| (in CHF 1 000) | Europe 1 | Europe 2 | North America | Asia / Pacific | Rest of World | Global Sales | Products | Finance & Operations | Corp. Mgmt | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment assets** | **46'950** | **63'999** | **31'287** | **83'574** | **9'460** | **1'124** | **2'324** | **332'318** | **11'615** | **582'651** |
| Unallocated assets | | | | | | | | | | 319'694 |
| Eliminations | | | | | | | | | | (75'753) |
| Group | | | | | | | | | | 826'592 |

**at 31 Dec 2009**

| (in CHF 1 000) | Europe 1 | Europe 2 | North America | Asia / Pacific | Rest of World | Global Sales | Products | Finance & Operations | Corp. Mgmt | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| **Segment assets** | **34'894** | **61'478** | **27'911** | **86'153** | **8'738** | **1'539** | **5'570** | **342'307** | **10'669** | **579'259** |
| Unallocated assets | | | | | | | | | | 296'153 |
| Eliminations | | | | | | | | | | (72'469) |
| Group | | | | | | | | | | 802'942 |

## 6 RELATED-PARTY TRANSACTIONS

The International Team for Implantology (ITI) Foundation, the Straumann Pension Fund, VISCHER Attorneys-at-law, the Board of Directors and the Executive Management Board were all identified as 'related parties'. In the period under review, the following related-party transactions were made:

| (in CHF 1 000) | H1, 2010 | H1, 2009 |
|---|---|---|
| **TRANSACTIONS - PURCHASE OF SERVICES** | | |
| International Team for Implantology Foundation | 6 218 | 5 854 |
| Pension Fund | 3 730 | 3 433 |
| VISCHER, Attorneys-at-law | 25 | 17 |
| Total related-party transactions | 9 973 | 9 304 |

| (in CHF 1 000) | 30 Jun 2010 | 31 Dec 2009 |
|---|---|---|
| **OPEN BALANCES AT PERIOD-END** | | |
| International Team for Implantology Foundation | 2 840 | 2 561 |
| Pension Fund | 239 | 228 |
| VISCHER, Attorneys-at-law | 0 | 9 |
| Total open balances due to related parties, included in trade and other payables | 3 079 | 2 798 |

The payments to the ITI Foundation are based on a collaboration agreement between Straumann and the ITI. The payments to VISCHER Attorneys-at-law were made for tax and legal consulting and are priced at arm's length.

**KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel consist of the Board of Directors and the Executive Management Board.

The compensation of the Board of Directors consists of a fixed and variable portion, which depends on the course of business.

The compensation of the Executive Management Board consists of a fixed portion and a variable portion, which depends on the course of business. Besides a fixed salary, Management receives an individual performance-based bonus and a fixed number of options. The options granted for the periods under review have a term of six years and are subject to a vesting period of two years. The price of the options is based on the share price at the end of December. The fair value of the options granted is determined using the Black-Scholes valuation model.

The total compensation for the key management personnel for the six months period ended 30 June 2010 amounted to CHF 4.8 million. In the comparative period of 2009, the total compensation was CHF 3.2 million.

## 7 EVENTS AFTER THE BALANCE SHEET DATE

No events occurred after the balance sheet date.

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Report on the Review of the
condensed consolidated interim financial statements
to the Board of Directors of
Straumann Holding AG
Basel

*Introduction*

We have reviewed the accompanying condensed consolidated interim financial information (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes) of Straumann Holding AG for the period ended 30 June 2010 (pages 10 to 19). The Board of Directors is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

Thomas Brüderlin — Christian Hirt

Basel, 12 August 2010