# BEYOND CONTINUITY

2019
Annual
Report

straumanngroup

# Contents



# Beyond continuity

With the Straumann Group delivering double-digit revenue growth for five consecutive years, the question is, can we sustain this continuity in the years ahead?

In 2019, we took a number of key steps and created further opportunities that we believe will continue the success of our company and enable us to achieve more in the future. The imagery of surfers surmounting wave after wave, seeking bigger opportunities and enjoying the thrill they bring illustrate perfectly our ambition to go ‘beyond continuity’.

Straumann’s Annual Reports for online users
http://annualreport.straumann.com

# Performance highlights

**Group key figures** (in CHF million)

| | 2019 | 2018 | Change (%) |
|---|---|---|---|
| Revenue | 1 596 | 1 364 | 17 |
| Gross profit | 1 200 | 1 019 | 18 |
| Core[1] | 1 207 | 1 028 | 17 |
| EBITDA | 481 | 395 | 22 |
| Core[1] | 505 | 404 | 25 |
| Operating profit (EBIT) | 387 | 343 | 13 |
| Core[1] | 432 | 348 | 24 |
| Net profit | 308 | 278 | 11 |
| Core[1] | 338 | 293 | 15 |
| Cash generated from operating activities | 378 | 277 | 36 |
| Capital expenditure | 150 | 110 | 36 |
| Free cash flow | 230 | 169 | 36 |
| Basic EPS (in CHF) | 19.33 | 17.24 | 12 |
| Core[1] | 21.21 | 18.16 | 17 |
| Employees (at year end) | 7 590 | 5 954 | 28 |

**Notes**

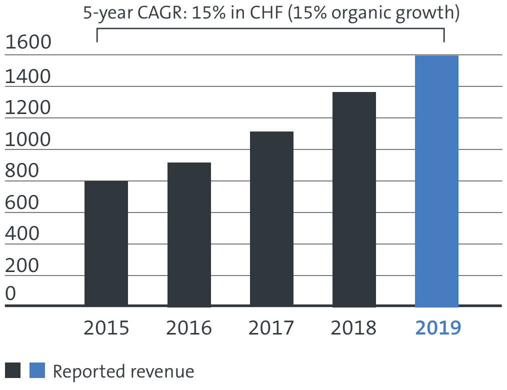
1 In accordance with the new directive of the Swiss Stock Exchange, the Group has started to implement the reporting of alternative performance measures (APM), which facilitates the assessment of the underlying business performance but may differ from IFRS reported figures. The 'core' figures used in this document exclude one-time M&A effects, exceptional pension-plan items, restructuring expenses, amortization and impairment of goodwill and acquisition-related intangible assets. 'Before-exceptional results', which were used historically, excluded the same non-recurring items but not acquisition-related asset amortizations. A reconciliation table of the reported and core income statement with additional descriptions is provided on p. 137 f. of the Financial Report. The figures for 2018 in the table above have been adjusted accordingly.

+17%
REVENUE GROWTH

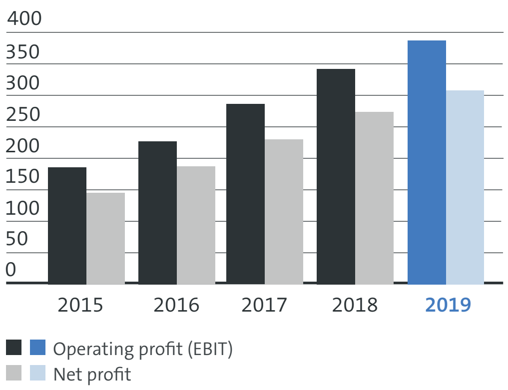
+13%
EBIT

+36%
CASH FROM OPERATING ACTIVITIES

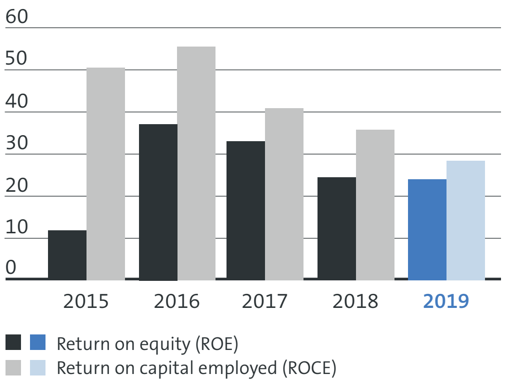
**Revenue** (in CHF million)
More on p. 36 ff.



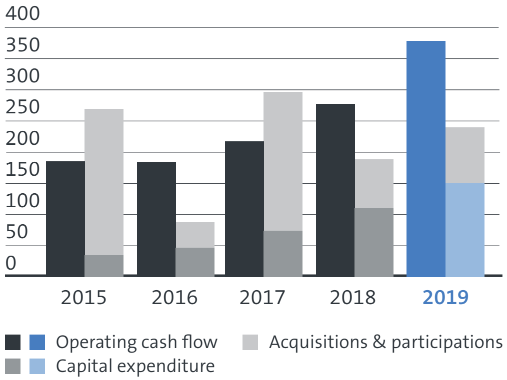

**Operating and net profit** (in CHF million)
More on p. 37 ff.




**Profitability** (in %)
More on p. 48 ff.




**Cash flow and investments** (in CHF million)
More on p. 39 ff.



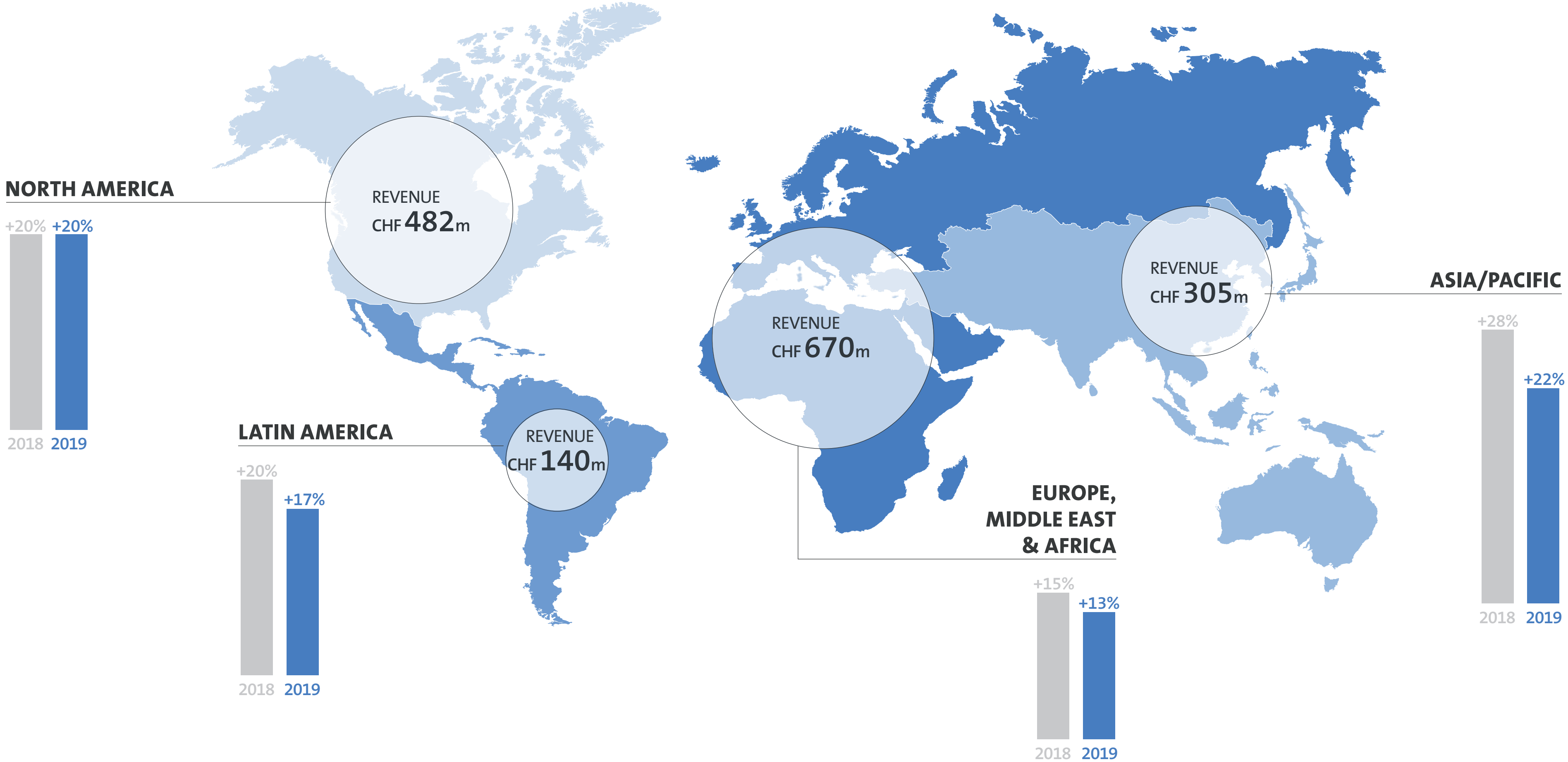

15%
5Y ORGANIC REVENUE GROWTH

CHF 387m
EBIT – DOUBLED OVER 5Y

>1bn
INVESTED IN THE FUTURE OVER 5Y

# Organic growth by region

All our regions achieved double-digit organic revenue growth, fuelled by emerging markets like Brazil, China, Russia, and Turkey. The largest regional contribution to growth came from our biggest region, EMEA, which grew 13%. Asia/Pacific (+22%) continued to grow the fastest, while North America (+20%) almost achieved its highest growth rate in 15 years, and Latin America (+17%) performed exceptionally in an unstable environment.

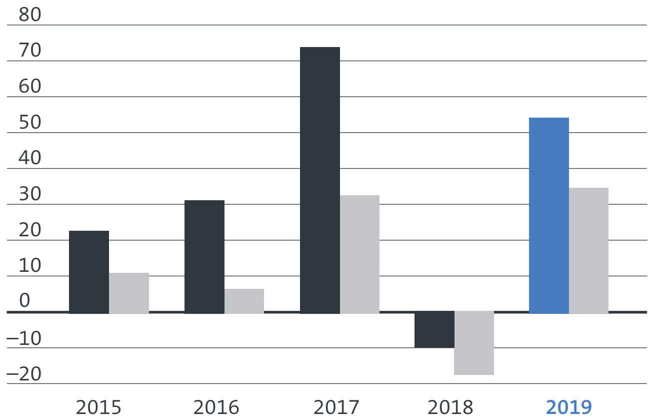


# Share information

**Relative share price development** (in CHF)


Straumann | Swiss Mid Cap index (SMIM) adjusted | STOXX® Europe 600 index (in CHF) adjusted

**Total shareholder return** (in %)




Straumann | SMIM Total Return Index

**Share information** (in CHF)

| | 2019 | 2018 |
|---|---|---|
| Earnings per share (EPS)[1] | 21.21 | 18.16 |
| Ordinary dividend per share | 5.75[2] | 5.25 |
| Payout ratio[1] | 27% | 29% |
| Share price at year end | 950.40 | 618.00 |

1 Based on core results.
2 Payable in April 2020 subject to shareholder approval.

# Dear Shareholder,

In 2019, the Straumann Group achieved double-digit growth for a fifth consecutive year, lifting revenue by 17% to CHF 1.6 billion. Excluding external growth and currencies, the organic increase also amounted to 17%, clearly exceeding our initial target of revenue growth in the low teens. Fuelled by strong top-line growth, gross profit rose to CHF 1.2 billion (75.6% margin core), enabling us to invest further in innovation, research and development with the goal of providing faster, better treatments with additional predictability, comfort and convenience. We also continued to invest in people (p. 66 ff.) and production (p. 74 ff.).

**Growth of 17% & gross profit of CHF 1.2 billion enabled us to invest further in faster, better treatments.**

Despite these developments and the increased share of lower-margin products in our portfolio, we achieved our objectives for improved profitability, as core EBITDA, EBIT and net profit margins reached 31.6%, 27.1% and 21.2%, respectively (29.6%, 26.9% and 21.5% in 2018; see note on page 3 for definition of core).

To expand our value business and to secure key technologies and services, we acquired / incorporated several companies around the world (see p. 40). Collectively, these investments amounted to approximately CHF 102 million. We also invested heavily to expand manufacturing capacity, which together with investments in information technology and other fixed assets, resulted in capital expenditures of CHF 150 million – our highest level to date. Notwithstanding, cash from operating activities surged to CHF 378 million (CHF 277 million in 2018) and free cash flow rose to CHF 230 million (CHF 169 million in 2018).

**Cash from operating activities surged to CHF 378 million and free cash flow rose to CHF 230 million.**

## IMPRESSIVE GROWTH IN ALL OUR REGIONS AND BUSINESSES

Building on strong prior year performances, all our regions achieved double-digit organic revenue growth, fuelled by emerging markets like Brazil, China, Russia, Turkey. With growth exceeding 20% for a third consecutive year, Asia/Pacific (+22%) continued to be our fastest performer. North America (+20%) came close to achieving its highest growth in 15 years, while Latin America (+17%) delivered an exceptional performance in an unstable environment. Europe, Middle East & Africa climbed a solid 13% and, being our largest region, contributed the largest share of our growth (see p. 41 ff.).

By business, more than half of our growth came from implants, driven by robust demand for premium solutions and the expansion of our value brands. Our innovative Straumann BLX implant attracted customers from competitors and sold more than 100 000 units in its first year on the market. Biomaterials sales continued to thrive, while dynamic sales expansion in clear aligners added to the challenges of meeting demand and building additional capacity for launches outside North America.

**We won customers across the board, reflecting the attractiveness of our solutions.**

One set back in 2019 was the fire at Dental Wings in Montreal, which fortunately caused no casualties but severely disrupted our scanner business. However, thanks to our distribution and cobranding agreements with 3Shape, Carestream and Medit, we continued to build our position in this fast-growing, strategically important area.

We won customers across the board, reflecting the attractiveness of our solutions, the power of our marketing and the effectiveness of our sales approach.

## MARKETS, ENVIRONMENT – TRENDS

Driven by demographics, affordability, awareness and esthetics, the global market for implant dentistry continued to grow in the mid-single-digit range and is worth approximately CHF 4.6 billion[1]. It offers considerable potential and is expected to outpace the dental market in general. Once again, we outperformed by a factor of three and extended our leading share to 26%, lifted by organic growth in the premium and value segments as well as new launches and acquisitions.

Our second largest market, clear aligners, is also highly attractive and, having grown at around 20%, is now estimated to be worth approximately CHF 3.2 billion (see p. 32). Having entered this market in 2017, our share is modest but expanding dynamically with good prospects. Entering this field is one of several initiatives to broaden our scope, that have more than trebled our addressable market in the past three years to approximately CHF 14 billion (see pp. 20, 33).

**Once again, we outperformed the market by a factor of three and extended our leading share to 26%.**

## A GROWTH STRATEGY TO TAKE US BEYOND CONTINUITY

The key trends we observe in dentistry are affordability, consolidation, digitalization, education, esthetics, gender shift, innovation and prevention. Each of them is an opportunity for the Straumann Group. To address them and our various markets, our strategy is built around three key priorities (see p. 18) and is designed for sustainable success.

## DRIVING A HIGH PERFORMANCE CULTURE AND ORGANIZATION

Throughout the past six years, our first priority has focused on culture and the 'player-learner' mindset that drives results, creates value and enables us to excel. In 2019, more than a thousand colleagues around the world took part in Cultural Journey workshops. In addition, the two top management tiers completed a new program to help them reach their full potential, inspire high performance, and drive organizational culture. Our annual global pulse-check survey continued to show high levels of engagement (>90%) and support for the Cultural Journey (80%) (see p. 66 f.).

With our business expanding, the size, diversity and spread of our team increased significantly. We created 830 new jobs worldwide, and added 800 more through acquisitions, increasing our workforce to approximately 7600. To build, manage, support, and develop this fast growing team, we continued to focus on leadership while introducing new digital processes and platforms (see p. 66 ff.).

**We created 830 new jobs worldwide.**

We have also focused on career development and key succession plans. The CEO transition from Marco Gadola to Guillaume Daniellot has gone smoothly, as have the other executive management

Continuity: the CEO transition from Marco Gadola to Guillaume Daniellot has gone smoothly.

changes (see p. 108 ff.). By developing internal talents and bringing in experience and diversity from leading multinational firms, we have fostered continuity and looked beyond.

The most significant organizational change has been to separate Digital and Orthodontics into separated dedicated business units, reflecting their strategic importance and high growth potential. At the same time, we raised our emphasis on digital transformation and data management internally.

Behind our excellent results and progress in 2019 are dedicated people, whose outstanding performance and achievements deserve recognition and reward. We met the majority of our short-term incentive targets across countries and businesses, resulting in a bonus payout at or above target for eligible employees. We also surpassed the 3-year objectives for total shareholder return (+14% CAGR) and EBIT growth (CHF +50 million), which determined the long-term incentive (LTI). As a result, our senior management received a capped maximum award for 2019 (see p. 129 ff.).

**Behind our excellent results and progress in 2019 are dedicated people who deserve recognition and reward.**

### TARGETING UNEXPLOITED GROWTH MARKETS AND SEGMENTS

Our efforts to target unexploited growth markets and segments were intense and fruitful. We opened new subsidiaries in Taiwan and Croatia, increasing our geographical reach and proximity to customers.

To further penetrate the fully-tapered implant segment, which accounts for roughly a quarter of the 27 million dental implants placed annually, and to offer faster treatment options, we launched Straumann BLX (see p. 23) and a suite of immediacy solutions. We also extended our range of ceramic implants.

To increase affordability, we continued the global rollout of Neodent and strengthened our portfolio of value brands, acquiring Anthogyr and Zinedent, in addition to increasing our ownership of Medentika and investing in Warantec. We also developed a completely new brand for the lower value segment (see p. 24).

**To increase affordability, we continued the global rollout of Neodent and strengthened our portfolio of value brands.**

In the corporate segment, we secured further partnerships with leading dental service organizations (DSOs) in the US and Europe and began to intensify our focus on emerging private chains in China. DSOs now account for roughly a tenth of our business.

## BECOMING THE TOTAL SOLUTION PROVIDER IN ESTHETIC DENTISTRY

Our strategy to provide complete solutions for replacement and corrective dentistry addresses the general desire for dental esthetics as well as customer preferences for convenient, comprehensive, efficient solutions from one supplying partner.

Our strength in innovation and ability to create partnerships enabled us to expand our differentiated offering in 2019. In addition to complementing our extensive ranges of premium and value implant systems, we expanded our digital solutions to support a fully digital workflow. We entered further agreements to cobrand and distribute third-party scanners and to promote our DWOS system as the preferred software. To complement our clear aligner business, we acquired a design / planning company as well as a specialist developer of thermoplastics, which provides us with a top-performance material and entry into the orthodontics material supply business.

**Our strength in innovation and ability to create partnerships enabled us to expand our differentiated offering in 2019.**

## CONTINUED COMMITMENT TO LONG-TERM VALUE CREATION

We remain committed to sustainable development and value creation. This means running our operations efficiently and using natural resources effectively to avoid waste and to minimize our impact on the environment (see p. 78 ff.). Our commitment also encompasses our charitable projects that offer dental healthcare to underprivileged people in 14 countries (see p. 70 ff.).

The continuing growth of our markets, our strong business performance and anticipation of future prosperity were reflected in the Group's share price and market capitalization, which rose to a record high of more than CHF 15 billion. By year end, the share price had climbed to more than CHF 950 and closed 53.8% up from the prior year, while the SMI and SMIM indices closed the year up 26.0% and 31.7% respectively. Straumann was the fourth-best performing share in the SMIM universe in 2019 and the best performer over the past four years.

**In 5 years our revenue and profits have more than doubled.**

Based on the positive results in 2019 and the favourable outlook, the Board of Directors proposes a further dividend increase to CHF 5.75 per share, payable on 15 April 2020.

## OUTLOOK (BARRING UNFORESEEN EVENTS)

Over the past five years, our revenue and profits have more than doubled, and the size of our global team has more than tripled. Having outperformed our market year after year, the question arises, can we sustain this continuity and go beyond? We are confident that we can for following reasons:

We have a strong culture and a highly engaged team focused on performance with high-caliber experienced leaders.

The market for tooth replacement offers significant opportunity. In premium, we have only just launched Straumann BLX in initial markets and we have a strong innovation pipeline. In value, we have one of the broadest ranges covering all price tiers in most markets. We also have the capabilities to expand these brands internationally.

The market for clear aligners offers huge potential and we have all the components to succeed, including a range of intra-oral scanners, which are a key to the digital ecosystem. Barring unforeseen events, we expect the global dental implant market to continue growing at about 4–5% in 2020, and are confident that we can continue to gain share by achieving organic revenue growth in the low double-digit percentage range. The expected organic revenue growth will support further investments in Sales & Marketing and Research & Development, resulting in a stable core EBIT margin, excluding the impact of currency fluctuations and the coronavirus.

We would like to thank all our employees for their commitment, engagement and hard work in 2019. On behalf of the Board, we also thank you, our shareholders, for your ongoing support and confidence in our company.

Yours sincerely,

Gilbert Achermann
Chairman of the Board
of Directors

Guillaume Daniellot
Chief Executive Officer
(as of 1 Jan. 2020)

Marco Gadola
Chief Executive Officer
(until 31 Dec. 2019)

14 February 2020

**The market for clear aligners offers huge potential and we have all the components to succeed.**

**We are confident that we can continue to outperform and gain market share.**

**Notes and references**

1 Decision Resources Group 2017–18, iData 2017 and Straumann bottom-up estimates in 70 countries.


BEYOND CONTINUITY
AT CONGRESSES

# Confidence to take different approaches

The International Dental Show in Cologne attracted 160 000 visitors from 166 nations in 2019, underscoring its status as the world's largest dental event and confirming that dental congresses and shows continue to be an effective marketing platform. The IDS has been a major event for our company over three decades and in 2019, we used it to launch key innovations like Straumann BLX and SNOW – in addition showcasing more than a hundred new items.

Our key brands extended across seven large stands but the Straumann booth was in a league of its own. At its heart was the Arena of Confidence, which simultaneously provided a venue for customer hospitality and interactive lectures given by experts and key opinion leaders, covering a wide range of topics from immediacy and full-arch restorations to ceramic implants, intraoral scanning, 3D-printing, clear aligners, artificial intelligence and next-generation dentistry.

From the Arena, we broadcast more than 50 live sessions and lectures via the internet, attracting thousands of participants online. This new concept is a further example of moving beyond continuity.

Watch the linked video ▶

# MANAGEMENT COMMENTARY

# Straumann Group in brief
## Our business and vision

### WHO WE ARE, WHAT WE DO AND WHERE WE ARE HEADED

Headquartered in Basel, Switzerland, the Straumann Group is a global leader in esthetic dentistry. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective, preventive and digital dentistry, including Anthogyr, ClearCorrect, Dental Wings, Medentika, Neodent, and Straumann, as well as other fully or partly-owned companies and partners.

The Group develops, manufactures and supplies dental implant systems, biomaterials, CADCAM prosthetics, digital equipment, software, clear aligner systems and various materials for dental applications. Its principal production sites are in Brazil, France, Germany, Switzerland and the US.

As a total solution provider for esthetic dentistry, the Group takes a holistic approach, including training, support and a wide range of services to dental practitioners, clinics and laboratories all over the world. It is recognized as a leading innovator and works together with universities, clinics, research institutes, networks and communities to enhance the standard of patient care. Through unique collaborations with academic networks like the International Team for Implantology (ITI) and the Latin American Institute of Dental Research and Education (Instituto Latino Americano de Pesquisa e Ensino Odontológico ILAPEO), the Group supports research and offers training and education to dental professionals.

With a team of approximately 7600 people, the Group is present in more than 100 countries around the world through a broad network of subsidiaries and distribution partners.

Straumann's heritage stretches back to the early 1950s, although the company in its present form with an exclusive focus on dentistry was established 30 years ago. Over the years, it has enabled millions of people to smile and laugh without the stigma of ugly or missing teeth. By restoring the ability to eat and enjoy food, it has helped to restore health, self-esteem, well-being and confidence – literally changing lives.

Straumann Group is a global leader in esthetic dentistry. Beyond creating smiles, our aim is to restore confidence in patients around the world.

**Our vision: More than creating smiles, restoring confidence – we want to be the partner of choice in esthetic dentistry.**

## OUR VISION

Confidence relates to all our activities; it is built on trust, integrity, respect, communication, transparency, collaboration and delivering what we promise. To our customers, confidence means peace of mind, because our solutions are predictable and durable. To our employees, it means secure, rewarding jobs. To our shareholders, it means sustainable returns from a highly ethical business. For the communities in which we operate, confidence means that we care for the world around us as a responsible corporate citizen. For all our stakeholders it means that the Straumann Group is a reliable partner.

We want to be the first place that people come to do business, to find genuine solutions, to turn ideas into reality, to learn, master and succeed and to improve lives. This is what being the partner of choice means for us.

## A PLAYER-LEARNER MINDSET, LED BY EXAMPLE

The Group's unique culture is a key to its success. It pivots on the mindset of players and learners, who inspire trust, are energized and embrace change, listen, find out, share, collaborate, take risks, find solutions, learn by doing, encourage and celebrate.

To help our employees achieve their best, we strive for a culture that builds trust and collaboration, fosters diversity and inclusion, promotes learning and engagement, and encourages people to take responsibility and ownership. To support this, we have a set of core behaviors that apply for everyone in the Straumann Group and which are listed in our Code of Conduct.

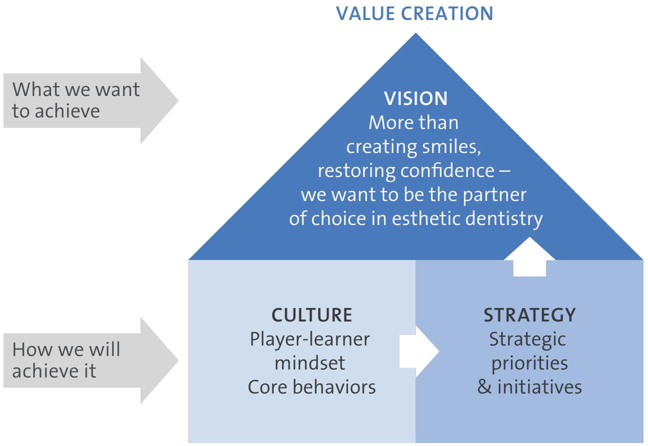
## OUR BRAND

### STRAUMANN GROUP – UNITING GLOBAL EXCELLENCE IN DENTISTRY

Our journey into new segments, geographies and technologies has turned Straumann into a global group of national and international brands, companies and partners. The Group's umbrella brand provides a common identity that generates value for the individual brands, companies and partners.

Straumann is the leading premium brand in implant dentistry, renowned for innovation, quality, clinically proven long-term success, support, expertise, education and peace of mind. At the same time, the Group is a global leader in the non-premium segment, making high quality implant and prosthetic solutions more affordable to a broader population through our Anthogyr, Equinox, Medentika, Neodent, T-Plus, Warantec and Zinedent brands.

**Our company home**




**Making vision a reality**

The way to a sustainable future is mapped out in our three 'strategic priorities' (see p. 18 ff.), which form the backbone of our strategy. Making it happen is a matter of culture and behavior. Thus, vision, strategy and behavior form the figurative building of our company home.

We strive for a culture that builds trust and collaboration, fosters diversity and inclusion.

In these and its other businesses, including biomaterials, digital dentistry and orthodontic clear aligners, the Group is committed to being the partner of choice.

UMBRELLA BRAND

straumanngroup

GLOBAL BRANDS

straumann | NEODENT® | MEDENTiKA®
dental wings | clearcorrect | Anthogyr

LOCAL BRANDS

zinedent | equinox | T-PLUS Dental Implant | smyletec

The Straumann Group unites various global and local or regional product brands with a number of fully or partially owned companies, as well as independent partners, which provide technology and manufacturing expertise.

# Strategy in action
## Esthetic dentistry: beyond tooth replacement

With our focus continuing on esthetic dentistry, our three strategic priorities remained unchanged in 2019. They translate into a number of clearly defined initiatives and deliverables, which are continuously tracked and adjusted as necessary. They are reflected in the investments, launches, pipeline, partnerships, achievements and other activities featured in this report (see following examples). The Group's continuing strong growth and outperformance confirm that our strategy is appropriate.

We continue to drive a high performance culture, to embrace change, raise bars and focus on execution. The leadership succession plans that we worked on in 2019 were designed both to ensure continuity and yet also to drive change. By filling the CEO and two other EMB positions with talented internal candidates we have achieved a smooth transition and continuity in our strategy and culture. At the same time, we have brought in experience from other industries to challenge and broaden our thinking.

### STRATEGIC PRIORITIES UNCHANGED

**DRIVE OUR HIGH PERFORMANCE STRAUMANN GROUP CULTURE AND ORGANIZATION**

Culture is at the heart of execution; it drives results and creates value, which is why it has remained our key priority.

| Examples of this strategic priority in action in 2019 | |
|---|---|
| Culture | • Continued high investment in Cultural Journey program (see p. 66)<br>• Cultural Journey 2.0 initiated to help leaders reach full potential, inspire high performance, and drive organizational culture through others (see p. 67)<br>• Good progress confirmed in annual staff survey (see p. 66 ff.) |
| People | • Global team expanded to support business growth (see pp. 66 ff.)<br>• CEO, EMB & Board succession planning: smooth transition and continuity (see p. 108)<br>• Increased investment in People Management & Development (see p. 66 ff.) |
| Operational excellence | • Investments in production expansion (see p. 74)<br>• Ensuring readiness for European Medical Device Regulation (MDR) (see p. 58 ff.)<br>• Operational excellence program<br>• Program / initiatives to optimize sales channel approach |

Our strategy addresses the increase in society's desire for esthetics.

**We continue to drive a high performance culture, to embrace change, raise bars and focus on execution.**

## TARGET UNEXPLOITED GROWTH MARKETS AND SEGMENTS

Our efforts to target unexploited growth markets and segments were intense and fruitful. In addition to opening new subsidiaries, we made further inroads into the non-premium implant segment.

| Examples of this strategic priority in action in 2019 | |
|---|---|
| Geographic reach | • Distributor buyouts; new subsidiaries in Taiwan and Croatia (Adriatic regional hub)<br>• Joint venture to serve the dental communities in Hong Kong and Macau |
| Non-premium | • Investment in Warantec; increased ownership of Anthogyr, Medentika, Zinedent<br>• International roll-out of Neodent, Anthogyr and Medentika<br>• Expansion of multiplatform prosthetics for third-party implants<br>• Development of nuvo, a completely new brand targeting the lower value segment |
| Corporate dentistry | • Partnerships with the top implant-focused DSO chains in the US and Europe<br>• Initial steps into DSO business in China |


3D-printing – an exciting technology that is driving change in the dental industry.

## BECOME THE TOTAL SOLUTION PROVIDER FOR ESTHETIC DENTISTRY

The increase in society's desire for dental esthetics and in customer preferences for a single supplier are reflected in our strategy to providing complete solutions that cover replacement and corrective dentistry. Our strength in innovation and our ability to create partnerships enabled us to expand our offering in 2019.

| Examples of this strategic priority in action in 2019 | |
|---|---|
| Differentiating solutions | • BLX implant system & immediacy suite launched<br>• Two-piece fully-ceramic implant launched<br>• First products made by ceramic injection moulding launched (see p. 35) |
| Digital and orthodontic dentistry | • Clear aligner business launched in Brazil, Europe and China<br>• Further agreements to cobrand and distribute third-party scanners<br>• Agreements to link / integrate DWOS as preferred software in third party scanners<br>• Entry into thermoplastics and 3D-printing materials businesses<br>• Acquisition of clear aligner design / planning company |
| Biomaterials | • Continued roll-out of botiss and Nibec products |
| Preventive dentistry | • Pilots to assess implant health and other products in selected GP markets |

**Our strength in innovation and our ability to create partnerships enabled us to expand our offering in 2019.**

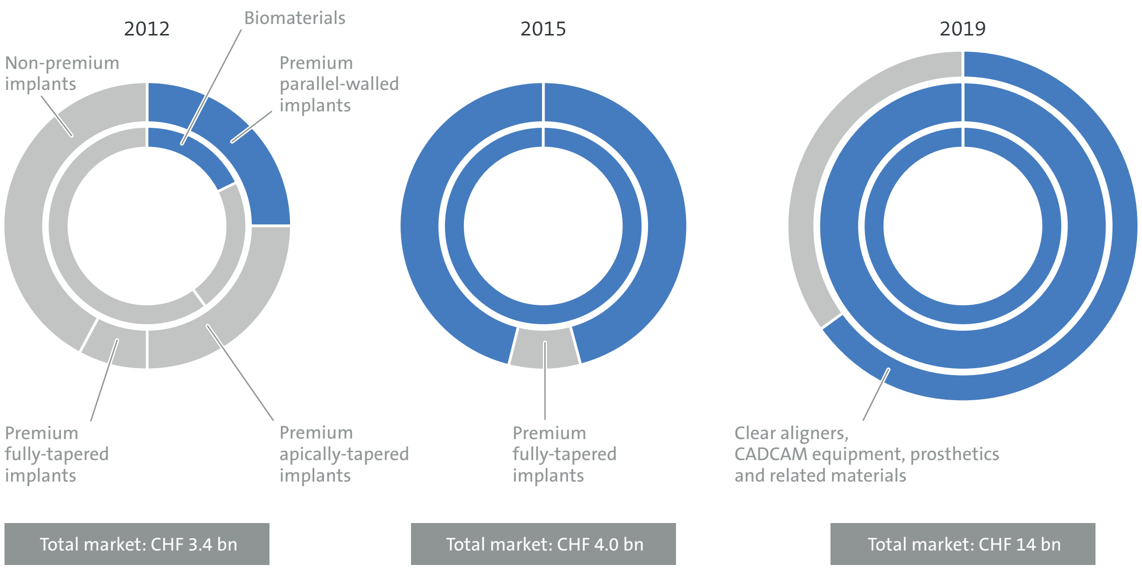
## STRATEGY DELIVERS SUSTAINABLE GROWTH

Through internal development, acquisitions, investments and partnerships, we have significantly expanded our addressable market, which has more than trebled over the past three years (see below) and still offers considerable growth potential (see p. 27 ff.). We have set the stage for sustainable future growth and will continue to create opportunities that are aligned with our strategic priorities, constantly vigilant and agile to adapt to a fast-changing environment.

**We have set the stage for sustainable future growth and will continue to create opportunities.**

**Straumann Group's expanding addressable market**

| **Milestone launches/events:** | Variobase abutment | BLT implant | Neodent consolidation | Lab and chairside CADCAM systems | Clear aligners | BLX implant |
|---|---|---|---|---|---|---|




Prior to the acquisition of Neodent in mid-2012, we focused on a market worth CHF 3.4 billion, of which we were able to address segments worth a total of just CHF 1 billion because our portfolio focused on premium parallel-walled implants, standard CADCAM prosthetics and a limited range of biomaterials. In seven years we have expanded in the non-premium segment, and have entered the large tapered implant segments. Through partnerships we have assembled a complete portfolio of biomaterials and we have added lab- and chairside-milling solutions, 3D-printing and a range of digital scanners. In 2019, our addressable market had increased to CHF 14 billion.

# Products, solutions and services

Some of our brands have been innovating, developing, testing and refining products for decades that address patient needs and contribute to their quality of life. Our product range includes dental implant systems, prosthetics, digital equipment and solutions, orthodontics, biomaterials, implant health and caries treatments as well as materials for 3D-printing and clear aligner production. As a Group, we strive to provide total solutions across segments, enhancing convenience, raising efficiency, and adding value, comfort and security for customers and patients.

To complement the Group's products and solutions, we offer a broad spectrum of services under the Straumann Group brands, such as:

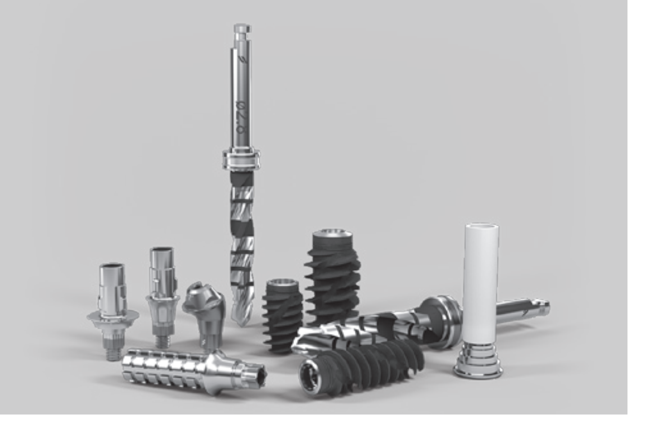
- Modular surgical planning, prosthetic design and centralized manufacturing services covering a wide range of indications
- Comprehensive service packages tailored to the specific needs of future dentists or those who have recently started their careers, with professional practice-oriented and individual support
- Information concepts to address trends in patient information behavior, in order to support dentists in reaching patients who wish to learn more about treatment
- Exclusive access to a great variety of practice-oriented training materials related to the treatment of straightforward implant cases
- Blended learning opportunities, that combine online modules and hands-on tuition.

To provide services of this kind, our staff requires a comprehensive understanding of the dental business and our products. Extensive staff training is therefore an important aspect of our service offering.

### MEETING CUSTOMER NEEDS

In line with the Group's strategic priorities to offer total solutions and to penetrate unexploited markets / segments, we introduced numerous new items and solutions at various trade shows in 2019. We began rolling them out on a country by country basis following regulatory approvals.

**Click here for more product information**



Launched in 2019, Straumann BLX is much more than an innovative implant design; it's a complete system of implants, prosthetics, heat-reducing drills and more.

Trios 4, a best-in-class intraoral scanner sold under the Straumann brand through our partnership with 3Shape.

straumanngroup

| | Main brands | Preventive dentistry: Perio treatment | Treatment planning: Data acquisition | Treatment planning: Planning and services | Implant surgery & orthodontic treatment: Ortho-dontics | Implant surgery & orthodontic treatment: Implants and prosthetics | Implant surgery & orthodontic treatment: Biologics | Prosthetic design, production & placement: Design service | Prosthetic design, production & placement: Multiplatform prosthetics | Prosthetic design, production & placement: CADCAM production |
|---|---|---|---|---|---|---|---|---|---|---|
| Controlled by Straumann Group | Anthogyr | | | | | ● | | ● | ● | ● |
| | Bay Materials | | | | ● | | | | | |
| | ClearCorrect | | | ● | ● | | | | | |
| | Createch | | | ● | | | | ● | | ● |
| | Dental Wings | | ● | ● | | | | | | |
| | Equinox | | | | | ● | | | | |
| | Medentika | | | | | ● | | | ● | |
| | Neodent | | | ● | | ● | | ● | | ● |
| | nuvo | | | | | ● | | | | |
| | Straumann | ● | | ● | | ● | ● | ● | | ● |
| | T-Plus | | | | | ● | | | | |
| | Zinedent | | | | | ● | | | | |
| Partially owned by Straumann Group | botiss biomaterials | | | | | | ● | | | |
| | Dental Monitoring | | ● | | ● | | | | | |
| | maxon dental | | | | | ● | | | | |
| | Rapid Shape | | | | | | | | | ● |
| | Valoc | | | | | ● | | | | |
| | Warantec | | | | | ● | | | | |
| | Z-Systems | | | | | ● | | | | |
| Partnering businesses (distributor) | 3shape | | ● | | | | | | | |
| | Amann Girrbach | | | | | | | | | ● |
| | Carestream | | ● | | | | | | | |
| | Zirkonzahn | | | | | | | | | ● |

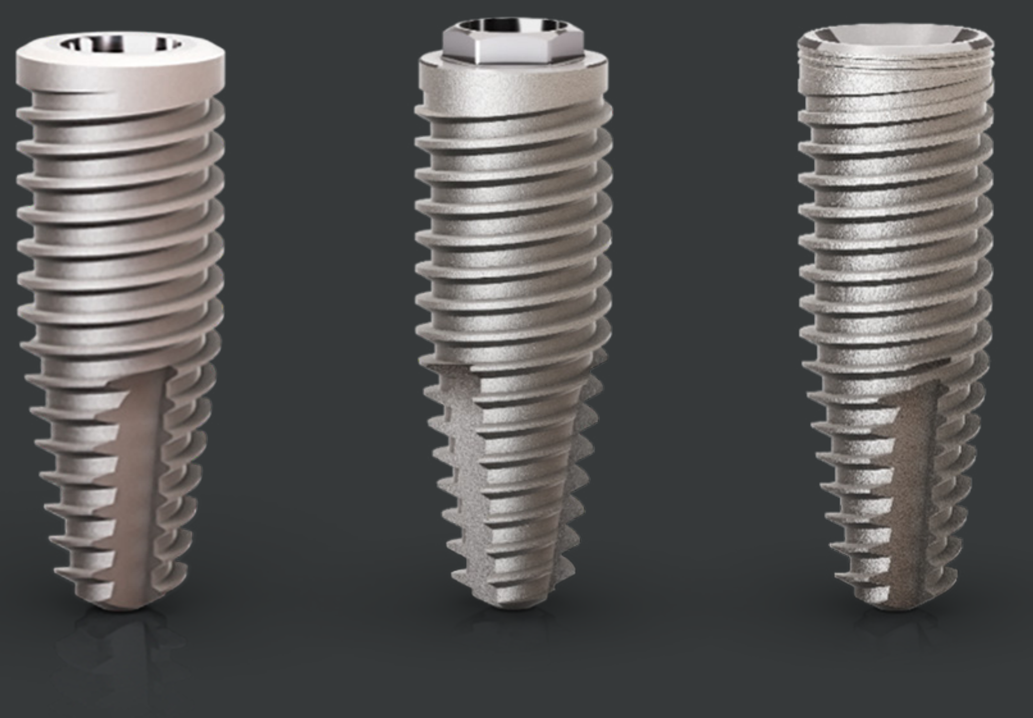
This chart shows the Group's main brands, the degree of ownership and how they each support the dental treatment cycle from prevention and correction to replacement and restoration.

The Group's new offerings include implant systems and components (both titanium and ceramic), guided and non-guided surgical instruments, fully integrated digital workflows, additional edentulous solutions, more efficient prosthetics, as well as new digital and orthodontic solutions (see table below).

| 2019 main product launches | Benefit and added value for customers and their patients |
|---|---|
| **Surgical** | |
| Straumann BLX implant (Brazil, Europe and North America) | • New fully tapered implant for all bone types and indications, especially for immediacy<br>• Excellent osseointegration and bone maintenance properties; designed to shorten treatment duration |
| Straumann VeloDrill | • Innovative drill concept<br>• Reduced heat generation, high stability and time saving |
| Straumann SNOW | • First completely metal- and plastic-free, two-piece, screw-retained dental implant for prosthetic flexibility and highly esthetic results |
| Straumann Modular Cassette | • Customizable surgical cassette for all workflows; increased efficiency |
| **Restorative** | |
| Straumann Ceramic Healing Abutments | • Ensures favorable conditions for soft-tissue attachment, supporting a healthy peri-implant environment |
| Straumann screw-retained abutments (SRAs) – new range | • Unique slim and edge-free design for better soft-tissue health<br>• SRAs are the most popular abutments for immediate fixed full-arch rehabilitations |
| **Digital** | |
| 3Shape TRIOS 4 intraoral scanning solutions | • High-end intraoral scanner with fluorescent technology to identify surface caries; zero radiation, infrared scanning detects interproximal caries |
| Straumann Virtuo Vivo | • High-speed intraoral scanner, powder-free, color scanning, highly attractive price, compact<br>• Very small light hand piece for easy handling and enhanced patient comfort |
| **Orthodontics** | |
| ClearCorrect | • High-quality, easy-to-use clear aligner solutions; transparent, removable, comfortable, attractively priced<br>• Typically used to treat minor-to-medium malocclusions |
| DenToGo | • Suite of software solutions using artificial intelligence and smartphone / tablet technology to remotely assess patient's oral situation prior to and during treatment<br>• Produces photo simulations of patient's smile after treatment |
| **Biomaterials and prevention** | |
| Emdogain Flapless | • Regeneration and elimination of periodontal pockets up to 9mm deep as part of periodontal procedures without surgical flap |
| GP portfolio (pilot) | • Various products to prevent tooth and implant loss and to support esthetic treatments |
| **Integrated solutions** | |
| Straumann Smile in a Box | • Digital, modular, integrated treatment planning and manufacturing service to cover surgical and prosthetic indications<br>• Everything needed for treatment conveniently supplied in one box |

BEYOND THE FEAR OF CANNIBALIZATION

# Our strategy to become a leader in all price segments



The economic recession of 2008–2010, the surge in low price competitors and the opportunities in emerging markets made it clear that we could not continue in the long term as an exclusively premium company. In 2012, we took our first step into the upper value segment by investing in Neodent in Brazil. Overcoming the concern of cannibalization, we extended Neodent to new markets and fuelled growth in our Swiss premium brand through innovation and a new pricing strategy. With the two businesses thriving, we intensified our efforts to penetrate the upper value segment by joining forces with Medentika in Germany and Anthogyr in France.

The logical progression was to create opportunities in the lower value segment – especially in emerging markets. We therefore invested in T-Plus in Taiwan, equinox in India and Zinedent in Turkey. In 2019, we had a unique opportunity to invest in Warantec, an established implant brand in Korea, who granted us distribution rights for their products outside Korea. Furthermore, we took over T-Plus and Zinedent.

Beyond this, we developed nuvo, a new brand of attractively priced implants made in Brazil. These are ready for launch pending regulatory approvals. These initiatives broaden our path into the lower value segment and enable us to offer high quality solutions for patients who have not been able to afford implant treatment.

# Innovation
## Turning ideas into innovations

Straumann has been a leading innovator in the field since the pioneering days of implant dentistry. As in previous years, we continued to invest in research and development in 2019 to fuel our pipeline and to bring significant benefits to patients and customers. As changemakers, we promote innovation in all our activities – for example the use of artificial intelligence in treatment planning. In the past 24 months, we have revised our core competences and technologies to gain competitive advantages and to ensure that our innovation pipeline is focused on customers and patients.

### DRIVING INNOVATION ACROSS THE GROUP

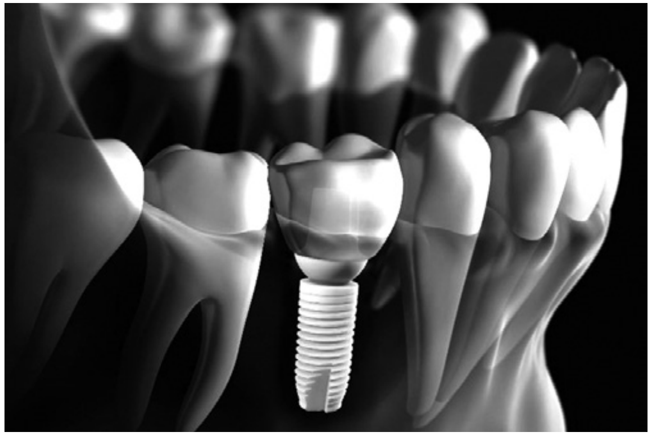
Innovative products, processes and solutions are the key drivers of our global success. Their seed ideas come from various sources. An important characteristic of the Group's culture of innovation is the 'freedom to flourish' – the ability to provide space and resources for innovation across businesses, brands, locations and functions – within a centralized organized framework that coordinates, shares and prioritizes.

The Straumann Group is in a unique position to identify and bring in technologies and expertise from outside and to blend them into total solutions that span the dental ecosystem. Often the innovation is not in the individual elements but in combining and commercializing them.

The addition of companies and partners with their own innovation capabilities – like Anthogyr, Bay Materials, or Yller Biomateriais and Z-Systems – has increased our access to customers, helping the Group to identify current and future customer needs, generate ideas, create opportunities, develop products and solutions, and successfully commercialise them.

### BRINGING INNOVATIONS TO CUSTOMERS AND PATIENTS

The following table highlights the development pipeline projects that we worked on in 2019 with a view to launches starting in 2020.



Developed by our partner Z-Systems and launched in 2019, Straumann SNOW is the first metal- and plastic-free screw-retained two-piece ceramic implant.

The DenToGo remote monitoring system uses smart phone technology and artificial intelligence. Watch the DenToGo video here. ▶

**Examples of development projects scheduled for introduction or rollout starting in 2020**

| Project | Key benefit target | Premium | Value |
|---|---|---|---|
| Surgical | | | |
| New implant designs | Less invasive and shorter procedures (immediacy), additional indications | ✓ | ✓ |
| Ceramic portfolio extension | Highly esthetic, metal-free advanced implant design and novel production technology | ✓ | ✓ |
| Prosthetics | | | |
| Angulated solutions | Enhanced screw-retained prosthetic solutions for tilted implants, focus on CADCAM | ✓ | ✓ |
| Ti-base portfolio | Extends multi-implant offering, including angulated solutions for conventional and CADCAM workflows | | ✓ |
| Edentulous | | | |
| Edentulous solution offerings | Patient-centric approach with a broad choice of fixed and removable options, mini implants, focus on immediate procedures | ✓ | |
| MPS portfolio | Portfolio extension covering additional competitive brands, attractively priced alternatives to in-market competitor products | | ✓ |
| Ortho | | | |
| Software | Automatic assessment of patient's oral health, aligner treatment acceptance tool, software upgrades to simplify and manage treatment setups | ✓ | |
| Integrated planning and design service | Add-on central service for finalized tooth or implant-borne restorations | ✓ | |
| Improved clear aligner material | Patient comfort, esthetics | ✓ | |
| Digital dentistry | | | |
| CADCAM materials | Full range of materials for labs and dentists, additional material options in centralized milling service | ✓ | |
| 3D-printer resins | Portfolio extension | ✓ | ✓ |
| Planning software | New feature releases of CoDiagnostiX | ✓ | |
| Biomaterials | | | |
| Periodontal pocket treatment | Minimally invasive, easy to perform | ✓ | |
| Novel regeneration system | Controlled degradation time, reduced invasiveness and reduced chair time | ✓ | |
| Implant health | | | |
| Treatments for peri-implantitis | Innovative portfolio aimed at long-term success in peri-implant conditions | ✓ | |

# Markets
## Further market share gains – new segments tapped

### THE GLOBAL DENTAL SUPPLY AND EQUIPMENT MARKET

The dental supply and equipment market is an attractive subsector of the medical device sector and ranges from instruments, adhesives and filling materials to imaging hardware and practice equipment. It also includes specialty segments like implant dentistry, endodontics, biomaterials, CADCAM equipment, prosthetics, and orthodontics. The total dentistry market was valued at CHF 27–29 billion in 2019 (see chart on the right) and is growing rapidly, driven by the aging and growing population, increasing prosperity, awareness of oral health, and innovation.

### IMPLANT DENTISTRY

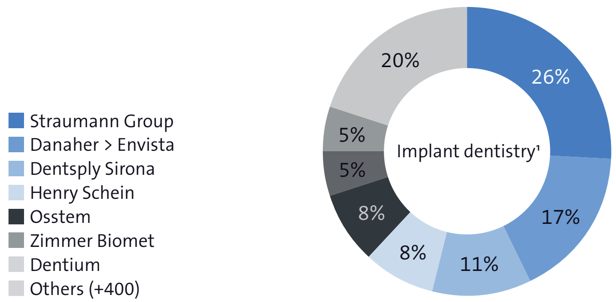
The Straumann Group's main market is implant dentistry[1], which is estimated to be worth approximately CHF 4 billion globally[2] (or CHF 4.6 billion including healing screws, temporary abutments and copings). Based on initial reports, we estimate that it grew in the mid-single digit percentage range in 2019, driven almost entirely by volume growth. Having continually outperformed for several years and with the addition of Anthogyr, Createch, Medentika and T-Plus complementing our organic growth, we now lead the implant market with a share of 26%. Three quarters of the market are controlled by the leading six companies, while the rest is divided among several hundred manufacturers, most of whom operate on a regional or local basis and compete in the non-premium segment. The latter has been growing faster than premium, due to the increase in manufacturers, the lack of reimbursement schemes, and stronger growth in emerging markets where procedure prices and disposable income are lower. The non-premium brands collectively account for approximately half of the worldwide implant market in value terms.

Having focused exclusively on premium implants, Straumann entered the non-premium segment in 2012 and, by acquiring various brands, now offers a broad range of solutions in both the upper and lower value price segments. Since then, the Group has gained a leading position in the non-premium segment, although our market share is still only about 10% and therefore offers an attractive growth potential in the coming years.

**Having outperformed again, we lead the implant market with a share of 26%.**

**Dental market overview**

| | Total dentistry | Implant dentistry[1] |
|---|---|---|
| Market | CHF ≈27–29 bn | CHF 4.6 bn |
| Straumann share | 6% | 26% |
| Straumann position | #6 | #1 |




1 The Implant dentistry market segment includes implant fixtures, abutments, temporary abutments, healing screws, copings and related instruments; information based on Decision Resources Group and Straumann data.

## THE TAPERED IMPLANT SEGMENT

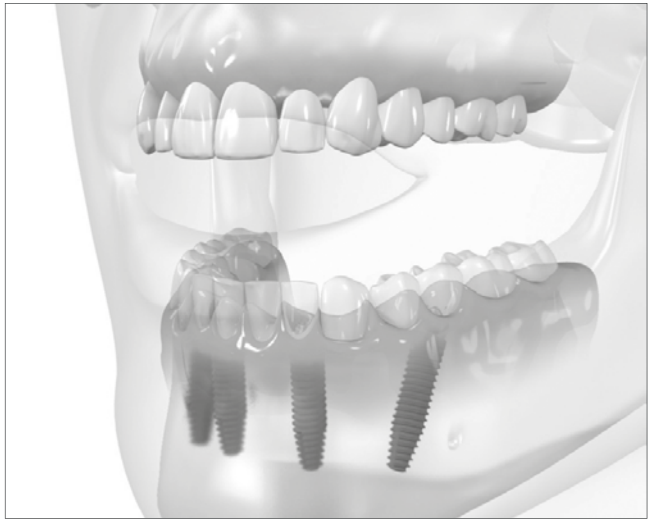
Dental implants can be distinguished by their shape. Tapered implants offer high primary stability and are the preferred choice of many clinicians in extraction-socket indications and immediacy protocols or when patients have a soft bone morphology. Almost 80% of dental implants sold in 2018 had a tapered design. Parallel-walled implants, on the other hand, are valued for their periodontal performance (soft-tissue attachment properties) and have been documented for more than 30 years. The Straumann brand dominates the latter category, while our Neodent and other value brands focus on tapered implants.

In 2014, Straumann entered the premium tapered segment with its apically-tapered BLT implant, which has spurred growth and enabled us to outpace the market. A major highlight in 2019 was the launch of Straumann BLX in Brazil, EMEA and North America. This next-generation implant, together with BLT, Neodent Helix and Drive GM, Anthogyr Axiom PX and Medentika Quattrocone, provides us with a formidable portfolio of fully and apically tapered implants. This broad range will enable the Group to win further market share in the fastest growing implant segment and to become the leading provider of immediacy solutions – which was hardly imaginable a few years ago, when our fully-tapered offering comprised a single non-premium design.

**We have a broad range to penetrate the fastest-growing implant segment.**

**Unparalled range of immediacy solutions**

Straumann BLT | Straumann BLX | Neodent Helix GM | Neodent Drive GM | Anthogyr Axiom PX | Medentika Quattrocone



Full-arch replacements on four implants are a popular choice for immediacy protocols.

## CONSIDERABLE POTENTIAL

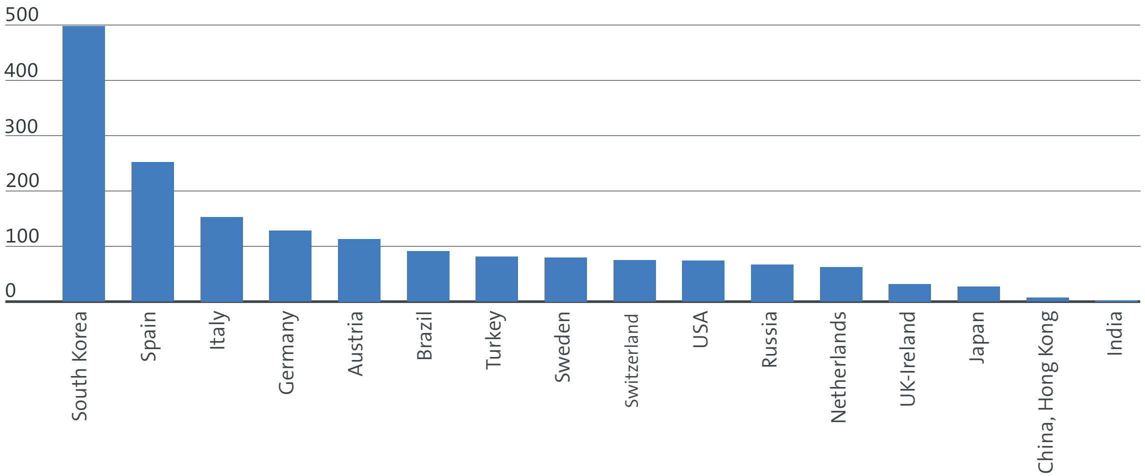
Independent researchers expect implant dentistry to continue outpacing the overall dental market. In the world's largest dental market, the US, more than 120 million people are missing at least one tooth, yet just one and a half million are treated each year (corresponding to 2.7 million implants). This is low in absolute terms and in comparison with other countries. Our analysis shows that only one in four medically eligible US residents who seek treatment for tooth loss actually receive implants. In Germany, the penetration level is approximately 30%, while in Switzerland, it is close to 40%[3]. The tooth replacement market therefore offers considerable potential and its principal growth drivers are:

- demographics – in an ageing population, more elderly people need tooth replacement
- affordability – the middle class is growing in developing countries
- treatment provision – rising number of trained dentists who are confident placing implants
- awareness – patients are better informed about the negative effects of poor oral health
- esthetics – the trend in people choosing cosmetic treatments and dental implants is growing and consumer expectations are rising.

In an ageing population, more elderly people need tooth replacement.

As the chart below shows, the number of patients treated per 10 000 adult population in the US is only half that of Italy and only a third that of Spain, the largest European market. This illustrates the considerable growth potential there. Penetration in other highly populated countries like the UK, India, China and Japan is also clearly below average, offering strong upside potential in the coming years.

**Implant penetration: Patients treated annually (per 10 000 adult population)**




With very few exceptions, tooth replacement is an out-of-pocket expense. In South Korea, reimbursement was gradually introduced for senior citizens in 2014. This, together with the fact that more than 70% of the dentists in the country place implants, explains the high penetration rate. By contrast, large economies like China and India remain heavily under-penetrated due to a lack of qualified dental professionals.

## BIOMATERIALS

The Straumann Group is also active in the global market for oral biomaterials, which include bone-augmentation materials, membranes, fleeces, sponges and soft-tissue regenerative products. As biomaterials are used in a large proportion of dental implant procedures, market growth is linked to that of implant and bone ridge preservation treatments (although biomaterials are used less with mini and short implants and in immediacy protocols).

In 2018, the worldwide market for oral biomaterials was estimated to be worth more than CHF 600 million[7]. In recent years, the Group has significantly expanded its biomaterials franchise through partnerships (botiss, Genoss, and Nibec) and today is a top-5 global player in this market.

## CADCAM EQUIPMENT

The development of digital hardware makes it possible to design and mill abutments, crowns, bars, and bridges (commonly referred to as prosthetics) using computers, saving time and increasing accuracy. Digital implant workflows are becoming increasingly important for clinicians, dental technicians and patients. We estimate that the global market for CADCAM dental equipment, which comprises optical scanners as well as milling and 3D-printing equipment, is worth CHF 1.6 billion, including new installations, upgrades and replacements.

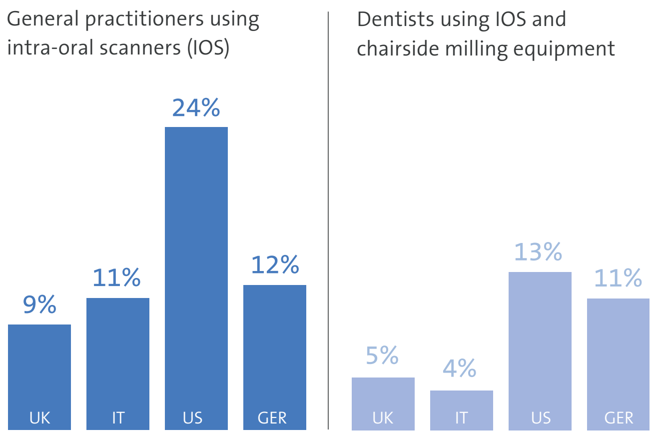
Dental CADCAM systems fall into three categories:

- Chairside systems, where scanning, design and milling are all performed in the dental practice
- In-lab systems for scanning, design, and manufacture on medium-sized milling machines
- Central milling, in which lab scanners connect to an external milling center that uses sophisticated, heavy milling machines.

Straumann has been an established player in the centralized milling segment for more than a decade and entered the lab and chairside milling segments in 2016. Penetration of the latter is still modest in spite of the speed, convenience and patient acceptance of intraoral scanning. Even in advanced markets like the US and Germany, fewer than one in four dental practices use intra-oral scanners and few have invested in chairside milling systems (see chart on the right), which indicates the large potential for growth in this segment. By contrast, many dental labs have gone digital and have invested in digital production equipment and systems[8].

**Today, the Group is a top-5 global player in the biomaterials market.**

**Large potential for growth in digital equipment**




Source: Straumann proprietary GP survey in US, DE, IT, and UK; sample size >200 dentists.

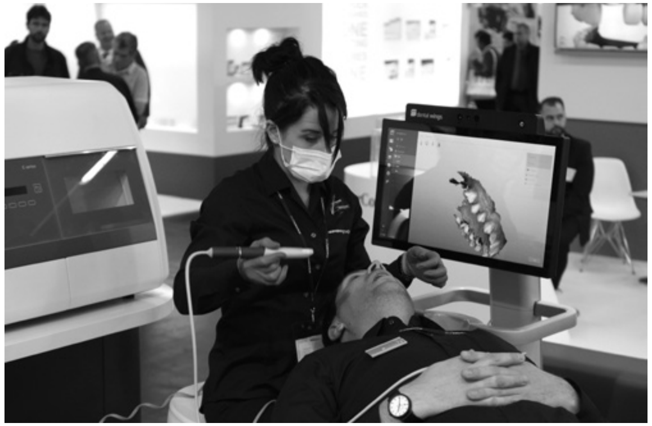
We are convinced that the future of dentistry lies in digital workflows. Technology and software are evolving rapidly and there are clear signs that digital transformation is already underway. Intra-oral scanners are becoming increasingly intuitive and versatile and will become the gateway to the digital dental universe. Multiple studies have shown that digital impressions are more accurate[9], faster[10] and more comfortable than taking physical impressions. In the US, 50% of dental labs use CADCAM and nearly all larger labs accept digital scans from their referring dentists. More than 80% of larger labs have a complete CADCAM system including scanner, milling system, and sintering furnace because they have the financial resources and a high throughput[11]. This is why we are constantly developing our current range and offer an integrated, open architecture portfolio, with leading chairside and in-lab scanning and milling technology, 3D in-lab printing and central milling. All are supported by cutting-edge software and validated workflows that cover the tooth-replacement and orthodontic spectrum. With regard to central milling services, we expanded our options and reach through the acquisitions of Createch, Simeda (Anthogyr) and Fischler Dental AG (etkon Switzerland).

**The future of dentistry lies in digital workflows, seamless connectivity and reach.**

### PROSTHETICS

The CADCAM prosthetics market is estimated at almost CHF 4 billion[12] and comprises crowns, inlays, onlays, bars, and bridges designed on a computer and manufactured with a milling machine or an additive process. Tooth-borne restorations, such as single crowns, inlays and small bridges, account for the largest part. While CADCAM production is growing strongly, most crowns and bridges are still porcelain-fused-to-metal or press ceramics made in a time-consuming manual process. Market research[13] indicates that general dentists usually obtain CADCAM crowns and bridges from local labs, and most use models or impressions to order the restorations.

This segment is expanding due to the increase in local laboratories offering CADCAM services and the growing popularity of individualized prosthetics, which have esthetic and clinical advantages over traditional pre-fabricated abutments and custom castings. Another driver is the popularity of cost-effective titanium-base implant abutments, like Straumann's Variobase, which allow customers to produce their own prosthetics through an open software platform while still ensuring an original interface between the implant and the abutment brand.



The Straumann / Dental Wings Virtuo Vivo intraoral scanner connects seamlessly to our C-Series chairside mill (left).

Internal and independent surveys show that patients are increasingly willing to invest in treatments that not only restore function, but also improve appearance. CADCAM makes it possible to use strong, highly esthetic translucent glass ceramics or hybrid materials and Straumann competes in the materials market with its innovative proprietary glass ceramic, n!ce.

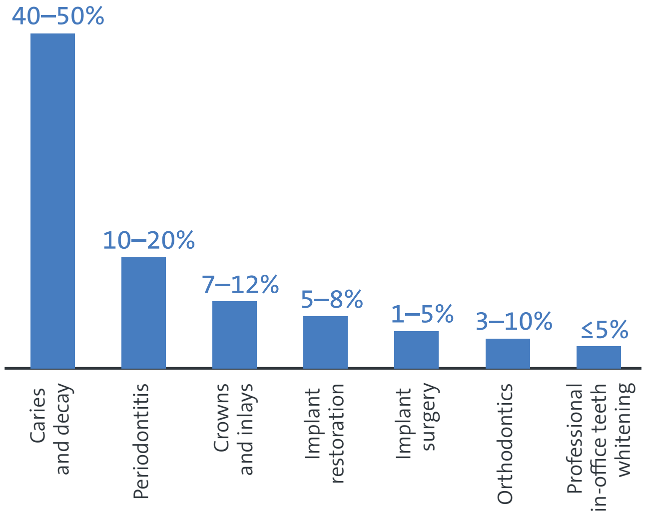
### DYNAMIC CLEAR ALIGNER MARKET

Approximately two in five children in North America have misaligned teeth and 10% have severe malocclusion. More than 60% of teenagers have severe tooth displacement and approx. 17% have either lingual or buccal crossbite.[14] Of the three million orthodontic cases actually treated in North America in 2018, the majority received conventional wires and brackets, while approximately one third received modern clear aligner solutions (see chart on the right). Conservative estimates state that 50–60% of all patients with misaligned teeth could theoretically be treated with clear aligner solutions. Outside North America, penetration rates are considerably lower. Internationally, fewer than 5% of dentists offer clear aligners.[15] The global market for clear aligners is estimated to be worth approximately CHF 3.2 billion and is growing at around 20%, representing one of the most attractive areas in dentistry. The dynamic growth is due to the significant advantages of clear aligners offer over conventional wires and brackets, including esthetics, patient compliance, cleaning, teeth stains and convenience. In addition, research shows a strong preference for clear aligners among adult orthodontic patients. Growing awareness of these advantages among dentists and patients as well as broader availability of the solutions (through general dentists and direct-to-consumer offerings) will lead to higher penetration rates in the future.

We entered this attractive field in 2017 by acquiring ClearCorrect. In 2018, we invested in, and partnered with Dental Monitoring, a pioneer of remote monitoring systems and in 2019, we formed a partnership with ZhengLi Technology to enter the Chinese clear aligner market. Between 2006 and 2016, the percentage of adults with malocclusion and misaligned teeth who received orthodontic treatments rose from 10–20% to 30% and even 50% in more developed regions. According to market intelligence and industry data, the clear aligner market is growing faster in China than anywhere else and it is expected to grow by more than 50% in the next five years[16]. With ZhengLi Technology, we plan to cater for moderate and complex cases, which are particularly prevalent.

**Conservative estimates state that 50–60% of all patients with misaligned teeth could theoretically be treated with clear aligner solutions.**

**Percentage of patients treated by general dentists by indication**




Source: Straumann proprietary GP survey in US, DE, IT, and UK; sample size >200 dentists.

## MATERIALS

We also took initial steps into the market for clear aligner and 3D-printing materials markets in 2019 through the acquisitions of Bay Materials in the US and Yller Biomateriais in Brazil. In addition to securing supplies for our own business, our strategic intention is to continue providing these materials to third party manufacturers. The collective addressable dental market for these materials is estimated to be approximately CHF 500 million.

## PREVENTIVE DENTISTRY

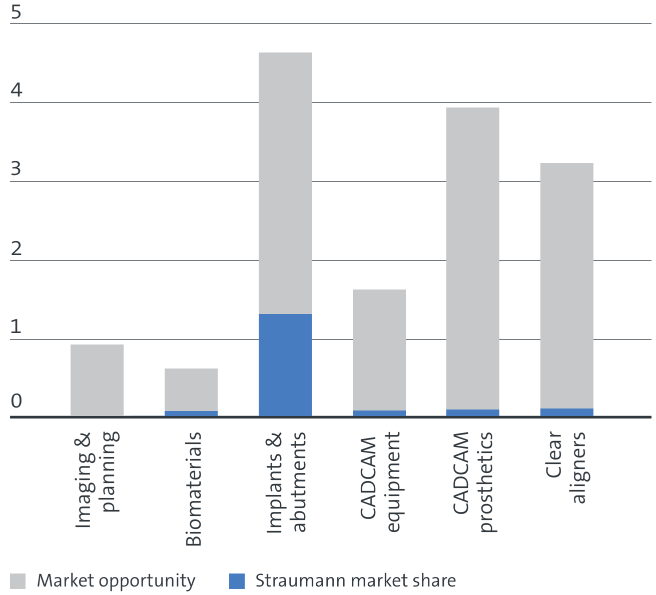
Dental caries is a significant global health problem that affects 60–90% of schoolchildren and the vast majority of adults[16]. The increasing world population and life expectancy will drive the need for treatment. Although oral care, the use of fluoride and regular check-ups have helped to reduce the prevalence and severity in developed countries[18], periodontal disease is the sixth-most prevalent disease worldwide[18] and a majority of adults are affected by mild to moderate periodontitis[20]. In Germany, one in two adults aged 35 to 44 suffers from periodontal disease, 43% of whom have moderate disease, while 10% are severe cases[21]. In the US, the total prevalence of periodontitis in adults aged 30 years and older was 47% in 2012, and the prevalence of moderate and severe disease was 39%[22].

The significant medical need and opportunity in fields related to our existing businesses provided the rationale for exploring the preventive dentistry market. The need for improved treatment concepts is further underpinned by our field research[23] that outlines the most frequent treatment forms in a general dentist practice (see chart on the previous page). General dentists on average treat 4–5 times more patients for decay than with implants. Periodontal treatments are twice as frequent. In the course of 2019, we piloted a number of innovative products for treating diseases that lead to decay, tooth loss or implant failure. The portfolio addresses the needs of general practitioners.

## ADDRESSING MARKETS COLLECTIVELY WORTH CHF 14 BILLION

Having concentrated on premium parallel-walled implants for many years, we have significantly broadened our scope through internal development, acquisitions, investments and partnerships, with the goal of offering complete solutions in both replacement and esthetic dentistry. As a result, our addressable market has expanded significantly, more than tripling in the past three years to approximately CHF 14 billion (see chart on the right).

**Large potential in markets worth CHF 14 billion** (in CHF billion)



## Notes and references

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BEYOND CONTINUITY IN INNOVATION

# Ceramic technology to improve healing

Major projects, like our Straumann BLX and SNOW implant systems, can easily eclipse other innovations that are no less relevant or meaningful. The ceramic healing abutments we launched in 2019 are a truly differentiating innovation that exemplify this. Fitted to an implant after placement, they are designed to prepare and shape the gum around the implant during the healing period before prosthetic restoration. By comparison with titanium, ceramic (zirconia) is more favourable to soft tissue attachment and less prone to plaque formation[1–9]. The new abutments thus support soft-tissue healing, although the most innovative thing about them is the fast, cost-effective production technique, which uses ceramic injection moulding instead of conventional milling. The technique was developed by Maxon Dental, the joint venture between Straumann and maxon motor.

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# Business performance
## Group

### ANOTHER STRONG PERFORMANCE ALL ROUND

In 2019, the Straumann Group posted another strong all-round performance, as revenue grew 17% both organically and in Swiss-franc terms to CHF 1.6 billion, fuelled by double-digit increases across all businesses and regions, in spite of the challenging baseline and difficult environment in Latin America. Along with this impressive growth, we achieved further improvements in profitability, despite significant investments in people, culture, innovative technologies, marketing, sales, regulatory support and infrastructure.

By business, more than half of our growth came from implants and restoratives, driven by robust demand for premium solutions and the international expansion of our value brands, especially Neodent. Straumann's innovative BLX implant attracted customers from competitors and sold more than 100 000 units in its first year on the market, adding to the solid growth contribution of our BLT range. Biomaterials continued to thrive, driven by robust sales of bone-graft and membrane products, the roll-out of botiss and Nibec products in certain markets, and Emdogain's return to the US market in mid-2018. Our combined digital and orthodontics business also reported strong growth driven by dynamic sales in clear aligners, which compensated for softer digital equipment sales.

### ACQUISITIONS TO EXPAND REACH, INCREASE AFFORDABILITY AND SECURE TECHNOLOGY AND SERVICES

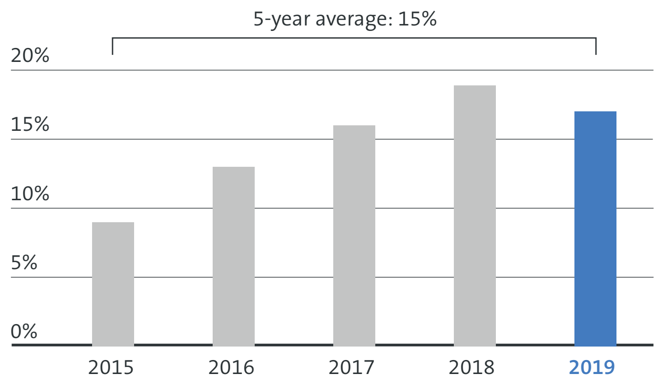
During 2019, the Group completed ten business combinations (see Note 2.1 on p. 153 ff.): In May, we increased our stake in Anthogyr from 30% to full ownership. Based in France, Anthogyr develops, manufactures and sells high quality, innovative implant and CADCAM solutions. In October, we fully acquired Bay Materials, a US company specializing in the design, development and supply of high-performance thermoplastics for orthodontic applications. We completed eight other business combinations: Abutment Direct in Canada, the Chilean distributor of Alpha-Bio Tec, Digital Planning Service in Pakistan, etkon (formerly Fischler Dental) in Switzerland, Medikadent in Croatia, Valoc in Switzerland, Yller Biomateriais in Brazil and Zinedent in Turkey. Collectively, these combinations contributed 2.5 percentage points to topline growth.

**Key performance figures**

| | 2019 Core[1] | 2018 Core[1] |
|---|---|---|
| Revenue (CHF m) | 1 596 | 1 364 |
| Gross profit margin (%) | 75.6 | 75.4 |
| EBITDA margin (%) | 31.6 | 29.6 |
| EBIT margin (%) | 27.1 | 26.9 |
| Net profit margin (%) | 21.2 | 21.5 |

1 In accordance with the new directive of the Swiss Stock Exchange, the Group has started to implement the reporting of alternative performance measures (APM), which facilitates the assessment of the underlying business performance but may differ from IFRS reported figures. The 'core' figures used in this document exclude one-time M&A effects, exceptional pension-plan items, restructuring expenses, amortization and impairment of goodwill and acquisition-related intangible assets. 'Before-exceptional results', which were used historically, excluded the same non-recurring items but not acquisition-related asset amortizations. A reconciliation table of the reported and core income statement with additional descriptions is provided on p. 137 f. of the Financial Report.

**Organic revenue growth**



### OPERATIONS AND FINANCES

We started to implement alternative performance measure (APM) reporting in our first-half report, in accordance with a new directive from the Swiss Stock Exchange and international practice in the sector. In addition to providing the figures as reported according to IFRS, we also present the income statement on a 'core' basis. Core figures exclude exceptional items as well as acquisition-related asset amortizations.

In 2019, the following effects were defined as non-core items:

- the Align Technology patent dispute settlement charge of CHF 26 million or CHF 22 million after tax deduction (administrative expense)
- fire damage at Dental Wings of CHF 4 million (COGS) and CHF 3 million (administrative expense); the insurance coverage to date amounts to CHF 7 million (other income)
- amortization of acquisition-related intangible assets of CHF 19 million (EBIT level)
- consolidation gains of CHF 6 million related to the acquisition / consolidation of former associates (below EBIT).

A reconciliation table is shown on page 139 of the Financial Report.

The adoption of the new lease standard IFRS 16 led to changes in the EBITDA, EBIT and net profit margins of +175 base points (CHF 28 million), +25 base points (CHF 4 million), and –15 base points (CHF 2 million), respectively.

### DOUBLE-DIGIT VOLUME EXPANSION LIFTS CORE GROSS PROFIT

Strong implant volume expansion in both premium and value implants lifted gross profit 17% (CHF 179 million) to CHF 1.2 billion. The respective margin expanded 20 base points to 75.6%, despite the fact that we had to absorb currency headwind of 40 base points. The aforementioned fire damage in 2019 and an exceptional inventory-revaluation expense of CHF 9 million following the acquisition of Batigroup in the prior year were excluded from the core results.

### CORE EBITDA MARGIN CLOSE TO 32%

Operational gearing and the effects of the new lease accounting standard resulted in an increase of 200 base points in core earnings before interest, tax, depreciation, and amortization (EBITDA) margin.

**We started to implement alternative performance measure (APM) reporting in accordance with a new SIX directive.**

**Strong implant volume expansion lifted gross profit 17% to CHF 1.2 billion.**

Core distribution expenses, which comprise sales-force salaries, commissions and logistics costs, rose CHF 40 million to CHF 321 million, as we entered new businesses and invested further in our distribution network. Despite these important investments, distribution costs decreased by 50 base points relative to sales, contributing to the operating profit margin improvement.

Core administrative expenses, which include research and development (R&D) as well as marketing, sales and general overhead costs, increased by CHF 77 million to CHF 460 million, mainly due to new product launches, brand rollouts, the integration of acquisitions and additional expenses related to the new Medical Device Regulation (MDR) in Europe. As a percentage of sales, administrative expenses increased 70 base points.

Investments in our innovation pipeline and clinical programs for new products, e.g. BLX, led to an increase in R&D investments in absolute terms, although this remained stable relative to sales. Taking these items into account, core EBITDA increased 25% to CHF 505 million, lifting the core margin to 31.6%.

We have invested significantly in production sites and capacity in recent years and continue to do so in order to meet increasing demand. As a consequence, depreciation expenses increased by CHF 9 million. Amortization expenses rose by CHF 4 million, mainly for customer and technology-related intangible assets connected to recently-acquired businesses. After depreciation and amortization charges of CHF 73 million, core EBIT rose to CHF 432 million and the core margin edged above 27%.

## CORE NET PROFIT RISES 15%

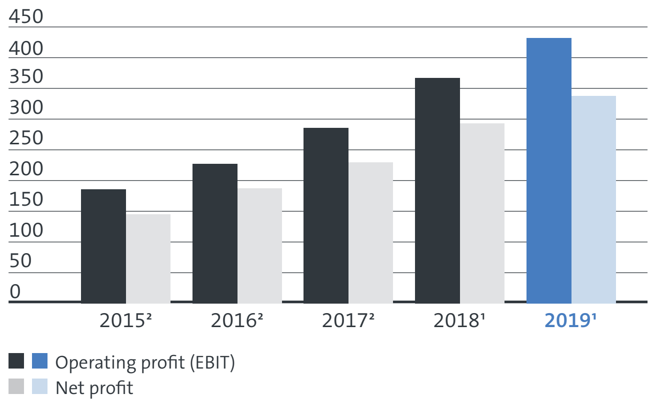
Core net financial expenses increased from CHF 17 million to CHF 25 million, reflecting higher interest costs of CHF 7 million due to IFRS 16, higher hedging costs and foreign-exchange losses mainly in emerging markets.

The rise in profits led to an income-tax increase of CHF 9 million, translating into a corporate tax rate of 15.7%. The core tax rate amounted to slightly above 16%, which is broadly in line with the Group's long-term guidance.

As a result of the above items, core net profit increased 15% to CHF 338 million, with the corresponding margin reaching 21.2%. Reported net profit rose 11% to CHF 308 million with the corresponding margin reaching 19.3%. Basic core earnings per share climbed almost 17% to CHF 21.21.

**Core net profit rose 15% to CHF 338 million.**

**Operating and net profit** (in CHF million)




1 Core.
2 Excluding exceptionals.

### FREE CASH FLOW REACHES CHF 230 MILLION

The improved operating result and the impact of IFRS 16 lifted cash flow from operating activities by 37% to CHF 378 million. Strong volume growth, a higher share of sales in emerging markets and a significant increase in stock keeping units including acquisitions collectively increased working capital by CHF 33 million to CHF 266 million. Days of sales outstanding increased by one to 57, and days of supplies increased to 175. Net interest expenses including interest on lease liabilities and tax payments collectively increased by CHF 2 million.

The Group's investments in production expansion include additional machinery and buildings in Villeret (CH), Round Rock (USA), Curitiba (BR) and Markkleeberg (D). As a result, capital expenditure increased by CHF 40 million to CHF 150 million, including CHF 15 million for the purchase of intangible assets and CHF 15 million related to the acquisition of Anthogyr. Combining the above effects with the proceeds of CHF 1 million from the sale of non-current assets, free cash flow amounted to CHF 230 million.

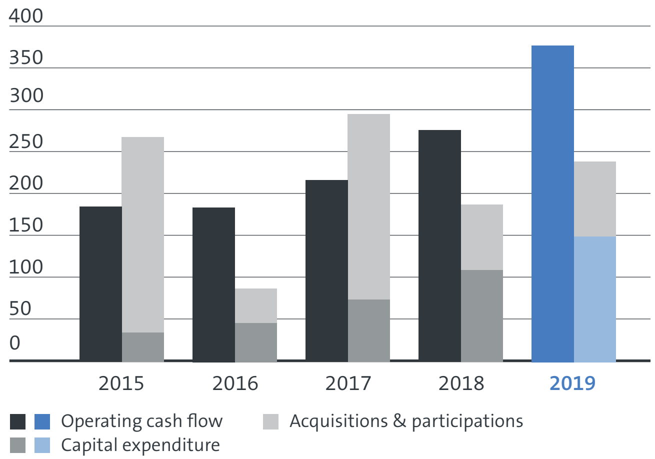
The cash position at year-end remained solid at CHF 260 million, which exceeds our interest-bearing liabilities by CHF 20 million (2018: CHF 19 million).

### FURTHER DIVIDEND INCREASE PROPOSED

Based on the excellent results in 2019, the Board of Directors proposes a further dividend increase of CHF 0.50 to CHF 5.75 per share, payable on 15 April 2020, and intends to continue increasing the dividend in the future, subject to further good performance.

## Free cash flow reached CHF 230 million despite investments.

**Cash flow and investments** (in CHF million)



## SUMMARY OF MAIN INVESTMENTS

### INVESTMENTS TO EXTEND OUR GEOGRAPHICAL REACH

To increase our direct presence and boost our business in regional markets, we acquired our distributor in Croatia and gained control of Medentika's distributor in Canada. We significantly increased our customer base in Chile by acquiring the local distribution activities of Alpha-Bio Tec. In Switzerland, we acquired etkon Schweiz AG (formerly Fischler Dental AG), a specialist CADCAM milling center. Collectively, these investments amounted to approximately CHF 16 million.

### INVESTMENTS IN THE VALUE IMPLANT SEGMENT

In the non-premium implant segment, we increased our respective stakes in Anthogyr in France and Zinedent in Turkey from 30% and 50% to full ownership. We also raised our stake in Medentika in Germany from 51% to 91%. At the same time, we obtained a 33% stake in the Korean implant manufacturer Warantec together with exclusive international distribution rights in return for a capital injection. Collectively, these investments amounted to CHF 102 million.

### INVESTMENTS IN TECHNOLOGY PARTNERS

We obtained control of Valoc, our Swiss partner in implant prosthetic fixtures, by increasing our stake from 44% to 55%. To support our orthodontics business, we acquired Digital Planning Service Ltd. in Pakistan, which provides digital planning for clear aligner treatment. We also acquired Bay Materials LLC, a US company specializing in orthodontic thermoplastics, and Yller biomaterials, a Brazilian producer of resins for 3D-printing. Collectively, these investments amounted to CHF 42 million.

### INVESTMENTS IN INFRASTRUCTURE

To meet the strong increase in demand, we invested approximately CHF 116 million in land, buildings and machinery, mainly to increase production capacity in Switzerland, Brazil and the US. Together with investments in IT hard / software and in fixed assets, capital expenditures reached an all-time high of CHF 150 million.

### OTHER INVESTMENTS

Information on investments in distribution (including selling activities, research and development) as well as tangible and intangible assets, are presented in the financial report. Investments in people are covered in the sections on Employees and Compensation.

**Business investments in 2019**

| Entity | Location | Stake | Rationale |
|---|---|---|---|
| Abutment Direct Inc. | Canada | 45.5% | Take over distribution of Medentika in Canada |
| Alpha-Bio Tec. Ltd. | Chile | 100% | Penetrate upper-value implant segment |
| Anthogyr SAS | France | 30 → 100% | Strengthen position in upper-value implant segment |
| Bay Materials LLC | USA | 100% | Secure access to orthodontic thermoplastics |
| Digital Planning Service Ltd. | Pakistan | 100% | Secure digital planning for clear aligner treatment |
| etkon Schweiz AG (formerly Fischler Dental AG) | Switzerland | 70% | Provide central CADCAM milling service in Switzerland |
| Medentika GmbH | Germany | 51 → 91% | Penetrate value implant segment |
| Medikadent d.o.o. | Croatia | 100% | Take over distribution of Medentika in Croatia |
| Valoc AG | Switzerland | 44 → 55% | Innovative implant prosthetic fixtures |
| Warantec Co Ltd. | Korea | 33.5% | Strengthen position in lower-value implant segment |
| Yller Biomateriais S.A: | Brazil | 100% | Entry into 3D-printing materials |
| Zinedent Implant Üretim AS | Turkey | 50 → 100% | Strengthen position in lower-value implant segment |

# Business performance
## Regions

Throughout 2019, we continued to outperform the market and gain share in all regions. Once again, Asia / Pacific led the performance with organic revenue growth of more than 20% for a third consecutive year. The other regions all achieved solid double-digit increases, despite the high prior-year baselines.

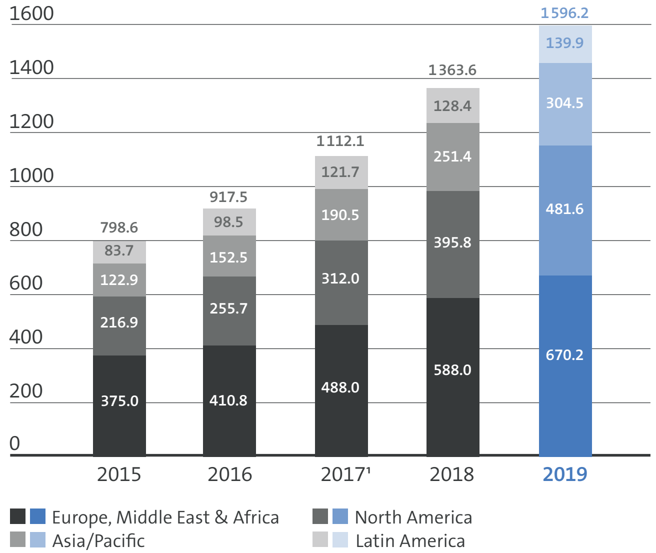
Due to its size, EMEA continued to be the largest contributor, delivering a third consecutive year of double-digit growth, driven by solid European performances boosted by emerging and distributor markets.

**Regional sales performance by quarter** (in CHF million)

| | Q1 | Q2 | Q3 | Q4 | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|
| Europe, Middle East & Africa | 160.7 | 174.2 | 142.6 | 192.7 | 670.2 | 588.0 |
| Change in CHF % | 9.3 | 11.0 | 16.8 | 19.0 | 14.0 | 20.5 |
| Change (organic[1]) in % | 14.4 | 12.7 | 13.1 | 13.4 | 13.4 | 14.6 |
| North America | 110.2 | 120.2 | 117.1 | 134.2 | 481.6 | 395.8 |
| Change in CHF % | 22.1 | 20.4 | 25.5 | 19.3 | 21.7 | 26.9 |
| Change (organic[1]) in % | 17.4 | 18.8 | 23.5 | 19.4 | 19.8 | 20.0 |
| Asia / Pacific | 71.8 | 75.4 | 76.2 | 81.1 | 304.5 | 251.4 |
| Change in CHF % | 22.1 | 14.1 | 24.4 | 24.3 | 21.1 | 32.0 |
| Change (organic[1]) in % | 22.1 | 16.0 | 23.4 | 24.5 | 21.5 | 27.8 |
| Latin America | 29.5 | 38.0 | 35.2 | 37.2 | 139.9 | 128.4 |
| Change in CHF % | 5.3 | 10.2 | 14.0 | 6.3 | 9.0 | 5.5 |
| Change (organic[1]) in % | 19.7 | 17.6 | 17.3 | 13.4 | 16.8 | 20.2 |
| TOTAL | 372.3 | 407.8 | 371.1 | 445.1 | 1 596.2 | 1 363.6 |
| Change in CHF % | 14.9 | 14.1 | 20.7 | 18.8 | 17.1 | 22.6 |
| Change (local currencies) in % | 17.2 | 17.1 | 22.4 | 21.8 | 19.6 | 23.1 |
| Change (organic[1]) in % | 17.1 | 15.5 | 18.7 | 17.1 | 17.1 | 18.9 |

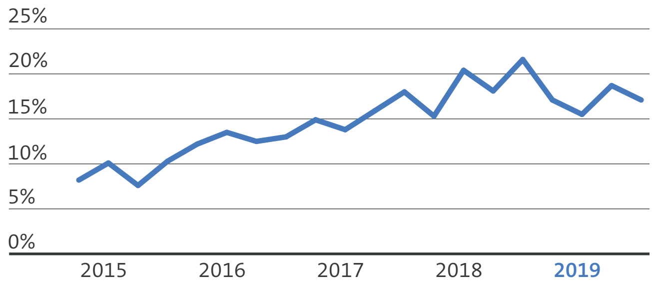
1 Excluding the effects of currencies and acquisitions (mainly Anthogyr).

**Regional sales performance by year** (in CHF million)




1 Restated.

**Five-year quarterly revenue growth (organic)**



# Europe, Middle East & Africa
## Third year of double-digit growth

Our largest region achieved double-digit organic growth for a third consecutive year, which is remarkable in view of the high baseline and the fact that the region includes the most mature markets. While Germany – the region's largest market – continued to deliver a solid performance, the strongest growth was achieved in Austria, France, Iberia, Russia, South Africa and Turkey.

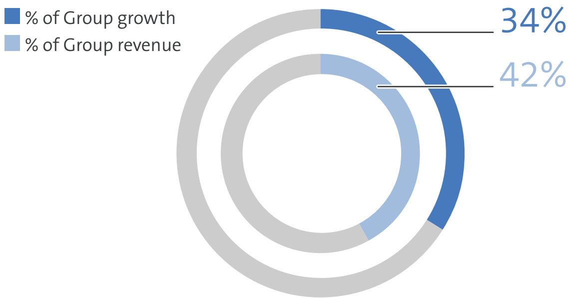
The strong overall performance was driven by the continuing success of Straumann BLT implants and the launch of Straumann BLX in most countries. The roll out of our Neodent and Zinedent implants, as well as Medentika's multiplatform prosthetics and botiss biomaterials, also contributed to growth. Following the introduction of Clear Correct at the International Dental Show, we began to roll out the clear aligner business in Europe.

Additional revenues came through the full acquisitions of Anthogyr in France – where we now lead the implant market, Zinedent in Turkey and our former distributor in Croatia, which has become a hub for the Balkan region. In addition to winning new customers with BLX and our value brands, we built important supply partnerships with some of Europe's largest dental chains.

All of the aforementioned activities reflect our strategy to penetrate unexploited markets and segments. Apart from product launches and business expansion, we continued to invest in preparing for the new European Medical Devices Regulation and successfully completed audits at key European production sites.

EMEA REGION

EMEA CONTRIBUTION TO GROUP




ORGANIC GROWTH

+13%

CHANGE IN CHF

+14%

REVENUE

CHF670m

LARGEST REGIONAL MARKETS

1. Germany
2. Spain
3. France

# North America
## Further customer gains

North America almost equalled its prior year growth rate – the highest in 14 years. Canada and the US both delivered double-digit organic increases, driven by robust demand for premium implants and strong growth in the value segment. Sales of Straumann BLT continued to rise, complemented by BLX, which was launched in July. Together with Neodent GM, these tapered implants continue to win customers from our key competitors. The same is true for our Medentika prosthetic solutions, which added to the fast-growing value business in the US and Canada. Biomaterials benefitted from the launch of Jason Membrane and cross-selling activities, as the Neodent team began to target its customers with the Group's biomaterials portfolio.

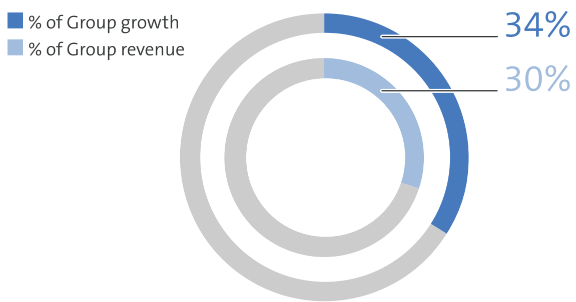
ClearCorrect continued to grow dynamically and expanded production to cater for growing demand. To support this business, we acquired Bay Materials LLC in California, which specializes in the design, development and supply of high-performance thermoplastics for orthodontic applications.

We made further gains in the DSO segment, which accounts for 10% of regional sales. In addition to renewing our preferred supplier agreement with ClearChoice Dental Implant Centers for five years, we won a supply contract with another of North America's leading implant clinic networks.

The only set back to the region's progress in 2019 was the fire at Dental Wings in Montreal in May. This caused severe damage and disrupted our scanner business. In the meantime, Dental Wings was able to relocate and resume activities quickly.

### NAM REGION

### NAM CONTRIBUTION TO GROUP




### ORGANIC GROWTH
+20%

### CHANGE IN CHF
+22%

### REVENUE
CHF482m

### LARGEST REGIONAL MARKETS
1. USA
2. Canada

# Asia / Pacific
## Still our fastest-growing region

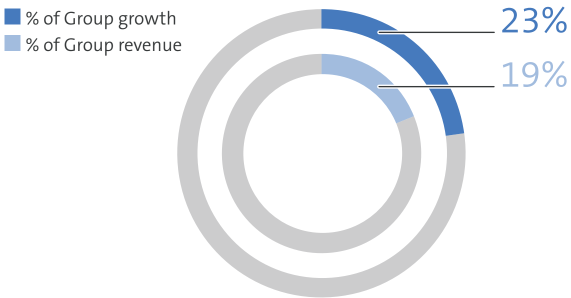
China maintained its dynamism as the region's growth powerhouse as we gained share in the premium implant segment, reflecting our investments in sales-force expansion, training and education. We also benefitted from digital equipment sales and an acceleration in the DSO business.

At the same time, we took steps to increase our presence in the non-premium segment: we continued the rollout of Anthogyr and T-Plus in China and Taiwan and we introduced Neodent in Australia, Indonesia and Thailand. Furthermore, we acquired a 34% stake in the South Korean implant company Warantec, broadening our access to the lower value implant segment in markets where Korean manufacturers are increasingly successful.

Other strategic initiatives in the region included a new subsidiary in Taiwan and a joint venture with Modern Dental to serve customers in Hong Kong and Macau. In China, we entered an exclusive distribution agreement with ZhenLi to provide affordable state-of-the-art clear aligner solutions and we entered a distribution agreement with Carestream to sell a co-branded version of their CS3600 intraoral scanner. This enables us to grasp opportunities in the rapidly emerging intraoral scanner market while we wait for regulatory approval of our Dental Wings scanner. Furthermore, we obtained distribution rights for cobranded in-lab scanners made by Medit in Korea. This and other agreements promote the integration of our DWOS® platform as a preferred software. Finally, we acquired Digital Planning Service PL in Pakistan, bringing the case planning service for ClearCorrect in house.

APAC REGION

APAC CONTRIBUTION TO GROUP




ORGANIC GROWTH

+22%

CHANGE IN CHF

+21%

REVENUE

CHF305m

LARGEST REGIONAL MARKETS

1. China
2. Japan
3. Korea

# Latin America
## Mastering instability

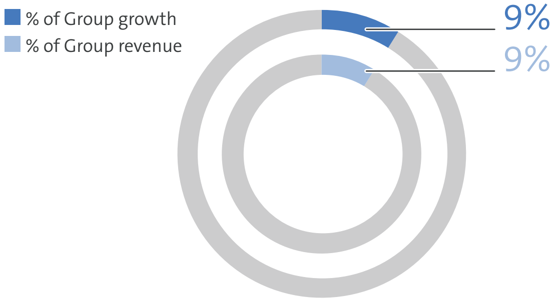
Roughly 80% of the region's sales are generated in Brazil, which is the world's second largest market for implant dentistry. Despite the improvement in socio-political stability towards mid-year, the market remained weak in 2019 and, as the year drew to a close, main competitors resorted to heavy discounting. In spite of this, the Group continued to outperform significantly, with Brazil posting high single-digit organic growth for the full year. Straumann and Neodent drove the performance, which was boosted by BLX and biomaterials. ClearCorrect was launched in Brazil early in the year, bringing us a step closer to our goal of becoming a total solution provider for esthetic dentistry in the region.

Elsewhere, our prompt reaction to the severe economic and political challenges in the second half of the year enabled us to gain market share in Argentina, Chile, Colombia and Mexico, all of which delivered strong organic growth throughout. The performance was particularly outstanding in the latter two, where Neodent and Straumann achieved double-digit increases in a flat market. We also strengthened our position in Chile by acquiring the local distribution business of Alpha Bio Tec.

To complement our growing 3D printer business and to generate recurring revenues with consumables, Neodent acquired Yller Biomateriais S.A., a Brazilian company specialized in developing and manufacturing high-tech materials for 3D-printing. Apart from this, we invested significantly in a large new production facility in Curitiba to meet demand for clear aligners and value implants (see pp. 46, 74ff.).

### LATAM REGION

### LATAM CONTRIBUTION TO GROUP




### ORGANIC GROWTH
+17%

### CHANGE IN CHF
+9%

### REVENUE
CHF140m

### LARGEST REGIONAL MARKETS
1. Brazil
2. Mexico
3. Colombia

In 2019, we significantly expanded clear aligner production in the US and began setting up aligner production units in Germany and Brazil. Our new factory in Curitiba (BR) produces implants and clear aligners.

## BEYOND CONTINUITY IN PRODUCTION

# Expanding sustainably

A company like ours cannot exist without continuity in production. Maintaining quality, ensuring availability, keeping in line with regulatory changes, and staying competitive are all areas where continuity is the expected norm. Beyond this, for 5 years we have experienced continued double-digit volume growth and have built capabilities to make and supply new products and solutions. To illustrate how challenging this is, when we launched our new BLX system in 2019, it comprised more than 500 components (SKUs) and by year-end we had sold more than 100 000 implants alone. On top of this, the Straumann Group introduced more than a hundred other new items during the year. Beyond continuity indeed!

To make this increase sustainable, we have seven major expansion projects, which are all on track (see p. 74 ff.). In Villeret (CH), the shell of our large new implant production building was completed in 2019 and interior construction began. In nearby Corgément, we created a permanent rather than temporary unit because we need more space in Villeret than expected. In Andover (USA), we rented an additional 3000 m$^2$ of space. In Curitiba (BR), we constructed a new factory in less than a year, which will produce our new implant brand nuvo. In Round Rock (USA), we expanded clear aligner production significantly. We also began setting up aligner production units in Germany and Brazil. Collectively, these projects will add 51 250 m$^2$ of production space.

# Business performance
## Financials

### Five-year overview – operating performance

| (in CHF million) | 2015 | 2016 | 2017 | 2 018 | 2019 |
|---|---|---|---|---|---|
| Net revenue | 798.6 | 917.5 | 1 112.1 | 1 363.6 | 1 596.2 |
| Growth in % | 12.4 | 14.9 | 21.2 | 22.6 | 17.1 |
| Gross profit | 614.9 | 718.5 | 840.5 | 1 019.2 | 1 200.5 |
| Margin in % | 77.0 | 78.3 | 75.6 | 74.7 | 75.2 |
| Operating result before depreciation and amortization (EBITDA) | 207.6 | 259.2 | 323.5 | 395.0 | 480.6 |
| Margin in % | 26.0 | 28.3 | 29.1 | 29.0 | 30.1 |
| Growth in % | 17.8 | 24.9 | 24.8 | 22.1 | 21.7 |
| Operating result before amortization (EBITA) | 182.0 | 236.3 | 298.6 | 365.0 | 414.2 |
| Margin in % | 22.8 | 25.8 | 26.9 | 26.8 | 25.9 |
| Growth in % | 18.9 | 29.8 | 26.3 | 22.3 | 13.5 |
| Operating profit (EBIT) | 172.6 | 227.2 | 283.3 | 342.6 | 387.1 |
| Margin in % | 21.6 | 24.8 | 25.5 | 25.1 | 24.3 |
| Growth in % | 16.4 | 31.6 | 24.7 | 21.0 | 13.0 |
| Net profit | 71.5 | 229.6 | 282.2 | 277.8 | 308.0 |
| Margin in % | 9.0 | 25.0 | 25.4 | 20.4 | 19.3 |
| Growth in % | (54.7) | 221.1 | 22.9 | (1.6) | 10.9 |
| Basic earnings per share (in CHF) | 4.52 | 14.68 | 18.04 | 17.24 | 19.33 |
| Value added / economic profit[1] | 27.1 | 182.2 | 214.5 | 189.6 | 208.6 |
| Change in value added | (86.6) | 155.1 | 32.3 | (24.8) | 18.9 |
| Change in value added in % | (76.2) | 572.5 | 17.7 | (11.6) | 10.0 |
| as a % of net revenue | 3.4 | 19.9 | 19.3 | 13.9 | 13.1 |
| Number of employees (year-end) | 3 471 | 3 797 | 4 881 | 5 954 | 7 590 |
| Number of employees (average) | 3 232 | 3 615 | 4 305 | 5 580 | 6 837 |
| Sales per employee (average) in CHF 1 000 | 247 | 254 | 258 | 244 | 233 |

1 Figures as reported in the financial reports.

**Impressive profitability: 24.3% average EBIT margin over five years.**

### Five-year overview – financial performance

| (in CHF million) | 2015 | 2016 | 2017 | 2018 (restated) | 2019 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 318.3 | 164.0 | 281.8 | 278.7 | 260.2 |
| Net Cash (Net Debt) | 117.2 | (36.9) | 23.2 | 16.8 | 20.2 |
| Net working capital (net of cash) | 63.3 | 123.9 | 187.7 | 233.0 | 265.6 |
| as a % of revenue | 7.9 | 13.5 | 16.9 | 17.3 | 16.6 |
| Inventories | 76.1 | 102.0 | 152.1 | 182.1 | 234.6 |
| Days of supplies | 155 | 171 | 174 | 165 | 175 |
| Trade receivables | 125.2 | 148.9 | 191.9 | 231.3 | 281.2 |
| Days of sales outstanding | 53 | 55 | 56 | 56 | 57 |
| Balance sheet total | 1 046.3 | 1 089.9 | 1 697.0 | 1 864.6 | 2 390.0 |
| Return on assets in % (ROA) | 6.8 | 21.5 | 20.3 | 15.6 | 13.6 |
| Equity | 605.0 | 633.7 | 1 077.0 | 1 204.3 | 1 367.2 |
| Equity ratio in % | 57.8 | 58.1 | 63.5 | 64.6 | 57.2 |
| Return on equity in % (ROE) | 11.8 | 37.1 | 33.0 | 24.4 | 24.0 |
| Capital employed | 341.8 | 476.2 | 908.0 | 1 011.6 | 1 455.0 |
| Return on capital employed in % (ROCE) | 50.5 | 55.5 | 40.9 | 35.7 | 28.4 |
| Cash generated from operating activities | 185.6 | 184.7 | 217.3 | 277.1 | 378.5 |
| as a % of revenue | 23.2 | 20.1 | 19.5 | 20.3 | 23.7 |
| Investments | (44.5) | (87.9) | (296.5) | (188.2) | (239.3) |
| as a % of revenue | 5.6 | 9.6 | 26.7 | 13.8 | 15.0 |
| thereof capital expenditures | (35.2) | (46.7) | (74.4) | (109.7) | (149.9) |
| thereof business combinations related | 4.9 | (25.5) | (178.8) | (22.2) | (77.1) |
| thereof investments in associates | (14.2) | (15.7) | (43.3) | (56.3) | (12.3) |
| Free cash flow | 151.1 | 138.7 | 144.7 | 169.4 | 229.6 |
| as a % of revenue | 18.9 | 15.1 | 13.0 | 12.4 | 14.4 |
| Dividend | 63.2 | 65.1 | 75.1 | 83.1 | 91.2[1] |
| Dividend per share (in CHF) | 4.00 | 4.25 | 4.75 | 5.25 | 5.75[1] |
| Pay-out ratio in % (core results) | 43.4 | 35.6 | 32.4 | 28.9 | 27.1 |

1 To be proposed to the shareholder's AGM in 2020.

**Cash generated from operating activities was doubled in 5 years.**

# Share performance
## Continued outperformance

After a significant drop in the last quarter of 2018, the world's leading indices recovered quickly in 2019 and the generally positive mood in the stock market proved to be fairly resilient. Market volatilities remained relatively low, despite continuing uncertainty surrounding the trade tariff disputes between the US and China, the Brexit negotiations and the political instability in various countries. The ambiguous outlook in some of the world's leading economies pushed central banks such as the ECB towards more expansive policies. Having raised interest rates in the prior year, the US Federal Reserve initiated a cycle of cuts in 2019.

The Straumann Group delivered strong results throughout the year, raising its full-year guidance twice and exceeding the expectations of numerous research institutes. Its anticipation of future prosperity was underpinned by further strategic acquisitions, joint ventures, partnerships, innovations, key hirings and leadership succession planning. These factors, the strong business performance and the continuing growth of its markets were all reflected in the Group's share price and market capitalization, which rose to a record high of more than CHF 15 billion.

By year end, the share price had climbed to more than CHF 950 and closed 53.8% up from the prior year, while the SMI and SMIM indices closed the year up 26.0% and 31.7%, respectively. Straumann was the fourth-best performing share in the SMIM universe in 2019 and the best performer over the past four years.

With the gross dividend increasing 10.5% to CHF 5.25 in 2019, pre-tax shareholder return amounted to a gain of 54.8% or CHF 337.65. After peaking at 27% in February, the one-year stock volatility dropped to slightly below 22% in December, in line with the general market trend. The average trading volumes in 2019 decreased from 45 600 to 41 400 shares per day, while the overall trading turnover rose by almost 10%, reflecting the increase in the share price.

**Stock exchange information**

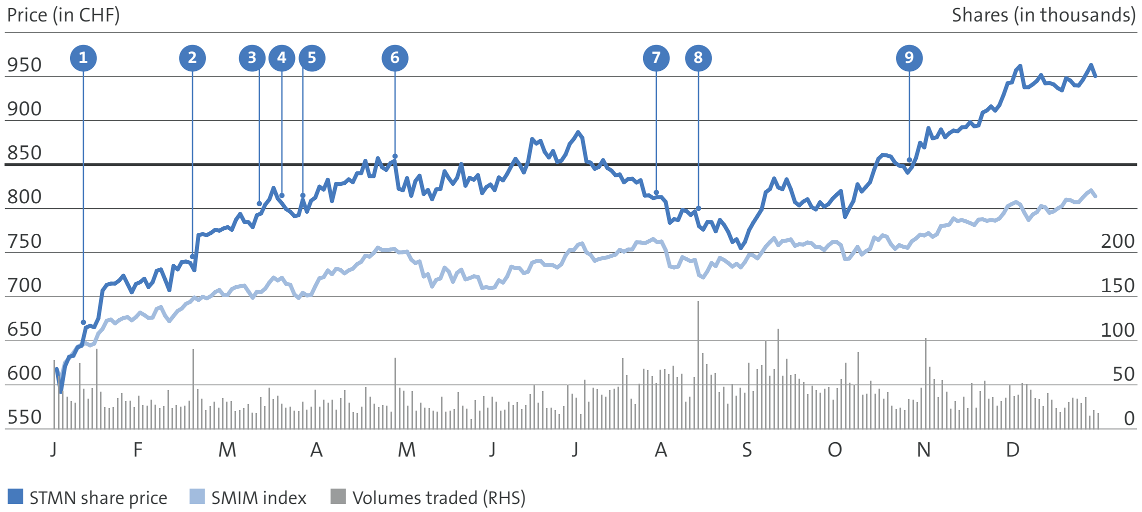
| | |
|---|---|
| Listing | SIX Swiss Exchange (STMN) |
| Bloomberg | STMN SW |
| Reuters | STMN.S |
| Investdata | STMN |
| Ex date | 9 April 2020 |
| Payment date | 15 April 2020 |
| Security ID | 001 228 007 |
| ISIN | CH 0012 280 076 |

**Share price data** (in CHF)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Value | Date | Value | Date |
| First trading day | 592.00 | 3 Jan | 697.50 | 3 Jan |
| Lowest[1] | 587.00 | 3 Jan | 584.50 | 26 Mar |
| Highest[1] | 963.00 | 27 Dec | 809.50 | 15 Aug |
| Last trading day (tax value) | 950.40 | 30 Dec | 618.00 | 28 Dec |
| Average | 821.60 | | 687.58 | |
| Total shareholder return, gross of tax | 54.8% | | (9.5%) | |
| Share price performance | 53.8% | | (10.2%) | |
| Market capitalization at year end (CHF million)[2] | 15 091 | | 9 785 | |

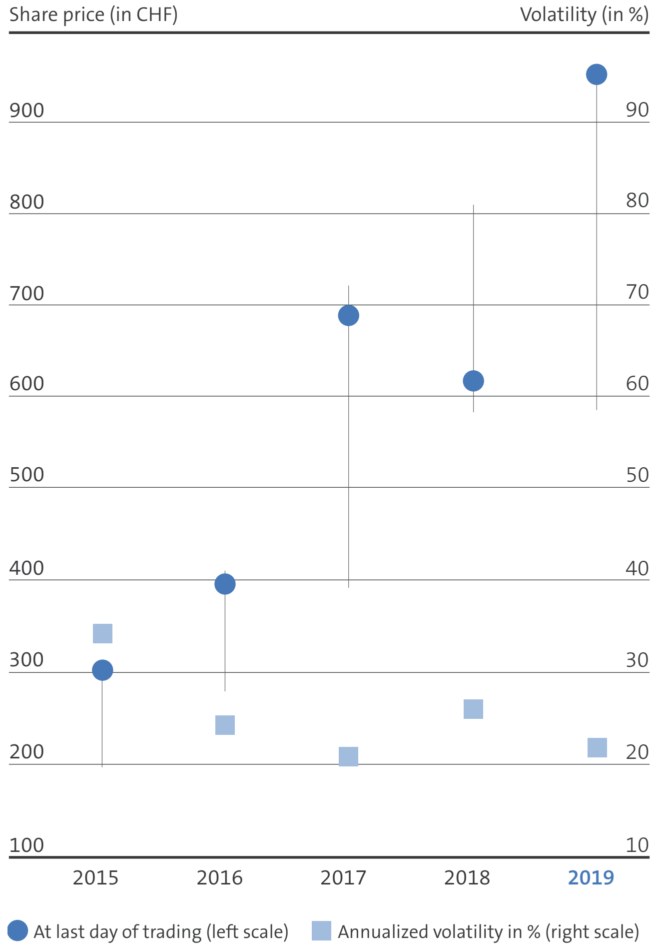
1 Value reflects daily closing price.
2 Treasury shares are excluded from calculation.

**Share price development**




1. 15 Jan — Group announces CEO succession in 2020
2. 19 Feb — 2018 results: organic growth of 19%, underlying EBITDA of 30%
3. 12 Mar — Full acquisition of Anthogyr announced
4. 19 Mar — Mirabaud Securities raises price target to CHF 1 011
5. 28 Mar — Patent dispute between ClearCorrect and Align Technology settled
6. 30 Apr — Q1 results: organic revenue rises 17%
7. 30 Jul — Straumann invests in and partners with Warantec in Korea
8. 14 Aug — Strong Q2; Group raises guidance for full-year revenue growth
9. 29 Oct — Q3 results: organic revenue growth reaches 19%; full-year guidance raised

**Trading information**



# Risk management
## Integrated control framework for sustainability

We are committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value.

### RESPONSIBILITIES AND ORGANIZATION

The Straumann Group applies a globally standardized process for identifying and managing possible developments within and outside the Group that could jeopardize its sustained growth, profitability and objectives. Risk monitoring and control are management objectives. The Group's Chief Financial Officer (CFO) is also the Chief Risk Officer (CRO) and is responsible for risk management.

Our risk assessment and management is embedded in a comprehensive internal control framework, which we address through a holistic, disciplined and deliberate approach. It matches that of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), which is one of the most widely used.

For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout our Internal Control System (ICS) framework, which we revised and adapted in 2019. Various tools and aids are used to assess and manage risks. For instance, foreign exchange risks are managed with an SAP Treasury tool, while external consultants are used on a regular basis to assess insurance coverage risks.

### RISK REPORTING

We produce a comprehensive corporate risk assessment report annually (or ad hoc if necessary), which serves as a working document for the coming year and includes key risks that are critical for the Group's business. A specific scenario is developed for each risk topic, including existing and new measures and controls. The risks are ranked and prioritized. Action plans are defined and the implementation of measures to reduce risk is monitored. The significance of a risk scenario is estimated in terms of EBIT cumulated over three years. Certain risks are assessed according to qualitative criteria,

**Risk management approach**

| Straumann's risk assessment takes into account: |
|---|
| • Operational risks |
| • Strategic risks |
| • Compliance-related risks |
| • Financial market risks |
| • Other internal risk factors |
| • Other external risk factors |

**Corporate risk assessment report**

| The report covers the following topics: |
|---|
| • Risk description |
| • Assessment of possible damage |
| • Occurrence probability |
| • Risk monitoring and counteracting measures |

**Risk assessment report process**

| Step | Execution |
|---|---|
| Preparation | Chief Risk Officer |
| Discussion | Executive Management Board |
| Risk assessment and discussion based on report | Audit & Risk Committee with Chief Risk Officer and Senior Management |
| Key findings presented to Board | Chief Risk Officer |

e.g. risks to the Group's reputation. The reporting of key risks is based on fixed value limits. Pressing risks that emerge very rapidly are discussed by the Board on short notice.

## INTERNAL AUDIT

The tasks of Internal Audit are:
- to provide independent assurance to the Board of Directors that key risks of the organization are under control
- to support Management in ensuring compliance, operational efficiency and control effectiveness across the Group.

In a consulting role, its main tasks are:
- to assess internal processes and controls
- to propose recommendations and improvements.

The objective is to safeguard the Group's tangible and intangible assets and to evaluate the effectiveness of its risk management and governance processes.

Since 2017, KPMG has been mandated with the Straumann Group's Internal Audit function (see p. 100), reporting to the Board of Directors with the CFO/CRO as the administrative contact person.

## RISK ASSESSMENT

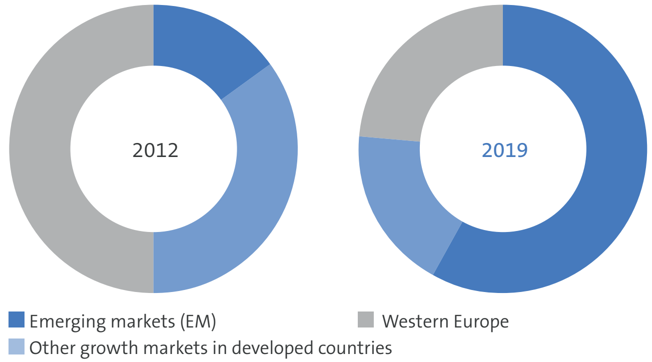
### STRATEGIC RISK

#### MARKET ENVIRONMENT

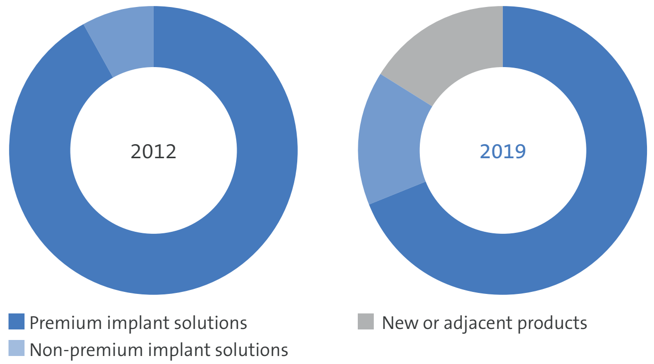
The Straumann Group is active in specialty segments of the dental industry. Based on the aging population, the rising number of professionals trained, and increasing awareness, there are no discernible reasons why these segments should not continue to offer attractive growth prospects in the long term (see p. 27 ff.). However, economic uncertainties and political developments seen in recent years might continue for some time and affect the prospects of market growth.

Our future revenues depend on market reach and expansion as well as on our ability to defend and increase our business with existing customers, to enlarge our customer base, to develop innovative solutions that meet customers' needs and bring them to market in a timely manner.

**Share of implant volumes**



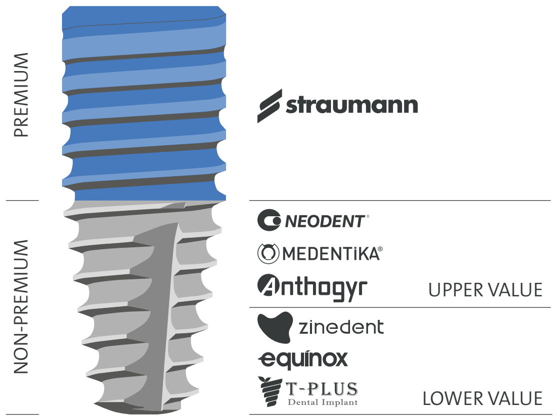

**Product portfolio break-down (in value)**



New market entrants and price pressure from discounters pose a potential threat to established brands (see charts on the previous page). We conduct analyses of competitors based on our own and external market intelligence to counteract such risks and to evaluate our opportunities. Examples of managing and addressing this risk in 2019 are:

- the rollout of our BLX implant system
- the continued penetration of the non-premium segment with our existing brands and further acquisitions (Anthogyr, Medentika, Warentec)
- the continued expansion into orthodontics (e.g. through our acquisition of Digital Planning Service in Pakistan and our partnership with ZhengLi Technology in China)
- investments in the materials supply chain (e.g. our acquisition of Bay Materials and Yller)
- investments in production centers on three continents (see p. 74 ff.).

**Illustration of the Straumann Group implant brand map, which covers all price levels**




## OPERATIONAL RISK

### LEGAL RISKS

We operate in a competitive market, in which legal compliance, agreements and intellectual property rights are of significant importance. The Group continues to be involved in a dispute against CapNet Securities regarding the recognition of converting warrants into shares from ClearCorrect. The Group also continues to enforce its IP rights and has initiated an IP litigation against a California based company selling copies of patented Straumann products.

### CYBER SECURITY RISK

Reliable, correct and safe handling of information is essential to our business. Risk and security management are therefore an integral part of the Group's IT strategy. The main objectives are:

- to achieve business goals while reducing IT risks through security measures, controls and by the creation of security awareness among employees and management
- to safeguard data and to protect and guarantee the integrity of the Group's digital assets and infrastructure around the world
- to ensure the availability of IT services (applications and systems) as required by business processes and stakeholders.

**Reliable, correct and safe handling of information is essential to our business.**

The Group's IT risk and security management framework is derived from widely used industry standards, such as the ISO/IEC 27000 series, GMP and COBIT, to manage cyber and IT security risks, threats and controls. Ethical, legal, economic and social principles are taken into consideration.

The Group's IT Risk and Security Management Committee approves and adopts the information security strategy as well as essential business-critical implementations. The Committee meets regularly and includes the CFO/CRO, the Head of Corporate IT Business Applications (ITBA), the Head of Corporate Information and Communication Technologies (ICT), the Data Protection Officer (Corporate Legal Services) as well as the Head of IT Risk & Security Management, who is responsible for:

- assessing IT security threats and their business value
- mitigating IT risks (including data loss and corruption)
- evaluating IT service continuity plans
- verifying the effectiveness and efficiency of IT security controls and hardening IT assets security
- improving IT security awareness for all employees
- maintaining security policies, procedures and supporting standards in alignment with (core) business processes
- establishing IT security key performance indicators and reporting structures.

**Recent acquisitions and expansion provide the Group with implant and clear aligner manufacturing facilities on four continents.**

## MANUFACTURING AND SUPPLIER RISK

The Group has spread its manufacturing risk by establishing production centers for key products at different locations around the globe. The ongoing expansion of Straumann's and Neodent's production facilities as well as the establishment of additional CADCAM milling and printing centers help to mitigate this risk. Recent acquisitions of implant companies provide the Group with implant manufacturing facilities in Asia and the EU.

With regard to suppliers, we pursue a second source strategy which offers a high degree of independence from single suppliers. Straumann and Neodent production facilities keep about a year's stock of titanium, the key material for the Group's implant systems, to avoid any bottleneck in the chain of supply and demand.

**We pursue a second source strategy which offers a high degree of independence.**

## ETHICAL SUPPLY CHAIN

Our Code of Conduct for Suppliers refers to working conditions, human rights protection, business ethics, legal compliance, and environmental protection in the supply chain. A signed copy of the Code is requested in instances where a potential conflict has been identified, e.g. for raw material suppliers in countries where child labor might be an issue.

## PRODUCT RISK AND TREATMENT OUTCOME

We seek to minimize product risks by using state-of-the-art techniques for product risk management, and we conduct long-term product surveillance. These processes are frequently reviewed by regulatory agencies to confirm that internationally recognized standards are met. Furthermore, we conduct pre-clinical and clinical trials, followed by controlled, selective introductions where appropriate. We also offer a comprehensive range of educational courses, at all levels and in all countries where our products are sold.

## **FINANCIAL RISK** (see also Financial Report)

### EXCHANGE RATE RISK

As the major part of our business is international and since we prepare our financial statements in Swiss francs, fluctuations in exchange rates affect both the Group's operating results and the reported values of the assets and liabilities. The Group is primarily exposed to the euro, the US dollar, the Brazilian real and the Chinese renminbi.

Given the Group´s structure, the transactional foreign currency exposure is naturally concentrated centrally and subsequently managed by Group Treasury applying a selective hedging approach. Speculative trading is forbidden. The Group CEO reviews and approves the policy for managing these risks, and the Audit and Risk Committee is informed about all changes.

The Group's gross transactional booked exposure at year-end is presented in the table on the right.

### CREDIT RISK

Credit risk refers to the ability of our customers to settle their obligations as agreed. There are no significant concentrations of credit risk within the Group.

### COUNTERPARTY RISK

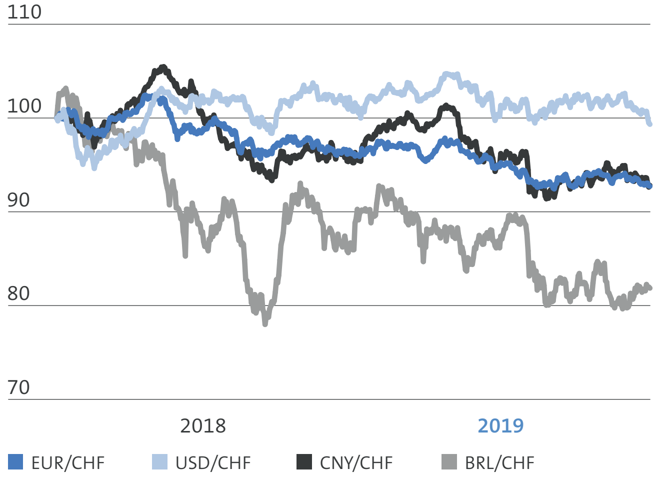
Counterparty risk encompasses issuer risk on marketable securities, settlement risk on derivative and money-market contracts, as well as credit risk on cash and time deposits. Exposure to these is closely monitored and kept within predetermined parameters.

Further information on financial risk management is provided in 9.2 (see p. 178 ff. of the consolidated financial statements).

**Group currency breakdown & gross transactional booked exposure (TBE at year-end)**

| | Sales | Cost | TBE |
|---|---|---|---|
| CHF | 6% | 17% | n/a |
| EUR | 27% | 27% | 13% |
| USD/CAD/AUD | 32% | 32% | 23% |
| BRL | 7% | 8% | 1% |
| CNY | 10% | 5% | 12% |
| Others | 18% | 11% | 51% |

**Currency chart (USD, EUR, CNY, BRL)**



### INSURANCE POLICIES

The Group covers its inherent key business risks in the same way that it covers product or employer liability risks and property loss through corresponding insurance policies held with reputable companies.

### PENSION LIABILITY RISKS

The Group offers its staff competitive pensions. The pension funds are managed locally and invested by independent financial institutions. The investment strategy of the Swiss pension fund, which represents the largest pension plan of the Group, is determined by the Group's Pension Fund Commission and is executed by its Investment Committee and financial institution. The pension funds publish regular reports for all members.

## COMPLIANCE RISK

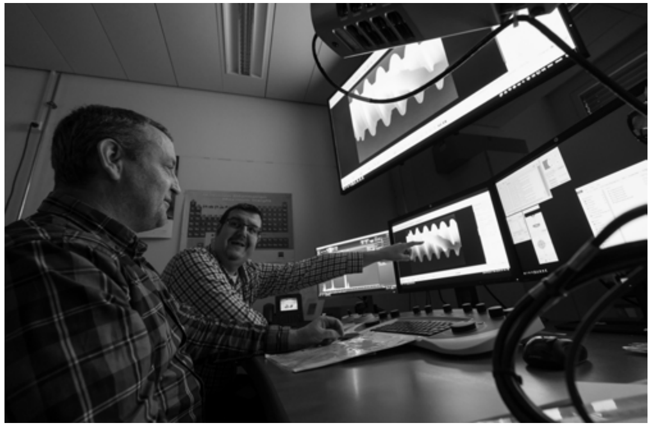
It is essential for the Group to ensure that the company in general, as well as its employees, conduct business in a legal, ethical and responsible manner. Following the revised Code of Conduct, Straumann has improved its compliance hotline in 2019, by contracting with a third party provider, ensuring that all employees in all subsidiaries can report Code of Conduct violations anonymously in their local language. Infringements of the Code are tracked, and appropriate measures are taken against cases of non-compliance.

### LEGAL COMPLIANCE

We manage and ensure compliance with laws and regulations by implementing internal policies, processes and trainings, and by monitoring legal and regulatory developments throughout the Group worldwide. Our compliance management in particular covers areas such as anti-corruption, data protection and privacy, anti-trust and insider trading as well as finance legislation. Our management system is set up to be fully compliant with Sunshine legislations, which have been enacted in several countries.

### REGULATORY AND QUALITY COMPLIANCE

Medical device companies face growing scrutiny from regulators around the world as well as increasing requirements for documented evidence in order to demonstrate compliance. To avoid the risks associated with regulatory compliance for medical devices, we have a qualified team of experts in regulatory and quality assurance.



Quality assured: for decades, Straumann has been using the latest technology to analyze material composition, surface structure and performance.

Focused quality objectives and key performance indicators together with comprehensive audit programs – both internal and for suppliers – are used to assure compliance and to identify opportunities for improvement. The Group also runs a continuing education program to streamline processes.

In 2019, Straumann Group subsidiaries in France, Norway and the United Kingdom were inspected by local authorities for proper storage of products derived from human tissue. Facilities in Spain were inspected for other criteria. No major observations were identified. We passed all Notified Body audits at our manufacturing and design / development sites, which are required to maintain the certification status of the quality and environmental management systems. The Group's global regulatory team coordinates and supports all our brands in the area of international quality compliance and regulatory affairs.

Some of our design and manufacturing sites use the Medical Device Single Audit Program (MDSAP), a global approach to auditing and monitoring the manufacture of medical devices, which could improve compliance internationally. The MDSAP allows a recognized Auditing Organization to conduct a single regulatory audit of a medical device manufacturer that satisfies the relevant requirements of the regulatory authorities participating in the program:

- Therapeutic Goods Administration of Australia
- Brazil's Agência Nacional de Vigilância Sanitária
- Health Canada
- Japan's Ministry of Health, Labour and Welfare & the Japanese Pharmaceuticals and Medical Devices Agency
- U.S. Food and Drug Administration (FDA), Center for Devices and Radiological Health CDRH (accepting MDSAP audit reports as a substitute for routine Agency inspections).

We continue to challenge our quality by mock FDA inspections at the FDA-registered establishments. To ensure the readiness of our people and processes at our certified sites, we have also conducted unannounced internal audits and dedicated audits of our technical files.

Several regulatory authorities continue to inspect manufacturers in foreign countries. We are prepared for this and have experienced teams of regulatory and compliance experts in Basel, the US, China, Japan, Korea and Brazil. As a consequence, recent successful registrations were achieved through excellent collaboration between our experts in Basel and our colleagues in the regions.

Implants are rigorously tested for stability during development.

The new Medical Device Regulation (MDR) issued in Europe means greater surveillance, higher need for more and better clinical data, more involvement of competent authorities for higher risk products, longer approval times and active post market surveillance. Notified Bodies have declined in number and their control has increased. Stricter requirements and regulations are also expected in smaller markets, which will increase the need for enhanced compliance and safe and efficient products. In order to ensure access to European markets under MDR, planning for remediation is essential. Across the Straumann Group, projects to comply with the new European Regulation for Medical Devices are well underway. We successfully completed our first MDR certification audit in December with excellent results.

**Projects to comply with the new European Regulation for Medical Devices are well underway across the Straumann Group.**

### REPUTATION RISK

Like other leading manufacturers, the Group is exposed to the risk of damaged public perception of its products and solutions by third parties. This might be the result of poor implant placement, competitors' inferior quality implants and other solutions, or unethical business practices. Various Straumann Group country organizations belong to associations of manufacturers of medical and / or dental products, such as FASMED in Switzerland, Comident in France and ABIMO in Brazil. These associations are dedicated to the advancement of medical technology and its safe and effective use.

# SUSTAINABILITY REPORT

# Sustainability approach and materiality

This page addresses GRI disclosures 102–43, 102–44, 102–46, 102–47.

## MATERIALITY ASSESSMENT AND REVIEW

In our latest strategic materiality assessment, we identified the most relevant topics for business success as well as stakeholder interests. By addressing these material topics, we ensure long-term performance, monitor high-level risks and opportunities, and strengthen relationships with our stakeholders. The materiality assessment is based on interviews with senior managers across the company every year. The interviews are aligned with the principles of the Global Reporting Initiative (GRI) for defining report content.

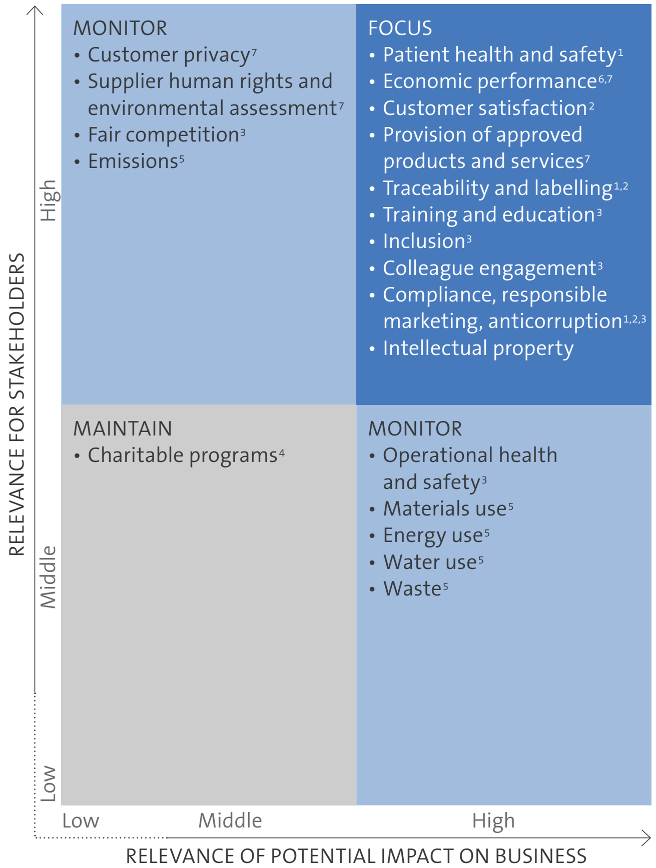
The materiality map on the right provides an overview of the topics that were deemed the most material for our business success (horizontal axis) and interests expressed by our stakeholders (vertical axis). In 2019, we made slight adjustments to the materiality map. We value a blend of backgrounds, outlooks and experiences – as diverse as our customer base. We believe that diversity is a source of creativity and contributes to business success. In order to accentuate this, 'diversity, equal opportunity, non-discrimination' are now described with the terms 'Inclusion' and 'Colleague Engagement'. 'Staff Fluctuation' dropped out of the materiality map. It remains a key metric in the context of 'Inclusion' and 'Colleague Engagement' and is referenced accordingly.

## STAKEHOLDER ENGAGEMENT

At the Straumann Group, open communication and interactive dialogue with stakeholders is an important part of corporate responsibility. Stakeholders include investors, customers, employees, members of the community, and conservationists. Each group places different levels of importance on various aspects of our performance. Shareholders are interested in share-price development and good governance, while responsible investment professionals are also keen on performance in sustainability aspects. Customer interests include assistance in growing their business and establishing specialist reputations. Dental service organizations focus on affordability and an ethical supply chain. Employee feedback highlights professional development and a healthy work-life balance. Charitable partner organizations are interested in continuing sponsorship relations and agreed goals. Finally, various groups emphasize moral obligations to conserve the environment.

In this report, we discuss processes and results of performance-relevant dialogues with key stakeholders. Our material sustainability topics are addressed in the following sections on customers, employees, communities, and environment.

**Sustainability materiality map**




Information on material sustainability topics is provided in the following places in this annual report:

1 Risk Management, p. 51 ff.
2 Customers, p. 61 ff.
3 Employees, p. 66 ff.
4 Communities, p. 70 ff.
5 Environment, p. 78 ff.
6 Operational performance, p. 36 ff.
7 Appendix, Global Reporting Initiative, p. 195 ff.

# Customers
## Winning key accounts through value and innovation

### CONTINUED CUSTOMER GAINS

Our customer base expanded substantially in 2019 as we added small, medium and large-volume users as well as corporate customers that use thousands of implants every month. The key factors driving these gains are:

- innovation (e.g. BLX), value-added services, and total solutions including digital
- starter training and education courses
- attractively priced alternatives to competitor products (including our Straumann titanium SLA range, Anthogyr, Neodent, Medentika and other brands in our value portfolio)
- acquisitions and joint ventures (e.g. Anthogyr, Bay Materials, Peak Dental)
- forward integration (acquisition of Croatian and Chilean distributors and Swiss milling center)
- online marketing and sales initiatives.

### INNOVATING TO WIN CUSTOMERS FROM COMPETITORS

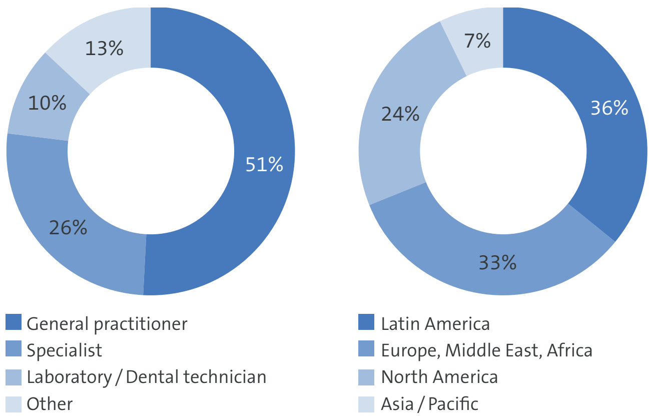
Straumann BLX is a highly flexible, innovative implant that appeals to a broad range of dentists, especially those who use high-end fully-tapered implants supplied by our competitors. After just a few months on the European and American markets, BLX had attracted more than 1 200 new customers, including large volume key opinion leaders, in addition to existing Straumann customers. By targeting specific customers, we also preserved and even increased sales of our apically tapered implant BLT.

### YET MORE CORPORATIONS IN OUR CUSTOMER LANDSCAPE

The rapid increase in dental service organizations (DSOs), networks and chains, accompanied by a corresponding decrease in independent practices, is another significant trend – particularly in North America, Europe and China. DSOs range from local chains to international networks of fully integrated clinics. A single DSO can comprise up to 1 000 clinics employing teams of dentists and technicians and serving millions of patients each year.

As this trend continues, an increasing portion of the dental business is determined by corporations with purchasing power, influence and special needs, including premium and non-premium

**Straumann's customers by segment (left) and by region (right)**




The Straumann Group's customers are spread over more than 100 countries and include general dentists, specialists (oral surgeons, periodontists, prosthodontists, orthodontists), dental technicians and laboratories, as well as corporate customers (labelled 'Others' in this chart) such as distributors, hospitals, universities and dental service organizations (DSOs). A single DSO can represent hundreds of clinics and dentists, including generalists, specialists and technicians.

There were no significant shifts in the specialization and geographic distribution of our customers. All segments grew well. The respective proportions of general dentists and specialists increased and decreased slightly, reflecting a continuation of the trend we have observed in recent years and other factors, such as the growth in our clear aligner business.

implant ranges, orthodontic solutions, private-label lines, logistics services, support for international expansion, increased efficiency, digital workflows, guided surgery, simpler, faster treatments, and support through education to ensure quality and to train young dentists.

The Straumann Group is well equipped to address these needs and to capture the significant business opportunity that corporate customers offer. Having expanded our dedicated global DSO unit significantly in 2019, this business continued to grow dynamically as we won further preferred-supplier contracts with large DSOs in all regions. Four of the large implant-focused chains / networks that we started to collaborate with in 2019 collectively operate more than 1300 clinics and place more than 300 000 implants annually. In China, dental implants were placed almost exclusively in hospitals until the recent emergence of DSOs, which now account for more than a third of implants placed, while individual practices account for approximately 15%.

Getting alongside customers to help others; a charity bike ride organized by Straumann Germany to raise money for a cancer charity.

## CUSTOMER EDUCATION – A KEY TO SUSTAINABILITY

Long-term success and patient satisfaction depend on product performance as well as the education and experience of the treatment provider. In addition to providing proven products and solutions, Straumann offers a broad educational program around the world, covering all proficiency levels and relevant specialties. ITI specialists are the main teaching providers in collaboration with leading universities. Neodent also offers a broad educational program covering all levels and relevant specialties with its partner, ILAPEO.

We continued the roll-out of our SMART education concept, which offers blended learning opportunities which combine online study with hands-on tuition. Together SMART and the ITI Academy offer more than a hundred modules appropriate for starters, DSOs, universities and specialists who need to train referring partners on Straumann products.

The Straumann Peer-to-Peer Program was started in 2014 with the objective of converting prospective customers by sharing expertise and offering coaching with highly experienced surgeons. The success of this program has led to the creation of more than 30 independent Centers of Dental Education (CODE) around the world, which specialize in specific areas (e.g. fully edentulous treatments and immediacy protocols) and act as aligned hubs offering state-of-the-art training and education to help customers switch to or develop with Straumann. Going forward, we will be to leverage these centers to introduce new high-performance training tools e.g. interactive and virtual reality teaching systems.

More women are graduating from dental school than men[1,2], but this strong trend is not yet reflected in their engagement in implant dentistry.

## BUILDING THE FUTURE CUSTOMER BASE

Attracting young dentists to implant dentistry and orthodontics is important to the sustainability of our success. Past perception-pulse studies revealed that their most common expectation from companies like ours is help in building a reputation and a business. To meet this expectation, the Straumann Young Professional Program offers educational events that focus on dental skills, practice management and marketing. The program also offers access to a professional network as well as special concessions on products / services. In 2019, approximately 300 young dentists participated at the second European Young Professional Summit, which we hosted in Amsterdam.

A dedicated highly trained sales team is an important channel for customer feedback.

## ADDRESSING THE GENDER SHIFT

More women are graduating from dental school than men[1,2], but this strong trend is not yet reflected in their engagement in implant dentistry. To inspire and engage more women in implant dentistry, we intensified our Women's Implantology Network initiative (WIN), bringing female practitioners and academics together in order to network, encourage, support, mentor and gain deeper insights into their needs. The ITI now offers WIN members access to educational content in a dedicated ITI Academy online classroom as well as an introductory discount on ITI membership. In 2019, WIN held its first international conference, in Malta, and quadrupled its membership to 2000.

## CUSTOMER DIALOGUE

Our primary sources of customer feedback include:

- direct contact through our sales force
- scrupulous complaint management, evaluation and reporting
- market acceptance tests and limited market releases (LMRs) to obtain customer feedback prior to product launch; with Straumann BLX, we used an online tracker for customers to post perceptions, experience and feedback, providing useful insights into product use and service
- post-launch tests (e.g. to check the effectiveness of our marketing messages) and expert meetings including customers involved during development
- online channels and platforms (see below).

These and other channels are important sources of market intelligence and feedback, which is processed and used to refine products, usage, solutions and services.


The first WIN summit was attended by 160 female dental professionals from 27 nations.

## SERVING CUSTOMERS DIRECTLY

We serve customers directly through our teams of sales and marketing professionals, most of whom are highly trained sales representatives or service staff. This adds value for customers and helps us to identify, manage and learn from their needs. In 2019, we continued our global training program to enhance the effectiveness of our sales representatives and to help our customers improve their businesses.

## AN INCREASINGLY DIGITAL APPROACH TO CUSTOMERS

Digital channels are increasingly important in our approach to customers and our interaction with them. E-commerce and digital platforms tell us about customer purchasing patterns and enable us to address their needs proactively. More than a third of our business comes through our e-shop, which increase efficiency with additional services like e-consignment (automatic stock replenishment and management) and e-returns.

We invested further in e-commerce in 2019 and developed a new platform that customers can also access conveniently and easily with mobile devices, which is particularly appealing for the growing number of practices that rely on tablets. The platform has enhanced cross- and up-selling capabilities and introduces customers to other products and benefits that complement ordered items or may be of interest to them.

In 2019, we invested in a new cloud platform with automated marketing capabilities that provides tailored information to customers depending on their online interest and behaviour. It also automates customer mailings and promotional campaigns.

Digital campaigns are increasingly important for reaching customers, addressing their information needs and collecting feedback. We use social media channels to target hundreds of thousands of users with customized marketing campaigns. The reach and cost-effectiveness make these channels particularly attractive. In 2019, we broadcast our scientific forums, symposia and other events (see p. 13) via social media channels, significantly broadening our audience beyond on-site participants.

## A NEW ONLINE CHANNEL PROMOTING DIALOGUE

Towards the end of the year, we launched 'youTooth', an online community channel that is also accessible by mobile phone. Bringing dental professionals together, it aspires to become 'the place to be in dentistry', where key opinion leaders present, discuss trends and challenges, exchanging

**youTooth – where dental professionals share what they know and learn what they do not. www.youtooth.com**


The Group's new online community channel is also optimized for mobile devices and brings dental professionals together.

scientific and technical expertise with their peers and fellows worldwide. It features industry insights, clinical case studies, multiple video channels (LIVE, PLAY, 60 SECONDS, SCIENCE and CASE) and a host of other multimedia materials, including 40 recent video interviews where external experts share their views on our company, products, treatments and other topics. It also incorporates our scientific newsletter with summaries of recent publications.

**We established a group of endorsed top KOOLs to address dental professionals online.**

## CONNECTING WITH KEY ONLINE OPINION LEADERS (KOOLS)

KOOLs are key opinion leaders, who are well established in social media and have a recognized presence in the digital world through blogs, podcasts, online courses, webinars, live-streamed events, or social media channels. In our field, KOOLs typically attract sizeable audiences to their online channels and are gaining in number, relevance and influence. They have diverse profiles. In 2019, we started an initiative to identify top KOOLs who use our products to create a select endorsed group with the objective of addressing the interests and needs of a large number of dental professionals who go online to keep up with the latest scientific and clinical trends.

PLAY – one of several video channels offered on youTooth featuring KOOLs.

## SAFEGUARDING COMPLIANCE IN THE INTEREST OF PATIENTS

Our Global Sales Compliance Program has been in place since 2009 and is one of several safeguards to ensure compliance with regulations relating to the sale of our products and services. The addition of a dedicated global compliance function in 2019 underpins this program. Further supporting our commitment to the patients' interests, much of the scientific information used to endorse our products is peer-reviewed.

**Notes and references**

1 Distribution of dentists in the US, by region and state, 2009. America Dental Association. 2011 Apr.
2 FDI Oral Health Atlas, 2014, p. 61.

# Employees
## Creating a culture that enables people to perform at their best

### CONTINUED INVESTMENT IN PEOPLE AND CULTURE

With our business expanding strongly, we created approximately 800 new jobs worldwide, which – together with acquisitions – increased our global workforce by more than 1600 to approximately 7600. The majority of new positions were in production and in sales. We created 122 jobs in Switzerland, mostly in production, reflecting the value of our Swiss brand and our commitment to Straumann's roots. Acquisitions added more than 800 employees in 15 countries. As a result, the diversity, spread and strength of our global team increased further. To support, manage, administer and meet the needs of our fast-growing global workforce and to seek additional talent, we invested in our People Management & Development teams globally and enhanced efficiency for example through further digitalizing personnel processes.

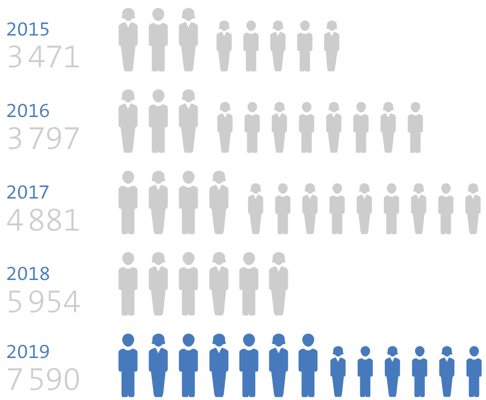
Next to the creation of new jobs, our largest investment in people continues to be in our Cultural Journey to promote the mindset and culture that foster and enable constructive behavior, collaborative leadership and high performance. Throughout the past six years, the Cultural Journey has shaped our company and helped us to achieve excellent results, sustainable market outperformance, and significant market share gains.

In 2019, more than a thousand colleagues around the world participated in Cultural Journey workshops. In addition, we launched a new program to help leaders reach their full potential, inspire high performance, and drive organizational culture through others. It places emphasis on building an environment of psychological safety in which colleagues are able to speak up, challenge and be challenged – within a framework of accountability. The top two management tiers completed the program, which was developed in house and is facilitated by the executive management team. The roll out will continue in 2020.

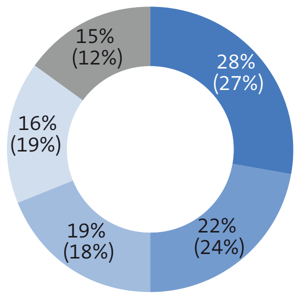
### GLOBAL PULSE CHECK

Our annual pulse-check survey is an important indicator of cultural progress and engagement. Conducted Group-wide in 15 languages, it continued to generate a high response rate (77%). Once again,

**Employees**

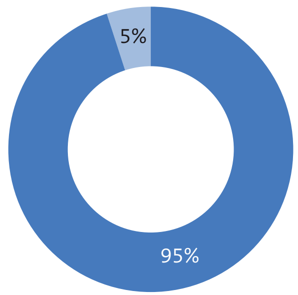



**Employees by region**




- Rest of EMEA
- Latin America
- North America
- Switzerland
- Asia/Pacific

**Employment**




- Full time
- Part time

Numbers in brackets refer to 2018.

more than 90% of respondents said they are proud to work for the Straumann Group, love what they do and feel their work contributes to the overall success of the company. More than 80% perceive the company culture as positive and support our Cultural Journey. Numerous meetings and forums took place throughout the organization to address the lowest-scoring areas and qualitative issues raised.

## PERSONAL DEVELOPMENT

As our company grows in size and complexity, it becomes increasingly challenging to share and capitalize on our knowledge of individuals, to understand their aspirations and to see opportunities for internal development. To help bridge this gap, we have digitalized our talent and succession management process using a platform on which employees record their own profiles including skillsets, mobility, interests and experience. This helps us to understand their aspirations and to discuss / develop career paths and development plans. The platform also enables colleagues to give recognition to others and to celebrate outstanding behavior.

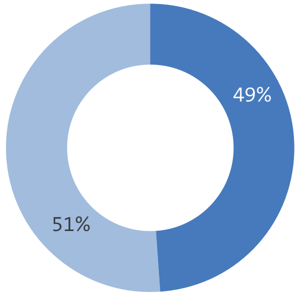
## DEVELOPING SKILLS AND ENSURING SUCCESSION

Training and development are essential to meet the requirements for an international company in the medical device industry and are keys to attracting and retaining top performers. In addition to introductory product and technical training, we continued to offer updates and refreshers for staff who have been with the company for some time. We maintained our apprenticeship, internship and Corporate Graduate Programs in 2019, with the aim of offering jobs to as many participants as possible.

Our 12-month Global Development Program identifies and develops future senior leaders with a view to filling our succession pipeline. It focuses on members of junior to middle management who have leadership talent and aspirations. It involves real-life business assignments, assessments, individual development support and mentoring by top management. In addition, 18 managers were included in a new European Talent Development program.

Our Strategic Management Development (SMD) process involves senior management, people in key positions, and future leaders. It reviews leadership, performance, behavior, and career potential as a basis for development, deployment, and succession planning. As in previous years, our goal is to fill the majority of business-critical and key management positions with internal candidates, which we accomplished in 2019. Examples of this are the nominations of internal successors for the CEO and Global Head of Marketing & Education.

**Employees added by business and geography**




**Organic expansion**
830 employees were added, of which around 400 work in production in the US, Brazil and Switzerland. More than 200 jobs were added in Sales.

**Acquired businesses**
Approximately 800 employees joined the Group as a result of acquisitions. Around 600 of these employees work in Pakistan and France. Out of these more than 400 work in production.

Beyond continuity: passing decades of expertise on to the next generation.

## SMART TECHNOLOGY CHANGING THE WAY WE HIRE

We launched an innovative hiring platform in 2019 and already use it for more than 80% of the Group's recruitments. It interfaces with social media platforms and has attracted more than 50 000 applicants. This technology is delivering high quality candidates and increasing recruiting efficiency.

## DIVERSITY AND EMPLOYEE PROTECTION

A diverse team adds value and supports our ability to serve an increasingly diverse customer base. We monitor diversity with regard to age, gender, origin and educational background. Gender diversity is generally strong: females account for 43% of our employees and 35% of our managers worldwide. Our female representation in management is almost twice the average of the 250 largest Swiss companies listed in the 2019 Schilling Report. Our policy is not to discriminate between genders with regard to compensation.

Now in its second year, '#Power-up:Women@Straumann' is an initiative to help our female colleagues grow in their careers. It includes workshops, mentoring, networking, learning and skill-building. In 2019, Neodent launched its similar Juntas program which currently has more than 300 participants. These internal initiatives reflect our successful external program to support women dentists.

Freedom of association is allowed throughout the company in compliance with laws and regulations. There is a general preference for informal employee dialogue, and labor contracts are negotiated individually rather than by collective bargaining.

Health and safety training and awareness are given due importance throughout the Group. No workplace fatalities or serious accidents were reported in 2019.

## RESPONSIBILITY AND ETHICAL BEHAVIOR

Our revised Group Code of Conduct was rolled out Group-wide in 2019. It is an integral part of our employment contracts and is designed to ensure that all our people conduct business in a legal, ethical and responsible manner. It is mandatory for all employees and includes requirements for good corporate citizenship, including respect for people, property and the environment. Clear responsibility for local implementation is assigned to each Country Head. In addition, we strengthened our compliance function and began to offer a worldwide hotline service for staff to report compliance issues and concerns. In 2019, five Code of Conduct violations were reported including one case of discrimination. Appropriate disciplinary actions were taken including four dismissals.

This page addresses GRI disclosure 102 – 41

Colleagues celebrating the 40 years of Straumann Germany, where 60% of the team have been with Straumann for more than 5 years.

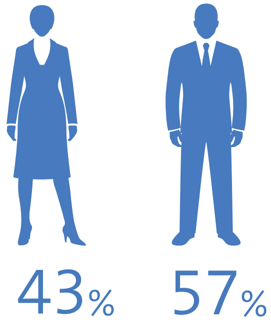
In 2019, more than a thousand colleagues around the world participated in Cultural Journey workshops.

**Human resources key figures**

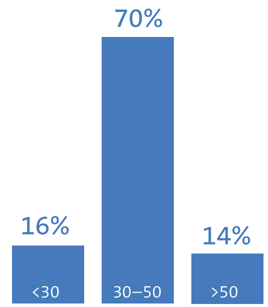
| Parameter | | Unit | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Staff size | Employees | Total headcount<br>Full-time equivalents | 7 590<br>7 494 | 5 954<br>5 874 | 4 881<br>4 811 |
| Employment type | Part-time employees | % of headcount | 5 | 4 | 4 |
| Gender diversity | Women in general staff (excl. Mgmt) | % | 44 | 46 | 47 |
| | Women in management[1] | % | 35 | 32 | 31 |
| | Women in SMD pool[2] | % | 37 | 31 | 26 |
| Training and education | Investment in staff learning[3] | CHF million | 3.9 | 2.9 | 3.9 |
| | Average annual training & learning | Days / employee | 4 | 4 | 4 |
| Turnover and absence | Staff turnover[4] | % | 14 | 13 | 12 |
| | Absence rate due to sickness[5] | % | 4 | 4 | 4 |
| | Absence rate due to workplace accidents[5] | % | 0 | 0 | 0 |
| | Work-related fatalities | Number | 0 | 0 | 0 |
| Employee protection | Reported cases of discrimination / harassment | Number | 1 | 2 | 3 |

1 Job position “Manager” and all levels above.
2 Strategic Management Development group (senior management reporting to the EMB plus outstanding talents identified throughout the organization).
3 Only direct expenses for internal and external training activites are counted here. Salaries paid to employees while in training are additional and are not included.
4 Includes resignations and terminations.
5 Switzerland only. Proportion of absence time compared to target working hours.

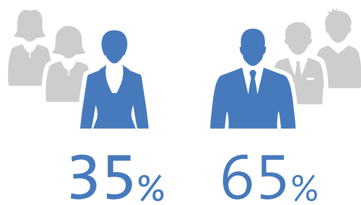
**Gender**




**Age**




**Leadership by gender**




**Staff structure by category and age group** (in %)

| Age | <30 | 30–50 | >50 | Unit | 2019 |
|---|---|---|---|---|---|
| General staff (excl. Management) | 16 | 57 | 11 | % of headcount | 84 |
| Management[1] | 0 | 12 | 4 | % of headcount | 16 |
| TOTAL | 16 | 70 | 14 | | 100 |

1 Job position “Manager” and levels above.

# Communities
## Continuity in charitable projects

### MAKING A MEANINGFUL DIFFERENCE IN A SUSTAINABLE WAY

The provision of safe, effective, lasting solutions that enhance well-being and quality of life is our biggest contribution to the community. Over the years, our solutions have helped dental professionals to create smiles and restore confidence in millions of people around the world. Still, millions lack access to even the most basic dental care. This is the motivation behind our charitable activities, which focus on dentistry, where we can make a meaningful difference.

### PRINCIPLES AND CLEARLY SET TARGETS

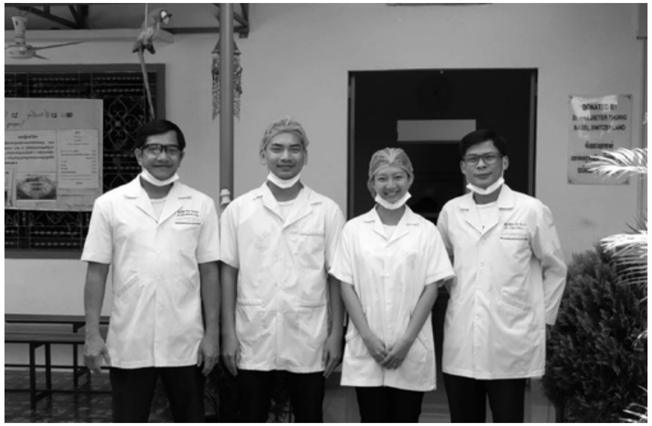
Our Corporate Sponsoring Committee evaluates requests and initiatives according to clearly defined principles and policies. We set clear goals and look for continuity as well as sustainability in the projects we support, which is reflected in our long-standing relationships and commitments. In 2019, we evaluated approximately 70 requests and supported 25 projects in various countries (see table on p. 72).

### CONTINUITY AND SUSTAINABILITY

Most of our projects have been running for many years and we strive for long-term commitments wherever appropriate. Our charitable projects include:

- Straumann AID (Access to Implant Dentistry), a global initiative to help underprivileged patients who are in need of treatment but cannot afford it. This program has been running since 2007 and relies on collaboration with dentists or dental surgeons who provide treatment without charge, while we donate the relevant products.
- The National Foundation for Ectodermal Dysplasia (NFED), a US-based non-profit organization that helps ED patients and their families. Among other symptoms, ED patients typically show severely malformed or missing teeth from infancy. We provide free implants and prosthetics in addition to financial support for the NFED, which has been our partner since 2004.
- The Sonrisa project provides free dental treatment to orphaned children in Nicaragua and has received our support since 2006.
- Neo Sorissos (New Smiles), Neodent's mobile dental clinic in Brazil, has now been on the road for three years. Staffed by 200 volunteer dental professionals, it has travelled across the country to various cities in order to serve thousands of patients free of charge.


We continued to support the treatment of children with cleft palate in Indonesia.



Four young dentists whose dental training has been sponsored completely by Straumann.

- The NOIVA project in Jordan operates a mobile dental clinic and offers dental treatment to refugees along the Syrian border. We have been sponsoring this project since 2018 and intend to support it for some time.
- In Switzerland, our ‘Stiftung schönes Lächeln’ (Beautiful Smile Foundation) is a collaboration with Swiss University clinics to help patients who need implant treatment but have limited financial means.

## BIG HEARTS FOR YOUNG TEETH

We continued to support a team of surgeons to treat children with cleft palates in Indonesia and, through two Swiss-based charities, we provided dental treatment and education to children in poor regions of Myanmar and Vietnam. The Rebuilding Smiles initiative in Australia provides free dental work to children and women who have suffered dental injury in domestic violence.

## HELPING YOUNG DENTISTS TO HELP NEEDY PATIENTS

We continued to fund scholarships to young dental students who are connected with projects that we support in Cambodia and Nicaragua. These students are already serving their communities in local clinics. In addition, we regularly support dental school students from North America and Europe who spend part of their vacations to offer free dental care to patients in underprivileged areas with no regular dental services. We intensified our collaboration with German student networks like Dental Volunteers and Mini Molars, through which several outreach projects from various dental faculties at German universities were organized in Cambodia, Madagascar, Tanzania and Uganda.

All of these projects focus on dentistry and promote the Group’s reputation among its stakeholders as a caring, responsible corporate citizen. This supports our business and thus adds value for our shareholders. We are grateful to our dental partners – many of whom are volunteers – for their devotion and for ensuring that the funds are used efficiently.

Above and below: We continued to sponsor various dental hygiene initiatives in underprivileged regions.

**Main initiatives and projects sponsored by Straumann in 2019**

| Region | Lead partner | Objective[1] | Status / results |
|---|---|---|---|
| Global | Straumann AID | Free implants and materials for needy individuals, supporting volunteer dentists | Ongoing since 2007 |
| Australia | Australian Dental Association Rebuilding Smiles | Free dental treatment to women and children affected by domestic violence | Ongoing since 2017 |
| Brazil | ILAPEO | Free dental implant treatment for underprivileged people | Ongoing |
| Brazil | Neodent | Novo Sorrisos mobile clinic, dental care for underprivileged individuals | Ongoing since 2016, ≈3000 patients treated annually |
| Cambodia | Hope for All Clinic | Dental student scholarships and clinic support | Ongoing since 2007, currently 1 student fully supported |
| | Mini Molars / Volunteers Mainz University | Dental treatment & supplies for underprivileged people | Completed |
| Germany | Jung & Krebs | Charity bike ride organization & support for young people with cancer | Completed |
| Indonesia | Dharma Wulan Foundation | Treatment of children suffering from cleft palettes | Ongoing |
| Jordan | NOIVA Foundation | Mobile dental clinic treating Syrian refugees; 1200 treatments performed, 4 jobs created | Ongoing |
| Madagascar | Dental Volunteers, Tübingen & Vienna Universities | Dental treatment & supplies for underprivileged people | Completed |
| | Dental Volunteers, Münster University | Dental treatment & supplies for underprivileged people | Completed |
| Nicaragua | Sonrisa Foundation, Switzerland | Free dental care for orphaned children; support dental student scholarship | Ongoing since 2006 |
| Russia | Solidarnost | Charitable donation to support handicapped children | Completed |
| South Korea | The Smile Charity Foundation | Dental aid for handicapped people | Ongoing |
| Switzerland | Stiftung schönes Lächeln | Affordable implant treatment for seniors with limited means | Ongoing since 2018 |
| Tanzania | Dental Volunteers, Münster & Cologne Universities | Dental treatment for underprivileged people | Completed |
| Uganda | Dental Volunteers, Münster & Cologne Universities | Dental treatment for underprivileged people | Completed |
| USA | National Foundation for Ectodermal Dysplasia | Free implants and prosthetics in addition to financial and public relations support | Support ongoing since 2004 |

1 In each case clear prerequisites and goals were set.

BEYOND CONTINUITY IN CHARITY

# Novos Sorrisos – giving smiles to the underprivileged

Edentulism is a real problem in Brazil where 11% of all adults and 41% over the age of 60 have no teeth. Because more than half the population are unable to see a dentist regularly, Neodent launched its Novo Sorrisos (New Smiles) campaign in 2016, which brings dentistry to local communities via a mobile clinic. To date they have travelled more than 11 000 kilometers and seen 5000 patients in 25 cities. In December, the clinic set up in front of Curitiba's Arena Stadium, home of the beloved Athletico Paranaense football team, and received patients for three weeks.

The public response has been so overwhelming that the Novo Sorrisos team acquired a much larger truck housing two treatment rooms fitted with state-of-the-art equipment and staffed by 200 volunteer dentists from various locations. Their ambition is to reach as many people as possible promoting not only oral health, but also self-esteem.


Watch the linked video ▶

# Global Production & Logistics

## Boosting capacity to cover huge launch program and continuing volume growth

Production output increased significantly in 2019 in response to continued growth in demand for our in-market products. In addition, we had to supply a host of new launches around the world and to cover the needs for new development items in clinical programs. One of our biggest ramp-up projects was to build manufacturing capabilities for a whole new brand of implants that we expect to launch in 2020. All of this posed significant challenges for production and logistics. However, in spite of the initiatives to scale up, we achieved efficiency and productivity gains.

Groundbreaking at Medentika's new production site in Oberreichenbach, Germany.

### CAPACITY EXPANSION

All our expansion projects continued according to plan. In Villeret (CH), the Straumann brand's largest production center, we finished the shell of the new building and began interior construction work. Nearby, in Corgémont, we completed our Global Process & Technology Center and more than doubled production capacity for surgical instruments. Straumann also added production space in Andover (US). In Curitiba (BR), we completed a new facility for producing nuvo implants and ClearCorrect orthodontic aligners. In Germany, Medentika started to build a new production facility for prosthetic components and implants, while in Arlington (US), we purchased land and began architectural work on a new facility. In Round Rock (US), we increased the capacity for aligners, and in Montreal (CDN), Dental Wings relocated after its scanner assembly unit and headquarters were destroyed by fire. In the latter case, our biggest challenge was to minimize disruption of the business and supplies.

### NEW TECHNOLOGIES

In 2018, we worked on developing a new-generation CNC turning machine, which we installed in Villeret and Andover in 2019. The new machines consume less energy and are technically capable of producing more than 50% of our implant system. We also installed fully automated packaging lines at both sites and no longer depend on external suppliers for preformed blisters. Both of these initiatives increases flexibility and reduce costs. In Mendaro (SP), we installed equipment for additive manufacturing based on laser sintering. Our Markkleeberg (DE) center has already started using this technology, which offers new design features to dental lab customers.

## EXPLOITING THE OPPORTUNITIES OF OUR GROWING PRODUCTION NETWORK

We refined our production strategy based on our current and future portfolio requirements and an extensive review of our cost structure in Villeret, Andover and Curitiba. We continue to leverage synergies between the sites and to add value without jeopardizing the "Swissness" of the Straumann brand. The addition of Anthogyr's production capabilities to our supply network offers further synergy opportunities and cost reductions by insourcing items that are produced for us by third parties.

## UPGRADING THE INFRASTRUCTURE

We implemented various software tools to support planning, product verification, product validation, and the submission and administration of regulatory applications. We also developed further applications with a view to exploiting their full potential in 2020.

## SUPPLY CHAIN MANAGEMENT

Our Villeret site and Corporate Logistics in Basel began to introduce the concept of DDMRP (Demand Driven Materials Requirements Planning), which is a method of modelling, planning and managing supply chains to protect and promote the flow of relevant information and materials. Other main sites will follow as we seek to enhance supply chain performance by optimizing planning, stocking and replenishment strategies.

Above and below: Automated clear aligner production in Round Rock, Texas (USA).

**Straumann Group production sites in 2019**

| Products | Location | Markets | Certifications and main countries for clearance |
|---|---|---|---|
| Biomaterials | Malmö, Sweden (Straumann) | Global | ISO 13485, MSDAP[1] |
| CADCAM prosthetics | Arlington, USA (Straumann) | US | Dental licence for lab activity |
| | Markkleeberg, Germany (Straumann) | Europe | ISO 13485, MDSAP[1] |
| | Mendaro, Spain (Createch) | Spain (Europe) | ISO 13485, Dental licence for lab activity |
| | Mersch, Luxemburg (Simeda Anthogyr) | Europe | ISO 13485, Dental licence for lab activity |
| | Narita, Japan (Straumann) | Japan (Asia) | ISO 13485, Dental licence for lab activity |
| CADCAM prosthetics, Digital equipment | Shenzhen, China (Straumann, Dental Wings) | China | CFDA manufacturing licence |
| Clear aligners | Round Rock, USA (ClearCorrect) | Global | ISO 13485 US, EU, Japan |
| Digital equipment | Montreal, Canada (Dental Wings) | Global | ISO 13485 US, EU, Brazil, Japan |
| Implant systems | Andover, USA (Straumann) | Global | ISO 13485, MDSAP[1] China, Russia |
| | Curitiba, Brazil (Neodent) | Global | ISO 13485, MDSAP[1] |
| | Mumbai, India (Equinox) | India, neighboring countries | ISO 13485 |
| | New Taipei City, Taiwan (T-Plus) | Taiwan, China, US | ISO 13485 US, China |
| | Renningen, Germany (Medentika) | Global | ISO 13485 US, EU |
| | Sallanches, France (Anthogyr) | Europe, Asia | ISO 13485, MDSAP[1] for instruments EU, Russia, China |
| | Villeret, Switzerland (Straumann) | Global | ISO 13485, MDSAP[1] China, Russia |
| Resins / Thermoplastics | Fremont, USA (Bay Materials) | International | ISO 13485 application pending |
| | Pelotas, Brazil (Yller Biomateriais) | LATAM | ISO 13485 |
| Software | Chemnitz, Germany (Dental Wings) | Global | ISO 13485 US, EU, Japan |

1 MSDAP: Medical Device Single Audit Program, including Australia, Brazil, Canada, the United States and Japan.

## PRODUCTION EXPANSION PROJECTS*

### ANDOVER (USA)
**Straumann implant system**

+3 000 m²

+60% PRODUCTION CAPACITY

### MONTREAL (CANADA)
**Dental Wings scanners**

4 000 m²

+40% PRODUCTION CAPACITY

### ROUND ROCK (USA)
**ClearCorrect clear aligners**

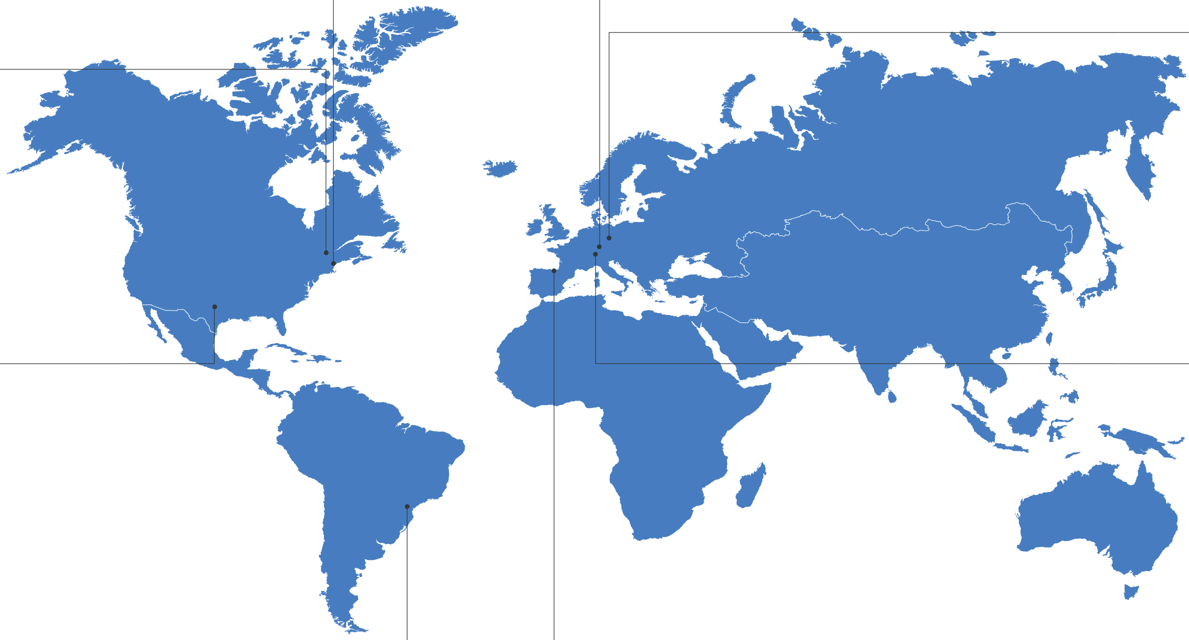
+3 250 m²

+60% PRODUCTION CAPACITY

### CURITIBA (BRAZIL)
**Neodent and nuvo implant systems; ClearCorrect clear aligners**

+11 000 m²

+35% PRODUCTION CAPACITY



### OBERREICHENBACH (GERMANY)
**Medentika prosthetics and implants**

+11 000 m²

+50% PRODUCTION CAPACITY

### MARKKLEEBERG (GERMANY)
**Straumann CADCAM; ClearCorrect clear aligners**

+1 600 m²

+35% PRODUCTION CAPACITY

### VILLERET (SWITZERLAND)
**Straumann implant system**

+16 100 m²

+70% PRODUCTION CAPACITY

### MENDARO (SPAIN)
**CADCAM prosthetics**

+1 300 m²

+70% PRODUCTION CAPACITY

* Expected production capacity increases

# Environment
## Continuously improving efficiency

Using energy and resources efficiently while minimizing waste and emissions wherever possible are inherent to the high-performance culture we foster. We believe that environmental stewardship and combating climate change are essential to sustainable development and must be addressed collectively and globally. As the Straumann Group and our operations continue to expand rapidly, it is no surprise that our environmental footprint has also increased. The geographical spread and speed of our growth add to the complexity of monitoring our impact on the environment. Nevertheless, we have strengthened our commitment and are in the process of expanding the scope of our environmental reporting to include all recently-acquired production facilities as well as larger non-production sites. In addition to providing further transparency, this will help us to identify opportunities for meaningful improvement. Currently, the areas where we see the greatest leverage are in materials efficiency, waste management and energy and water consumption.

**Using energy and resources efficiently is inherent to the high-performance culture we foster.**

### MAINTAINING SOUND ENVIRONMENTAL MANAGEMENT PRACTICES BEYOND COMPLIANCE

As a supplier of medical devices, the Straumann Group complies with stringent regulations, including the analysis of raw materials and rigorous protocols for quality control to ensure the safety and effectiveness of the products we make. All manufacturing processes are fully documented to provide traceability.

In addition to complying with regulations, we track our energy consumption and resulting greenhouse gas emissions, we certify the environmental management systems at our principal manufacturing sites to ISO 14001, we communicate our progress over time, and we have been participating in CDP's Climate Change program since 2010. In 2019, we again reached the "Awareness" level of disclosure, which is awarded to companies for transparent reporting and emission reduction efforts. Care for the environment is included in our Code of Conduct for all employees and our Code of Conduct for Suppliers promotes the same goals.

In 2019, we began a global lean initiative program involving frameworks such as 5S to achieve continuous efficiency improvements and to eliminate waste.

In 2019, we began a global lean initiative program involving senior management. The program uses frameworks such as 5S, which aim to to achieve continuous efficiency improvements through the elimination of waste in manufacturing, warehouse, distribution, fulfillment and logistics processes. This extends to energy consumption, material use, time, quality, scrap, and refuse.

Increased productivity, improved safety and sustained employee commitment are additional benefits of lean initiatives and support the Group's strategic priority of further building a high-performance culture.

We also seek to avoid unnecessary business travel and to reduce air travel. In this respect, we entered an agreement regarding the full compensation of $CO_2$ emissions from business flights by Straumann Group HQ staff with the Lufthansa Group from 2020 on. Emissions will be reduced or offset via investments in sustainable aviation fuels and re-forestation initiatives, which according to recent studies[1] is one of the most effective methods to fight climate change. In addition, our Biora subsidiary in Sweden fully compensated $CO_2$ emissions associated with their business flights in 2019. At several sites we have initiatives to encourage staff to travel to and from work by bicycle.

## UNDERSTANDING OUR IMPACT

Both our business scope and our product portfolio have broadened significantly in recent years. Today we produce titanium / ceramic dental implants, ceramic / metal / polymer prosthetic elements, polymer orthodontic aligners, and biomaterials for tissue regeneration. Through two acquisitions in 2019, we added resins for 3D-printing and thermoplastics for clear aligners.
Our product portfolio includes:

- dental implants and componentry made from pure titanium, titanium alloy and ceramic
- prosthetic elements made of ceramic, metal, or polymer
- clear aligners made from polymer
- biomaterials for tissue regeneration including proteins, collagens and bone derivatives
- digital equipment (e.g. scanners), milling machines and 3D printers, mostly manufactured by third parties and made mainly from metal, plastic, prefabricated electronic componentry and glass
- materials for 3D-printing and aligner production
- prevention products (e.g. whiteners, fluoride varnish, airflow device, hydrogen peroxidase and fluoride made by third party suppliers).

In Basel, we began replacing conventional lighting with LEDs, which will lead to improved illumination and lighting energy savings of up to 20 percent.

Our principal products, dental implants, are produced on CNC turning machines from rods of titanium or titanium-zirconium alloys or ceramic blanks. In the manufacturing process, we use cutting oil as a coolant, followed by sand-blasting, acid etching, cleaning, packaging, and sterilization. We have also started to produce implant system components by ceramic injection molding.

Our production processes make up our most significant internal environmental impact, followed to a much lesser extent by activities in research and development. We do not use significant amounts of heavy metals such as mercury, lead, or manganese, which are often present in the production processes of manufacturers serving the dental industry.

### INCREASING TRANSPARENCY

This report is based on data for our global headquarters in Basel, Switzerland, our country headquarters in Freiburg, Germany, as well as Neodent's headquarters in Curitiba, Brazil. It also includes our production sites in:

- Villeret and Corgémont (Switzerland)
- Markkleeberg and Renningen (Germany)
- Malmö (Sweden)
- Andover, Arlington, and Round Rock (USA)
- Curitiba (Brazil)
- Narita (Japan)
- Montreal (Canada)
- Shenzhen (China)
- Mendaro (Spain)
- Sallanches (France)
- Mersch (Belgium) and
- New Taipei City (Taiwan).

As part of the Group's growth strategy, we hired additional staff at almost all production sites in 2019. In addition to these sites, we have started to extend the environmental data collection process to non-production entities such as offices and warehouses with more than 100 employees. Some of these are already included in the 2019 data, while the rest will be included in our 2020 report. In total we expect to include four further sites in our reporting as of 2020.

This page addresses GRI disclosure 102 – 49

**We started to extend the environmental data collection process to non-production entities.**

## CONTINUED EXPANSION IN PRODUCTION

We are in the process of significantly expanding production at various sites as outlined in the chart on p.77. These initiatives include:

- the expansion of our implant system production centers in Andover, Curitiba, Oberreichenbach, and Villeret
- the addition of clear aligner manufacturing in Europe, together with 3D-printing and selective laser melting processes at our CADCAM milling center in Markkleeberg
- the expansion of our clear aligner production center in Round Rock
- the transfer of Dental Wings to a new facility in Montreal with additional scanner production capacity
- the addition of clear aligner manufacturing in Curitiba to serve the Latin American market
- the increase in Createch's CADCAM production in Mendaro.

## MATERIALS, WASTE AND WATER

Consumption of titanium increased significantly as a result of continued growth, new launches and production expansion. While implant volumes increased, the use of metals (mainly cobalt chrome alloy) for CADCAM prosthetics at our existing sites went down, reflecting the trend towards local milling by customers, a shift towards modern materials like zirconia and improvements in raw material yield by increasing nesting density, i.e. arranging items to obtain the largest number of prosthetics from each disc of raw material. Titanium recycling also increased considerably, most notably due to optimized waste and recycling management processes in Curitiba, but also in connection with the installation and upgrade of machinery. The marked increase in photopolymer consumption was due to the strong growth in our clear aligner business, even though we have been investing in new technology with lower material consumption.

Despite the production increase, acid consumption remained fairly stable due to efficiency measures in surface treatment processes. On the other hand, additional machinery led to a rise in the consumption of oils and cleaning solvents.

Waste in general remained fairly stable in 2019, despite our continued production expansion and revenue growth. The optimization of waste streams and improved separation of waste fractions was an important driver in this context. Water consumption increased moderately, as expected with ramped-up production and additional people. Andover achieved environmental improvements as they switched from foam food trays and cups to paper-based tableware in cooperation with their cafeteria food service provider.

**Titanium recycling also increased considerably, mainly due to optimized waste and recycling management processes.**

## ENERGY USE AND GREENHOUSE GAS EMISSIONS

Our energy consumption rose as our organization and activities increased. Electricity consumption per capita increased moderately as a result of considerable production expansion and the installation of additional machinery. Heating energy consumption per capita decreased due to reduced reliance on fossil fuels and more favorable climatic conditions. Our efforts to reduce energy consumption and greenhouse gas emissions in operations included the following activities:

- Villeret, our biggest production site and largest consumer of energy, has been sourcing all its electricity from renewable sources since 2018. In addition, air compressor heat recovery systems were optimized, compressor efficiency in workshops was improved and two compressors were replaced
- in adjacent Corgémont, the installation of a centralized cooling system for the grinding machines led to energy efficiency gains
- in Basel, we began replacing conventional lighting with LEDs, which will result in improved lighting and related energy savings of up to 20 percent
- in Mendaro, we also converted to LED lighting at our production site
- in Malmö, we used environmentally friendly renewable district energy as a new means of heating
- in Andover, we continued to convert to LEDs when renovating or repairing lights, and we installed a load and energy management system for air compressors.

Our greenhouse gas emission rates mirrored the overall increase in energy consumption (see table on p. 84).

**References**

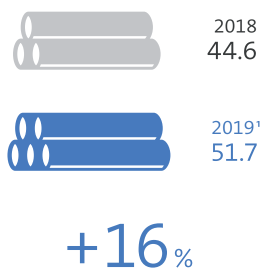
1 https://science.sciencemag.org/content/365/6448/76

**Environmental key performance indicators (as per 27 January 2020)**

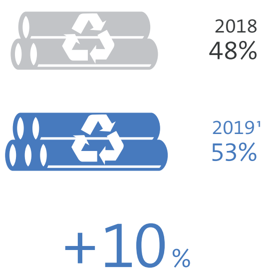
| | | Performance indicator | Unit | 2019 (incl. new sites)[1] | 2019 (excl. new sites) | 2018 (excl. new sites) |
|---|---|---|---|---|---|---|
| Product raw materials | Titanium | Consumption | tons | 54.3 | 51.7 | 44.6 |
| | | Recycling (consumption minus product) | tons | 29.1 | 27.3 | 21.5 |
| | Cobalt chrome | Consumption | tons | 9.0 | 8.8 | 8.7 |
| | | Recycling | tons | 2.7 | 2.7 | 4.6 |
| | Zirconia | Consumption | tons | 4.9 | 4.9 | 4.6 |
| | Photopolymers | Consumption | tons | 89.5 | 89.5 | 42.6 |
| Operating materials | Various oils | Consumption | tons | 152.7 | 149.4 | 122.6 |
| | | Recycling | tons | 107.8 | 106.3 | 51.5 |
| | Cleaning solvents | Consumption | tons | 77.3 | 75.5 | 60.8 |
| | | Recycling | tons | 37.0 | 35.8 | 33.1 |
| | Acids | Consumption | tons | 84.4 | 82.6 | 84.3 |
| | Paper | Consumption | million sheets | 7.8 | 6.1 | 6.7 |
| | | Per capita[2] | sheet / employee | 1 848 | 1 801 | 2 295 |

1 Data for Anthogyr (Sallanches and Mersch) cover seven months of 2019 since acquisition. 2019 figures for Montreal were estimated based on 2018 data due to the fire incident and subsequent relocation.
2 Per capita figures refer to headcount per end of year at relevant sites only.

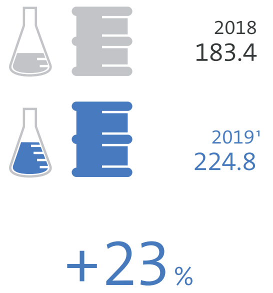
**Titanium consumption**
(tons)



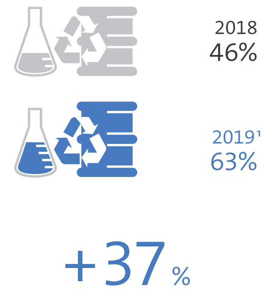

**Titanium recycling**
(%)




**Oils and solvents consumption**
(tons)




**Oils and solvents recycling**
(%)



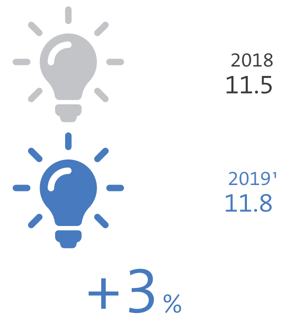

1 Figures exclude new sites.

**Environmental key performance indicators (as per 27 January 2020)**

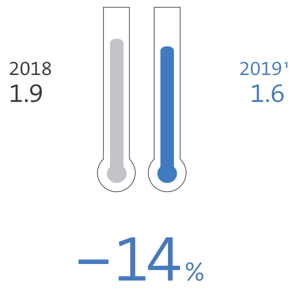
| | | Performance indicator | Unit | 2019 (incl. new sites)[1] | 2019 (excl. new sites) | 2018 |
|---|---|---|---|---|---|---|
| Energy | Electricity | Consumption[3] | MWh | 43 301 | 40 145 | 33 681 |
| | | Per capita[2] | MWh/employee | 10.2 | 11.8 | 11.5 |
| | Heating | Total heating energy | MWh | 6 000 | 5 436 | 5 456 |
| | | – Fossil fuels | MWh | 4 641 | 4 077 | 4 209 |
| | | – District heat | MWh | 1 359 | 1 359 | 1 246 |
| | | Total heating energy per capita[1] | MWh/employee | 1.4 | 1.6 | 1.9 |
| Emissions | GHG emissions | Total emissions | tons $CO_2$e | 10 219 | 9 548 | 8 455 |
| | | – Direct (Scope 1)[4] | tons $CO_2$e | 1 025 | 908 | 1 204 |
| | | – Indirect (Scope 2)[5,6] | tons $CO_2$e | 9 194 | 8 640 | 7 251 |
| | | Total emissions per capita[2] | tons $CO_2$e/ employee | 2.4 | 2.8 | 2.9 |
| Water | Water | Consumption | $m^3$ | 71 238 | 64 022 | 57 162 |
| | | Per capita[2] | $m^3$/employee | 16.8 | 18.9 | 19.6 |
| | Untreated waste water | Disposal | $m^3$ | 180 | 180 | 165 |
| Waste | Diverse waste | Hydroxide sludge | tons | 17.9 | 17.9 | 15.9 |
| | | Contaminated material | tons | 226 | 218 | 276 |
| | | Solvents | tons | 25.4 | 24.1 | 7.6 |
| | Refuse | Total refuse | tons | 658 | 441 | 446 |
| | | Per capita[1] | kg/employee | 155 | 130 | 153 |

1 Data for Anthogyr (Sallanches and Mersch) cover seven months of 2019 since acquisition. 2019 figures for Montreal were estimated based on 2018 data due to the fire incident and subsequent relocation.
2 Per capita figures refer to headcount per end of year at relevant sites only.
3 Includes 265 MWh (2018: 1266 MWh) diesel consumption for electricity generation.
4 Scope 1 emissions comprise greenhouse gases emitted by sources owned or controlled by the Group, such as heating units.
5 Scope 2 emissions comprise greenhouse gases emitted in the production of electricity and district heat the Group consumes.
6 Greenhouse gas emissions associated with electricity consumption of 8893 t $CO_2$e (2018: 6974 t $CO_2$e) were calculated according to the location-based approach, as defined in the GHG Protocol Scope 2 Standard. Results are used as a proxy for the market-based approach.

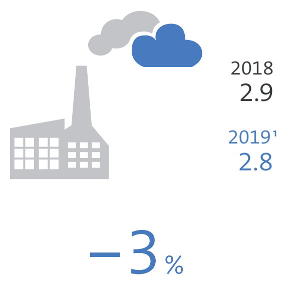
**Electricity consumption**
(per capita; in MWh)




**Heating energy**
(per capita; in MWh)




**$CO_2$ emissions**
(per capita; in tons $CO_2$e)




**Refuse**
(per capita; in kg)


1 Figures exclude new sites.

# CORPORATE GOVERNANCE

## PRINCIPLES

The principles and rules of the Straumann Group's corporate governance are laid down in the Articles of Association, the Organizational Regulations including the charters of the Board Committees, the Code of Conduct and various internal policies, e.g. on quality, IT, internal information and suppliers as well as employee regulations. They are the basis of the Group's corporate governance disclosures, which comply with the Directive on Information relating to corporate governance published by the SIX Swiss Exchange, where Straumann's shares have been traded since the company's initial public offering in 1998.

## GROUP STRUCTURE AND SHAREHOLDERS

The Straumann Group is headquartered in Basel. Its products and services are sold in more than 100 countries through its various distribution subsidiaries and third-party distributors (see worldwide locations). The subsidiary management is responsible for managing the local daily business. As laid down in the Organizational Regulations, the respective Regional Sales Head, the CFO and the Chief Legal Officer are usually members of the supervisory body of the subsidiaries. Details of the Group's business segments can be found in Note 3.1 of the Audited Consolidated Financial Statements on p. 157.

### LISTED COMPANIES

Straumann Holding AG, the ultimate parent company of the Group, is listed in the main segment of the Swiss stock exchange. No other company of the Group is listed on a stock exchange.

### NON-LISTED GROUP COMPANIES

The Group has partnered with and invested in a number of companies to support its strategic ambition of becoming a total solution provider in esthetic dentistry and targeting unexploited growth markets and segments. A list of the subsidiaries, associates and joint ventures of the Straumann Group as of 31 December 2019 can be found in Note 9.5 of the audited consolidated financial statements on p. 181 f.

### SIGNIFICANT SHAREHOLDERS

The major shareholders on 31 December 2019 are listed in the table on the following page, which is based on shareholdings recorded in the share register and notifications on the SIX Swiss Exchange online reporting platform. In 2019, the Group reported the following transaction according to Art. 20 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA): the purchase of shares by and the delegation of voting rights to the Capital Group Companies, Inc.,

| | |
|---|---|
| **Name** | Straumann Holding AG |
| **Domicile** | Peter Merian-Weg 12, 4052 Basel, Switzerland |
| **Listed on** | SIX Swiss Exchange |
| **Valor number** | 1228 007 |
| **ISIN** | CH 0012 280 076 |
| **Ticker symbol** | STMN |
| **LEI number** | 50670046ML5FIM60Z37 |
| **Market Capitalization** | CHF 15.1bn |

**Capital structure** (in CHF 1 000)

| | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|---|
| Equity | 1 367 222 | 1 204 320 | 1 077 044 |
| Reserves | (194 447) | (157 503) | (81 117) |
| Retained earnings | 1 556 272 | 1 356 839 | 1 156 724 |
| Non-controlling intererests | 3 809 | 3 396 | (150) |
| Ordinary share capital (fully paid in) | 1 588 | 1 588 | 1 588 |
| Conditional share capital | 28 | 28 | 28 |
| Authorized share capital | 0 | 0 | 0 |
| Number of registered shares | 15 878 984 | 15 878 984 | 15 878 984 |
| Treasury shares (% of total) | 0.09% | 0.29% | 0.42% |
| Nominal value per share (in CHF) | 0.10 | 0.10 | 0.10 |
| Registration restrictions | None | None | None |
| Voting restrictions / Voting privileges | None | None | None |
| Opting-out, opting-up | None | None | None |

Los Angeles, California, USA, representing 3.02% of the overall shares. Details of the transaction were published on the SIX Swiss Exchange online reporting platform.

## CROSS-SHAREHOLDINGS

The Group does not have, and has not entered into, any cross-shareholdings with other companies relating to equity or voting rights.

## CAPITAL STRUCTURE

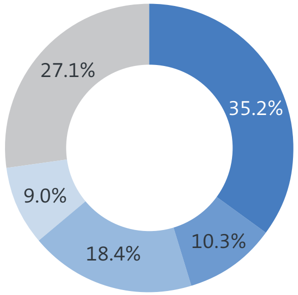
There have been no changes in the share capital in the past three years. On 31 December 2019, the share capital was composed of:

- 15 878 984 registered shares, fully paid in, each with a nominal value of CHF 0.10
- Conditional capital of CHF 28 396, divided into 283 955 conditional shares, each with a nominal value of CHF 0.10, which relates to 1.79% of the existing share capital.

The Group's conditional share capital is approved for an unlimited period for use in employee equity participation plans (see Compensation Report p. 124 and Note 8.3 of the Financial Report on p. 177). Straumann Holding AG has no authorized share capital and no category of shares other than registered shares. There are no restrictions on the transferability of the shares.

The Group has not issued any financial instruments (participation certificates, dividend-right certificates, warrants, options or other securities granting rights to Straumann shares) other than the Performance Share Units granted to certain employees as a compensation component (see p. 126 for details), and the CHF-200-million domestic straight bond launched in 2013 and due on 30 April 2020 (see Note 7.2 on p. 169 for details).

**Shareholdings on 31 December 2019 (by segment)**

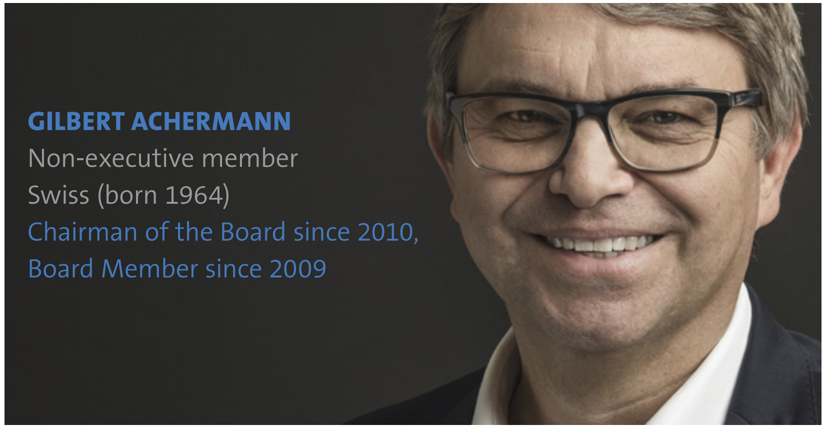



**Major shareholders** (in %)

| | 31 Dec 2019[1] | 31 Dec 2018[1] |
|---|---|---|
| Dr h.c. Thomas Straumann (Vice Chairman of the Board) | 16.9 | 17.1 |
| Dr h.c. Rudolf Maag | 11.5 | 11.5 |
| BlackRock Inc. (concern)[2] | 7.3 | 6.5 |
| Simone Maag de Moura Cunha | 3.7 | 3.7 |
| Gabriella Straumann | 3.0 | 3.0 |
| The Capital Group Companies, Inc.[2] | 3.0 | n/a |
| TOTAL | 45.4 | 41.8 |

1 Or at last reported date if shareholdings are not registered in the share register.
2 Not or only partially registered in the share register.

## BOARD OF DIRECTORS OF STRAUMANN HOLDING AG



**GILBERT ACHERMANN**
Non-executive member
Swiss (born 1964)
Chairman of the Board since 2010,
Board Member since 2009

**Other main activities in 2019:** Member of the Board of Julius Bär Group (Nomination Committee Chair), Committee Member of the Basel Chamber of Commerce, Board Member of the ITI[1]; Supervisory Board Member of IMD Business School, Lausanne; Juror at VentureKick and Business Angel.
**Career highlights:** In previous years, Gilbert Achermann served as Chairman and Co-CEO of the Vitra Group, a family-owned furniture and retail company; Chairman of the Siegfried Group, a listed pharma service company, and Vice Chairman of the Moser Group, a privately owned luxury watchmaking company. From 2002 to 2010, he was CEO of Straumann, which he joined as CFO in 1998. He started his professional life at UBS in Investment Banking in 1988.
**Qualifications:** Executive MBA from IMD; Bachelor's degree from the University of Applied Science (HWV) in St. Gallen.
**Key attributes for the Board:** Mr Achermann represents continuity, stability and credibility among the various stakeholders. The Board benefits from his extensive knowledge of the dental industry as well as the deep experience and insight gained from directorships in other industries.

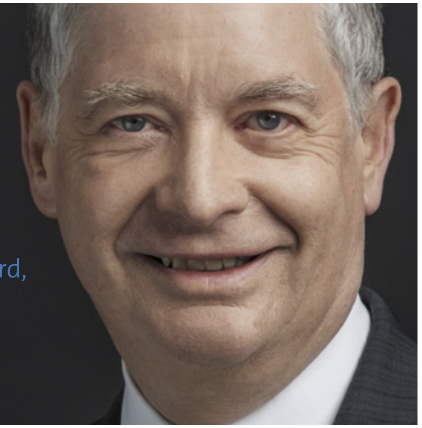
1 For relationship to Straumann see Note 9.4 on p. 180.

**DR H.C. THOMAS STRAUMANN**
Non-executive member
Swiss (born 1963)
Vice Chairman of the Board,
Member of the Human Resources & Compensation Committee and the Technology & Innovation Committee,
Board Member since 1990

**Other main activities in 2019:** Board memberships: Centervision AG (Chairman), CSI Basel Horse Event AG (Chairman), Medartis AG (Chairman) and Grand Hotel Les Trois Rois, Basel (owner).
**Career highlights:** Thomas Straumann was responsible for establishing the new Institut Straumann AG in 1990 and was both CEO (–1994) and Chairman (–2002). Further examples of his success as an entrepreneur and businessman are the medical device company Medartis AG – of which he is the founder, majority owner and Chairman; the Grand Hotel Les Trois Rois, Basel – of which he is the owner and a Board Member, and CSI Basel AG – the equestrian event company, of which he is Chairman. He has a diverse portfolio of interests, including not-for-profit activities.
**Qualifications:** Trained in precision engineering; studies at Basel Management School and the Management & Commercial School of Baselland; honorary doctorate from the Medical Faculty of the University of Basel.
**Key attributes for the Board:** Major shareholder of Straumann Holding AG and the Board's longest-serving member. He complements the Board with his understanding of the dental and medical device industries through personal management experience and various shareholdings.

**MONIQUE BOURQUIN**
Non-executive member
Swiss (born 1966)
Member of the Audit & Risk Committee and the Human Resources & Compensation Committee, Board Member since 2017

**Other main activities in 2019:** Member of the Boards of Emmi AG, Kambly Holding AG, Weleda AG. President of Promarca (Swiss branded goods association), Board Member of GfM (Swiss marketing association), Member of the Board of trustees of Swisscontact (NGO), lectures in the Executive MAS program of the Swiss Federal Institute of Technology (ETH), Zurich.
**Career highlights:** Having worked with PWC, Rivella and Mövenpick, Monique Bourquin joined Unilever in 2002. After four years as a Country Manager from 2008 to 2012, she became CFO for the GAS region from 2012 to 2016. She also held board mandates in Promarca, various Unilever internal companies and two Unilever pension funds.
**Qualifications:** Degree in economics and finance from St. Gallen University.
**Key attributes for the Board:** In addition to her board experience in other companies, Monique Bourquin has a strong track record in general management, finance, marketing, distribution and leadership gained from her career in the international consumer-goods industry.

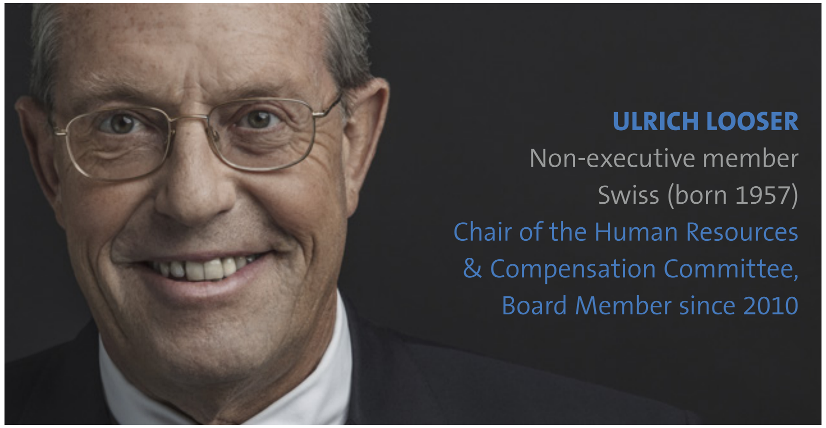


**DR SEBASTIAN BURCKHARDT**
Non-executive member
Swiss (born 1954)
Member of the Audit & Risk Committee, Secretary of the Board, Board Member since 2002

**Other main activities in 2019:** Partner at Vischer AG, Law firm in Basel, Zurich and Geneva; Member of the Boards of Dolder AG, Grether AG, Jungbunzlauer Holding AG and persona service AG.
**Career highlights:** After a year with Davis Polk & Wardwell in New York in 1985, Sebastian Burckhardt joined Gloor Schiess & Partners, a predecessor firm of Vischer AG, where he advises family-owned businesses in the life sciences, banking and distribution fields.
**Qualifications:** Studies in Economics and Law; PhD in Law from Basel University; admitted to the Bar of Switzerland; Civil law notary in Basel; admitted to the New York Bar following studies at New York University School of Law.
**Key attributes for the Board:** Dr Burckhardt is an independent specialist in corporate and commercial law and in mergers, acquisitions, joint ventures, licensing, distribution and technology agreements. His knowledge includes many years of experience on corporate boards.

**JUAN-JOSÉ GONZALEZ**
Non-executive member
Peruvian/US citizen (born 1972)
Member of the Technology & Innovation Committee,
Board member since 2019

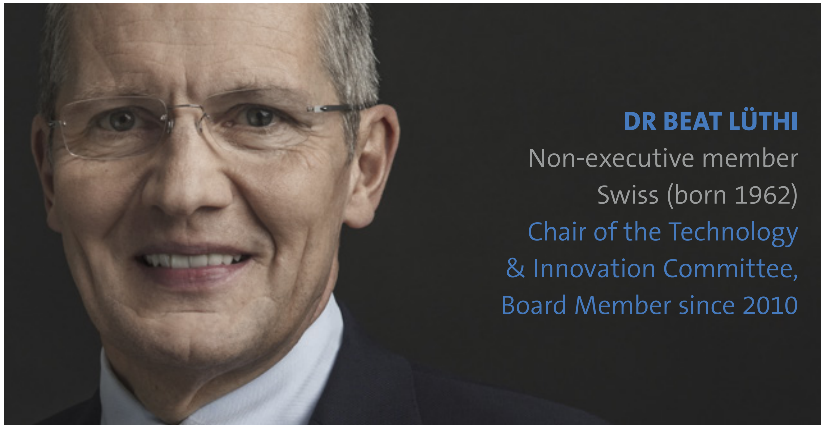
**Other main activities in 2019:** Chief Executive Officer at Ambu.
**Career highlights:** Before joining Ambu, Juan-José Gonzalez served as President of Johnson & Johnson's orthopedic business, DePuy Synthes, in the US and as Chair of the Orthopedics Sector of AdvaMed in the US. Prior to this, he headed DePuy Synthes EMEA and was Vice President of J&J's Enterprise Program Office. Previously, he has held positions in global / regional management in J&J's consumer health business. He joined J&J in 2007 having worked for Pfizer, McKinsey and Procter & Gamble across various continents.
**Qualifications:** MBA from Notre Dame University, USA; Master's Degree in Technology Management from Columbia University, New York, USA; Bachelor's Degree in Industrial Engineering from Lima University, Peru.
**Key attributes for the Board:** Mr Gonzalez is an expert in the medtech and consumer-health sectors with a deep knowledge of global markets, healthcare systems and technology. He has multinational experience and is skilled in strategy, execution, talent development and mentoring.



**ULRICH LOOSER**
Non-executive member
Swiss (born 1957)
Chair of the Human Resources & Compensation Committee,
Board Member since 2010

**Other main activities in 2019:** Partner of Berg Looser Rauber & Partners AG, Member of the Boards of Bachofen Holding AG (Chairman), Kardex Group (People Committee Chair), LEM Holding SA (People Committee Chair), u-blox AG (Audit Committee Chair), Spross Entsorgungs Holding AG, University of Zürich and others (see chart on p. 94 f.).
**Career highlights:** From 2001 to 2009, Ulrich Looser was with Accenture Ltd, where he became Chairman of its Swiss affiliate (2005) and Managing Director of the Products Business in Austria, Switzerland and Germany. Earlier, he spent six years as a partner at McKinsey & Company Ltd., where he worked from 1987–2001.
**Qualifications:** Master's degrees in physics from the Swiss Federal Institute of Technology (ETH), Zurich, and in economics from St. Gallen University.
**Key attributes for the Board:** His expertise in strategy, project and human capital management is of great value. He also adds in-depth consultancy and business development experience.

Ulrich Looser has decided not to stand for re-election to the Board at the 2020 AGM.




**Other main activities in 2019:** CEO and co-owner of CTC Analytics AG, Zwingen, Member of the Boards of Apaco AG, Inficon Holding AG (Chairman), and Orell Füssli Holding AG.

**Career highlights:** Beat Lüthi began his career with Zellweger Uster AG, a leading manufacturer of quality control equipment in textile production. In 1990, he moved to Mettler-Toledo International Inc. and rose to the position of General Manager of the Swiss affiliate. He joined the Feintool Group in 1998 and was its CEO for four years. In 2003, he returned to Mettler-Toledo as CEO of the Laboratory Division. At the end of 2007, he joined CTC Analytics to lead and further develop the company as an entrepreneur.

**Qualifications:** PhD in Engineering from the Swiss Federal Institute of Technology (ETH), Zurich; executive program at INSEAD.

**Key attributes for the Board:** Beat Lüthi combines entrepreneurship and corporate experience in different industries, which make him a valuable contributor to strategic and operational matters. His scientific background and experience as a CEO, Chairman and Board member are of further benefit.


**Other main activities in 2019:** Member of the Boards of Adecco Group AG (Audit Committee Chair), Helvetia Holding AG, Swissgrid AG (Finance & Audit Committee Chair). Supervisory Board Member of the Institute for Accounting, Control and Auditing at St. Gallen University.

**Career highlights:** Regula Wallimann worked for KPMG from 1993 to 2017. As a Global Lead Partner from 2003 on, she was responsible for several global companies. She was a member of the strategic partners committee of KPMG Switzerland from 2012 to 2014. In 2017, she started a new career as an independent financial expert and board member.

**Qualifications:** Degree in Business Administration, Economics and Accounting from St. Gallen University, management studies at INSEAD, Certified Public Accountant in the US and in Switzerland.

**Key attributes for the Board:** Regula Wallimann is an expert in multinational group auditing, financial reporting, risk management and corporate governance.

**Board of Directors – Competence matrix**

| | Executive experience | Finance, audit, risk management | Compliance, regulatory, legal | Capital markets, M&A | Core industry experience (dental) | Transferable expertise in related industries | Functional experience | International business experience | Digitalization, technology | Strategy, business transformation | HR, compensation | Board governance | Sustainability |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G. Achermann | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| T. Straumann | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| M. Bourquin | ✓ | ✓ | | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| S. Burckhardt | | ✓ | ✓ | ✓ | | | ✓ | | | | ✓ | ✓ | ✓ |
| J.J. Gonzalez | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | | | | | |
| U. Looser | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| B. Lüthi | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| R. Wallimann | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | | ✓ | ✓ | ✓ |

At the 2019 General Shareholders Meeting, Juan-José Gonzalez was elected as an additional board member. Apart from this, the composition of the Board of Directors remained unchanged in 2019. As of the General Meeting in April 2019, the Board comprised eight non-executive members, none of whom has been a member of the Executive Management of any of the Group's companies during the past three years. None of the Directors had any significant business connections with Straumann Holding AG or any of its subsidiaries in 2019.

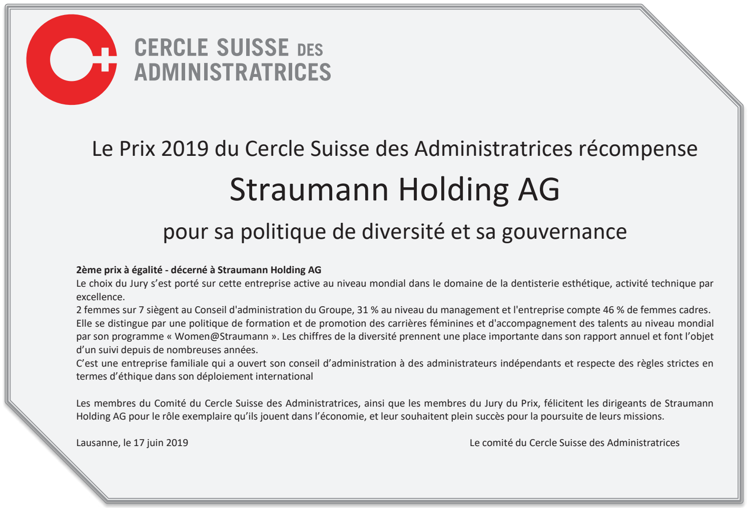
The Directors are all Swiss citizens with the exception of Juan-José Gonzalez, who has Peruvian and US citizenship. The average age of the Board Members at year-end was 56.

## ELECTIONS AND TERM OF OFFICE

The members of the Board, the Chairman, and the members of the Human Resources & Compensation Committee are all elected individually by the Shareholders' General Meeting for a term of one year. Re-election is permitted until the age of 70.

If the position of Chairman or a position in the Human Resources & Compensation Committee falls vacant, the Board appoints a replacement from among its own members for the remaining term of office.

At the 2019 AGM, all of the existing Board members and the Chairman were re-elected and Juan-José Gonzalez was elected as an additional Board member. Monique Bourquin, Ulrich Looser and Thomas Straumann were elected to the Human Resources & Compensation Committee. Following the AGM, the Board appointed Thomas Straumann as its Vice Chairman, and Monique Bourquin, Sebastian Burckhardt and Regula Wallimann as members of the Audit & Risk Committee and Juan-José Gonzalez, Beat Lüthi and Thomas Straumann as members of the newly created Technology & Innovation Committee. Regula Wallimann, Ulrich Looser and Beat Lüthi were appointed to chair the Audit & Risk, Human Resources & Compensation and Technology & Innovation Committees, respectively.


CERCLE SUISSE DES ADMINISTRATRICES

Le Prix 2019 du Cercle Suisse des Administratrices récompense

Straumann Holding AG

pour sa politique de diversité et sa gouvernance

**2ème prix à égalité - décerné à Straumann Holding AG**
Le choix du Jury s'est porté sur cette entreprise active au niveau mondial dans le domaine de la dentisterie esthétique, activité technique par excellence.
2 femmes sur 7 siègent au Conseil d'administration du Groupe, 31 % au niveau du management et l'entreprise compte 46 % de femmes cadres.
Elle se distingue par une politique de formation et de promotion des carrières féminines et d'accompagnement des talents au niveau mondial par son programme « Women@Straumann ». Les chiffres de la diversité prennent une place importante dans son rapport annuel et font l'objet d'un suivi depuis de nombreuses années.
C'est une entreprise familiale qui a ouvert son conseil d'administration à des administrateurs indépendants et respecte des règles strictes en termes d'éthique dans son déploiement international

Les membres du Comité du Cercle Suisse des Administratrices, ainsi que les membres du Jury du Prix, félicitent les dirigeants de Straumann Holding AG pour le rôle exemplaire qu'ils jouent dans l'économie, et leur souhaitent plein succès pour la poursuite de leurs missions.

Lausanne, le 17 juin 2019 Le comité du Cercle Suisse des Administratrices

The Group was a top-three company in the 2019 accolades for diversity and governance awarded by the Cercle Suisse des Administratrices (CSDA), recognizing companies whose share of women on the Board of Directors is at least a quarter and which pursue a policy in favour of women in management.

**Straumann Board of Directors – Memberships in other Boards**

| Member | Commercial enterprise | Other entities / Charities | Location | Function |
|---|---|---|---|---|
| Gilbert Achermann | IMD – International Institute for Management Development | | CH | Supervisory Board Member |
| | Julius Bär Gruppe AG / Bank Julius Bär & Co. AG[1] | | CH | Board member |
| | | Basel Chamber of Commerce | CH | Committee member |
| | | International Team for Implantology (ITI) | CH | Board member |
| Thomas Straumann | Centervision AG | | CH | Chairman |
| | CSI Basel Horse Event AG | | CH | Chairman |
| | Grand Hotel Les Trois Rois | | CH | Board member |
| | Medartis Holding AG[1] & Medartis group companies | | CH | Chairman |
| | | FDR Foundation for Dental Research and Education | CH | Board member |
| Monique Bourquin | Emmi AG[1] | | CH | Board member |
| | Kambly Holding AG / Kambly SA Spécialités de biscuits suisses | | CH | Board member |
| | Swisscontact | | CH | Board member |
| | Weleda AG | | CH | Board member |
| | | Promarca Schweizerischer Markenartikelverband (Swiss branded goods association) | CH | President of the Board |
| | | GfM Schweizerische Gesellschaft für Marketing (Swiss marketing association) | CH | Board member |
| Sebastian Burckhardt | Amsler Tex AG | | CH | Board member |
| | Applied Chemicals International Group AG & group companies | | CH | Board member |
| | Dolder AG | | CH | Board member |
| | Grether AG & Gretherpark AG & Grether 3 AG | | CH | Board member |
| | Immobiliengesellschaft zum Rheinfels AG | | CH | Chairman |
| | Jungbunzlauer Holding AG | | CH | Board member |
| | Le Grand Bellevue SA | | CH | Board member (until mid 2019) |
| | persona service AG & persona service GmbH Schweiz | | CH | Board member |
| | | Fondation Bénina | CH | Board member |

| Member | Commercial enterprise | Other entities / Charities | Location | Function |
|---|---|---|---|---|
| Ulrich Looser | Bachofen Holding AG | | CH | Chairman |
| | Baitella AG | | CH | Board member |
| | BlessArt Raumsystem AG | | CH | Board member |
| | BLR & Partners AG & BLR group companies | | CH | Chairman |
| | Kardex AG[1] | | CH | Board member |
| | LEM Holding SA[1] | | CH | Board member |
| | Spross Entsorgungs Holding AG | | CH | Board member |
| | u-blox AG[1] | | CH | Board member |
| | | Economiesuisse | CH | Board member |
| | | Swiss-American Chamber of Commerce: 'Doing Business in the US' | CH | Board member |
| | | Swiss National Fund | CH | Board member |
| | | University Hospital Balgrist, Zurich | CH | Board member |
| | | University of Zurich | CH | Board member |
| Beat Lüthi | APACO AG | | CH | Board member |
| | CTC Analytics AG | | CH | CEO & Board member |
| | INFICON Holding AG[1] | | CH | Chairman |
| | Orell Füssli Holding AG[1] | | CH | Board member |
| Regula Wallimann | Adecco Group AG[1] | | CH | Board member |
| | Helvetia Holding AG[1] | | CH | Board member |
| | Swissgrid AG | | CH | Board member |
| | | University of St. Gallen, Institute of Accounting, Control and Auditing (ACA-HSG) | CH | Supervisory Board member |

1 Publicly listed companies.

## OTHER ACTIVITIES AND VESTED INTERESTS

Unless stated in their CVs or in the table above, none of the Directors:

- Performed any activities in governing or supervisory bodies of significant foreign or domestic organizations, institutions or foundations under private or public law
- Held any permanent management or consultancy position for significant domestic or foreign interest groups
- Held any official function or political post.

**PERMITTED MANDATES OUTSIDE STRAUMANN (PURSUANT TO ART. 12 OAEC)**
Art. 4.4 of Straumann's Articles of Association states that no member of the Board may perform more than 15 additional mandates (i.e. mandates in the highest-level governing body of a legal entity required to be registered in the Commercial Register or in a corresponding foreign register) in commercial enterprises, of which no more than five may be in listed companies.

The following are exempt from these restrictions:
- Mandates in enterprises that are controlled by the Group
- Mandates in enterprises that are performed at the instruction of the Group
- Mandates in associations, organizations and legal entities with a public or charitable purpose, and in foundations, trusts, and employee pension funds. No member of the Board of Directors may perform more than ten such mandates.

Mandates in several legal entities under common control or under the same economic authority are deemed as one mandate.

**WORKING METHODS AND ALLOCATION OF TASKS**
The Board of Directors meets for one-day meetings at least five times a year and as often as business requires. In 2019, the full Board held 6 meetings and 3 telephone conferences. The Audit & Risk Committee and the Human Resources & Compensation Committee met 5 times each and the Technology & Innovation Committee met twice. (see table on p. 98). The CEO and CFO generally participate in Board meetings and are occasionally supported by other members of the Executive Management Board (EMB). Dr Andreas Meier, Chief Legal Officer of the Group, is responsible for the minutes. The Board of Directors consults external experts on specific topics where necessary.

The Board conducts an annual evaluation of the performance of the EMB. It also provides mentoring to the EMB, with the aim of providing executives with an experienced sparring partner, coach and sounding board for testing ideas and seeking qualified independent opinions.

The Board of Directors has a quorum if a majority of its members is present. This does not apply to resolutions that require public notarization, which do not require a quorum. Valid resolutions require a majority of the votes cast. In the event of a tie, the Chairman of the meeting has the decisive vote.

The Board is responsible for the overall strategic direction of the Group and its management, the supervision of the EMB and financial control. It reviews the company's objectives and identifies opportunities and risks. In addition, it appoints / dismisses the CEO and members of the EMB. The tasks and duties of the Board, as well as those of the Chairperson and Vice Chairperson are listed in sections 4.2 and 4.3 of the Organizational Regulations.

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Audit & Risk Committee, a Human Resources & Compensation Committee and, since April 2019, a Technology & Innovation Committee, each consisting of no fewer than three Board members with relevant background and experience.

### AUDIT & RISK COMMITTEE

Members: Regula Wallimann (Chair), Monique Bourquin and Dr Sebastian Burckhardt

### HUMAN RESOURCES & COMPENSATION COMMITTEE

Members: Ulrich Looser (Chair), Monique Bourquin, Dr h.c. Thomas Straumann

### TECHNOLOGY & INNOVATION COMMITTEE

Members: Dr Beat Lüthi (Chair), Juan-José Gonzalez, Dr h.c. Thomas Straumann

The members of the Human Resources & Compensation Committee are elected by the General Meeting for a term of one year. In the event of a vacancy in the Human Resources & Compensation Committee, the Board of Directors appoints the replacement from among its own members for the remaining term of office. The members and the chairpersons of both the Audit & Risk Committee and the Technology & Innovation Committee are appointed by the Board of Directors. The Human Resources & Compensation Committee constitutes itself.

The tasks of each of these committees are listed in their respective charters, which are attached to the Organizational Regulations. The Board of Directors may establish further committees or appoint individual members for specific tasks.

**Board Committees**

| | Audit & Risk Committee | Human Resources & Compensation Committee | Technology & Innovation Committee |
|---|---|---|---|
| G. Achermann<br>Chairman | | | |
| Dr h.c. T. Straumann<br>Vice Chairman | | Member | Member |
| M. Bourquin | Member | Member | |
| Dr S. Burckhardt<br>Secretary | Member | | |
| J. J. Gonzalez | | | Member |
| U. Looser | | Chair | |
| Dr B. Lüthi | | | Chair |
| R. Wallimann | Chair | | |

**Time (days) spent by Directors at Board / Committee meetings and on company related matters**

| 2019 Meetings | Board | Audit & Risk Committee | Human Resources & Compensation Committee | Technology & Innovation Committee | Other | TOTAL DAYS |
|---|---|---|---|---|---|---|
| G. Achermann | 9 | 5 | 5 | 2 | 89 | 108 |
| T. Straumann | 5 | - | 4 | 1 | 20 | 30 |
| M. Bourquin | 9 | 3 | 5 | - | 12 | 29 |
| S. Burckhardt | 9 | 5 | - | - | 10 | 24 |
| J.J. Gonzalez | 5 | - | - | 2 | 7 | 14 |
| U. Looser | 9 | - | 5 | - | 11 | 25 |
| B. Lüthi | 9 | 2 | - | 2 | 10 | 23 |
| R. Wallimann | 9 | 5 | - | - | 15 | 29 |

The Board of Directors maintains close contact with the EMB and gains information through co-travel, site visits and participation in staff meetings, e.g. in Round Rock as shown here.

## ASSIGNMENT OF RESPONSIBILITIES TO THE EXECUTIVE MANAGEMENT BOARD

The Board of Directors has delegated responsibility for the operational management and sustainable development of the Group to the Chief Executive Officer (CEO) and the other members of the EMB. For their specific responsibilities, see the chart on p. 108 and section 5 of the Organizational Regulations. The Board may revoke delegated duties at any time.

The Board of Directors has not delegated any management tasks to companies or persons outside the Group.

## PROPOSED NEW BOARD MEMBER

At the Annual General Meeting of the shareholders on 7 April 2020, the Board of Directors will propose the election of Marco Gadola as a new Board Member. His track record as CEO of the Straumann Group and his qualifications are presented in his CV on p. 109. His other activities in 2020 include memberships of the Boards of Calida Group (Chairman), DKSH Holding (Chairman) and Medacta Group. His key attributes for the Board include: strong executive track record in a broad range of global businesses, extensive knowledge of the dental industry and the Straumann Group, expertise in finance and coaching, insight from directorships in other industries.

## INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE MANAGEMENT

### MANAGEMENT INFORMATION SYSTEM

The Group's Management Information System encompasses management, business and financial reporting. The information is provided to the Executive Management Board once a month and to the Board of Directors as a monthly summary and in detail on a quarterly basis.

Straumann operates a state-of-the-art SAP enterprise resource planning system, which covers 90% of all business transactions of the Group's fully consolidated entities. The system links Group headquarters directly with all major subsidiary companies and production sites, including Brazil, which switched to SAP on 1 January 2019. ClearCorrect will be switched to SAP in the second quarter of 2020 and Anthogyr is due to follow early in 2022. This system greatly reduces the potential for error or fraud, and enables the Executive and Senior Management to monitor local processes and related figures directly, in detail and in real time.

In addition, the Board of Directors maintains close contact with the Executive Management and gains first-hand information through workshops, co-travel, site visits and participation in staff meetings.

### INTERNAL CONTROL SYSTEM

The Group's Internal Control System (ICS) is a key instrument for designing business processes, measuring progress towards financial goals and addressing potential financial issues before they occur. It also supports the design of business processes in order to achieve the desired level of control in terms of efficiency and effectiveness.

The company's approach is to ensure that internal controls are accurate, timely, robust, and receive appropriate management attention in each respect. To achieve this, dedicated control templates are used for each business process to address major risks. The templates are continuously improved.

In addition, each entity (sales affiliate, production site or global function) has a designated, trained person or team that is ultimately accountable for the assessment undertaken and the decisions arising from it. Clear benefits of the ICS include enhanced segregation of duties, increased control consciousness and higher awareness of potential risks and their consequences.

The ICS program is coordinated by the Group CFO, who meets with the external auditors on a regular basis to discuss the status of internal control issues and the status of remediation of control

The team responsible for implementing SAP at our Curitiba site, which took 18 months and was completed in 2019.

**SAP links HQ with all major subsidiaries and production sites, including Brazil as of January 2019.**

deficiencies. Internal controls are evaluated annually by the external auditors and by Internal Audit according to an agreed program.

## INTERNAL AUDIT

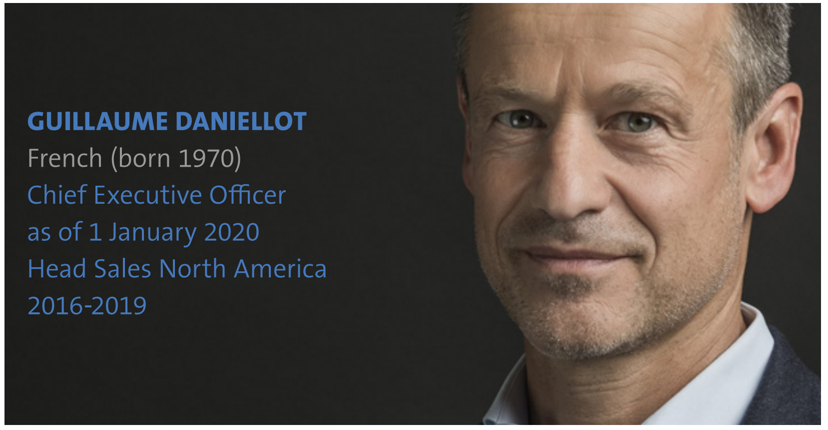
The role of the Group's Internal Audit function is to provide independent assurance to the Board of Directors that the key risks of the organization are under control and to support Management in ensuring compliance, operational efficiency and control effectiveness across the Group.

A highly experienced team at KPMG in Basel complemented by local KPMG offices with specific local language skills and expertise conducts the Internal Audits reporting to the Audit & Risk Committee. In 2019, five internal audits were performed at global and local levels according to the audit program approved by the Audit & Risk Committee of the Board of Directors.

## CORPORATE RISK MANAGEMENT

The Board of Directors is responsible for the overall supervision of risk management and uses the Internal Audit function to this end. The Board has delegated the task of risk management to the Chief Risk Officer (CRO). Through its Audit & Risk Committee, the Board assesses and discusses risks on a regular basis in consultation with the CRO and / or the relevant members of senior management (see p. 51 ff.).

## EXECUTIVE MANAGEMENT BOARD (AS OF 1 JANUARY 2020)




**Career highlights:** Guillaume Daniellot's career began in hospital product management – initially at Coloplast and then at B. Braun, as an international business unit manager. He switched to the dental industry in 2001, joining Dentsply France, where he became Sales & Marketing Director. He joined Straumann in 2007 as Managing Director of Straumann France. Two years later, he transferred to Group Headquarters to become Head of Global Sales Digital Dentistry. Shortly afterwards he took over responsibility for Straumann's Prosthetic Laboratory Business Group, including global management of sales, marketing, product development, training and education. In both these roles, he was a member of the Corporate Management Group. He joined Straumann's Executive Management Board in 2013 serving as Head Sales Western Europe in 2013–16 and Head North America (2016–19). He took on his current role as CEO of the Straumann Group on 1 January 2020.

**Qualifications:** Bachelor's degree in Physics from the University of Dijon; Master's in Marketing from FGE in Tours; Master's in Business Administration from ESC European School of Management, Paris.

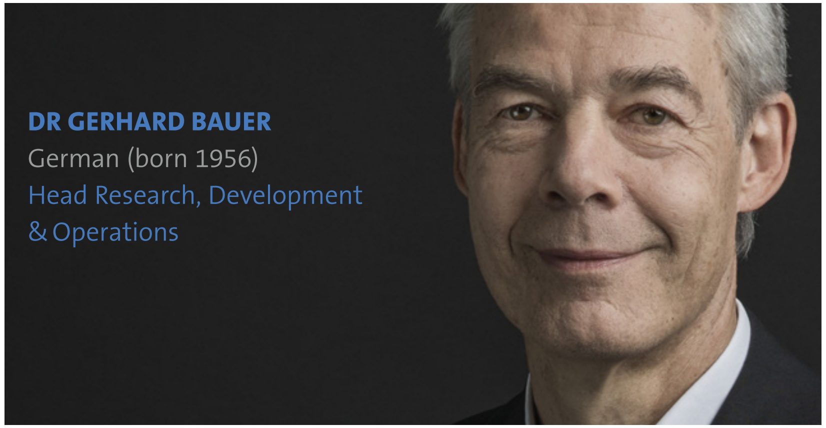
**Other activities:** Member of the Board of the ITI[1] as of 1 January 2020.

1 For relationship to Straumann see Note 9.4 on p. 180.


**Career highlights:** Peter Hackel rejoined Straumann as CFO in 2014 after three years at Oerlikon Industrial Group, where he was CFO of the global segment Oerlikon Drive Systems. He first joined Straumann in 2004 in a project management and business development role and rose to become Head of Group Controlling and member of the Corporate Management Group. Prior to his first tenure at Straumann, he spent three years at Geistlich Biomaterials as Director of Marketing & Sales Orthopedics and two years at McKinsey & Company as a consultant. He was nominated Switzerland's CFO of the year 2020.

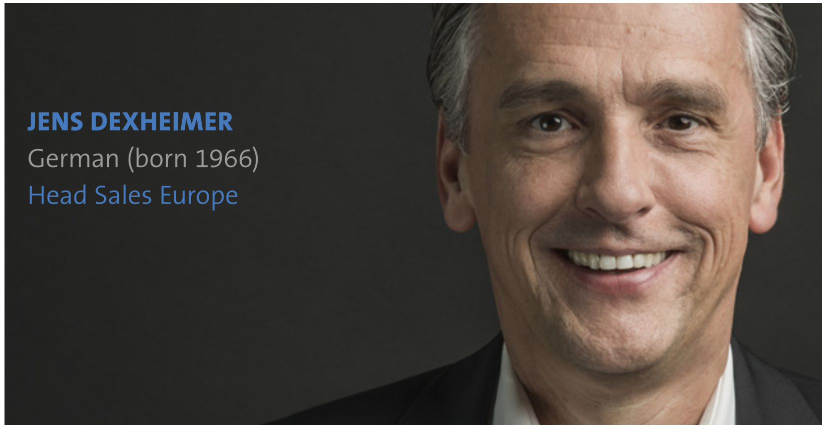
**Qualifications:** PhD in Biochemistry and Molecular Biology from the Swiss Federal Institute of Technology (ETH) in Zurich; studies in Business Administration at the University of Hagen in Germany.

**Other activities:** Peter Hackel has been nominated for election to the Board of Directors of Georg Fischer AG at the shareholders AGM on 15 April 2020.




**Career highlights:** Gerhard Bauer has spent more than 30 years in the pharmaceutical and medical device industry in various leadership positions. Prior to joining Straumann in 2010, Dr Bauer held managerial positions at Nextpharma, a specialist company in the biotech industry, and at Bausch&Lomb, a global leader in eye-care products. From 1992 to 2008, his career at Bausch & Lomb was distinguished by increasing responsibility, including his appointment as Head of Global Operations & Engineering and member of the Executive Management Team in 2006. From 1984 to 1992, he worked for Ciba Vision, a subsidiary of Novartis. He began his career in production in 1983 at a subsidiary of the GlaxoSmithKline corporation.
**Qualifications:** PhD in Pharmaceutics from the Institute of Pharmaceutics at the Ludwig-Maximilians-University in Munich; advanced degree in Pharmaceutical Technology from the Bavarian Chamber of Pharmacists.
**Other activities:** Member of the Boards of Swiss Medtech and sitem-insel AG, Switzerland.


**Career highlights:** Wolfgang Becker began his professional career at Straumann in 1986 and held a series of managerial positions of increasing responsibility in the company's German subsidiary, becoming Head of Human Resources in 1991, Head of Marketing in 2000, and General Manager of Straumann Germany in 2001. He served on Straumann's Executive Committee as Head of Sales Europe from 2005 to 2006. His responsibilities then focused on the company's business in Central and Eastern Europe and distributor markets. In 2013, he rejoined the Group's Executive Management Board as Head Sales Central Europe & Distributors EMEA.
**Qualifications:** Commercial Apprenticeship plus a number of business school diplomas including that of the St. Gallen Management Center.

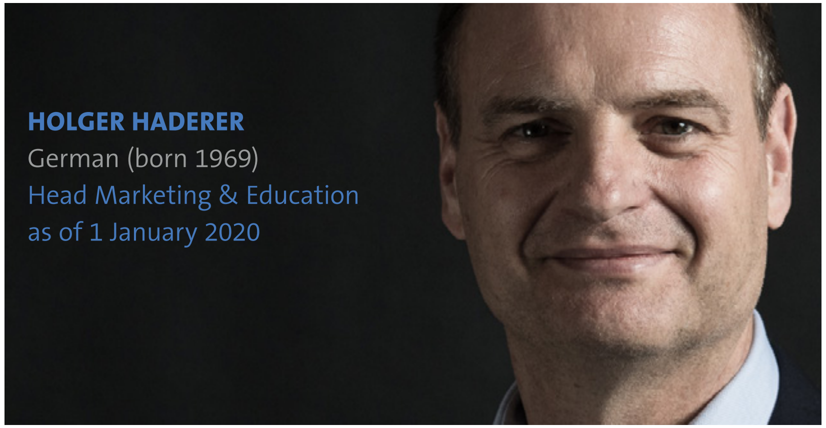



**Career highlights:** Jens Dexheimer is responsible for the Group's European region and joined the EMB in 2016 as Head of Western Europe. In previous positions, he successfully managed Straumann's business in Germany and Iberia. He moved to Straumann in 2010 from Wella/ Procter & Gamble, which he joined in 1996 and where he rose through various international roles of increasing responsibility culminating in country, divisional and regional leadership. He began his career in the consumer goods industry with Benckiser in Germany.

**Qualifications:** Degree in Economics from the State Vocational Academy in Mannheim; Master's in Business and Politics from Mainz University; Executive Development Program at Kellogg University in Chicago.

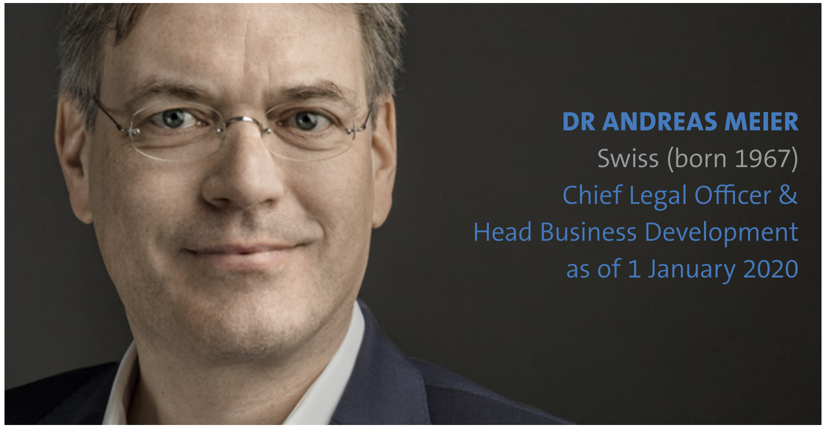

**Career highlights:** Camila Finzi joined Straumann in January 2020 from Alcon, the world's largest eye-care device company, where she was responsible for the Latin America and Caribbean Region. From 2004 to 2013, she worked for Alcon's parent company, Novartis, rising through managerial positions of increasing responsibility in Marketing and Sales to business-unit and regional leadership. Prior to joining Novartis, she spent four years at Pfizer – initially in Finance and subsequently in senior pharmaceutical product management. The first six years of her career were in Finance at Cargill and Arthur Andersen.

**Qualifications:** Bachelors' degree in Economics from Fundação Armando Álvares Penteado University, São Paulo; MBA from Fundação Dom Cabral Business School; Executive Education program at Harvard University.




**Career highlights:** Prior to joining the EMB in his current role at the beginning of 2020, Holger Haderer very successfully managed the Group's largest European business, in Germany, for three years. He spent the previous seven years as Head Marketing & Sales Western Europe, including an ad-interim stint of 14 months as Country Manager of Straumann France. He joined Straumann in 2006 as Head of Marketing & Education in Germany and became Head of Market Management Dental Labs in 2008. He began his career in 1991 at Sulzer Medica in product management, marketing and sales.
**Qualifications:** Degree in Economics from Baden-Wuerttemberg Cooperative State University (DHBW).

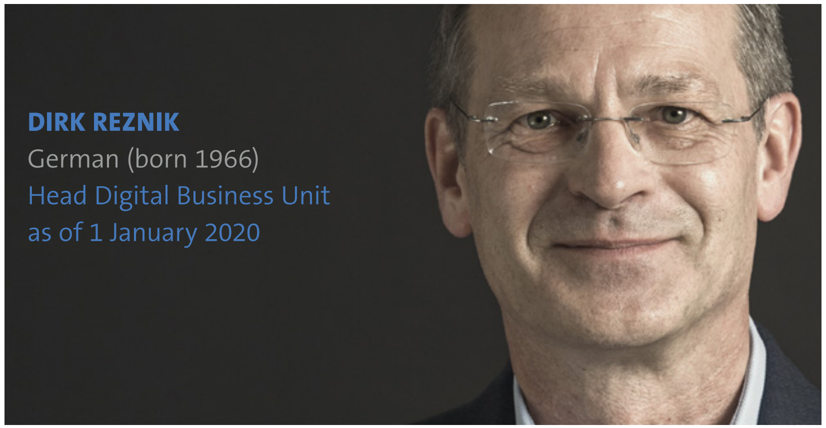

**Career highlights:** Patrick Loh joined the Straumann Group in his current role in 2017, having spent the previous three years with Haemonetics Corporation, a global provider of blood / plasma supplies and services, where he was President of the Asia / Pacific region and a member of the Corporate Operating Committee. His career spans thirty years in the medical device, biotech and pharmaceutical sectors with multinationals including Thermo Fisher Scientific, Kinetics Concepts and B.Braun. Starting in product management, he rose through general country management to regional leadership, establishing a strong track record of commercial success and strategic business growth. He has spent most of his career based in China and Hong Kong.
**Qualifications:** Studies in marketing in Malaysia; Executive MBA from Olin Business School, Washington University ,USA; Executive Programs at INSEAD, Singapore and Babson College, USA.
**Other activities:** Chairman of the Essence & DM Dental Industry Investment Partnership, a private equity fund addressing the dental sector in China.




**Career highlights:** Andreas Meier joined Straumann in 2005 as the Group's Chief Legal and Chief Compliance Officer. He was assigned additional leadership responsibilities for Intellectual Property & Trademarks (2013) and Business Development & Licensing and Corporate Communication (2018) and joined the Executive Management Board at the beginning of 2020. He also serves as a Secretary of the Board of Directors of Straumann Holding AG (non-member). Prior to joining Straumann, Andreas Meier worked for several years as an attorney with the law firm Vischer in Zürich and Basel, as well as Cravath Swaine & Moore in New York.

**Qualifications:** Attorney at Law; PhD in Law from Basel University; LLM from NYU School of Law; Advanced Management Program at Harvard Business School.

**Other activities:** Trustee of the 'Schönes Lächeln' Foundation, Switzerland.

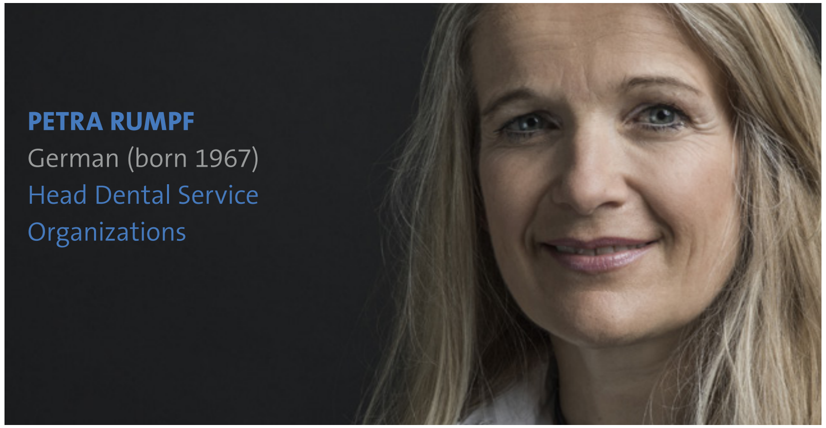



**Career highlights:** Dirk Reznik is an experienced executive with a proven international track record in electronic consumer products and digital ecosystems. He joined Straumann from the Vorwerk Group, where he was CEO of its largest division, Thermomix, for 9 years. Renowned for its innovative culinary devices and digital ecosystem, Thermomix generates sales of more than 1.1 billion euros in more than 50 countries. Mr Reznik began his career at Vorwerk in 1993 and progressed through positions of increasing responsibility in marketing, business development, country management and divisional leadership.

**Qualifications:** Degree in Business Administration from the University of Paderborn, CAS HSG (Certified Director for Board Effectiveness) from the University of St. Gallen.

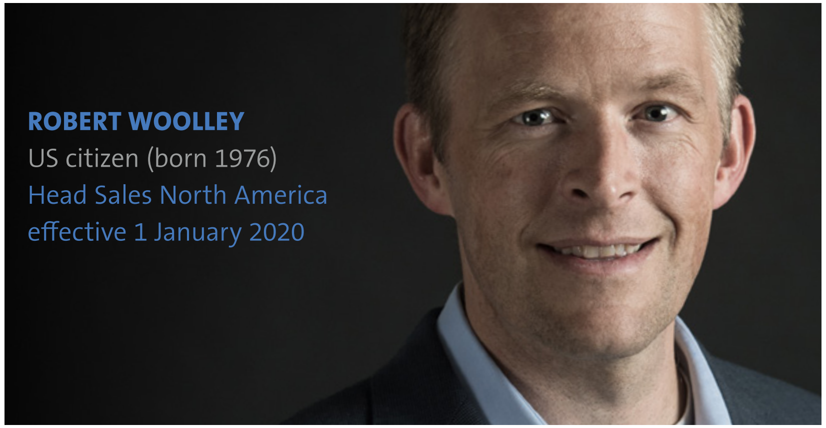
**Other activities:** Member of the Boards of Directors / Advisory Board of Amor Holding in Germany, Gilde Management Buy out in Switzerland, and Moguntia Food Group in Switzerland.


**Career highlights:** Before taking on his current role at Straumann in mid 2019, Alastair Robertson served as Chief HR / People Officer and Member of the Executive Board in each of his three previous companies: Kingfisher Plc (2016–19), C&A (2014–16) and Panalpina (2007–14). In his last role at Kingfisher he also held overall commercial responsibility for their Spanish business, Brico Depot. Prior to this, he spent 11 years with Tetra Pak in senior HR positions and in line management, and then training and development with W.H. Smith and Graham Builders Merchants in the UK. He has considerable international experience, having lived and worked extensively on all continents. He began his professional career in the British Military Forces gaining his Officer's Commission at the Royal Military Academy Sandhurst before serving in the Royal Engineers including in the Falklands as Head of the Joint Services Bomb Disposal Unit.
**Qualifications:** MBA from Huddersfield University; Commendation from IMD, Lausanne; Chartered Fellow of the Institute of Personnel and Development (FCIPD).




**Career highlights:** Petra Rumpf joined Straumann in 2015 as Executive Vice President, Head Instradent Management & Strategic Alliances and moved into her current role in 2017. Before joining Straumann, she worked for Nobel Biocare from 2007 to 2014, where she served on the Executive Committee and was responsible for Corporate Development and M&A, global e-commerce, clinical training & education, and distributor business development. During her last three years at Nobel Biocare, she was also responsible for Alpha-Bio Tec. She also managed the successful initiation of the Foundation for Oral Rehabilitation (FOR), which is globally active in science, education and humanity. Previously, she spent 16 years at Capgemini Consulting, where she became Vice President Strategy & Transformation Consulting.
**Qualifications:** Bachelor's degree in Economics from Trier University; MBA from Clark University, USA.


**Career highlights:** Matthias Schupp joined Straumann from Procter & Gamble in 2007 as Regional Manager, Western Europe. In 2013, he was appointed Head of Sales LATAM and joined the management of Neodent, of which he became CEO early in 2015. He joined Straumann's Executive Management Board at the beginning of 2016. He began his career in marketing and customer service with Merck KGaA, the German pharmaceutical, fine chemicals and diagnostics company, and rose through country management to the position of Regional Manager Latin America and USA. He moved to Wella in 2000 as Managing Director of the business in Russia and became Managing Director Professional Care Portugal in 2004, following the acquisition of Wella by P&G.
**Qualifications:** Graduated from the German / Brazilian High School in Rio de Janeiro; on-the-job training in management and business administration through professional development programs at Merck and P&G.




**Career highlights:** Robert Woolley joined Straumann in fall 2019 and took on his current responsibilities at the beginning of 2020. Previously, he headed the ENT business unit of Stryker, a leading medical technology company, which he joined in 2014 as Managing Director and General Manager of the Neurovascular business in EMEA. Between 2010 and 2014, he headed the European business unit of TriVascular, a medical technology company specializing in vascular repair devices. Prior to this, he spent two years as Director of Business Development at Dow Healthcare and three years in managerial positions at Medtronic in M&A integration, marketing and sales. He began his career in 2000 at Dow Chemical in Technical Sales & Account Management.
**Qualifications:** BSc in Mechanical Engineering from Brigham Young University; MBA from Harvard Business School.

The CEO and, under his direction, the other EMB members are responsible for the Group's overall business and day-to-day management. The EMB is also responsible for the implementation of strategic decisions and stakeholder management. The CEO reports to the Board regularly and whenever extraordinary circumstances require. Each member of the EMB is appointed and discharged by the Board of Directors.

## APPOINTMENTS AND CHANGES

2019

In June 2019, Dr Alexander Ochsner, Head Global People Management & Development, left the Straumann Group to become CEO of the International Team for Implantology ITI. He was succeeded by Alastair Robertson, who joined the Group from Kingfisher plc.

The EMB comprised 12 members on 31 December 2019 including the CEO.

2020

Straumann has invested significantly in career and personal development programs in recent years.

The following EMB appointments became effective on 1 January 2020:

- Guillaume Daniellot took over from Marco Gadola as CEO of the Straumann Group, in line with the succession announcement made at the beginning of 2019
- Holger Haderer, former Head of Straumann Germany, was appointed Head of Marketing and Education succeeding Frank Hemm, who decided to leave the company after a long and successful career at Straumann spanning more than 15 years
- Dr Andreas Meier, Chief Legal Officer and Head of Business Development & Licensing
- Dirk Reznik, who joined the company from Vorwerk, took over from Peter Zihla as Head of the Digital Business Unit (as of 1 January 2020, Peter Zihla has been appointed Chief Information & Data Officer with responsibility for the new ITDM unit)
- Robert Woolley, who joined the company from Stryker in fall 2019, took over from Guillaume Daniellot as Head of North America.

The following EMB appointment became effective on 20 January 2020:

- Camila Finzi joined from Alcon as Head of the Orthodontics Business Unit.

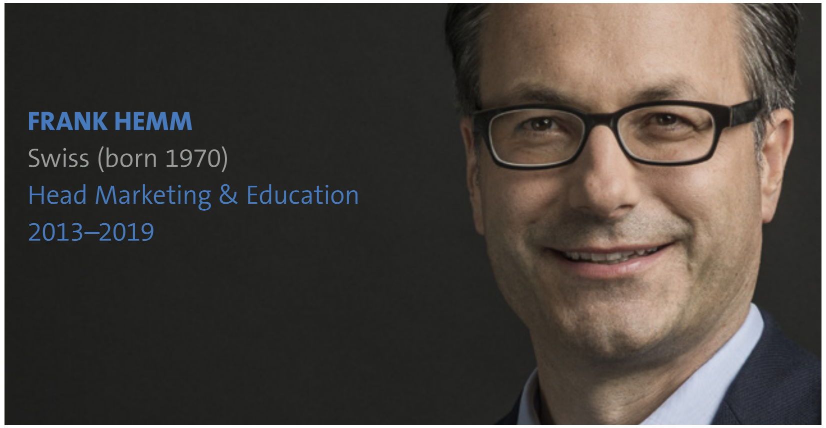
On 3 February 2020, the Group announced that Mark Johnson will join from Epredia to succeed Dr Gerhard Bauer as Head of Research, Development & Operations, who will retire at the end of June 2020.

**Executive Management Board as of January 2020**

- CHIEF EXECUTIVE OFFICER
  Guillaume Daniellot
  - SALES EUROPE
    Jens Dexheimer
  - DISTRIBUTOR & EMERGING MARKETS EMEA
    Wolfgang Becker
  - SALES NORTH AMERICA
    Robert Woolley
  - SALES ASIA/PACIFIC
    Patrick Loh
  - SALES LATIN AMERICA/CEO OF NEODENT
    Matthias Schupp
  - DENTAL SERVICE ORGANIZATIONS
    Petra Rumpf
- CHIEF FINANCIAL OFFICER
  Dr Peter Hackel
- MARKETING & EDUCATION
  Holger Haderer
- RESEARCH, DEVELOPMENT & OPERATIONS
  Dr Gerhard Bauer
- DIGITAL BUSINESS
  Dirk Reznik
- ORTHODONTICS
  Camila Finzi
- CHIEF LEGAL OFFICER & HEAD BUSINESS DEVELOPMENT
  Dr Andreas Meier
- PEOPLE MANAGEMENT & DEVELOPMENT
  Alastair Robertson

## EXECUTIVE MANAGEMENT BOARD (FORMER MEMBERS IN 2019)


**Career highlights:** During his tenure as CEO, the Straumann Group doubled its revenue, more than doubled its profits and more than tripled its workforce. He rejoined Straumann in 2013 as CEO, having previously served as Chief Financial Officer and EVP Operations from 2006 to 2008. He spent the interim years at Panalpina, as Chief Financial Officer and Regional CEO Asia / Pacific. Prior to his first term at Straumann, he spent five years at Hero, where he was CFO and responsible for IT and Operations. Previously, he spent nine years at Hilti in senior commercial, sales and finance positions. Earlier in his career, he worked for Sandoz International Ltd, as an Audit Manager, and Swiss Bank Corporation, in Corporate Finance. He stepped down as CEO at the end of 2019 to pursue various board memberships including Straumann.
**Qualifications:** Degree from Basel University in business administration and economics; various programs at the London School of Economics, IMD in Lausanne, and INSEAD in Paris.
**Other main activities in 2019:** Chairman of the Board of Calida Group; Member of the Board of Mettler-Toledo International Inc. (until year-end).

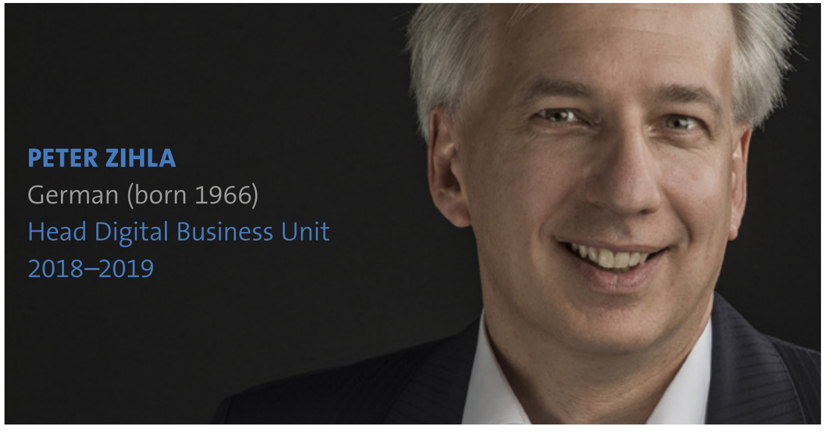



**Career highlights:** Frank Hemm's career began in management consulting with Andersen Consulting and McKinsey. He joined Straumann in 2004 and was initially responsible for Corporate Business Development & Licensing. He was appointed Head of Sales, Western Europe in 2007. A year later, he took responsibility for the Asia / Pacific Region based in Singapore, where he established and built up Straumann's regional headquarters. In 2012, Mr Hemm joined the Executive Management Board as Head of EMEA and LATAM and moved to his role as Head of Marketing and Education in 2013. He left Straumann at the end of 2019 to pursue a new career in North America.
**Qualifications:** Master's degree in Economics from St. Gallen University; Master's in Business Administration from Kellogg Graduate School of Management in Chicago.
**Other main activities in 2019:** Member of the Board of the International Team for Implantology.[1]

1 For relationship to Straumann see Note 9.4 on p. 180.

**DR ALEXANDER OCHSNER**
Swiss (born 1964)
Head Global People Management & Development
2017–2019

**Career highlights:** Alexander Ochsner is a seasoned executive with extensive international experience in the medical device industry, having spent more than a decade in senior managerial roles at the top of the dental implant industry. Before moving to the dental industry, he held managerial positions in marketing and sales at Medtronic and Medela. From 2002 to 2008, he worked for Zimmer Dental, where he was Vice President Europe & Asia / Pacific and a member of the Divisional Executive Team. From 2008 to 2012, he worked for Nobel Biocare, where he was Senior Vice President & General Manager EMEA and Member of the Executive Committee. He joined Straumann in September 2012 as Executive Vice President Sales APAC and moved into his role as Head Global People Management & Development in May 2017. He left Straumann in mid 2019 to become the CEO of the ITI.
**Qualifications:** MSc in natural sciences and PhD from the Swiss Federal Institute of Technology (ETH) in Zurich.



**PETER ZIHLA**
German (born 1966)
Head Digital Business Unit
2018–2019

**Career highlights:** Prior to his appointment as Head Digital Business Unit, Peter Zihla spent four years as Head of Straumann's Corporate Strategic Planning & Business Development team, where he played a key role in 15 strategic transactions around the world, most of which now form the bulk of Straumann's digital portfolio. He joined Straumann in 2006 as Head of Corporate Accounting, Planning & Reporting / Controlling, having spent six years in senior accounting / controlling positions at Hero, the international food group. Before that he was a strategy consultant with Accenture, having begun his career in controlling at the pharmaceutical company E. Merck. He handed over his responsibilities as Executive Vice President, Head of Digital to take up a new role as Chief Information Officer and Head of Data Management.
**Qualifications:** Degree in Business Administration from Mannheim University; MBA from the City University of New York; Master's in Finance from the London Business School.

The company and the Board of Directors would like to thank Marco Gadola, Frank Hemm and Alexander Ochsner for their valuable contributions and devotion to the Straumann Group over many years and wishes them and their successors all the best for the future. The Group also thanks Peter Zihla for his contribution to the EMB and wishes him every success and fulfillment in his new role.

**We thank our former executives and wish them and their successors all the best for the future.**

As of 20 January 2020, the EMB comprised 14 members under the leadership of, and including, the CEO, Guillaume Daniellot.

### OTHER ACTIVITIES AND VESTED INTERESTS

Marco Gadola is a Member of the Board of Calida Group (Chairman). In 2019, he was a Member of the Board of Mettler-Toledo International Inc. and since 2020, he is a Member of the Boards of DKSH Holding (Chairman) and Medacta Group. In addition, he is a Panel Member of the Swiss-American Chamber of Commerce.

Dr Gerhard Bauer is a Member of the Board of Swiss Medtech and a Member of the Board of sitem-insel AG, Switzerland.

In 2019, Frank Hemm was a Member of the Board of Directors and Board of Trustees of the International Team for Implantology (ITI), an independent academic network supported by payments from Straumann under a collaboration agreement (see Note 9.4 of the Audited Consolidated Financial Statements on p. 180). He was succeeded in this capacity by Guillaume Daniellot on 1 January 2020.

Since 2017, Patrick Loh has been Chairman of the Essence & DM Dental Industry Investment Partnership, a private equity fund addressing the dental sector in China.

Dr Andreas Meier is a trustee of the 'Schönes Lächeln' Foundation, Switzerland, which is supported by payments from Straumann under a collaboration agreement.

Other than these, no member of the EMB:

- Performed any activities in governing or supervisory bodies of significant foreign or domestic organizations, institutions or foundations under private or public law
- Held any permanent management or consultancy function for significant domestic or foreign interest groups
- Held any official function or political post.

### PERMITTED MANDATES OUTSIDE STRAUMANN (PURSUANT TO ART. 12 OAEC)

Art. 4.4 of Straumann's Articles of Association states that no member of the EMB may perform more than five mandates (i.e. mandates in the highest level governing body of a legal entity required to be registered in the Commercial Register or in a corresponding foreign register) in commercial enterprises, of which no more than two may be in listed companies. The following are exempt from these restrictions:

- Mandates in enterprises that control the Group or are controlled by the same
- Mandates in enterprises that are performed at the instruction of the Group
- Mandates in associations, organizations, and legal entities with a public or charitable purpose, and in foundations, trusts, and employee pension funds. No member of the Executive Management may perform more than three such mandates.

Mandates in several legal entities under common control or under the same economic authority are deemed as one mandate.

### OTHER ACTIVITIES AND VESTED INTERESTS

Unless stated in their CV, no member of the EMB:

- Performed any activities in governing or supervisory bodies of significant foreign or domestic organizations, institutions or foundations under private or public law
- Held any permanent management or consultancy function for significant domestic or foreign interest groups
- Held any official function or political post.

### MANAGEMENT CONTRACTS

The Board of Directors and the EMB have not delegated any managerial powers to persons or companies outside the Group.

### COMPENSATION, SHAREHOLDINGS AND LOANS

The compensation and equity holdings of the Board of Directors and the EMB and their related parties are disclosed in the Compensation Report on p. 123 ff. and in the audited financial statements in Notes 3.3 and 4 on p. 189 f.

## SHAREHOLDERS' PARTICIPATION RIGHTS

Each share duly entered in the share register entitles the shareholder to one vote. On 31 December 2019, approximately 72.9% (2018: 73.0%) of the issued capital was registered in the share register.

All shareholders may be represented at the General Meeting by a proxy. Proxies and directives issued to the independent voting representative may be given either in writing or online. Other voting representatives must have a proxy signed by hand by the shareholder. The Board of Directors decides whether proxies shall be recognized.

The independent voting representative is elected by the General Meeting for a term of office until the end of the next AGM and can be re-elected. In the case of a vacancy, the Board of Directors shall designate an independent voting representative for the next General Meeting.

## QUORUMS

The General Meeting adopts its resolutions and holds its ballots by a majority of votes cast. Abstentions and invalid ballots are not taken into account. The legal provisions (in particular section 704 of the Swiss Code of Obligations) that stipulate a different majority are reserved.

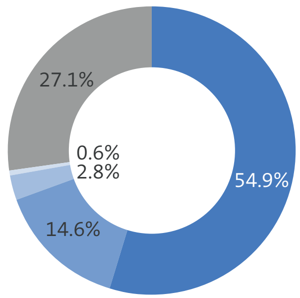
## CONVOCATION OF GENERAL MEETINGS, AGENDA PROPOSALS

The Shareholders' General Meeting is convened by the Board of Directors within six months of the end of the business year. In 2020, the Shareholders' General Meeting will take place on 7 April at the Congress Center in Basel, Switzerland.

Shareholders individually or jointly representing at least 10% of the share capital may request an extraordinary General Meeting. The request must be made to the Board of Directors in writing, stating the agenda items and motions.

Invitations to the General Meeting are issued in writing and are delivered via ordinary mail to the address recorded in the share register at least 20 days before the General Meeting and are published on the company's website. If shareholders agree to the electronic delivery of notices, the invitation is also sent by email. All agenda items and proposals by the Board of Directors and by shareholders who have requested the General Meeting must be announced in the notice convening the General Meeting.

**Shareholdings on 31 December 2019 (by geography)**




**Shareholders by volume of shares held[1]**

| (absolute number) | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| 1–100 shares | 10 528 | 8 612 |
| 101–1 000 | 2 349 | 2 240 |
| 1 001–10 000 | 308 | 292 |
| 10 001–100 000 | 49 | 49 |
| 100 001–1 000 000 | 9 | 11 |
| 1 000 001 and more | 3 | 3 |
| TOTAL | 13 246 | 11 207 |

1 Non-registered shareholders are not considered in this table.

Shareholders who individually or jointly represent shares with a par value of at least CHF 15 000 may request that an item be included in the agenda. The request shall be in writing at least 45 days before the General Meeting and must set forth the agenda items and the proposals of the shareholder(s).

### ENTRIES IN THE SHARE REGISTER

Share purchasers are entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. Purchasers who are not willing to make such declarations are registered as shareholders without voting rights. Proof of acquisition of title in the shares is a prerequisite for entry in the share register. Nominees approved by the Board of Directors are recorded in the share register as shareholders with voting rights. Nominees who have not been approved by the Board of Directors may be refused recognition as shareholders if they do not disclose the beneficiary. In such cases, the nominees will be recorded in the share register as shareholders without voting rights. As of 31 December 2019, no nominee had asked for registration and voting rights.

There are no statutory rules concerning deadlines for entry in the share register. However, for organizational reasons, the share register is closed several days before the General Meeting. The respective cut-off date for inscriptions is announced in the invitation to the General Meeting.

## CHANGES OF CONTROL AND DEFENSE MEASURES

The Articles of Association of Straumann Holding AG do not contain provisions for opting out or opting up. There are no change-of-control clauses included in agreements and schemes benefiting members of the Board of Directors or the Executive Management Board or other management staff.

## EXTERNAL AUDITORS

The Shareholders' General Meeting elects and appoints the Group's external auditors on an annual basis. In April 2019, Ernst & Young AG, Basel, was re-elected as auditor of Straumann Holding AG for a sixth term of one year. The auditor in charge is Daniel Zaugg, Swiss Certified Public Accountant, who took over the mandate in 2014. The current cycle for Daniel Zaugg finishes at the General Meeting approving the 2020 financial results.

### INFORMATION INSTRUMENTS PERTAINING TO THE EXTERNAL AUDIT

The Board of Directors supervises the external auditors through the Audit & Risk Committee, which met five times in 2019. The external auditors participated in two of these meetings, to discuss the scope, the audit plan and the auditors' conclusion of the financial report. Details of the instruments that assist the Board in obtaining information on the activities of the external auditors are on p. 99 f.

The worldwide fees paid to the auditors are outlined in the table on the right.

## INFORMATION POLICY

Straumann is committed to a policy of open, transparent and continuous information. In accordance with the rules of the SIX Swiss Exchange, the Group publishes detailed sales figures on a quarterly basis as well as annual and half-yearly reports. Detailed information is provided at the AGM, and the minutes are published on the company's website. Where necessary or appropriate, the Group also publishes additional information on significant events. The CEO, CFO, the Heads of Investor Relations and Corporate Communication are responsible for communication with investors and representatives of the financial community, media and other external stakeholders.

In addition to personal contacts, discussions, and presentations in Europe, North America and Asia, the Group held four quarterly financial results conferences for the media and analysts in 2019, two of which were teleconferences. On average, each event was attended by approx. 100 participants on-site, by webcast or by conference call. In addition, Straumann's CEO, CFO and Head of Investor Relations attended ten equity conferences as well as fifteen days on the road to meet with investors at their offices.

As in the prior year, the company organized investor meetings focusing on corporate governance topics with the Chairman and the Head of Human Resources & Compensation Committee.

Research analysts from 17 banks / brokers cover developments at the Straumann Group and are listed online.

Apart from this, the Group frequently publishes media releases, briefing documents and other materials, which are archived and available online. The company offers a media release subscription service via its website and takes care to ensure that investor-relevant releases are circulated broadly and in a timely manner according to the rules of the SIX Swiss Exchange and with due regard for the principles of fair disclosure. The company does not update its releases, reports and presentations, which means that the information they contain is only valid at the time of publication. The Group advises against relying on past publications for current information.

**Worldwide fees** (in CHF 1 000)

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Total audit fees | 1 105 | 1 050 |
| Tax consultancy | 513 | 21 |
| Transaction services | 106 | 186 |
| Other services | 15 | 51 |
| Total non-audit fees | 634 | 258 |
| TOTAL | 1 739 | 1 308 |

**ANNUAL REPORT & COMPENSATION REPORT**

The Group's Annual Report is an important instrument for communicating with various stakeholder groups. It is published electronically in English on the company's website. In addition, printed summaries in English and German are available and are sent to registered shareholders. The Compensation Report is issued as part of the Annual Report and can be downloaded here in English as well as in German.

**MEDIA USED FOR REPORTING PURPOSES**

The company's website is www.straumann-group.com. The company's journal of record is the 'Swiss Official Gazette of Commerce' SOGC (Schweizerisches Handelsamtsblatt SHAB).

Subscriptions to the e-mail distribution service (according to Art. 8 of the Directive Ad hoc Publicity, DAH) can be made here. Information according to Art. 9 DAH can be found online.
Further information requests should be addressed to:

CORPORATE COMMUNICATIONS:
corporate.communication@straumann.com
Tel. +41 61 965 11 11
Peter Merian-Weg 12
CH-4002 Basel

INVESTOR RELATIONS:
investor.relations@straumann.com
Tel. +41 61 965 16 78
Peter Merian-Weg 12
CH-4002 Basel

**CALENDAR**

Straumann's calendar of planned reporting dates is updated on the company's website.

# COMPENSATION REPORT



This report provides a comprehensive overview of the Straumann Group's (Group) compensation principles, practices and delivery framework. It also provides information on the compensation of the general staff, management, Executive Management Board (EMB) and Board of Directors (BoD). It conforms to Swiss law, the Swiss Code of Best Practice for Corporate Governance as well as the SIX Directive on Information relating to Corporate Governance.

## LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

Dear Shareholder,

In 2019, we continued to outperform our market. Organic revenue rose 17%, core EBIT margin reached 27% and basic core earnings per share rose to CHF 21.21. Behind these results are dedicated people, whose outstanding performance and achievements deserve recognition and appreciation, which is presented and described in this compensation report.

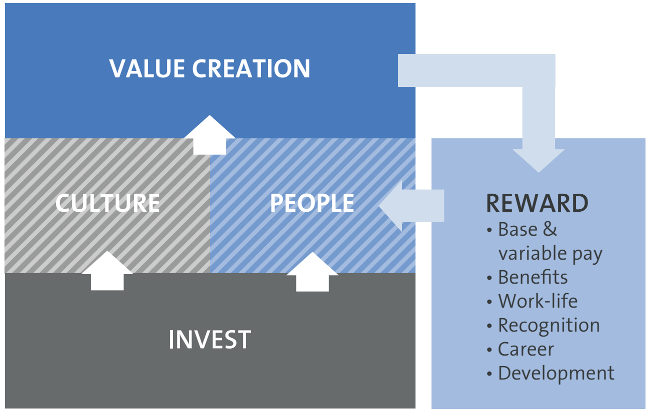
The size, scope, diversity and geographic spread of our activities and organization have increased substantially and the Straumann Group now includes approximately 7600 people, compared with 3800 three years ago. In view of this, throughout 2019, we continued to focus on leadership development and succession, nurturing internal talent in addition to attracting high caliber people from outside.

Company culture, opportunities, job enrichment, security and competitive compensation are quintessential, which is why we constantly review, challenge, benchmark and improve our rewards system. To this end, the key changes were as follows:

- we simplified our short-term incentive by unifying the criteria for measuring value creation and reducing the number of targets and payout curves
- we switched from EBIT growth amount to relative total shareholder return as one of the two determinants of our long-term incentive. This change was made as we listened to stakeholder concerns about the transparency of long-term target setting.

Acquisitions have played an important part in Straumann's growth strategy for several years. In 2019 alone, we consolidated more than 10 companies in 11 countries scattered across four continents with diverse cultures, employment regulations and remuneration models. To integrate and harmonize these, we have invested significantly in global people management skills and tools.

Job enrichment, one of the five quintessential components in our reward system.




In the Group's reward philosophy, people are rewarded for value creation. The total reward includes quantitative (base & variable pay and benefits) and qualitative (work-life and career development) elements.

**LOOKING AHEAD**

The key to going ‘beyond continuity’ is to ensure that our organization is equipped with the leadership capabilities and resources to manage our growth and sustain our success, which is why we are expanding the Executive Management Board. In addition, we are continuing to capitalize on our internal expertise, by connecting talent with opportunities and deploying people to areas that are poised for growth.

On your behalf, I would like to thank every member of our global team for their commitment and achievements. I would also like to express my gratitude to the EMB for its constructive approach to the dialogue in 2019 as well as the Board of Directors and you, as shareholders, for your confidence in the Human Resources & Compensation Committee.

Ulrich Looser
Chairman of the Human Resources & Compensation Committee

## COMPENSATION GOVERNANCE AND REGULATION

### HUMAN RESOURCES & COMPENSATION COMMITTEE (HRCC)

The Board of Directors nominates the members of the HRCC for election by the Annual General Meeting (AGM). The Committee is entrusted with the design of compensation for the Board of Directors and the compensation and benefits for the EMB, and the review of the total rewards framework for all employees. The Committee reports its views on the rewards and compensation of the EMB to the Board of Directors at least once a year and proposes changes when necessary.

Further information on the duties of the HRCC can be found on p. 97 of the Corporate Governance section.

The HRCC met five times in 2019 and all of its members were present. Constantly seeking a broader view, the Committee includes non-monetary components in its review. For instance, skill development, cultural journey and leadership programs, as well as other activities and initiatives that contribute to job enrichment. This provides a holistic basis for the Committee's directional input related to people topics.

The Chairman of the Board of Directors and the CEO participated in all the meetings as guests except during discussions concerning the evaluation and determination of their own compensation.

### REGULATIONS

The Group's compensation schemes for its executives and directors as well as its Articles of Association (AoA) fully reflect the Swiss Ordinance against Excessive Compensation (OaEC). The AoA do not allow for loans, advances or credits to any current or former members of the EMB, the Board of Directors, or related parties. In addition, notice periods for the EMB are restricted to a maximum of 12 months. The compensation schemes and AoA are available to the public here.

**Compensation**
Recommendations & Decisions

| Recipient | Compensation recommended by | Compensation decided by |
|---|---|---|
| Chairman of the Board | Human Resources & Compensation Committee/Board of Directors | AGM |
| Board Members | | |
| CEO | Chairman of the Board/Human Resources & Compensation Committee/Board of Directors | |
| Executive Management | CEO/Human Resources & Compensation Committee/Board of Directors | |
| Senior Management | EMB | CEO |
| Management and staff | Line Management | EMB |

AGREEMENTS WITH THE BOARD OF DIRECTORS AND THE EMB

Agreements are concluded with members of the Board of Directors regarding the compensation for their mandate (members are elected for a term of one year) and with members of the EMB regarding their employment. Non-compete clauses are permissible and compensation may be paid as indemnity where it is determined necessary. In such cases, the compensation must not exceed the last annual total compensation paid to the individual and may not be paid for more than one year as referenced in the AoA.

TERMINATION PROVISIONS

Variable compensation components are subject to forfeiture clauses that allow for partial or total forfeiture if the individual leaves the Group before the vesting date, subject to the Board of Directors' assessment of the reasons for departure.

Further, the agreements with the members of the Board of Directors as well as the EMB do not contain any severance provisions from which a benefit could be obtained in the event of a change of control. The AoA do not contain provisions for opting out or opting up. Upon a change of control event, unvested equity-based long-term variable compensation awards vest with the number of the awards being adjusted on a pro-rata basis and the value per award being determined by the Board of Directors. These procedures apply to all recipients of long-term variable compensation awards irrespective of whether they belong to the EMB or not.

In addition to competitive compensation, the total reward we offer as an employer includes professional experience and skill development in a top class environment.

## COMPENSATION PRINCIPLES

The compensation principles outlined below are valid for everyone working for wholly-owned Straumann Group companies.

### ETHICAL, FAIR STANDARDS

The Group seeks to be in full compliance with international labor standards and is committed to treating all its employees fairly and equally. Compensation and access to rewards programs are prohibited from being discriminatory under local regulations. Local minimum wage regulations have no bearing on the remuneration policy, as the compensation clearly surpasses them. The Group's commitment to these standards is reflected in its use of benchmark data for periodic reviews to ensure compliance and most importantly, internal fairness.

### VALUE CREATION DRIVES TOTAL REWARDS

The Group's view is that success depends largely on value creation by its employees, which should be recognized and rewarded. A modern compensation system and access to competitive rewards are an important instrument for attracting, retaining, motivating and developing talented people. Therefore we provide competitive compensation packages by conducting regular benchmarking to ensure internal and external fairness, incentivize sustainable growth and provide access to benefits that recognize diverse lifestyles and interests.

### COMPREHENSIVE BENCHMARKING

We seek to attract and retain top talent from various industries. Our benchmarking uses a size-adjusted approach and takes into account growth and future aspirations, business complexity, global footprint and market positioning, while respecting the median movement and compensation relative to it.

Benchmark reviews for all Group employees including the EMB are supported by an external specialist (Mercer) and include data from over 300 companies in relevant local markets. Our policy is to provide fixed cash compensation that is competitive with comparable companies. In addition, we set our variable compensation elements to enable total compensation to move towards the upper quartile for outstanding performance.

**The Group's view is that success depends largely on value creation by its employees, which should be recognized and rewarded.**

We seek to attract and retain top talent from various industries, almost all of which involve digital technology.

For the EMB, the benchmark group includes, but is not limited to companies who are included in the SMIM index, which comprises the 30 largest midcap companies in Switzerland. This approach to benchmarking is rounded out by using the size-adjusted approach which enables the inclusion of other company data to ensure compensation is competitive.

## PRINCIPLES OF COMPENSATION FOR THE EXECUTIVE MANAGEMENT BOARD

The principles for the compensation of the EMB specify both a fixed cash component, which includes base salary and other fixed compensation items, and a variable component in accordance with the AoA, which includes a short-term and a long-term component, and access to benefits / programs that make up their total rewards.

The rewards and incentives for each EMB member are determined according to his or her role and responsibilities as well as future expectations and are based on external benchmarks that are reviewed as described in the section entitled "Comprehensive benchmarking". The collective financial rewards of the EMB, including the CEO, are subject to approval by the shareholders at the AGM.

If there are changes in the EMB subsequent to the AGM, the compensation of a new CEO or any other incoming member of the EMB will be determined in accordance with the AoA, which includes stipulations regarding total compensation to be offered, and any supplementary compensation to offset losses of rights associated with giving up prior activities.

To demonstrate their commitment to the Group's value creation, EMB members are required to hold Straumann Group equity in a value corresponding at least to the aggregate of their individual annual base salary and short-term incentive at target. The requirement for the CEO is at least the aggregate of his annual base salary, short-term incentive at target and LTI grant value. Incoming EMB members are expected to build up the required equity within five years.

## PRINCIPLES OF COMPENSATION FOR THE BOARD OF DIRECTORS

The compensation of the Board of Directors is subject to the approval of the AGM and consists of fixed compensation components, paid in cash and shares in accordance with the AoA. The Board of Directors establishes the compensation payable to its members based on the recommendations of the HRCC, and within the limits approved by the AGM, and remained the same in 2019 as in 2018.

Learning on the job: Straumann offers many attractive opportunities for young professionals starting in their careers.

**Board of Directors compensation framework** (in CHF 1 000)

| Recipient | Board Membership Cash | Equity Allocation |
|---|---|---|
| Chairman | 400 | 300 |
| Vice Chairman | 200 | 100 |
| Board Committee Chair | 150 | 100 |
| Other Board of Directors members | 100 | 100 |

Board members are required to hold two years' annual compensation in shares.

To demonstrate commitment to the value creation of the Group, each member of the Board of Directors is required to hold shares in the value of at least two years' total annual compensation. New Board Members are expected to build up the required shareholding within two years.

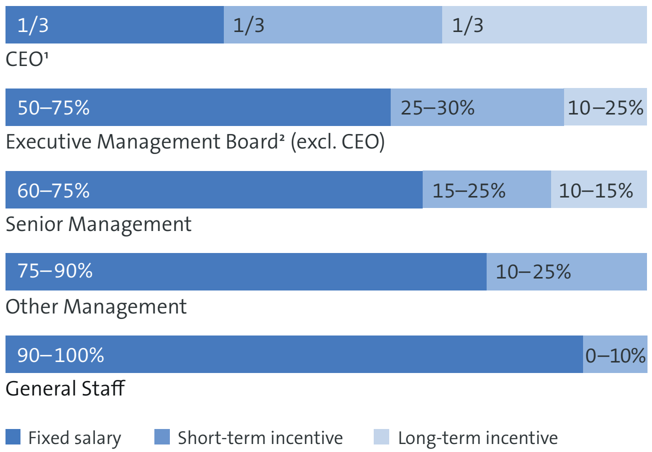
All Board Members are active mentors to the EMB and have regular one-to-one exchanges with their assigned mentees. Irrespective of role, all Board Members are entitled to reimbursement from the company for their reasonable expenses for travel to and from Board meetings, travel on behalf of the Board, and other related incidental expenses, in accordance with the expense regulations for Members of the Board of Directors of Straumann Holding AG.

## GROUP COMPENSATION FRAMEWORK

The compensation framework for the Group remained the same in 2019 as in 2018 with the exception of minor adjustments to the STI and LTI.

| Element | Type | Delivery | Description |
|---|---|---|---|
| Fixed components | Base salary | Cash | • For all employees (including EMB) a fixed compensation, determined by scope and complexity of the role<br>• Generally within 80–120% of relevant market median |
| Variable components | Short-term incentive | Cash | For EMB, Senior Management and a broad group of employees, paid annually:<br>• Maximum payout potential: 165%, 180% or 190%, depending on hierarchy level.<br>• Performance measured against business results and financial targets. |
| | Long-term incentive | Performance Share Units (PSUs) | For the EMB and a defined Senior Management group:<br>• Vesting range: 0–200% of target<br>• 3-year vesting period<br>• Vesting is based on absolute and relative TSR performance |
| Benefits | Pension plans | | In line with local statutory guidelines |
| | Other benefits | | In line with local market practices<br>• Pension plans are de-risked in line with Group guidelines<br>• Benefits are positioned towards relevant market medians |
| | Employee share participation plan (ESPP) | Blocked shares | • For management and staff in Switzerland: purchase of Straumann shares up to a maximum of 35% of their annual base salary at a discount of 35%.<br>• For senior management, the purchase cap is 25% of annual base salary with a discount of 25%.<br>• The shares are blocked for two years. |

**Pay mix corridor (at-target achievement)**




1 At target, the variable compensation will amount to 198% of base salary.
2 At target, the variable compensation (incl. STI and LTI) for the EMB members will in average amount to 85% of base salary.

**Employee share participation plan**

| | Employees participating | Shares issued | Discount share price at issue | End of blocking period |
|---|---|---|---|---|
| 2019 | 214 | 8 951 | CHF 628[1]<br>CHF 544[2] | April 2021 |
| 2018 | 215 | 12 566 | CHF 396[1]<br>CHF 457[2] | April 2020 |
| 2017 | 140 | 12 636 | CHF 361 | April 2019 |

1 25% discount
2 35% discount

## FIXED COMPONENTS

Fixed compensation includes base salary and may include additional cash elements depending on local practice and regulation and is set through our previously described benchmarking practice.

## VARIABLE COMPONENTS

In 2019, the variable compensation components included either or both of the following:

- Short-term incentive based on the business year performance
- Long-term incentive based on achievement of specific criteria over a 3-year period.

In each case the payout can range from zero to a clearly defined cap depending on the extent to which the respective targets are achieved.

### SHORT-TERM INCENTIVE (STI)

Our STI scheme focuses on rewarding individuals on the basis of company and team performance and incentivizes growth and value-creation. In 2019, we simplified and harmonized the STI by combining the two payout curves that applied to each performance target. The payout is capped at 165%, 180% or 190% of the target, depending on the participant's managerial level (see table on the lower right).

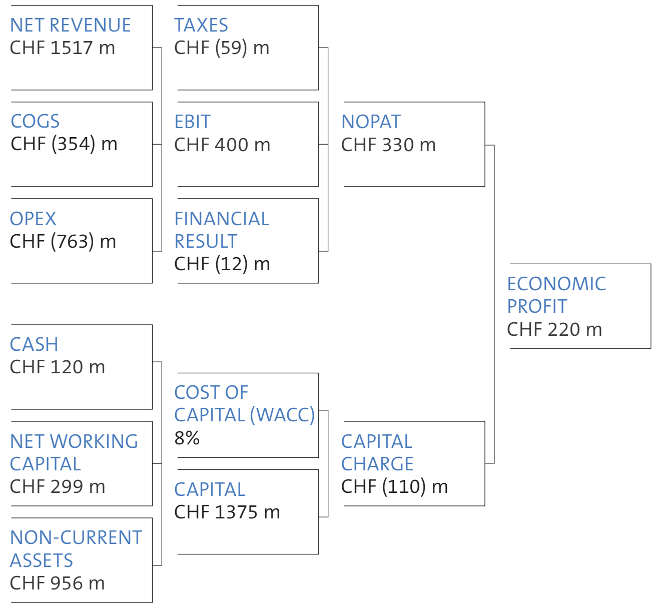
Furthermore, we reduced the number of weighting factors to three, relating to our commercial, production, and corporate organizational units.

### COMPANY PERFORMANCE

Economic profit (EP) is the key performance indicator of company performance, which applies to all STI participants. The Board of Directors sets the absolute target for EP generation in Swiss francs annually prior to the respective performance cycle. The target is based on medium-term business plans as well as the defined budget for the performance year. The potential payout ranges from 0 to 190% of the target STI amount.

EP is calculated by deducting a capital charge from the net operating profit after tax (NOPAT). The Board of Directors may exclude extraordinary elements from the calculation. The capital charge represents the cost of capital calculated based on an average equity return expected by investors.

**Company performance – 2019 economic profit (EP)**




NOPAT = Net operating profit after taxes; COGS = Cost of goods sold; OPEX = Operating expenses; EBIT = Earnings before interest and taxes.

**STI performance criteria weighting 2019**

| Management level | Company target[1] | Financial target[1] |
|---|---|---|
| Chief Executive Officer | 100% | |
| Executive Vice President | 40–100% | 0–60% |
| Senior Vice President<br>Vice President | 40–100% | 0–60% |
| Management (Director, Senior Manager, Manager) | 20–100% | 0–80% |
| Staff | 20–100% | 0–80% |

1 Ranges from 165% to 190% for maximum payout.

### ORGANIZATIONAL UNIT PERFORMANCE

Specific financial targets are applicable in addition to EP for participants in commercial and production organizational units. These targets are derived from annual budgets and are set by the CEO and CFO together with the member of the EMB responsible for the respective organizational unit. In 2019, for example, improvements to contribution margin and to strategic key sales initiatives were set as specific financial targets for the Sales Regions while improvement to cost of goods sold was defined as a specific financial target for Production organizations.

### WEIGHTING OF COMPANY AND FINANCIAL TARGETS

The weighting of the performance targets depends on the managerial level and organizational unit of the respective participant (see table on p. 125).

### LONG-TERM INCENTIVE (LTI)

The LTI program is designed for the EMB, Senior Management and other key employees depending on role, responsibility, location, strategic impact, and market practice. Participation is determined by the Board of Directors. The plan was introduced in 2012 and is designed to offer an attractive variable compensation element that aligns participants' interests with those of the shareholders. The plan uses Performance Share Units (PSU), which are granted to eligible personnel with specific performance conditions that result in a potential vesting into Straumann shares after 3 years.

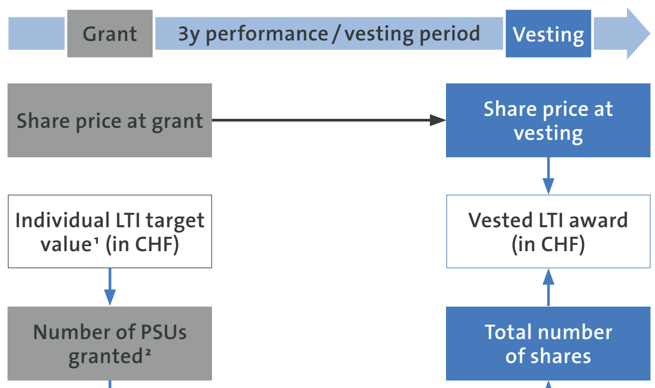
### PSU GRANT 2019

PSUs are granted once a year after the AGM and no cash investment is required from the participants. The number of PSUs granted is equal to the participant's LTI contractual grant value divided by the reference value of one PSU at the grant date. The LTI grant value is a percentage of the total target compensation and is determined in accordance with the participant's role in the organization. In 2019, 11 062 PSUs were granted.

### PSU VALUE AT GRANT 2019

The value of the PSUs granted is determined based on the notion that it should accurately reflect the inherent risk of the underlying instrument. Under this assumption, for the 2019 grant and the foreseeable future, the Group estimates the PSU reference value to be at 25% below the share price at the time of grant, based on historical values where the fair value calculated by external professionals resulted in a range of 20–30% below market prices.

**Straumann 2019–2022 long-term incentive scheme**




| KPIs (equally weighted) | | | | # of shares per PSU |
|---|---|---|---|---|
| Absolute TSR | Floor | Target | Cap | |
| Number of shares per PSU | 0.0 | 0.5 | 1.0 | 0.0–2.0 |
| Relative TSR[3] | Floor | Target | Cap | |
| Number of shares per PSU | 0.0 | 0.5 | 1.0 | |

1 Grant value is defined as a percentage of the total target compensation taking into account participant's role in the organization.
2 Results from division of the individual LTI grant value by the reference value of one PSU.
3 Replaces the former EGA performance condition.

The LTI design includes the possibility for the PSU value at vesting to be higher or lower than the value at grant (or even zero). It is important to consider this potential for fluctuation when linking grant values to total target compensation, in order to manage expected compensation with share volatility in the individual's earning potential.

### CONVERSION OF PSU INTO SHARES (VESTING IN 2022)

The 2019 PSU grant will vest at the end of the performance period and be converted into shares. The number of shares allocated per PSU depends on the achievement of two performance conditions, both directly reflecting the shareholder experience and considered essential for sustaining shareholder value creation.

- Absolute TSR aims to link the LTI value at vesting directly with the absolute value created by the company for its shareholders.
- Relative TSR shows the Group's share performance in the context of the market and in comparison with peer companies (SMIM index).

The two performance conditions are weighted equally and vest independently of each other. For each performance condition, the maximum conversion factor is 1 share per PSU.

### TOTAL SHAREHOLDER RETURN

TSR is the profit (or loss) realized by an investment at the end of a year or specific period. It includes capital gains or losses from changes in the share price as well as gross dividends. Capital gain is calculated using the average of the closing share prices over the period of seven trading days starting on the ex-dividend date in the year of grant and in the year of vesting. Relative TSR is calculated by taking the percentage points difference between the TSR of Straumann and that of the SMIM (Swiss Market Index Mid) index.

When determining the vesting curves, the Board considers ambitious yet realizable target performance levels to establish a statistically reasonable chance for target achievement. The Group believes that the overall approach to target setting adds to the competitiveness of its reward system for its executive and senior managers and limits the possibility of excessive risk taking.

**Performance share unit overview**

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Grant date | 30.04.2019 | 30.04.2018 | 21.04.2017 | 20.04.2016 |
| Vesting date[1] | 20.04.2022 | 27.04.2021 | 21.04.2020 | 20.04.2019 |
| Share price at grant | CHF 837.60 | CHF 625.50 | CHF 483.00 | CHF 336.00 |
| PSU reference value[2] | CHF 628.00 | CHF 460.68 | CHF 315.83 | CHF 306.84 |
| Granted PSUs | 11 062 | 12 334 | 16 785 | 14 520 |

1 Seven trading days after the ex-dividend date.
2 Prior to 2019, the grant reference value was determined by using the fair value calculation under the Monte Carlo method. As of 2019, the reference value is determined by the closing share price average of 7 days ex-dividend less 25% discount.

**Outstanding performance share units**

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| As of 1 January | 40 833 | 36 448 | 45 606 | 76 799 |
| Granted PSUs | 11 062 | 12 334 | 16 785 | 14 520 |
| Vested PSUs | (14 024) | (5 538) | (24 614) | (44 106) |
| Forfeited PSUs | (3 100) | (2 411) | (1 329) | (1 607) |
| As of 31 December | 34 771 | 40 833 | 36 448 | 45 606 |

### ABSOLUTE TOTAL SHAREHOLDER RETURN

With regard to the absolute TSR component, the conversion rate of PSUs into shares ranges from 0 to 100%. If the TSR CAGR is 0% or below, the conversion rate is zero. If the CAGR is 7%, each PSU converts into half a share, while a CAGR of 14% or more results in a conversion of one share per PSU.

### RELATIVE TOTAL SHAREHOLDER RETURN

In the case of relative TSR, the conversion rate is also linear and ranges from 0% to 100%. No shares are allocated if the Group underperforms the SMIM by 25%-points or more. Each PSU converts into one share if the Group outperforms the SMIM by 25%-points or more. Performance in-line with the SMIM results in each PSU converting into half a share as shown in the vesting curves in the chart to the right.

### LTI GRANTS PRIOR TO 2019

From 2016 to 2018 (vesting in 2019 to 2021), the LTI was determined by Total Shareholder Return (TSR) and EBIT Growth Amount (EGA) measured over a 3-year performance cycle and equally weighted. The vesting conditions for those grants remain unchanged.

## BENEFITS

### PENSION PLANS

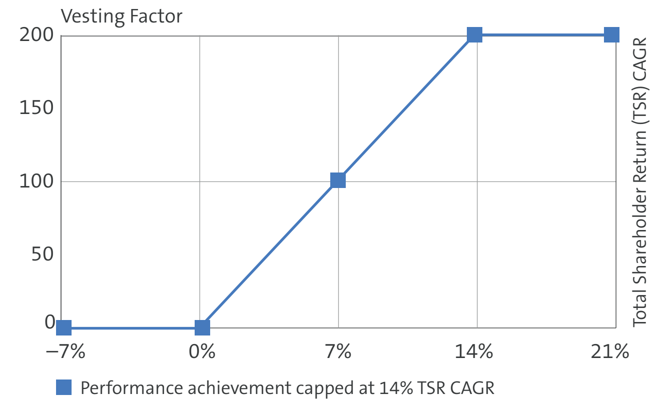
Internal analysis carried out in recent years showed that Straumann and its subsidiaries fulfil and, in some respects, exceed local legal requirements. In most cases, pension obligations are fully funded. Where this is not the case, liabilities are reported in the Annual Report following actuarial rules.

Further information on pension plans is provided in Note 8.2 to the audited consolidated financial statements on p. 174 ff. Information on pension fund risks is also provided on p. 56 of the Risk Analysis.

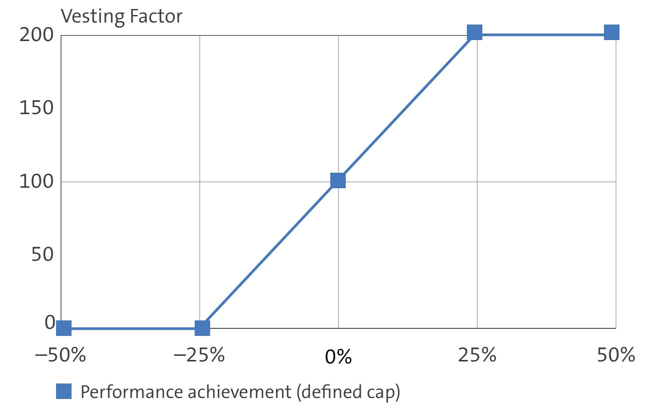
### OTHER BENEFITS

Straumann's benefit programs are designed to enable the Group to compete for and retain employees. Benefits are structured to support our overall business strategy and are aligned with local practices and legislation. Examples of benefits include the Employee Share Participation Plan (ESPP), public transport passes, lunch vouchers, the use of company cars, mobile phones, and discounts on Straumann products.

**Absolute TSR – CAGR over 3 years**




**3-Year Relative TSR vs SMIM in percentage points**



## 2019 COMPENSATION

In 2019, we continued the practice of the annual compensation review for all Straumann Group employees globally. Compensation increases are based on a combination of performance and market positioning for each role and are adjusted within the approved budgets set for each organizational unit. This review resulted in a 7% increase of spend on compensation, benefits and social costs.

### COMPENSATION FOR THE BOARD OF DIRECTORS

The 2019 AGM approved a maximum total compensation for the Board of Directors of CHF 2.7 million for the term of office ending at the 2020 AGM. It consists of a fixed fee, paid in cash and shares, and includes social security. The Board of Directors was expanded at the AGM in 2019 to include one additional member, and the average compensation remained the same as in 2018.

In 2019, none of the Board members received any compensation from the Straumann Group other than that disclosed in this report. No compensation was paid to related parties of members of the Board of Directors and no payments were made to former members of the Board of Directors or related parties.

The Chairman of the Board of Directors, who was previously a member of the EMB and served as CEO, continues to participate in the Straumann Pension plan, which is a fully funded defined contribution plan. Such coverage is necessary as he does not occupy any other executive function and therefore would otherwise not be covered by any occupational pension scheme. This benefit is benchmarked as part of the total remuneration and does not constitute an amount in addition to his ordinary compensation package received as a member of the Board of Directors.

### SHAREHOLDINGS OF THE BOARD OF DIRECTORS

The numbers of shares in Straumann Holding AG held by the members of the Board of Directors in office at the end of 2019 are shown in the table on p. 190.

**Board of Directors compensation (AUDITED TABLE)** **(in CHF 1 000)**

| 2019 / 2018 | Fixed cash compensation | Fixed share compensation | Social security | Other benefits | Pension | TOTAL |
|---|---|---|---|---|---|---|
| Gilbert Achermann (Chairman of the Board) | 400<br>400 | 300<br>300 | 50<br>52 | 32<br>31 | 106[1]<br>106[1] | 888<br>889 |
| Thomas Straumann (Vice Chairman) | 200<br>200 | 100<br>100 | 20<br>20 | | | 320<br>320 |
| Monique Bourquin | 100<br>100 | 101<br>100 | 13<br>13 | | | 214<br>213 |
| Sebastian Burckhardt | 100<br>100 | 101<br>100 | 13<br>13 | | | 214<br>213 |
| Juan Jose Gonzalez (elected April 2019) | 74 | 101 | 5 | | | 180 |
| Ulrich Looser (Chairman of the HRCC) | 150<br>150 | 101<br>100 | 17<br>17 | | | 268<br>267 |
| Beat Lüthi (Chairman of the TIC) | 150<br>150 | 101<br>100 | 17<br>17 | | | 268<br>267 |
| Regula Wallimann (Chairwomen of the ARC; elected April 2019) | 138<br>100 | 101<br>100 | 16<br>13 | | | 255<br>213 |
| TOTAL | 1 312<br>1 200 | 1 006<br>900 | 151<br>145 | 32<br>31 | 106<br>106 | 2 607<br>2 382 |

1 This amount reflects a correction to the contribution due to the increase in fixed share compensation in 2018.

## COMPENSATION OF THE EXECUTIVE MANAGEMENT BOARD

At the 2019 AGM, the shareholders prospectively approved a fixed compensation of CHF 7.3 million for the collective EMB (as composed in April 2019) for the period between 1 April 2019 and 31 March 2020. The shareholders also approved a maximum budget of CHF 3.9 million for the collective long-term variable compensation of the EMB for the 2019 business year. The variable STI for the business year ending 31 December 2019 will be submitted for approval by the shareholders at the AGM in 2020.

### EMB AVERAGE FIXED COMPENSATION 2019

Individual adjustments to fixed compensation were made in 2019 reflecting performance, reductions in available benefits due to changes in the ESPP, and increases in the size and scope of role. These changes resulted in a 6.1% increase in the total fixed EMB compensation compared with the prior business year.

### VARIABLE COMPONENTS

In the 2019 business year, the Group met the majority of its short-term incentive targets across countries and organizational units, resulting in a bonus payout at or above target for eligible employees. For EMB members and the CEO, this translated into STI payments ranging from 132% to 190% of the target amount or 63% to 186% of base salary.

Furthermore, the Group clearly exceeded the three-year LTI targets for Total Shareholder Return and EGA, resulting in a maximum conversion factor of 2 shares per PSU granted in 2016, which vested in April 2019. The total value of vested LTI of the EMB in 2019 corresponded to 0.09% of the market capitalization at the end of 2019.

**Executive Management Board compensation (AUDITED TABLE)** (in CHF 1 000)

| 2019 / 2018 | Annual base salary | Short-term incentive | Performance Share Units (grant value) | ESPP discount | Social security and pension[2] | Other compensation & benefits[3] | TOTAL |
|---|---|---|---|---|---|---|---|
| Marco Gadola (CEO) | 865 | 1 615 | 870 | 22 | 413 | 33 | 3 818 |
| | 850 | 1 615 | 850 | 28 | 325 | 33 | 3 701 |
| Other members[1] | 4 329 | 3 982 | 2 121 | 87 | 1 567 | 569 | 12 655 |
| | 4 157 | 3 637 | 1 705 | 77 | 1 146 | 625 | 11 347 |
| Former members | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 5 194 | 5 597 | 2 991 | 109 | 1 980 | 602 | 16 473 |
| | 5 007 | 5 252 | 2 555 | 105 | 1 471 | 658 | 15 048 |

1 Including compensation for members joining and leaving in the course of the year, exclusive of any non-compete payments.
2 Amounts reported for 2018 indicated under 'Social security & pension' include social security contributions related to PSUs that vested in the reporting year. As of 2019, the amounts include estimated social security contributions related to PSU grants to align the timing of social security reporting with the compensation element that creates it. The social security contributions related to vested PSUs for the EMB including the CEO was CHF 1.0 million.
3 Other compensation includes automobile lease for EMB members on Swiss contracts in addition to local benefits for EMB members in LATAM, APAC and the USA.

### CHANGES IN THE EMB

In mid-2019, one person left the EMB and was replaced. At year-end, 3 people left and were replaced in the new year. In this regard, compensation for compliance with the Group's post-contractual non-compete covenants was granted. Throughout 2019, the EMB thus comprised 12 members including the CEO. In addition, two further EMB positions were created at the beginning of 2020 increasing the EMB to 14 (see p. 108 for details). To conclude the CEO transition, the Group entered into an agreement with the outgoing CEO, Marco Gadola, to ensure continuity in certain projects. The agreement covers the period from 1 January to 30 June 2020 with a salary of CHF 797 500 for Mr Gadola's services as a non-executive member of the Group's management. Thereafter, he will be entitled to compensation of CHF 880 000 for compliance with the Group's post-contractual non-compete covenants for the period 1 July 2020 to 30 June 2021, paid in monthly installments.

The aforementioned non-compete compensation amounts are not included in the compensation table on page 131.

### SHAREHOLDINGS OF THE EMB

The numbers of shares in Straumann Holding AG held by the members of the EMB in office at the end of 2019 are shown in the table on p. 190.

## APPROVAL OF COMPENSATION

The Board of Directors determines the compensation of the individual members of the Board and the EMB based on the recommendations of the HRCC and within the limits set by the AGM. The relevant criteria are explained on p. 122 ff., and the compensation awarded to the Board of Directors and the EMB is disclosed in the tables on p. 130 f.

The AGM approves the maximum compensation payable to the Board of Directors and the EMB.
At the 2020 AGM, the shareholders will be asked to approve:

- The total compensation of the Board of Directors from 1 April 2020 to 31 March 2021
- The total fixed compensation of the EMB from 1 April 2020 to 31 March 2021
- The short-term incentive (STI) of the EMB for the 2019 business year
- The total long-term incentive (LTI) for the 2020 grant including grant-related social security for the EMB.

The reconciliation of approved and dispensed compensation for the 2019–2020 AGM period is shown in the table below.

**Compensation approved and dispensed** (in CHF 1 000)

| | Board of Directors | Executive Management Board |
|---|---|---|
| Compensation earned during the financial year (A) | 2 607 | 16 473 |
| Compensation earned for the period 1 January to 31 March 2019 (3 months) of the financial year (B) | (367) | (7 782) |
| Compensation to be earned for the period from 1 January to 31 March 2020 (3 months) in the year following the financial year (C)[1] | 391 | 7 526[2] |
| Total compensation earned from 1 April 2019 to 31 March 2020 (A)+(B)+(C) | 2 631 | 16 217[1] |
| Amount approved by shareholders at the 2019 AGM | 2 700 | 17 302[1] |
| Compensation dispensed by the Company within approved amount | yes | yes |

1 The difference between the approved amount and the dispensed amount is due to the change of reportable social security on LTI at grant instead of vest. In 2019, the vested social security amounted to CHF 1.0 million.
2 Includes 2019 STI of CHF 6.1 million (CHF 6.1 million in 2018) to be approved at 2020 AGM.

# Report of the statutory auditor on the remuneration report

## To the General Meeting of Straumann Holding AG, Basel

We have audited the accompanying remuneration report of Straumann Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on page 130 and page 131 of the remuneration report.

### BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OPINION

In our opinion, the remuneration report for the year ended 31 December 2019 of Straumann Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

| | |
|---|---|
| Daniel Zaugg | Fabian Meier |
| Licensed audit expert | Licensed audit expert |
| (Auditor in charge) | |

Basel, 14 February 2020

# 2019 FINANCIAL REPORT

# 2019 FINANCIAL REPORT

STRAUMANN GROUP

# Alternative performance measures

The financial information in this annual report release includes certain Alternative Performance Measures (APMs), which are not accounting measures defined by IFRS.

CORE FINANCIAL MEASURES are non-IFRS financial measures because they cannot be derived directly from Group consolidated financial statements. Management believes that these non-IFRS financial measures, when provided in combination with reported results, will provide readers with helpful supplementary information to better understand the financial performance and position of the Group on a comparable basis from period to period. These non-IFRS financial measures are not a substitute for, or superior to, financial measures prepared in accordance with IFRS. Core financial measures are adjusted to exclude the following significant items:

- PPA amortization: Special items and amortization of intangible assets that result from the purchase price allocation (PPA) following acquisitions.
- Impairments: Impairment write-offs of financial or non-financial assets as a result of unusual or one-time events in legal or economic conditions, change in consumer demands, or damage that impacts the asset. In 2018, the Group has impaired the investment in its US-based associated company RODO Medical.
- Legal cases: Non-recurring and significant litigation charges. Expenses related to legal disputes in the course of the Group's ordinary business activities are not adjusted. The amount disclosed in 2019 refers to the Align patent dispute settlement out of court. Refer to Note 6.1 of the consolidated financial statements for additional details.
- Consolidation result of former associates: Revaluation gains and losses as a result of obtaining control over former associates. Refer to Note 7.4 of the consolidated financial statements for additional details.
- Other: Non-recurring, unusual and infrequent incidents that cannot be allocated to any of the preceding categories. In 2019, the Group adjusted the various effects of a fire incident in its Canadian subsidiary Dental Wings Inc. On the one hand, the fire caused a material damage at the facility which is the main production center for in-lab and intra-oral scanners. On the other hand, the Group is entitled to insurance reimbursements. The property damages and the insurance reimbursements are separate economic events, which are accounted for separately.

A reconciliation of IFRS to core measures is disclosed in the table at the end of this section.

Further, the Group discloses VARIOUS KPI. Unless otherwise stated, the following KPI are based on IFRS figures, as disclosed in the consolidated financial statements:

### ORGANIC REVENUE GROWTH

Revenue growth excluding the revenue contribution from business combinations (calculated by adding pre-acquisition revenues of the prior period to the existing revenue growth base) and currency effects.

### REVENUE GROWTH IN LOCAL CURRENCIES

Revenue growth excluding currency effects. Those effects are calculated using a simulation by reconsolidating the prior period revenues with the current year foreign exchange translation rates.

### NET CASH (NET DEBT)

Net debt is an indicator of the Group's ability to meet financial commitments, to pay dividends, and to undertake acquisitions. The KPI is calculated by subtracting financial liabilities (excl. lease liabilities) and retirement benefit obligations from cash and cash equivalents.

### NET WORKING CAPITAL (NET OF CASH)

Working capital is capital invested in the Group's operating activities. It is a driver for cash flow and an indicator of operational efficiency. Net working capital equals Subtotals 'current assets' and 'current liabilities' – excluding the lines cash and cash equivalents, current financial assets and current financial liabilities.

### DAYS OF SUPPLIES (DOS)

The days of supplies indicate the average time in days that the Group takes to turn its inventory. The numerator is the balance sheet position 'inventories' at year-end, and the denominator are the 'Cost of goods sold' of the past three months, multiplied by 90 days.

### DAYS OF SALES OUTSTANDING (DSO)

The days of sales outstanding indicate the average number of days the Group takes to collect its receivables. The numerator is the balance sheet position 'trade receivables' at year-end and the denominator are the 'net revenues' of the past three months, multiplied by 90 days.

### RETURN ON ASSETS (ROA)

Return on assets expresses the earning power of the Group's assets. The numerator is the profit for the period of the past twelve months, and the denominator is the average balance sheet total for the same period.

### EQUITY RATIO

The equity ratio is calculated by dividing total equity by total assets.

### RETURN ON EQUITY (ROE)

Return on equity compares profitability of the Group in relation to the equity invested. The numerator is the profit for the period of the past twelve months, and the denominator is the average equity for the same period.

### CAPITAL EMPLOYED

Capital employed equals current assets, property, plant and equipment, right-of-use assets, intangible assets minus cash and cash equivalents and non-interest-bearing liabilities.

### RETURN ON CAPITAL EMPLOYED (ROCE)

Return on capital employed expresses the earning power of the Group's invested capital. The numerator is the operating profit (EBIT) of the past twelve months, and the denominator is the average capital employed for the same period.

### FREE CASH FLOW

Free cash flow represents the cash-generating capability of the Group to conduct and maintain its operations, to finance dividend payments, to repay debt, and to undertake acquisitions. Free cash flow equals net cash from operating activities less purchase of property, plant and equipment, less purchase of intangible assets, plus net proceeds from property, plant and equipment

### DIVDEND PAY-OUT RATIO

A dividend payout ratio is the percentage of earnings paid to shareholders of Straumann Holding AG. The proposed dividend pay-out in the following year divided by the Group's CORE net profit of the past twelve months.

## CORE RESULT RECONCILIATION 2019

| (in CHF 1 000) | IFRS 2019 | PPA amortization | Impairments | Legal cases | Consolidation result former associates | Other | CORE 2019 |
|---|---|---|---|---|---|---|---|
| Revenue | 1 596 225 | | | | | | 1 596 225 |
| Cost of goods sold | (395 749) | 2 484 | | | | 4 272 | (388 992) |
| Gross profit | 1 200 477 | 2 484 | | | | 4 272 | 1 207 233 |
| Other income | 12 807 | | | | | (7 085) | 5 722 |
| Distribution expense | (330 974) | 10 390 | | | | | (320 584) |
| Administrative expense | (495 170) | 6 421 | | 25 500 | | 2 796 | (460 454) |
| Operating profit | 387 140 | 19 294 | | 25 500 | | (17) | 431 917 |
| Finance income | 64 873 | | | | | | 64 873 |
| Finance expense | (89 475) | | | | | | (89 475) |
| Gain on consolidation of former associates | 5 967 | | | | (5 967) | | 0 |
| Share of results of associates | (3 036) | | | | | | (3 036) |
| Profit before income tax | 365 469 | 19 294 | | 25 500 | (5 967) | (17) | 404 279 |
| Income tax expense | (57 440) | (5 416) | | (3 188) | | 5 | (66 039) |
| NET PROFIT | 308 029 | 13 878 | | 22 313 | (5 967) | (13) | 338 240 |
| Attributable to: | | | | | | | |
| Shareholders of the parent company | 306 473 | 13 410 | | 22 313 | (5 967) | (13) | 336 216 |
| Non-controlling interests | 1 556 | 468 | | 0 | 0 | 0 | 2 024 |
| Basic earnings per share (in CHF) | 19.33 | | | | | | 21.21 |
| Diluted earnings per share (in CHF) | 19.26 | | | | | | 21.13 |
| Operating profit | 387 140 | 19 294 | | 25 500 | | (17) | 431 917 |
| Depreciation & amortization | 93 498 | (16 956) | | | | (3 520) | 73 022 |
| EBITDA | 480 637 | 2 338 | | 25 500 | | (3 537) | 504 939 |

## CORE RESULT RECONCILIATION 2018

| (in CHF 1 000) | IFRS 2018 | PPA amortization | Impairments | Legal cases | Consolidation result former associates | Other | CORE 2018 |
|---|---|---|---|---|---|---|---|
| Revenue | 1 363 560 | | | | | | 1 363 560 |
| Cost of goods sold | (344 315) | 8 887 | | | | | (335 429) |
| Gross profit | 1 019 245 | 8 887 | | | | | 1 028 132 |
| Other income | 3 424 | | | | | | 3 424 |
| Distribution expense | (291 018) | 10 033 | | | | | (280 984) |
| Administrative expense | (389 016) | 5 871 | | | | | (383 145) |
| Operating profit | 342 635 | 24 791 | | | | | 367 426 |
| Finance income | 72 852 | | | | | | 72 852 |
| Finance expense | (89 802) | | | | | | (89 802) |
| Gain on consolidation of former associates | 10 725 | | | | (10 725) | | 0 |
| Share of results of associates | (9 984) | | 7 688 | | | | (2 296) |
| Profit before income tax | 326 426 | 24 791 | 7 688 | | (10 725) | | 348 180 |
| Income tax expense | (48 639) | (6 611) | 0 | | | | (55 250) |
| Net profit | 277 787 | 18 180 | 7 688 | | (10 725) | | 292 930 |
| Attributable to: | | | | | | | |
| Shareholders of the parent company | 272 770 | 17 585 | 7 688 | | (10 725) | | 287 318 |
| Non-controlling interests | 5 017 | 595 | 0 | | 0 | | 5 612 |
| Basic earnings per share (in CHF) | 17.24 | | | | | | 18.16 |
| Diluted earnings per share (in CHF) | 17.18 | | | | | | 18.09 |
| Operating profit | 342 635 | 24 791 | | | | | 367 426 |
| Depreciation & amortization | 52 367 | (15 980) | | | | | 36 387 |
| EBITDA | 395 002 | 8 811 | | | | | 403 813 |

# Consolidated statement of financial position

## Assets

| (in CHF 1 000) | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| Property, plant and equipment | 4.1 | 325 164 | 230 206 |
| Right-of-use assets | 4.2 | 250 584 | 0 |
| Intangible assets | 4.3 | 742 841 | 652 443 |
| Investments in associates | 2.2 | 90 976 | 106 102 |
| Financial assets | 7.1 | 31 779 | 34 907 |
| Other receivables | | 6 977 | 5 814 |
| Deferred income tax assets | 7.7 | 59 993 | 70 066 |
| Total non-current assets | | 1 508 313 | 1 099 538 |
| Inventories | 5.1 | 234 553 | 182 053 |
| Trade and other receivables | 5.2 | 378 325 | 296 030 |
| Financial assets | 7.1 | 1 593 | 1 082 |
| Income tax receivables | | 6 982 | 7 192 |
| Cash and cash equivalents | 5.3 | 260 211 | 278 674 |
| Total current assets | | 881 665 | 765 031 |
| TOTAL ASSETS | | 2 389 978 | 1 864 569 |

## Equity and liabilities

| (in CHF 1 000) | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| Share capital | 7.5 | 1 588 | 1 588 |
| Retained earnings and reserves | | 1 361 825 | 1 199 336 |
| Total equity attributable to the shareholders of the parent company | | 1 363 413 | 1 200 924 |
| Non-controlling interests | | 3 809 | 3 396 |
| Total equity | | 1 367 222 | 1 204 320 |
| Other liabilities | 6.2 | 47 645 | 29 286 |
| Income tax liabilities[1] | | 9 594 | 8 969 |
| Financial liabilities[1] | 7.2 | 270 764 | 239 779 |
| Provisions[1] | 6.1 | 10 964 | 12 469 |
| Retirement benefit obligations | 8.2 | 67 918 | 59 185 |
| Deferred income tax liabilities | 7.7 | 36 887 | 36 211 |
| Total non-current liabilities | | 443 773 | 385 899 |
| Trade and other payables | 5.4 | 308 762 | 223 299 |
| Financial liabilities | 7.2 | 224 725 | 22 103 |
| Income tax liabilities[1] | | 45 490 | 28 824 |
| Provisions | 6.1 | 7 | 124 |
| Total current liabilities | | 578 983 | 274 350 |
| Total liabilities | | 1 022 756 | 660 249 |
| TOTAL EQUITY AND LIABILITIES | | 2 389 978 | 1 864 569 |

1 Comparative figures have been restated (Note 1.3)

The notes on pages 144–182 are an integral part of these consolidated financial statements.

# Consolidated income statement

| (in CHF 1 000) | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenue | 3.1 | 1 596 225 | 1 363 560 |
| Cost of goods sold | | (395 749) | (344 315) |
| Gross profit | | 1 200 477 | 1 019 245 |
| Other income | 3.3 | 12 807 | 3 424 |
| Distribution expense | | (330 974) | (291 018) |
| Administrative expense | | (495 170) | (389 016) |
| Operating profit | | 387 140 | 342 635 |
| Finance income | 7.4 | 64 873 | 72 852 |
| Finance expense | 7.4 | (89 475) | (89 802) |
| Gain on consolidation of former associates | 7.4 | 5 967 | 10 725 |
| Share of results of associates | 2.2 | (3 036) | (9 984) |
| Profit before income tax | | 365 469 | 326 426 |
| Income tax expense | 7.7 | (57 440) | (48 639) |
| NET PROFIT | | 308 029 | 277 787 |
| Attributable to: | | | |
| Shareholders of the parent company | | 306 473 | 272 770 |
| Non-controlling interests | | 1 556 | 5 017 |
| Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF) | 3.2 | 19.33 | 17.24 |
| Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF) | 3.2 | 19.26 | 17.18 |

The notes on pages 144–182 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Net profit | 308 029 | 277 787 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Net foreign exchange result on net investment loans | (27 427) | (21 717) |
| Exchange differences on translation of foreign operations | (23 392) | (61 813) |
| Share of other comprehensive income of associates accounted for using the equity method | 2 485 | 286 |
| Income tax effect | (1 207) | 2 085 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | (49 540) | (81 159) |
| Items not to be reclassified to profit or loss in subsequent periods: | | |
| Change in fair value of financial instruments designated through other comprehensive income | (3 579) | (1 256) |
| Remeasurements of retirement benefit obligations | (5 994) | (7 621) |
| Income tax effect | 1 140 | 978 |
| Items not to be reclassified to profit or loss in subsequent periods | (8 433) | (7 899) |
| Other comprehensive income, net of tax | (57 973) | (89 058) |
| TOTAL COMPREHENSIVE INCOME, NET OF TAX | 250 056 | 188 729 |
| Attributable to: | | |
| Shareholders of the parent company | 249 409 | 184 842 |
| Non-controlling interests | 647 | 3 887 |

The notes on pages 144–182 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

| (in CHF 1 000) | Notes | 2019 | 2018 |
|---|---|---|---|
| Net profit | | 308 029 | 277 787 |
| Adjustments for: | | | |
| Taxes charged | 7.7 | 57 440 | 48 639 |
| Interest and other financial result | | 14 328 | 11 835 |
| Foreign exchange result | | 11 190 | 4 829 |
| Fair value adjustments | | (935) | 287 |
| Gain on consolidation of former associates | | (5 967) | (10 725) |
| Share of results of associates | 2.2 | 3 036 | 9 984 |
| Depreciation and amortization of: | | | |
| Property, plant and equipment | 4.1, 4.4 | 42 445 | 29 960 |
| Right-of-use assets | 4.2, 4.4 | 24 012 | |
| Intangible assets | 4.3, 4.4 | 27 041 | 22 407 |
| Change in provisions, retirement benefit obligations and other liabilities | | (18 009) | (21 675) |
| Change in long-term assets | | 189 | (473) |
| Share-based payments expense | 8.1, 8.3 | 13 130 | 10 706 |
| Result of disposal of property, plant and equipment | | (141) | 568 |
| Working capital adjustments: | | | |
| Change in inventories | | (42 093) | (26 714) |
| Change in trade and other receivables | | (79 874) | (59 211) |
| Change in trade and other payables | | 72 623 | 25 094 |
| Interest paid on lease liabilities | 7.2 | (6 612) | 0 |
| Interest paid | | (7 151) | (8 727) |
| Interest received | | 580 | 2 438 |
| Income tax paid | | (34 783) | (39 910) |
| Net cash from operating activities | | 378 478 | 277 099 |

| (in CHF 1 000) | Notes | 2019 | 2018 |
|---|---|---|---|
| Purchase of financial assets | | 0 | (478) |
| Proceeds from sale of financial assets | | 160 | 478 |
| Purchase of property, plant and equipment | | (134 599) | (92 922) |
| Purchase of intangible assets | | (15 261) | (16 811) |
| Purchase of investments in associates | | (12 327) | (56 268) |
| Acquisition of a business, net of cash acquired | | (68 725) | (16 514) |
| Contingent consideration paid | 7.3 | (8 415) | (5 709) |
| Proceeds from loans | | 1 792 | 0 |
| Disbursement of loans | | (2 594) | (13 529) |
| Dividends received from associates | | 1 789 | 380 |
| Net proceeds from sale of non-current assets | | 1 032 | 2 042 |
| Net cash used in investing activities | | (237 147) | (199 331) |
| | | | |
| Purchase of non-controlling interests | 7.2, 7.3 | (47 365) | (403) |
| Repayment of non-current financial debts | 7.2 | (2 755) | 0 |
| Dividends paid to the equity holders of the parent | 7.6 | (83 126) | (75 120) |
| Dividends paid to non-controlling interests | | (580) | (1 818) |
| Payment of lease liabilities | 7.2 | (22 905) | (1 150) |
| Sale of treasury shares | | 5 061 | 5 139 |
| Purchase of treasury shares | | (4 816) | (4 205) |
| Net cash used in financing activities | | (156 486) | (77 557) |
| | | | |
| Exchange rate differences on cash held | | (3 307) | (3 353) |
| Net change in cash and cash equivalents | | (18 463) | (3 142) |
| Cash and cash equivalents at 1 January | 5.3 | 278 674 | 281 816 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 5.3 | 260 211 | 278 674 |

The notes on pages 144–182 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

2019

(in CHF 1 000)

| | Notes | Attributable to the shareholders of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Treasury shares | Translation reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| At 1 January 2019 | | 1 588 | 31 412 | (19 870) | (169 045) | 1 356 839 | 1 200 924 | 3 396 | 1 204 320 |
| Net profit | | | | | | 306 473 | 306 473 | 1 556 | 308 029 |
| Other comprehensive income | | | | | (47 453) | (9 611) | (57 064) | (909) | (57 973) |
| Total comprehensive income | | 0 | 0 | 0 | (47 453) | 296 862 | 249 409 | 647 | 250 056 |
| Dividends to equity holders of the parent | 7.6 | | | | | (83 126) | (83 126) | | (83 126) |
| Dividends to non-controlling interests | | | | | | | 0 | (580) | (580) |
| Share-based payment transactions | 8.1, 8.3 | | | | | 13 384 | 13 384 | | 13 384 |
| Purchase of treasury shares | | | | (4 816) | | | (4 816) | | (4 816) |
| Usage of treasury shares | | | | 15 324 | | (10 485) | 4 839 | | 4 839 |
| Changes in consolidation group | | | | | | 333 | 333 | 3 474 | 3 807 |
| Put options to non-controlling interests | | | | | | (17 534) | (17 534) | (3 128) | (20 662) |
| AT 31 DECEMBER 2019 | | 1 588 | 31 412 | (9 361) | (216 498) | 1 556 272 | 1 363 413 | 3 809 | 1 367 222 |

2018

(in CHF 1 000)

| | Notes | Attributable to the shareholders of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Treasury shares | Translation reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| At 1 January 2018 | | 1 588 | 31 412 | (25 884) | (86 645) | 1 156 724 | 1 077 195 | (150) | 1 077 044 |
| Net profit | | | | | | 272 770 | 272 770 | 5 017 | 277 787 |
| Other comprehensive income | | | | | (82 400) | (5 528) | (87 928) | (1 130) | (89 058) |
| Total comprehensive income | | 0 | 0 | 0 | (82 400) | 267 242 | 184 842 | 3 887 | 188 729 |
| Dividends to equity holders of the parent | 7.6 | | | | | (75 120) | (75 120) | | (75 120) |
| Dividends to non-controlling interests | | | | | | | 0 | (1 818) | (1 818) |
| Share-based payment transactions | 8.1, 8.3 | | | | | 10 274 | 10 274 | | 10 274 |
| Purchase of treasury shares | | | | (4 205) | | | (4 205) | | (4 205) |
| Usage of treasury shares | | | | 10 219 | | (5 080) | 5 139 | | 5 139 |
| Changes in consolidation group | 2.1 | | | | | | 0 | 3 320 | 3 320 |
| Purchase of non-controlling interests | | | | | | (316) | (316) | (87) | (403) |
| Put options to non-controlling interests | | | | | | 3 114 | 3 114 | (1 756) | 1 359 |
| AT 31 DECEMBER 2018 | | 1 588 | 31 412 | (19 870) | (169 045) | 1 356 839 | 1 200 924 | 3 396 | 1 204 320 |

The notes on pages 144–182 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1 GENERAL INFORMATION AND ACCOUNTING POLICIES

### 1.1 CORPORATE INFORMATION

The Straumann Group (SIX: STMN) is a global leader in tooth replacement and orthodontic solutions that restore smiles and confidence. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Anthogyr, ClearCorrect, Dental Wings, Neodent, Medentika, Straumann and other fully or partly owned companies and partners. In collaboration with leading clinics, institutes and universities, the Group researches, develops, manufactures and supplies dental implants, instruments, CADCAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss. Headquartered in Basel, Switzerland, the Group currently employs approximately 7600 people worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

The consolidated financial statements of the Straumann Group for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 14 February 2020 and are subject to approval by the Annual General Meeting on 7 April 2020.

### 1.2 BASIS OF PREPARATION

#### STATEMENT OF COMPLIANCE

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

They have been prepared on a historical cost basis except financial assets and financial liabilities (including derivative financial instruments), which have been measured at fair value. The consolidated financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest thousand except where otherwise indicated.

#### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Straumann Holding AG and its subsidiaries as of 31 December 2019.

#### SUBSIDIARIES

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

Changes in equity interests in Group subsidiaries that reduce or increase the Group's percentage ownership without loss of control are accounted for as an equity transaction between owners.

#### ASSOCIATES

Associates are those entities over which the Group has significant influence, but neither control nor joint control. Significant influence is the power to participate in the financial and operating policy decisions. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of changes in equity of the investee after the date of acquisition. The Group's share of results of operations is recognized in profit or loss, while any change in other comprehensive income of the associates is presented as part of the Group's other comprehensive income.

For entities over which the Group has joint control together with one or more partners (joint arrangements), the Group assesses whether a joint operation or a joint venture exists. In a joint venture, the parties that have joint control of the arrangement have rights to the net assets of the arrangement. For joint ventures, the equity method is applied.

### 1.3 CHANGES IN ACCOUNTING POLICIES

#### NEW STANDARDS AND AMENDMENTS EFFECTIVE IN 2019

The Group has applied the following amendment for the first time for its annual reporting period commencing 1 January 2019:

– IFRS 16 'Leases' (effective 1 January 2019)

  The new standard requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. With effect of 1 January 2019, the Group has applied the modified retrospective method, in which the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application. Since the Group made use of the practical expedients, the right-of-use assets equal the lease liabilities. Consequentially, there was no impact on the retained earnings.

  The Group elected not to recognize right-of-use assets and lease liabilities for short-term leases (<12 months) and leases of low-value assets. Options (extension / termination) on lease contracts are considered on a case-by-case basis following a regular management assessment. The borrowing rates applied have been defined using country-specific incremental borrowing rates. This rate is calculated based on the risk-free rate of the country plus the Group's risk premium. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.3%.

  The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on the assessments made according to IAS 17 and IFRIC 4.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| (in CHF 1 000) | |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 151 908 |
| Discounting, using the lessee's incremental borrowing rate at the date of initial application | (37 647) |
| Discounted operating lease commitments | 114 262 |
| Add: finance lease liabilities recognized as at 31 December 2018 | 2 049 |
| (Less): short-term leases recognized on a straight-line basis as expense | (1 129) |
| (Less): low-value leases recognized on a straight-line basis as expense | (6 400) |
| Add: adjustments as a result of a different treatment of extension and termination options | 83 083 |
| Lease liabilities recognized as at 1 January 2019 | 191 864 |

On 1 January 2019, the Group recognized CHF 191.9 million of right-of-use-assets and lease liabilities on the the consolidated balance sheet. As a result of the first-time adoption of IFRS 16, the Group's operating profit was positively impacted in the amount of CHF 4.1 million, with lower 'Cost of goods sold' of CHF –0.5 million, 'Distribution expense' of CHF –0.1 million and 'Administrative expense' of CHF –3.5 million. Additional interest expenses in connection with the first-time adoption of IFRS 16 disclosed in 'Finance expense' of CHF 6.6 million resulted in a negative net profit impact of CHF –2.5 million. The application of the new standard did not impact the Group's cash flow but has changed the presentation in the Group's consolidated cash flow statement. Lease payments that relate to contracts that have previously been classified as operating leases are no longer presented as operating cash flows but are classified within financing activities. In 2019, the net cash flow generated by operating activities increased by CHF 22.9 million, while the cash flow of the financing activities decreased by the same amount. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability are still presented within operating activities.

– IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019)
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. Since the Group operates in a complex multinational environment, tax authorities of different jurisdictions may challenge cross-border tax treatments and therefore a related uncertainty exists. At the date of initial application, the Groups' assessment resulted in no changes to the amounts previously recognized in this respect, however, the uncertain tax liablities formerly included under provisions have been reclassified to income tax liabilities (see restatement table below).

– IAS 19 (Amendments) 'Plan Amendment, Curtailment or Settlement' (effective 1 January 2019)

### CHANGE IN PRESENTATION AND RESTATEMENT

The presentation of uncertain tax positions, the straight bond and implementation of IFRS 16 'Leases' has led to the following changes:

| (in CHF 1 000) | Reported | Change | Restated |
|---|---|---|---|
| Change in presentation of uncertain income tax as of 1 Jan 2018 | | | |
| Provision non-current | 40 321 | (10 740) | 29 581 |
| Income tax liabilities non-current | 0 | 8 498 | 8 498 |
| Income tax liabilities current | 28 692 | 2 242 | 30 934 |
| Change in presentation of straight bond as of 31 Dec 2018 | | | |
| Straight bond | 199 862 | (199 862) | 0 |
| Financial liabilities non-current | 39 917 | 199 862 | 239 779 |
| Implementation of IFRS 16 as of 1 Jan 2019 | | | |
| Right-of-use assets | 0 | 191 864 | 191 864 |
| Financial liabilities non-current | 0 | 166 073 | 166 073 |
| Financial liabilities current | 0 | 25 791 | 25 791 |

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

The following standards and amendments to existing standards, which are relevant to the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, and the Group has not adopted them early:

– IFRS 10 and IAS 28 (Amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (effective date to be defined)
– IAS 1 and IAS 8 (Amendments) 'Definition of Material' (effective 1 January 2020)
– IFRS 3 (Amendments) 'Definition of a Business' (effective 1 January 2020)
– IAS 1 (Amendments) 'Classification of liabilities as current or non-current' (effective 1 January 2022).

## 1.4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

### CONTINGENT CONSIDERATIONS

The Group has entered into several contingent consideration arrangements arising from business combinations. Those arrangements are structured either as deferred purchase price payments or as put options granted to non-controlling interests. The fair values of the financial liabilities arising from those arrangements are based on the expected payment amounts and are discounted to present value using a risk-adjusted rate. The significant unobservable inputs are the forecasted performance targets (sales and / or profitability measures) and the risk-adjusted discount rate. The sensitivity of the fair values to those unobservable inputs are disclosed in Note 7.3.

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable or when an annual impairment test is required, which is applicable for goodwill and the brands with an indefinite useful life (Neodent, Medentika, Dental Wings, ClearCorrect, Createch and Anthogyr).

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

#### LEASES

Due to the changes in accounting policies resulting from the application of IFRS 16, critical judgements relating to leases are made starting as from the date of initial application of IFRS 16. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

#### DEFERRED INCOME TAX ASSETS

In connection with the acquisition of the Brazilian company Neodent, the Group has capitalized deferred tax assets in the amount of CHF 37.7 million as of 31 December 2019 (2018: CHF 46.3 million). The deferred tax assets were generated through tax deductible goodwill and fair value step-ups stemming from mergers subsequent to Neodent's acquisition through fully owned subsidiaries of the Group. Based on ongoing internal and external evaluations, the Group judges the capitalization of the deferred taxes as appropriate. Nevertheless, the Brazilian tax authorities have challenged the legality of the tax deductibility of the statutory goodwill and intangible assets at the competent Brazilian Administrative Court. During 2019, the case reached the second level of appeal and was ruled, as expected, against Neodent. The Group is still determined to take the case to the regular judicial courts should the decision of the tax authorities be upheld by the third appeal level of the Administrative Court. An unfavorable decision by the judicial court is possible but considered unlikely by the Group at present. An unfavorable final verdict would affect the Group’s financial statements in future years.

#### INCOME TAXES

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

#### PENSION AND OTHER EMPLOYMENT BENEFITS

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee retirement benefit obligation at 31 December 2019 was CHF 67.9 million (2018: CHF 59.2 million). Further details are given in Note 8.2.

### 1.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### FOREIGN CURRENCY TRANSLATION

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

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

#### PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

An item of property, plant and equipment is derecognized when it is abandoned, removed or classified as 'held for sale'. For assets that are abandoned or removed, any remaining net carrying value is charged to profit or loss. The residual values, useful lives and methods of depreciation of assets are reviewed, and adjusted if appropriate, at the end of each financial year.

**LEASES**

The Group leases various buildings, plant and machinery and other equipment. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
Leases are recognized as a right-of-use asset and a corresponding liability (included in 'Financial liabilities') at the commencement of the lease. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

RIGHT-OF-USE ASSETS

Right-of-use assets are measured at cost and comprise the following:
– the amount of the initial measurement of lease liability
– any lease payments made at or before the commencement date less any lease incentives received
– any initial direct costs
– restoration costs.
The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

LEASE LIABILITIES

Liabilities arising from a lease are initially measured on a present value basis, using country-specific incremental borrowing rates. This rate is calculated based on the risk-free rate of the country plus a premium considering the Group's risk premium. The following lease payments are included in the net present value:
– fixed payments (including in-substance fixed payments), less any lease incentives receivable
– variable lease payments that are based on an index or a rate
– amounts expected to be payable by the lessee under residual value guarantees
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT equipment.

Extension and termination options are included in a number of lease contracts across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the lessee. Lease liabilities are disclosed as part of the current and non-current financial liabilities in the statement of financial position.

**BUSINESS COMBINATIONS AND GOODWILL**

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date, irrespective of any non-controlling interests. The excess of the costs of the acquisition above the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is initially measured at cost. If the costs of the acquisition are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**INTANGIBLE ASSETS**

Intangible assets acquired separately are measured on initial recognition at cost. Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use. Intangible assets acquired in a business combination are identified separately and recognized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

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

| | Customer relationships | Technology | Brands & trademarks | Development costs | Software |
|---|---|---|---|---|---|
| Useful life | Finite | Finite | Finite / infinite | Finite | Finite |
| Amortization method | Straight-line basis | Straight-line basis | Straight-line basis / none | Straight-line basis | Straight-line basis |
| Time period | Usually 7–12 years | Over estimated useful life but not exceeding 10 years | Usually 20 years / not applicable | Over period of expected sales from the related project but not exceeding 3 years | Over estimated useful life but not exceeding 5 years |
| Internally generated or acquired | Acquired | Acquired | Acquired | Internally generated / acquired | Acquired |

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

**IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

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

Goodwill and intangible assets with indefinite life are tested annually for impairment or whenever there are impairment indicators. Impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill and intangible assets with indefinite life relate. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill and intangible assets with indefinite life on 30 November.

**FINANCIAL ASSETS**

The Group recognizes a financial asset on the trade date at which it becomes a party to the contractual obligations of the instrument. Financial assets are initially measured at fair value. Acquisition-related costs are to be included, unless the financial asset is measured at fair value in subsequent periods. The Group subsequently measures financial assets at either amortized cost or fair value.

The Group has the following categories of financial assets:

FINANCIAL ASSETS MEASURED AT AMORTIZED COST

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI

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

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. In the case of financial instruments for which there is no active market, fair value is determined using valuation techniques such as recent arm's length market transactions, the current market value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortized cost using the effective interest method less any impairment losses. Non-interest receivables are discounted by applying rates that match their maturity upon first-time recognition. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

### IMPAIRMENT OF FINANCIAL ASSETS

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

The Group recognizes an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Raw material costs are determined by using the weighted average cost method. The cost of finished goods and work in progress comprises direct materials and labor and a proportion of manufacturing overhead, valued at standard cost. Standard costs are regularly reviewed and, if necessary, revised to reflect current conditions.

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

### CASH AND CASH EQUIVALENTS

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

### PUT OPTIONS TO NON-CONTROLLING INTERESTS

It is common practice for the Group to write put options and acquire call options in connection with the remaining shares held by the non-controlling shareholders mainly as part of a business combination. If the Group has acquired a present ownership interest as part of a business combination, the present value of the redemption amount of the put option is recognized as a financial liability with any excess over the carrying amount of the non-controlling interest recognized as goodwill. In such a case, the non-controlling interest is deemed to have been acquired at the acquisition date and therefore any excess arising should follow the accounting treatment as in a business combination. All subsequent changes in the redemption value of the financial liability are recognized in the income statement and no earnings are attributed to the non-controlling interest.

However, where the Group has not acquired a present ownership interest as part of a business combination, the non-controlling interest continues to receive an allocation of profit or loss and is reclassified as a financial liability at each reporting date as if the acquisition took place at that date. Any excess over the reclassified carrying amount of the non-controlling interest and all subsequent changes in the redemption value of the financial liability are recognized directly in retained earnings.

### TRADE PAYABLES

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

### FINANCIAL LIABILITIES

#### INTEREST-BEARING LOANS AND BORROWINGS

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

#### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

### DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

Derivative instruments that do not qualify for hedge accounting are classified as financial assets at fair value through profit or loss (if positive), or as financial liabilities at fair value through profit or loss (if negative). Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

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

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

**PROVISIONS**

Provisions are recognized when the Group has a present obligation (legal or constructive) resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time-value of money is material, provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

**EMPLOYEE BENEFITS**

PENSION OBLIGATIONS

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the income statement.

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

SHORT-TERM EMPLOYEE BENEFITS – BONUSES

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

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

**SHARE-BASED COMPENSATION**

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

The cost of equity-settled transactions is measured with reference to the fair value at the date on which they are granted. The fair value is determined either based on observable market prices or by external valuation experts using an appropriate pricing model, further details of which are given in Note 8.3.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the Board of Directors, Executive and Senior Management become fully entitled to the award ('the vesting date').

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

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

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

The dilutive effect of outstanding performance share units (PSUs) is reflected as additional share dilution in the computation of earnings per share (Note 3.2).

Selected employees have the right to buy Straumann shares. The difference between the fair value at grant and the cash consideration paid by the employees is immediately recognized as personnel expense.

**REVENUE RECOGNITION**

Revenues on the sale of the Group's products and services are recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, generally at the point in time of shipment to, or receipt by, the customer, or when the services are performed.

The amount of revenue to be recognized is based on the consideration the Group expects to receive in exchange for its goods and services. If products are sold with a right of return and future returns can be reasonably estimated, a refund liability (included in ‘Trade and other payables’) and a right of return asset (included in ‘Trade and other receivables’) are recognized. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. This is applied to the amounts invoiced, also considering the amount of returned products to be destroyed versus products that can be placed back in inventory for resale. The Group’s obligation to provide a refund for faulty products under the warranty terms is recognized as a provision.

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from contracts with customers in the geographical regions disclosed in Note 3.1.

**RELATED PARTIES**

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

**TAXES**

CURRENT INCOME TAX

Current income tax assets and liabilities for the current and prior periods represent the best estimate of the tax amount expected to be paid or received and reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

DEFERRED INCOME TAX

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

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply for the year in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

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

SALES TAXES

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

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

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

## 2 INVESTMENTS

### 2.1 BUSINESS COMBINATIONS

#### TRANSACTIONS IN 2019

ANTHOGYR GROUP

On 21 May 2019, the Group increased its stake in the French Group Anthogyr from 30% to full ownership. Anthogyr develops, manufactures and sells high quality, innovative implant and CADCAM solutions. As a result, the Group obtained control and started to consolidate Anthogyr in its financial statements from that date. Until 20 May 2019, Anthogyr was accounted for using the equity method and therefore the Group's share of results was reported as 'Share of results of associates' in the Group's income statement.

The fair value of intangible assets related to brand is determined using a relief from royalty method. The fair value of the intangible assets related to customer relationships is determined using an excess earning method. The methods are based on management business plans, observable market data for risk-adjusted discount rates, tax rates and foreign exchange rates. Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how.

From the acquisition date Anthogyr contributed revenues of CHF 30.3 million, with no material impact on net profit. If Anthogyr had been included as of 1 January 2019, management estimates the impact on consolidated revenues and consolidated net income for the twelve months ended 31 December 2019 would have been CHF 51.2 million and no material impact on net profit.

BAY MATERIALS, LLC

On 23 October 2019, the Group has acquired Bay Materials, LLC ('Bay Materials'). Based in Fremont, US, the company is specialized in the design, development and supply of high-performance thermoplastics for orthodontic applications. As a result, the Group obtained control and started to consolidate Bay Materials in its financial statements from the date of acquisition.

The fair value of intangible assets related to brand is determined using a relief from royalty method. The fair value of the intangible assets related to technology is determined using an excess earning method. The methods are based on management business plans, observable market data for risk-adjusted discount rates, tax rates and foreign exchange rates. 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 business combination had no material impact on the Group's revenues or net profit, neither for the period from 23 October 2019 to 31 December 2019, nor when considering an inclusion of Bay Materials as of 1 January 2019.

OTHER BUSINESS COMBINATIONS

Besides Anthogyr and Bay Materials, the Group conducted eight additional business combinations:

- Zinedent Implant Uretim Anonim Sirketi ('Zinedent')
- etkon (Schweiz) AG
- Valoc AG
- Abutment Direct Inc
- The Chilean distributor of Alpha Bio
- Medikadent d.o.o.
- Digital Planning Service Private Limited
- Yller Biomateriais S.A.

These business combinations had no material impact on the Group's revenues or net profit, neither from the acquisition date, nor when considering an inclusion of these acquisitions as of 1 January 2019.

The fair values of the identifiable assets and liabilities at the respective business combination date are as follows:

| (in CHF 1 000) | Anthogyr | Bay Materials | Other |
|---|---|---|---|
| Assets | | | |
| Property, plant and equipment | 11 024 | 613 | 1 627 |
| Right-of-use assets | 4 566 | 2 023 | 6 778 |
| Intangible assets: | | | |
| Brand | 13 500 | 2 975 | 523 |
| Customer relationships | 1 880 | 0 | 7 889 |
| Technology | 0 | 6 569 | 3 933 |
| Other intangible assets | 628 | 17 | 805 |
| Deferred tax assets | 0 | 0 | 613 |
| Inventories | 17 529 | 835 | 4 103 |
| Trade and other receivables | 15 017 | 912 | 4 058 |
| Cash and cash equivalents | (775) | 653 | 2 060 |
| Total assets | 63 369 | 14 596 | 32 389 |
| | | | |
| Liabilities | | | |
| Financial liabilities | 15 840 | 2 023 | 7 495 |
| Deferred income tax liabilities | 5 152 | 2 443 | 2 157 |
| Provisions and other long term liabilities | 1 151 | 3 025 | 1 278 |
| Trade and other payables | 11 650 | 1 384 | 6 268 |
| Total liabilities | 33 793 | 8 874 | 17 197 |
| | | | |
| TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE | 29 576 | 5 722 | 15 191 |
| Fair value of previously held interest | (16 348) | | (11 793) |
| Non controlling interest | | | (2 594) |
| Goodwill | 24 918 | 15 413 | 42 222 |
| Consideration | 38 145 | 21 135 | 43 025 |
| | | | |
| Satisfied in cash | 38 145 | 13 197 | 19 321 |
| Contingent consideration | 0 | 7 937 | 23 704 |
| Consideration | 38 145 | 21 135 | 43 025 |
| | | | |
| Cash flow | | | |
| Net cash acquired | (775) | 653 | 2 060 |
| Cash paid | (38 145) | (13 197) | (19 321) |
| NET CASH FLOW | (38 920) | (12 544) | (17 261) |

At the date of the business combination, the fair values of trade receivables amounted to CHF 9.5 million from Anthogyr, CHF 0.8 million from Bay Materials and CHF 2.5 million from other business combinations. The fair values did not materially differ from the contractual gross amounts.

Contingent consideration payments depend on the performance of the acquired businesses. In two cases the Group has written put options granting the holders of the non-controlling interests the right to sell their remaining shares to the Group. At the balance-sheet date, the fair value of these financial liabilities collectively amounted to CHF 41.7 million, as the Group has no beneficial ownership.

As a result of derecognizing its equity interest in the former associates Zinedent, Valoc AG, Abutment Direct Inc and Anthogyr, the Group realized a fair value gain of CHF 6.0 million. The related translation losses of CHF 0.4 million have been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

## TRANSACTIONS IN 2018

### BATIGROUP

On 1 January 2018, the Group acquired a 70% stake in Batigroup Dental Diş Ürünleri Ticaret A.Ş ('Batigroup'). The company distributes Straumann Group and a number of third-party products in the Turkish market. Based on a call and put option agreement, the Group will gradually obtain the remaining 30% from the founding shareholder in three stages, which will be completed in 2021. As the Group has acquired a present ownership interest in the shares considering the equivalent terms of the call and put options, those shares are accounted for as acquired.

Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how.

### CREATECH

On 2 July 2018, the Group has increased its stake in the Spanish company Createch Medical L.L. and its subsidiaries ('Createch') from 30% to 100%. As a result, the Group obtained control and started to consolidate Createch in its financial statements from that date. Until 1 July 2018, Createch was accounted for using the equity method and therefore the Group's share of its results was reported as 'Share of results of associates' in the Group's income statement.

Createch is specialized in the research, development and manufacture of high quality, innovative, implant-borne prosthetics. Its products, including CADCAM bridges, bars and abutments, are designed for a variety of implant systems and are sold mainly in Spain, Germany and other markets in Europe.

Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how.

### OTHER BUSINESS COMBINATIONS

Besides Batigroup and Createch, the Group conducted four additional business combinations:

– ASM Consultants (Proprietary) Limited
– Same Day Solutions – produtos medicos LDA ('SDS')
– M.I.S. Implants Canada Inc ('M.I.S.Canada')
– T-Plus Implant Tech. Co. Ltd. ('T-Plus').

The net assets recognized as part of the acquisition of T-Plus on 9 November 2018 were provisional, except for cash and cash equivalents, as the purchase price allocation ('PPA') had not been completed by the date of the Board of Director's approval of the 2018 financial statements. In 2019, the PPA was completed. The PPA had no material effect on the Group's financial statements compared to the values which were provisionally recognized in 2018.

The fair values of the identifiable assets and liabilities at the respective business combination date are as follows:

| (in CHF 1 000) | Batigroup | Createch | Other |
|---|---|---|---|
| Assets | | | |
| Property, plant and equipment | 321 | 7 861 | 891 |
| Intangible assets: | | | |
| Brand | 0 | 2 872 | 0 |
| Customer relationships | 7 030 | 0 | 3 765 |
| Technology | 0 | 1 635 | 0 |
| Other intangible assets | 7 | 421 | 1 340 |
| Deferred tax assets | 0 | 1 655 | 297 |
| Inventories | 12 727 | 888 | 3 638 |
| Trade and other receivables | 9 062 | 1 441 | 4 697 |
| Cash and cash equivalents | 2 477 | 1 163 | 3 346 |
| Total assets | 31 626 | 17 936 | 17 975 |
| | | | |
| Liabilities | | | |
| Financial liabilities | 9 120 | 6 119 | 588 |
| Deferred income tax liabilities | 1 859 | 1 446 | 862 |
| Trade and other payables | 15 958 | 1 099 | 3 270 |
| Total liabilities | 26 936 | 8 664 | 4 720 |
| | | | |
| TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE | 4 689 | 9 272 | 13 254 |
| Fair value of previously held interest | | (5 833) | (9 981) |
| Non controlling interest | | | (3 397) |
| Goodwill | 14 820 | 10 170 | 14 825 |
| Consideration | 19 509 | 13 609 | 14 702 |
| | | | |
| Consideration satisfied in cash | 905 | 13 609 | 8 986 |
| Consideration satisfied by converting a loan | 0 | 0 | 908 |
| Contingent consideration | 18 604 | 0 | 4 808 |
| Consideration | 19 509 | 13 609 | 14 702 |
| | | | |
| Cash flow | | | |
| Net cash acquired | 2 477 | 1 163 | 3 346 |
| Cash paid | (905) | (13 609) | (8 986) |
| NET CASH FLOW | 1 572 | (12 446) | (5 640) |

At the date of the business combination the fair value of the trade receivables amounted to CHF 1.4 million from Createch, CHF 6.6 million from Batigroup and CHF 3.6 million from other business combinations.
The fair values did not materially differ from the contractual gross amounts.

The Group recognized an overall gain of CHF 6.9 million as a result of derecognizing its 48.60% equity interest in T-Plus held before the business combination. The fair value of the 48.60% stake was CHF 7.3 million and the carrying amount of the associate was CHF 0.2 million on 9 November 2018. The gain resulting from the revaluation to fair value of the 48.60% equity instrument in T-Plus immediately before the business combination amounted to CHF 7.1 million. The related portion of translation losses of CHF 0.2 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

## 2.2 INVESTMENTS IN ASSOCIATES

The Group has investments which are accounted for as associated companies. In 2019, the Group invested in two associated companies (Peak Dental Solutions HK Ltd. and Warantec Co., Ltd.). Anthogyr SAS is not included anymore as the Group obtained control over Anthogyr on 21 May 2019 (Note 2.1).

From a Group perspective, the associates botiss medical AG, Berlin, Germany and Rapid Shape GmbH, Heimsheim, Germany are material at the reporting date.

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| | Balance sheet value | Net income statement effect | Balance sheet value | Net income statement effect |
| botiss medical AG, Germany | 41 526 | (546) | 44 663 | 369 |
| Anthogyr SAS, France (until May 2019) | 0 | 362 | 13 590 | 52 |
| Rapid Shape GmbH, Germany | 20 837 | (518) | 22 328 | 112 |
| Others | 28 613 | (2 334) | 25 521 | (10 517) |
| TOTAL | 90 976 | (3 036) | 106 102 | (9 984) |

### BOTISS MEDICAL AG

botiss medical AG is a leading international supplier of oral tissue regeneration products. It is a private entity that is not listed on any public exchange. The Group has an interest of 30% in the entity. Management has assessed the level of influence that the Group has on botiss medical AG and determined that it has significant influence and therefore applies the equity method of accounting.

### RAPID SHAPE GMBH

Rapid Shape GmbH specializes in the development and manufacture of high-end 3D-printing systems for additive manufacturing. It is a private entity that is not listed on any public exchange. The Group has an interest of 35% in the entity. Management has assessed the level of influence that the Group has on Rapid Shape GmbH and determined that it has significant influence and therefore applies the equity method of accounting.

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

| (in CHF 1 000) | 2019 | | 2018 | | |
|---|---|---|---|---|---|
| | botiss medical AG | Rapid Shape GmbH | botiss medical AG | Rapid Shape GmbH | Anthogyr SAS |
| Current assets | 16 426 | 6 919 | 23 238 | 6 457 | 24 944 |
| Non-current assets | 42 223 | 13 088 | 43 069 | 14 711 | 29 591 |
| Current liabilities | (6 566) | (4 182) | (7 147) | (2 384) | (14 788) |
| Non-current liabilities | (9 206) | (4 159) | (9 505) | (4 699) | (16 795) |
| Net assets | 42 877 | 11 666 | 49 655 | 14 085 | 22 951 |
| RECONCILIATION TO CARRYING AMOUNT: | | | | | |
| Opening net assets | 49 655 | 14 085 | 49 719 | 14 272 | 23 519 |
| Result for the period | (1 820) | (1 480) | 1 228 | 320 | 173 |
| Other comprehensive income | 99 | 0 | 22 | 0 | 902 |
| Dividends declared | (3 260) | (452) | 0 | 0 | (814) |
| Currency translation adjustments | (1 797) | (487) | (1 314) | (507) | (829) |
| Closing net assets at 31 December | 42 877 | 11 666 | 49 655 | 14 085 | 22 951 |
| Group's share in % | 30.0 | 35.0 | 30.0 | 35.0 | 30.0 |
| Group's share in CHF | 12 863 | 4 083 | 14 897 | 4 930 | 6 885 |
| Goodwill | 29 766 | 17 682 | 30 557 | 17 682 | 6 486 |
| Currency translation adjustments on goodwill | (1 103) | (928) | (791) | (283) | 218 |
| CARRYING AMOUNT | 41 526 | 20 837 | 44 663 | 22 328 | 13 590 |

Summarized comprehensive income statements of botiss medical AG and Rapid Shape GmbH for the period, where the Group has significant influence:

| (in CHF 1 000) | 2019 | | 2018 | | |
|---|---|---|---|---|---|
| | botiss medical AG | Rapid Shape GmbH | botiss medical AG | Rapid Shape GmbH | Anthogyr SAS |
| Revenue | 26 209 | 16 435 | 11 431 | 15 752 | 57 788 |
| Result from continuing operations | (1 820) | (1 480) | 1 228 | 320 | 173 |
| PROFIT FOR THE PERIOD | (1 820) | (1 480) | 1 228 | 320 | 173 |
| Other comprehensive income | 99 | 0 | 51 | 0 | 902 |
| TOTAL COMPREHENSIVE INCOME | (1 721) | (1 480) | 1 279 | 320 | 1 075 |

### OTHER INVESTMENTS:

In addition to the investments in botiss medical AG and Rapid Shape GmbH disclosed above, the Group also has investments in other associates that are accounted for using the equity method. Considered individually they are immaterial for the presentation of the Group's financial statements.

The following table shows aggregated financial information about these other investments in associates:

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates | 28 613 | 25 521 |
| AGGREGATE AMOUNT OF GROUP'S SHARE OF: | | |
| Result from continuing operations | (2 334) | (2 829) |
| Impairment charges | 0 | (7 688) |
| PROFIT FOR THE PERIOD | (2 334) | (10 517) |
| Other comprehensive income | 2 456 | 0 |
| TOTAL COMPREHENSIVE INCOME | 122 | (10 517) |

In 2018, the investment in RODO Medical, Inc. (USA) has been impaired and an expense of CHF 7.7 million has been recognized within 'Share of results of associates'. The impairment was caused by the delay in the development and commercialization of the company's prosthetic-retention system. In 2019, no impairment has been recognized for investments in associates.

## 3 OPERATING PERFORMANCE

### 3.1 OPERATING SEGMENTS

Operating segments requiring to be reported are determined based on the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as the internal financial reporting to the Chief Operating Decision Maker (CODM), which has been identified as the Executive Management Board (EMB). The EMB is responsible for the operational management of the Group, in line with the instructions issued by the Board of Directors. It is also responsible for global strategy and stakeholder management.

The reporting segments are presented in a manner consistent with the internal reporting to the CODM. The centralized headquarter support functions (e.g. finance, information technology, human resources) as well as the functions 'Customer Solutions & Education' and 'Research & Development' are not operating segments, as they do not earn separate revenues. These functions are grouped in the column 'Not allocated items'.

#### SALES EUROPE

'Sales Europe' comprises the Group's distribution businesses in Europe. It also includes Medentika's distribution business and its manufacturing plant in Germany (which produces implants and prosthetic components), the implant-borne prosthetics business of Createch as well as the business of Anthogyr, a French company that develops, manufactures and sells dental-implant systems and CADCAM solutions. The segment also incorporates Dental Wing's distribution business in Europe. It includes segment-related management functions located inside and outside Switzerland.

#### SALES DISTRIBUTOR & EMERGING MARKETS EMEA

'Sales Distributor & Emerging Markets EMEA' comprises the Group's distribution businesses mainly in Turkey and Russia, as well as the business with European, African and Middle Eastern distributors. 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 also includes ClearCorrect's clear-aligner business and its associated development and production activities in the United States as well as the recently acquired US-based Bay Materials, a company specializing in the design, development and supply of high-performance thermoplastics for orthodontics applications. The segment also incorporates Dental Wings' distribution business in the United States and Canada as well as its associated development and production activities in Canada. It includes segment-related management functions located inside and outside Switzerland.

#### SALES APAC

'Sales APAC' comprises the Group's distribution businesses in the Asia Pacific region, as well as the business with Asian distributors. It further incorporates the Equinox implants in India and the business of T-Plus, a Taiwanese company that develops and manufactures dental-implant systems with distribution channels in Taiwan and China. It further contains Equinox's manufacturing plant in India (which produces implants and prosthetic components). It includes segment-related management functions located inside and outside Switzerland.

#### SALES LATAM

'Sales LATAM' comprises the Group's distribution businesses in Middle and South America as well as the business with Latin American distributors. It also includes Neodent's distribution business in Brazil, as well as Neodent's business with Latin American distributors. It contains Neodent's manufacturing plants in Brazil (which produce implants, biomaterials, CADCAM products and the clear-aligners). The segment also incorporates the recently acquired Yller Biomateriais, a Brazilian company specialized in developing and manufacturing high-tech materials for 3D-printing. It includes segment-related management functions located inside and outside Switzerland.

#### OPERATIONS

'Operations' acts as the principal towards all distribution businesses of the Group. It includes the principal production sites for implant components and instruments in Switzerland and the United States, the CADCAM milling centers in China, Germany, Japan and the United States and the production site in Sweden for biomaterials and sterile packed products. The segment also incorporates all corporate logistics functions. It does not include the manufacturing sites of Neodent, Equinox, Medentika, ClearCorrect, Dental Wings, Createch, T-Plus, Anthogyr, Bay Materials and Yller Biomateriais.

## INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

2019

| (in CHF 1 000) | Sales Europe | Sales D+EM EMEA | Sales NAM | Sales APAC | Sales LATAM | Operations | Not allocated items | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|---|
| Revenue third party | 549 214 | 121 429 | 486 973 | 298 974 | 139 635 | 0 | 0 | | 1 596 225 |
| Revenue inter-segment | 54 603 | 0 | 7 129 | 74 | 26 355 | 744 276 | 0 | (832 437) | 0 |
| Total revenue | 603 817 | 121 429 | 494 102 | 299 048 | 165 990 | 744 276 | 0 | (832 437) | 1 596 225 |
| Depreciation & amortization | (13 342) | (1 539) | (2 258) | (8 544) | (15 455) | (23 505) | (28 856) | 0 | (93 498) |
| Other expenses / income | (529 938) | (81 637) | (449 433) | (291 506) | (129 538) | (252 202) | (196 667) | 815 335 | (1 115 586) |
| Operating profit | 60 537 | 38 253 | 42 411 | (1 002) | 20 997 | 468 569 | (225 523) | (17 102) | 387 140 |
| Finance income and expense | | | | | | | | | (24 602) |
| Gain on consolidation of former associates | | | | | | | | | 5 967 |
| Share of profit of associates | | | | | | | | | (3 036) |
| Income tax expense | | | | | | | | | (57 440) |
| NET PROFIT | | | | | | | | | 308 029 |
| Segment assets | 498 007 | 99 244 | 444 601 | 195 653 | 387 601 | 473 760 | 94 728 | (248 168) | 1 945 426 |
| Unallocated assets, thereof: | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | 260 211 |
| Deferred income tax assets | | | | | | | | | 59 993 |
| Financial assets | | | | | | | | | 33 372 |
| Investments in associates | | | | | | | | | 90 976 |
| GROUP | | | | | | | | | 2 389 978 |
| Segment liabilities | 118 669 | 41 842 | 88 058 | 97 432 | 43 482 | 124 435 | 126 122 | (149 660) | 490 380 |
| Unallocated liabilities, thereof: | | | | | | | | | |
| Deferred income tax liabilities | | | | | | | | | 36 887 |
| Financial liabilities | | | | | | | | | 495 489 |
| GROUP | | | | | | | | | 1 022 756 |
| Addition in non-current assets | 17 055 | 1 308 | 21 603 | 10 318 | 18 785 | 87 676 | | | 156 745 |

Transactions between the segments are eliminated in the course of consolidation and the eliminated amounts are shown in 'Eliminations'. The remaining operating profit under 'Eliminations' represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

'Addition in non-current assets' consists of additions of property, plant and equipment, right-of-use assets and intangible assets.

2018

| (in CHF 1 000) | Sales Europe | Sales D+EM EMEA | Sales NAM | Sales APAC | Sales LATAM | Operations | Not allocated items | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|---|
| Revenue third party | 487 206 | 100 406 | 401 645 | 246 212 | 128 091 | 0 | 0 | 0 | 1 363 560 |
| Revenue inter-segment | 27 669 | 0 | 5 517 | 1 157 | 20 137 | 642 922 | 0 | (697 402) | 0 |
| Total revenue | 514 875 | 100 406 | 407 162 | 247 369 | 148 228 | 642 922 | 0 | (697 402) | 1 363 560 |
| | | | | | | | | | |
| Depreciation & amortization | (6 346) | (860) | (11 225) | (2 092) | (13 001) | (12 924) | (5 919) | 0 | (52 367) |
| Other expenses / income | (469 220) | (75 907) | (389 370) | (233 459) | (110 960) | (233 479) | (143 003) | 686 840 | (968 558) |
| Operating profit | 39 309 | 23 639 | 6 567 | 11 818 | 24 267 | 396 519 | (148 922) | (10 562) | 342 635 |
| | | | | | | | | | |
| Finance income and expense | | | | | | | | | (16 950) |
| Gain on consolidation of former associates | | | | | | | | | 10 725 |
| Share of profit of associates | | | | | | | | | (9 984) |
| Income tax expense | | | | | | | | | (48 639) |
| NET PROFIT | | | | | | | | | 277 787 |
| | | | | | | | | | |
| Segment assets | 268 584 | 53 913 | 373 742 | 91 234 | 345 743 | 329 730 | 30 527 | (119 735) | 1 373 738 |
| Unallocated assets, thereof: | | | | | | | | | |
| Cash and cash equivalents | | | | | | | | | 278 674 |
| Deferred income tax assets | | | | | | | | | 70 066 |
| Financial assets | | | | | | | | | 35 989 |
| Investments in associates | | | | | | | | | 106 102 |
| GROUP | | | | | | | | | 1 864 569 |
| | | | | | | | | | |
| Segment liabilities | 93 663 | 23 614 | 100 949 | 54 684 | 19 861 | 94 073 | 87 106 | (111 794) | 362 156 |
| Unallocated liabilities, thereof: | | | | | | | | | |
| Deferred income tax liabilities | | | | | | | | | 36 211 |
| Financial liabilities | | | | | | | | | 261 882 |
| GROUP | | | | | | | | | 660 249 |
| | | | | | | | | | |
| Addition in non-current assets | 6 775 | 446 | 11 913 | 2 412 | 37 267 | 37 532 | | | 96 345 |

### NON-CURRENT ASSETS PER LOCATION

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Switzerland | 244 284 | 133 978 |
| Brazil | 246 079 | 228 416 |
| United States of America | 289 000 | 199 551 |
| Germany | 193 890 | 173 804 |
| Other | 436 311 | 253 002 |
| GROUP | 1 409 564 | 988 751 |

Non-current assets include property, plant and equipment (PPE), right-of-use assets, investments in associates and intangible assets.

### REVENUES WITH EXTERNAL PARTIES

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| PER PRODUCT CATEGORY | | |
| Implant Solutions | 907 748 | 789 933 |
| Restorative Solutions | 435 209 | 380 597 |
| Other | 253 268 | 193 030 |
| GROUP | 1 596 225 | 1 363 560 |
| | | |
| PER LOCATION OF CUSTOMER | | |
| Switzerland | 32 495 | 31 161 |
| United States of America | 444 293 | 364 678 |
| Germany | 175 669 | 170 125 |
| China | 165 950 | 125 890 |
| Brazil | 113 138 | 110 324 |
| Other | 664 679 | 561 382 |
| GROUP | 1 596 225 | 1 363 560 |

– The product category ‘Implant Solutions’ comprises primarily implants and related instruments
– The product category ‘Restorative Solutions’ comprises abutments and related parts as well as milling elements
– ‘Other’ comprises scanner hardware, software licenses, orthodontics, biomaterials, customer training and other miscellaneous products.

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

## 3.2 EARNINGS PER SHARE

### BASIC EARNINGS PER SHARE

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

| | 2019 | 2018 |
|---|---|---|
| Net profit attributable to shareholders (in CHF 1 000) | 306 473 | 272 770 |
| Weighted average number of ordinary shares outstanding | 15 853 138 | 15 825 644 |
| BASIC EARNINGS PER SHARE (IN CHF) | 19.33 | 17.24 |

### DILUTED EARNINGS PER SHARE

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

| | 2019 | 2018 |
|---|---|---|
| Net profit used to determine diluted earnings per share (in CHF 1 000) | 306 473 | 272 770 |
| Weighted average number of ordinary shares outstanding | 15 853 138 | 15 825 644 |
| Adjustments for instruments issued | 60 506 | 55 252 |
| Weighted average number of ordinary shares for diluted earnings per share | 15 913 644 | 15 880 896 |
| DILUTED EARNINGS PER SHARE (IN CHF) | 19.26 | 17.18 |

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

### 3.3 OTHER INCOME

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Insurance reimbursements | 7 745 | 0 |
| Rental income | 1 799 | 1 817 |
| Other | 3 263 | 1 607 |
| TOTAL OTHER INCOME | 12 807 | 3 424 |

In May 2019, the main scanner production center of the Group's subsidiary Dental Wings Inc. in Montreal, Canada faced a material property damage from a fire incident. The Group maintains insurance to mitigate the losses associated with property damage and business interruption and has a valid insurance policy that includes coverage for the incident.

In connection with those claims, so far, the Group has recognized an income from insurance recoveries in the amount of CHF 7.7 million. The income comprises benefits already received in cash in the amount of CHF 5.2 million and undisputed claims on insurance benefits to be received in the amount of CHF 2.5 million.

## 4 TANGIBLE AND INTANGIBLE ASSETS

### 4.1 PROPERTY, PLANT AND EQUIPMENT

2019

| (in CHF 1 000) | Land | Buildings | Plant and machinery | Other | Total |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 January | 17 668 | 140 795 | 278 151 | 131 424 | 568 037 |
| Change in consolidation scope (Note 2.1) | 0 | 2 782 | 9 280 | 1 201 | 13 263 |
| Additions | 3 389 | 42 777 | 69 655 | 18 779 | 134 599 |
| Disposals | 0 | (1 755) | (9 930) | (10 867) | (22 552) |
| Currency translation adjustments | (866) | (1 470) | (6 036) | (3 825) | (12 198) |
| At 31 December | 20 190 | 183 129 | 341 120 | 136 711 | 681 150 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 January | 0 | (89 149) | (154 881) | (93 801) | (337 831) |
| Depreciation charge (Note 4.4) | 0 | (6 131) | (22 203) | (14 111) | (42 445) |
| Disposals | 0 | 1 532 | 8 201 | 10 326 | 20 059 |
| Currency translation adjustments | 0 | 594 | 2 172 | 1 466 | 4 232 |
| At 31 December | 0 | (93 154) | (166 710) | (96 121) | (355 985) |
| NET BOOK VALUE | 20 190 | 89 975 | 174 409 | 40 590 | 325 164 |

2018

| (in CHF 1 000) | Land | Buildings | Plant and machinery | Other | Total |
|---|---|---|---|---|---|
| COST | | | | | |
| At 1 January | 8 913 | 124 020 | 240 462 | 117 790 | 491 185 |
| Change in consolidation scope (Note 2.1) | 749 | 2 539 | 5 213 | 538 | 9 038 |
| Additions | 9 509 | 16 902 | 46 004 | 20 508 | 92 922 |
| Disposals | 0 | (717) | (3 654) | (4 217) | (8 588) |
| Reclassifications | 0 | 0 | (4 338) | 0 | (4 338) |
| Currency translation adjustments | (1 503) | (1 948) | (5 536) | (3 195) | (12 181) |
| At 31 December | 17 668 | 140 795 | 278 151 | 131 424 | 568 037 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 January | 0 | (85 552) | (143 757) | (87 633) | (316 942) |
| Depreciation charge (Note 4.4) | 0 | (4 504) | (14 584) | (10 872) | (29 960) |
| Disposals | 0 | 611 | 1 978 | 3 304 | 5 894 |
| Currency translation adjustments | 0 | 295 | 1 482 | 1 400 | 3 177 |
| At 31 December | 0 | (89 149) | (154 881) | (93 801) | (337 831) |
| NET BOOK VALUE | 17 668 | 51 645 | 123 270 | 37 623 | 230 206 |

Repair and maintenance expenses for property, plant and equipment for the business year 2019 amounted to CHF 5.8 million (2018: CHF 6.1 million).

### 4.2 RIGHT-OF-USE ASSETS

2019

| (in CHF 1 000) | Buildings | Plant and machinery | Other | Total |
|---|---|---|---|---|
| COST | | | | |
| At 1 January | 0 | 0 | 0 | 0 |
| Initial application IFRS 16 | 180 805 | 1 420 | 9 640 | 191 864 |
| Change in consolidation scope (Note 2.1) | 11 142 | 1 440 | 785 | 13 367 |
| Additions | 98 801 | 1 481 | 7 019 | 107 301 |
| Disposals | (33 902) | 0 | (1 326) | (35 229) |
| Currency translation adjustments | (4 222) | (94) | (349) | (4 665) |
| At 31 December | 252 623 | 4 247 | 15 768 | 272 638 |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 January | 0 | 0 | 0 | 0 |
| Depreciation charge (Note 4.4) | (17 742) | (885) | (5 384) | (24 012) |
| Disposals | 698 | 0 | 861 | 1 559 |
| Currency translation adjustments | 289 | 19 | 91 | 399 |
| At 31 December | (16 756) | (866) | (4 433) | (22 054) |
| NET BOOK VALUE | 235 868 | 3 381 | 11 335 | 250 584 |

Besides the lease contracts recognized as right-of-use assets, the Group has entered into lease contracts with terms of 12 months or less and leases of low value. In 2019 the Group recognized expenses of CHF 5.8 million related to short-term leases and CHF 1.9 million related to low value leases.

The Group recognized a total cash outflow for leases of CHF 29.5 million in 2019 (2018: CHF 29.0 million). The maturity analysis of lease liabilities is disclosed in Note 9.2.

## 4.3 INTANGIBLE ASSETS

2019

| (in CHF 1 000) | Goodwill | Brands | Customer relation-ships | Technology | Other intangibles | Total |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 January | 536 010 | 110 764 | 162 671 | 66 483 | 100 854 | 976 781 |
| Change in consolidation scope (Note 2.1) | 82 552 | 16 997 | 9 769 | 10 502 | 1 449 | 121 270 |
| Additions | 0 | 0 | 468 | 986 | 13 837 | 15 291 |
| Disposals | 0 | 0 | 0 | 0 | (4 100) | (4 100) |
| Currency translation adjustments | (19 338) | (3 689) | (3 470) | 600 | (673) | (26 570) |
| At 31 December | 599 224 | 124 073 | 169 439 | 78 570 | 111 366 | 1 082 672 |
| ACCUMULATED AMORTIZATION AND IMPAIRMENT | | | | | | |
| At 1 January | (118 724) | (1 329) | (112 202) | (23 295) | (68 789) | (324 339) |
| Amortization charge (Note 4.4) | 0 | (139) | (10 827) | (6 195) | (9 880) | (27 041) |
| Disposals | 0 | 0 | 0 | 0 | 4 088 | 4 088 |
| Currency translation adjustments | 4 128 | 8 | 2 920 | (60) | 465 | 7 461 |
| At 31 December | (114 596) | (1 460) | (120 109) | (29 551) | (74 116) | (339 831) |
| NET BOOK VALUE | 484 628 | 122 613 | 49 330 | 49 019 | 37 251 | 742 841 |

2018

| (in CHF 1 000) | Goodwill | Brands | Customer relation-ships | Technology | Other intangibles | Total |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 January | 529 567 | 116 426 | 162 778 | 68 595 | 81 099 | 958 465 |
| Change in consolidation scope (Note 2.1) | 39 817 | 2 872 | 8 109 | 1 635 | 4 455 | 56 889 |
| Additions | 0 | 0 | 521 | 0 | 16 290 | 16 811 |
| Disposals | 0 | 0 | 0 | 0 | (1 242) | (1 242) |
| Currency translation adjustments | (33 374) | (8 534) | (8 737) | (3 747) | 251 | (54 141) |
| At 31 December | 536 010 | 110 764 | 162 671 | 66 483 | 100 854 | 976 781 |
| ACCUMULATED AMORTIZATION AND IMPAIRMENT | | | | | | |
| At 1 January | (123 163) | (1 359) | (104 472) | (17 313) | (64 384) | (310 691) |
| Amortization charge (Note 4.4) | 0 | (83) | (10 069) | (6 152) | (6 103) | (22 407) |
| Disposals | 0 | 0 | 0 | 0 | 1 211 | 1 211 |
| Currency translation adjustments | 4 439 | 113 | 2 339 | 170 | 487 | 7 548 |
| At 31 December | (118 724) | (1 329) | (112 202) | (23 295) | (68 789) | (324 339) |
| NET BOOK VALUE | 417 286 | 109 435 | 50 469 | 43 188 | 32 065 | 652 443 |

Management assessed that the acquired brands Neodent, Medentika, ClearCorrect, Dental Wings, Createch and Anthogyr have an indefinite useful life. The Group supports the brands' values through the internationalization of their commercial usage. 'Other intangibles' include mainly software, development costs and distribution rights.

### IMPAIRMENT TEST FOR GOODWILL AND INDEFINITE LIFE INTANGIBLE ASSETS

Goodwill and indefinite life intangible assets are allocated to cash-generating units (CGU) for the purpose of impairment testing. A summary of goodwill and indefinite life intangibles allocation per CGU is presented below:

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| | Goodwill | Brand with indefinite life | Goodwill | Brand with indefinite life |
| ClearCorrect Business | 107 216 | 33 097 | 99 220 | 33 681 |
| Neodent Business | 94 405 | 45 342 | 99 378 | 47 730 |
| Global Premium Implant Business | 65 585 | 0 | 67 391 | 0 |
| Dental Wings Business | 55 769 | 4 438 | 54 394 | 4 329 |
| Medentika Business | 42 314 | 19 141 | 43 943 | 19 878 |
| Anthogyr Business | 24 109 | 13 062 | | |
| Other | 95 230 | 2 694 | 52 960 | 2 798 |
| TOTAL | 484 628 | 117 774 | 417 286 | 108 416 |

### CLEARCORRECT BUSINESS

The CGU 'ClearCorrect Business' (which is part of the operating segment 'Sales NAM') contains the manufacturing plant and the related sales activities for ClearCorrect products. The goodwill and the ClearCorrect brand have been recognized as part of the acquisition of ClearCorrect in 2017.

### NEODENT BUSINESS

The CGU 'Neodent Business' (which is part of the operating segment 'Sales LATAM') contains the manufacturing plant for Neodent products, the related sales activities in the Brazilian market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Neodent brand have been recognized as part of the acquisition of Neodent in 2015.

### GLOBAL PREMIUM IMPLANT BUSINESS

The CGU 'Global Premium Implant Business' (which is part of the operating segment 'Operations') is the principal towards all distribution businesses of the Group for premium implant and restorative solutions and contains the goodwill allocated to the principal recognized in acquisitions of companies distributing such products on local markets.

### DENTAL WINGS BUSINESS

The CGU 'Dental Wings Business' (which is part of the operating segment 'Sales NAM') contains the manufacturing operations for Dental Wings products, the related sales activities with third party distributors as well as the export business towards the Group's distribution principal. Both the goodwill and the Dental Wings brand have been recognized as part of the acquisition of Dental Wings in 2017.

### MEDENTIKA BUSINESS

The CGU 'Medentika Business' (which is part of the operating segment 'Sales Europe') contains the manufacturing plant for Medentika products, the related sales activities in the German market, and the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Medentika brand have been recognized as part of the acquisition of Medentika in 2017.

### ANTHOGYR BUSINESS

The CGU 'Anthogyr Business' (which is part of the operating segment 'Sales Europe') contains the manufacturing plant for Anthogyr products, the related sales activities in the European market as well as the export business towards the Group's distribution principal and third party distributors. Both the goodwill and the Anthogyr brand have been recognized as part of the acquisition of Anthogyr in 2019.

Goodwill and indefinite life intangibles have been tested for impairment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the dental implant, restoration and tissue regeneration sector.

Key assumptions for the most material CGUs are as follows:

| (in %) | 2019 | 2018 |
|---|---|---|
| CLEARCORRECT BUSINESS | | |
| Gross profit margin of the CGU[1] | 66.3 | 71.7 |
| Terminal growth rate[2] | 1.5 | 2.0 |
| Weighted average cost of capital (WACC)[3] | 13.2 | 12.7 |
| NEODENT BUSINESS | | |
| Gross profit margin of the CGU[1] | 73.6 | 74.4 |
| Terminal growth rate[2] | 4.5 | 4.6 |
| Weighted average cost of capital (WACC)[3] | 14.7 | 13.9 |
| GLOBAL PREMIUM IMPLANT BUSINESS | | |
| Gross profit margin of the CGU[1] | 72.2 | 66.7 |
| Terminal growth rate[2] | 1.5 | 1.5 |
| Weighted average cost of capital (WACC)[3] | 8.7 | 8.4 |
| DENTAL WINGS BUSINESS | | |
| Gross profit margin of the CGU[1] | 64.7 | 61.2 |
| Terminal growth rate[2] | 2.0 | 2.0 |
| Weighted average cost of capital (WACC)[3] | 16.4 | 16.3 |
| MEDENTIKA BUSINESS | | |
| Gross profit margin of the CGU[1] | 61.5 | 61.0 |
| Terminal growth rate[2] | 1.5 | 1.5 |
| Weighted average cost of capital (WACC)[3] | 11.4 | 12.4 |
| ANTHOGYR BUSINESS | | |
| Gross profit margin of the CGU[1] | 83.0 | |
| Terminal growth rate[2] | 1.2 | |
| Weighted average cost of capital (WACC)[3] | 12.1 | |

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

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

Based on the impairment tests conducted, no impairments were recognized during the periods under review.

### IMPAIRMENT TEST FOR FINITE LIFE INTANGIBLE ASSETS

No impairment has been recognized in the periods under review.

### 4.4 DEPRECIATION AND AMORTIZATION

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Depreciation of property, plant and equipment | (42 445) | (29 960) |
| Depreciation of right-of-use assets | (24 012) | 0 |
| Amortization of intangible assets | (27 041) | (22 407) |
| TOTAL DEPRECIATION AND AMORTIZATION | (93 498) | (52 367) |

## 5 NET WORKING CAPITAL

### 5.1 INVENTORIES

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Raw materials and supplies | 38 540 | 30 124 |
| Work in progress | 53 151 | 36 504 |
| Finished goods | 142 862 | 115 425 |
| TOTAL INVENTORIES | 234 553 | 182 053 |
| Inventories recognized as an expense in 'Cost of goods sold' | (338 015) | (306 374) |
| Obsolete inventories written down and recognized as an expense | (6 571) | (3 650) |

The Group performed an analysis of its product lines to investigate whether the average price at which they were sold was below the current consolidated stock value. In both periods under review, no write-down to the net realizable value had to be conducted. No reversal of the net realizable value write-down emerged in 2019 and 2018.

## 5.2 TRADE AND OTHER RECEIVABLES

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Trade receivables, net | 281 210 | 231 301 |
| Other receivables, thereof: | 97 116 | 64 729 |
| VAT and other non-income taxes | 48 377 | 33 881 |
| Sales related | 33 739 | 23 514 |
| Salary and social security prepayments | 3 398 | 2 226 |
| Cash deposits | 3 181 | 1 164 |
| Insurance receivable | 2 485 | 0 |
| Interest | 1 386 | 83 |
| Prepaid rent | 963 | 713 |
| Right of return asset | 662 | 973 |
| Government grants | 660 | 0 |
| Dividend receivable from associates | 0 | 542 |
| Other | 2 264 | 1 633 |
| TOTAL TRADE AND OTHER RECEIVABLES | 378 325 | 296 030 |
| thereof: financial assets as defined by IFRS 7 | 40 791 | 19 656 |
| thereof: | | |
| CHF | 19 031 | 4 322 |
| EUR | 92 431 | 79 967 |
| USD | 83 213 | 69 528 |
| BRL | 49 229 | 49 603 |
| CNY | 48 722 | 24 981 |
| TRY | 20 427 | 14 649 |
| CAD | 10 056 | 8 006 |
| GBP | 9 707 | 8 074 |
| JPY | 8 584 | 7 912 |
| Other | 36 924 | 28 988 |

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

The insurance receivable in the amount of CHF 2.5 million recognized in 2019 relates to the fire incident in Dental Wings production site in Montreal, Canada (Note 3.3).

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| At 1 January | (35 489) | (51 261) |
| Charge for the year | (3 684) | (432) |
| Utilized | 970 | 5 817 |
| Unused amounts reversed | 13 477 | 9 626 |
| Currency translation adjustments | 439 | 762 |
| AT 31 DECEMBER | (24 286) | (35 489) |

The Group continously reassesses its provision for impairment, which led to a partial reversal of the provision in 2019 and 2018. The utilization shown in 2018 mainly relates to discontinued business relationships.

There is no provision on other receivables.

The analysis of overdue trade receivables is as follows:

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| | Gross | Allowance | Gross | Allowance |
| Not past due | 234 562 | (752) | 204 206 | (517) |
| Past due, thereof: | 70 934 | (23 534) | 62 584 | (34 972) |
| < 30 days | 25 158 | (614) | 21 131 | (2 007) |
| 31–60 days | 11 582 | (871) | 9 079 | (4 292) |
| 61–90 days | 6 170 | (971) | 6 429 | (4 678) |
| 91–120 days | 6 343 | (2 282) | 3 950 | (2 962) |
| > 120 days | 21 680 | (18 796) | 21 994 | (21 032) |
| TOTAL | 305 496 | (24 286) | 266 790 | (35 489) |

### 5.3 CASH AND CASH EQUIVALENTS

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Cash at banks and on hand, thereof: | 249 673 | 268 252 |
| CHF | 173 478 | 201 161 |
| USD | 27 928 | 10 803 |
| EUR | 17 604 | 30 338 |
| CNY | 5 798 | 8 074 |
| JPY | 2 982 | 2 186 |
| CAD | 2 834 | 430 |
| SGD | 2 422 | 763 |
| INR | 2 141 | 1 273 |
| SEK | 1 786 | 2 047 |
| Other | 12 700 | 11 177 |
| Short-term bank deposits, thereof: | 10 539 | 10 422 |
| BRL | 6 095 | 6 455 |
| TRY | 2 430 | 2 287 |
| GBP | 1 161 | 445 |
| Other | 854 | 1 236 |
| TOTAL CASH AND CASH EQUIVALENTS | 260 211 | 278 674 |

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

### 5.4 TRADE AND OTHER PAYABLES

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Trade payables | 63 207 | 47 557 |
| Other payables, thereof: | 245 555 | 175 743 |
| Salary and social security | 95 173 | 69 216 |
| Sales related | 79 243 | 54 258 |
| VAT and other non-income taxes | 39 145 | 22 410 |
| Refund liability | 13 047 | 17 196 |
| Contingent consideration | 12 418 | 8 753 |
| Interest accrued on straight bond (Note 7.2) | 2 180 | 2 180 |
| Rent payable | 280 | 372 |
| Other | 4 070 | 1 357 |
| TOTAL TRADE AND OTHER PAYABLES | 308 762 | 223 299 |
| thereof: financial liabilities as defined by IFRS 7 | 94 121 | 65 563 |

The contingent consideration mainly relates to the Batigroup business combination.

## 6 PROVISIONS, OTHER NON-CURRENT LIABILITIES, CONTINGENCIES AND COMMITEMENTS

### 6.1 PROVISIONS

| (in CHF 1 000) | Sales-related | Legal | Other | Total 2019 | Total 2018 (restated) |
|---|---|---|---|---|---|
| At 1 January | 2 583 | 7 837 | 2 173 | 12 593 | 40 648 |
| Restatement | | | | | (10 740) |
| Change in consolidation scope | 733 | 2 787 | 196 | 3 716 | 0 |
| Utilization | 0 | (5 247) | 0 | (5 247) | (7 735) |
| Reversal | 0 | (890) | (126) | (1 016) | (10 838) |
| Additions | 273 | 480 | 312 | 1 065 | 1 936 |
| Currency translation adjustments | (49) | (66) | (25) | (140) | (678) |
| At 31 December | 3 540 | 4 901 | 2 530 | 10 971 | 12 593 |
| Non-current 2019 | 3 540 | 4 901 | 2 523 | 10 964 | |
| Current 2019 | 0 | 0 | 7 | 7 | |
| TOTAL PROVISIONS 2019 | 3 540 | 4 901 | 2 530 | 10 971 | |
| Non-current 2018 | 2 583 | 7 837 | 2 049 | | 12 469 |
| Current 2018 | 0 | 0 | 124 | | 124 |
| TOTAL PROVISIONS 2018 | 2 583 | 7 837 | 2 173 | | 12 593 |

Uncertain income tax positions are no longer reported under provisions (Note 1.3). Effective 1 January 2018, the amount of CHF 10.7 million of non-current provisions has been reclassified to income tax liabilities (current: CHF 2.2 million / non-current: CHF 8.5 million).

The position 'Sales-related' contains provisions for product warranties and similar items based on contractual arrangements. The position 'Legal' relates principally to the long-standing patent dispute between the Straumann Group company ClearCorrect and Align Technology as well as a legal provisions in connection with the acquisition of a company. In the course of 2019, the Group has agreed to pay a total amount of CHF 51.3 million to settle its patent dispute with Align Technology out of court, and to withdraw its assertions that certain Align patents in the US and Brazil are invalid. The amount of CHF 51.3 million includes the Group's decision not to explore a potential scanner collaboration with Align Technology. This litigation began several years before ClearCorrect was acquired by the Group. A part of the settlement amount was already provisioned for in the acquisition agreement, including a legal provision of CHF 5.1 million. The Group has recognized the remaining amount of CHF 25.5 million as non-recurring administrative expense in the income statement. As part of the acquisition of a company, the Group recognized legal provisions in the amount of CHF 2.7 million for a potential patent litigation.

The position 'Other' mainly contains provisions to VAT and other non-income tax cases in several jurisdictions including ongoing disputes with tax authorities. By their nature, the amounts and timings of any outflows are difficult to predict.

### 6.2 OTHER NON-CURRENT LIABILITIES

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Contingent consideration | 36 770 | 18 594 |
| Other long-term employee benefits | 7 717 | 6 314 |
| Rent payable | 1 929 | 3 579 |
| Other | 653 | 0 |
| Government grants | 576 | 799 |
| TOTAL OTHER LIABILITIES | 47 645 | 29 286 |
| thereof: financial liabilities as defined by IFRS 7 | 38 699 | 22 173 |

The contingent consideration mainly relates to the Batigroup, Bay Materials and Zinedent business combinations.

### 6.3 CONTINGENCIES AND COMMITMENTS

#### CONTINGENT ASSETS AND LIABILITIES

The Group has guarantee obligations with a maximum of CHF 5.4 million (2018: CHF 5.0 million). Some Group companies are involved in litigations arising from the normal course of their business and might be liable to pay compensations. The costs relating to these lawsuits may not be partially or fully covered by insurance. However, it is the view of the management that the outcome of such litigations will not significantly affect the Group's financial position over and above the provisions already recognized in the statement of financial position. The decrease in purchase commitments relates to the progress made in Group's expansion projects in various plants.

#### CONTINGENT LIABILITIES

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Letter of credit facilities | 5 394 | 4 992 |
| Purchase commitments | 2 449 | 12 600 |
| TOTAL | 7 843 | 17 592 |

## 7 FINANCING, CAPITAL AND TAX

### 7.1 FINANCIAL ASSETS

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Loans and other receivables | 21 703 | 21 143 |
| Financial assets at fair value through other comprehensive income | 9 725 | 13 413 |
| Financial assets at fair value through profit or loss | 351 | 351 |
| TOTAL NON-CURRENT FINANCIAL ASSETS | 31 779 | 34 907 |
| | | |
| Financial assets at fair value through profit or loss | 1 578 | 1 079 |
| Loans and other receivables | 15 | 3 |
| TOTAL CURRENT FINANCIAL ASSETS | 1 593 | 1 082 |

#### LOANS AND OTHER RECEIVABLES

This position includes various non-derivative financial assets carried at amortized cost which generate variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income represent equity instruments in the medical device sector and an investment in a fund. The Group did not recognize any dividend income relating to these instruments during the periods under review.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category mainly includes derivative financial instruments used by the Group to hedge its foreign currency risk.

## 7.2 FINANCIAL LIABILITIES

| (in CHF 1 000) | 2019 | 2018 (restated) |
|---|---|---|
| Lease liabilities | 231 642 | 0 |
| Put options to non-controlling interests | 26 674 | 33 112 |
| Financial liabilities at amortized costs | 12 449 | 5 476 |
| Straight bond | 0 | 199 862 |
| Finance lease payables | 0 | 1 329 |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | 270 764 | 239 779 |
| Straight bond | 199 980 | 0 |
| Lease liabilities | 23 879 | 0 |
| Financial liabilities at amortized costs | 664 | 773 |
| Financial liabilities at fair value through profit or loss | 202 | 345 |
| Finance lease payables | 0 | 720 |
| Put options to non-controlling interests | 0 | 20 265 |
| TOTAL CURRENT FINANCIAL LIABILITIES | 224 725 | 22 103 |

Movements in liabilities arising from financing activities are as follows:

| (in CHF 1 000) | 2019 | 2018 (restated) |
|---|---|---|
| At 1 January | 261 883 | 258 589 |
| Change in lease liabilities | 273 659 | 0 |
| Purchase of non-controlling interests | (47 365) | 0 |
| Payment of lease liabilities | (22 905) | (1 150) |
| Interest paid on lease liabilities | (6 612) | 0 |
| Repayment in non-current financial debts | (2 755) | 0 |
| Change in consolidation scope | 25 357 | 6 707 |
| Change in fair values | 20 863 | (1 359) |
| Other changes | (397) | (834) |
| Currency translation adjustments | (6 239) | (70) |
| AT 31 DECEMBER | 495 489 | 261 883 |

The change in consolidation scope in 2019 mainly relates to the business combination Anthogyr (Note 2.1) and in 2018 to the business combination Createch.

**STRAIGHT BOND**

The Group launched and fully placed an inaugural CHF-denominated domestic straight bond issue for an aggregate amount of CHF 200 million with issue date 30 April 2013 and interest rate of 1.625% p.a., payable annually in arrears on 30 April.

The bond is due for repayment on 30 April 2020. An evaluation of the midterm cash development, especially considering the investments in future growth, is currently being performed. If the planned cash flow would not cover the requirements, a proposal for a new CHF bond would be submitted to the Board of Directors during the course of the first quarter of 2020.

Denominations of the bond are CHF 5 000 nominal and multiples thereof. The bond has been admitted to trading on the SIX Swiss Exchange with effect from 26 April 2013 until 27 April 2020 and listed in accordance with the Standard for Bonds on the SIX Swiss Exchange.

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Straight bond at 1 January | 199 862 | 199 746 |
| Interest expense | 3 388 | 3 386 |
| Redemption | (3 270) | (3 270) |
| thereof: | | |
| Recognized in trade and other payables (Note 5.4) | (2 180) | (2 180) |
| Disbursement | (1 090) | (1 090) |
| STRAIGHT BOND AT 31 DECEMBER | 199 980 | 199 862 |

## 7.3 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 the put options granted to non-controlling interests relate to the business combination Valoc AG and Abutment Direct Inc in 2019 and Medentika in 2017.

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.

The unquoted equity instruments allocated to Level 3 hierarchy relate to a fund that is dedicated exclusively to investments in dental-related opportunities in China. As the market for this investment is not active or no market is available, fair value is determined based on the valuation techniques the fund uses to calculate its net asset value.

Other financial liabilities allocated to Level 3 hierarchy mainly include the contingent considerations in relation to the business combinations Batigroup in Turkey, Digital Planning Service Private Limited in Pakistan and Bay Materials in the US. The fair value of the Batigroup contingent consideration is based on a profitability component (local contribution) while the fair value of the contingent consideration of Digital Planning Service is based on various company or product-related milestones. The fair value of the Bay Materials contingent consideration is based on a mix of profitability components and product-related milestones. 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 input data which are not based on observable market data.

At 31 December 2019 and 2018 the Group held the following financial instruments:

2019

| (in CHF 1 000) | Carrying amount (by measurement basis) | | | | | Fair Value |
|---|---|---|---|---|---|---|
| | Amortized cost | Level 1 | Level 2 | Level 3 | Total carrying amount | |
| FINANCIAL ASSETS | | | | | | |
| Derivative financial assets | | | 1 137 | | 1 137 | |
| Equity instruments | | 5 403 | | 4 762 | 10 165 | |
| Convertible bonds | | | | 351 | 351 | |
| Loans and other financial receivables | 21 718 | | | | 21 718 | |
| Other receivables | 40 791 | | | | 40 791 | |
| Trade receivables | 281 210 | | | | 281 210 | |
| Cash and cash equivalents | 260 211 | | | | 260 211 | |
| FINANCIAL LIABILITIES | | | | | | |
| Straight bond | 199 980 | | | | 199 980 | 201 430 |
| Derivative financial liabilities | | | 202 | | 202 | |
| Put options to non-controlling interests | | | | 26 674 | 26 674 | |
| Lease liabilities | 255 521 | | | | 255 521 | |
| Other financial liabilities | 13 113 | | | | 13 113 | |
| Trade payables | 63 207 | | | | 63 207 | |
| Other payables | 83 632 | | | 49 188 | 132 820 | |

2018

| (in CHF 1 000) | Carrying amount (by measurement basis) | | | | | Fair Value |
|---|---|---|---|---|---|---|
| | Amortized cost | Level 1 | Level 2 | Level 3 | Total carrying amount | |
| FINANCIAL ASSETS | | | | | | |
| Derivative financial assets | | | 847 | | 847 | |
| Equity instruments | | 6 861 | | 6 784 | 13 645 | |
| Convertible bonds | | | | 351 | 351 | |
| Loans and other financial receivables | 21 145 | | | | 21 145 | |
| Other receivables | 19 656 | | | | 19 656 | |
| Trade receivables | 231 301 | | | | 231 301 | |
| Cash and cash equivalents | 278 674 | | | | 278 674 | |
| FINANCIAL LIABILITIES | | | | | | |
| Straight bond | 199 862 | | | | 199 862 | 204 380 |
| Derivative financial liabilities | | | 345 | | 345 | |
| Put options to non-controlling interests | | | | 53 377 | 53 377 | |
| Other financial liabilities | 8 298 | | | | 8 298 | |
| Trade payables | 47 557 | | | | 47 557 | |
| Other payables | 58 991 | | | 27 347 | 86 338 | |

The changes in carrying values associated with Level 3 financial instruments are set as follows:

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| At 1 January | 7 135 | 80 724 | 7 442 | 64 532 |
| Additions | 0 | 43 926 | 0 | 23 392 |
| Remeasurement recognized in OCI | (1 862) | (780) | (307) | (230) |
| Remeasurement recognized in profit or loss | 0 | (579) | 0 | 98 |
| Remeasurement recognized in equity | 0 | 8 351 | 0 | (1 359) |
| Settlements | (160) | (55 780) | 0 | (5 709) |
| AT 31 DECEMBER | 5 113 | 75 862 | 7 135 | 80 724 |

In 2019, the additions to Level 3 financial liabilities relate to contingent consideration payables (mainly business combinations Bay Materials and Digital Planning Service Private Limited) and put options written to non-controlling interests (mainly business combinations Valoc AG and Abutment Direct Inc). In 2018, the addition to Level 3 financial liabilities mainly related to the contingent consideration payable in conjunction with the Batigroup and SDS business combinations.

Settlements in Level 3 financial liabilities in 2019 mainly relate to the purchase of non-controlling interests from the minority shareholders of Medentika (CHF 47.4 million) as well as contingent consideration payments in conjunction with the Batigroup business combination (CHF 6.8 million).

In 2018, the settlement of Level 3 financial liabilities mainly relates to repayment of contingent consideration in conjunction with the Equinox business combination.

In 2019 and 2018, 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.

The significant unobservable inputs for material financial instruments within Level 3 of the fair value hierarchy and their quantitative sensitivity analysis at 31 December 2019 are as follows:

| Instrument | Valuation technique | Significant unobservable input | Range | Sensitivity of the input to fair value |
|---|---|---|---|---|
| Put options to non-controlling interests of Medentika | PV of the estimated redemption value by the Group in the event of full exercise | Enterprise value (based on EBITDA multiple) | Floor: CHF 8.5 million Cap: CHF 14.2 million | 1 000 base-point decrease in enterprise value would result in a decrease in fair value of kCHF –1 422 |
| Contingent Consideration Batigroup | DCF method | Local contribution | - | 500 base-point increase (decrease) in the local contribution would result in a increase (decrease) in fair value of kCHF 888, resp. kCHF –888 |
| | | Interest rate | - | 500 base-point increase (decrease) in the interest rate would result in a decrease (increase) in fair value of kCHF –431, resp. kCHF 394 |
| Fund | Net asset valuation | Fair value of the financial assets of the fund | - | 500 base-point increase (decrease) in the financial assets of the fund would result in an increase (decrease) in fair value of kCHF 238, resp. kCHF –238 |

Depending on the development of Medentika's EBITDA, the fair value of the put options to non-controlling interests are expected to range between CHF 8.5 million and CHF 14.2 million. As of 31 December 2019, the Group assesses that it is highly probable that Medentika will achieve the higher target due to expansion and the realization of synergies in the future. The fair value of the put options to non-controlling interests determined on 31 December 2019 reflects this development and is recorded at CHF 14.2 million.

The fair value of the contingent consideration for Batigroup depends on the expected local contribution achievement and the interest rate prevailing at the balance sheet date. As of 31 December 2019, the Group assesses that it is highly probable that Batigroup will achieve the targets due to expansion and the realization of synergies in future. The fair value of the contingent consideration determined on 31 December 2019 reflects this development and the fair value is recorded at CHF 14.5 million.

The Group did not perform any quantitative sensitivity analysis at 31 December 2019 for the remaining individually immaterial instruments categorized within Level 3 of the fair value hierarchy.

The fair value of the fund is equal to its pro rata share of net asset value (NAV). The Group receives quarterly valuation statements from the fund which state the NAV based on valuation techniques used by the fund. Consequently, the Group itself does not determine the fair value of the fund. However, based on the information obtained in the quarterly valuation statements, the valuation performed by the fund is deemed to be representative for the fair value of the fund.

**HEDGES**

At 31 December 2019, the group had forward exchange contracts for CHF 31.7 million (2018: CHF 30.4 million) and NDF contracts for CHF 0.4 million (2018: CHF nil).

### 7.4 FINANCE INCOME AND EXPENSE

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| FINANCE INCOME | 64 873 | 72 852 |
| Interest income | 2 568 | 1 285 |
| from financial instruments at amortized cost | 2 568 | 1 216 |
| from financial instruments at fair value | 0 | 68 |
| Fair value and other financial income | 2 166 | 2 070 |
| Foreign exchange gains | 60 140 | 69 497 |
| FINANCE EXPENSE | (89 475) | (89 802) |
| Interest expense | (17 621) | (8 727) |
| from financial instruments at amortized cost | (10 588) | (8 451) |
| on defined benefit obligation (net) | (421) | (276) |
| from lease liabilities | (6 612) | 0 |
| Fair value and other financial expense | (1 089) | (6 376) |
| Foreign exchange losses | (70 765) | (74 699) |
| GAIN ON CONSOLIDATION OF FORMER ASSOCIATES | 5 967 | 10 725 |
| Fair value income | 6 108 | 11 098 |
| Foreign exchange losses | (141) | (373) |
| TOTAL FINANCE EXPENSE NET | (18 635) | (6 225) |

In 2019, the gain on consolidation of former associates relates to the business combinations of Valoc AG (CHF 3.6 million), Zinedent (CHF 1.4 million), Anthogyr (CHF 0.6 million) and Abutment Direct Inc. (CHF 0.4 million).In 2018 the gain on consolidation of former associates resulted from the business combinations of T-Plus (CHF 6.9 million) and Createch (CHF 3.8 million).

### 7.5 SHARE CAPITAL

The share capital is represented by 15 878 984 issued shares (2018: 15 878 984) of CHF 0.10 par value, fully paid in.

The conditional share capital was approved for an unlimited period at an extraordinary Annual General Meeting in 1998 for use in equity participation plans for employees and management, and was increased in 2016. As of 31 December 2019 the conditional share capital amounted to CHF 28 395.50 (2018: CHF 28 395.50).

Treasury shares are valued at weighted average cost and have been deducted from equity. The fair value of the treasury shares at 31 December 2019 amounted to CHF 12.8 million (2018: CHF 28.1 million).

As of 31 December 2019 the number of outstanding shares amounted to 15 865 482 (2018: 15 833 441) and the number of treasury shares amounted to 13 502 (2018: 45 543).

The number of shares outstanding developed as follows:

| | 2019 | 2018 |
|---|---|---|
| At 1 January | 15 833 441 | 15 813 002 |
| Treasury shares | | |
| Purchased | (5 744) | (6 724) |
| Used | 37 785 | 27 163 |
| AT 31 DECEMBER | 15 865 482 | 15 833 441 |

### 7.6 DIVIDENDS PER SHARE

The dividend paid in 2019 was CHF 5.25 per share (2018: CHF 4.75 per share), resulting in a total payout of CHF 83.1 million in 2019 and CHF 75.1 million in 2018. A dividend for the year ended 31 December 2019 of CHF 5.75 per share, amounting to a total dividend of CHF 91.2 million, will be proposed at the Shareholders' General Meeting on 7 April 2020. These financial statements do not reflect this payable dividend.

### 7.7 INCOME TAX

#### INCOME TAX EXPENSE

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Income taxes from current period | (52 274) | (34 016) |
| Income taxes from other periods | (1 824) | (1 576) |
| Deferred | (3 342) | (13 047) |
| Total income tax expense | (57 440) | (48 639) |
| | | |
| EFFECTIVE INCOME TAX RATE (IN %) | 15.7 | 14.9 |

For 2019 the applicable Group tax rate is 15.5% (2018: 15.5%), which represents the weighted tax rate, calculated by multiplying the accounting profits (or losses) of each Group company by the respective statutory tax rate over the total pre-tax profit of the Group.

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Profit before tax | 365 469 | 326 426 |
| Applicable Group tax rate | 15.5 % | 15.5 % |
| Income tax at the applicable Group tax rate | (56 811) | (50 723) |
| Non-tax-deductible expense | (6 499) | (4 274) |
| Non-taxable income | 5 149 | 4 401 |
| Changes in recognition of tax assets from losses or tax credits (and their expiry) | 601 | (1 610) |
| Utilization of previously unrecognized tax losses or tax credits to offset current taxes | (149) | 6 347 |
| Tax losses or tax credits from current year that are not recognized | (3 478) | (520) |
| Effect of changes in tax rates or imposition of new taxes | 7 332 | (77) |
| Current taxes from other periods | (1 824) | (1 576) |
| Other | (1 760) | (607) |
| EFFECTIVE INCOME TAX EXPENSE | (57 440) | (48 639) |

## AVAILABLE TAX LOSS CARRY-FORWARDS AND TAX CREDITS

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| At 1 January | 205 468 | 263 775 |
| Adjustments of tax loss carry-forwards on opening balance | 14 264 | 2 907 |
| Change in consolidation scope | 0 | 1 647 |
| Tax losses and credits arising from current year | 38 085 | 7 168 |
| Tax losses and credits expired (not used) during current year | (2 660) | 0 |
| Tax losses and credits utilized against current year profits | (42 883) | (45 001) |
| Currency translation adjustments | (11 971) | (25 028) |
| AT 31 DECEMBER | 200 304 | 205 468 |

Deferred income tax assets of CHF 53.1 million (2018: CHF 62.5 million) were recorded in respect of available tax loss carry-forwards and tax credits of CHF 179.0 million (2018: CHF 195.0 million). Deferred income tax assets for unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available, against which the unused tax losses and tax credits can be utilized in the respective countries, or to the extent that the individual companies have sufficient taxable temporary differences.

In 2012, the Group acquired 49% of Neodent through a fully owned subsidiary and subsequently conducted a downstream merger into Neodent. This transaction has led to recognition of tax deductible goodwill and a capitalization of a deferred tax asset in Neodent's financial statements. In 2015, the Group obtained control over Neodent and started to consolidate Neodent in its financial statements. At 1 March 2015, the tax deductible goodwill amounted to CHF 124.9 million and the carrying amount of the respective deferred tax assets amounted to CHF 42.5 million. Effective as of 1 January 2016, Straumann Brasil Ltda has been merged into Neodent. As a result of the merger, Neodent will benefit from future tax savings and has consequently recognized a deferred tax asset of CHF 38.7 million in respect of the tax credit of CHF 113.7 million. At the balance sheet date, the remaining tax credit and deferred tax asset amounted to CHF 110.9 million (2018: CHF 136.3 million) and CHF 37.7 million (2018: CHF 46.3 million).

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Expiry in next business year (current year +1) | 5 693 | 3 009 |
| Expiry current year +2 | 420 | 4 621 |
| Expiry current year +3 | 350 | 168 |
| Expiry current year +4 | 40 | 419 |
| Expiry current year +5 and later | 14 837 | 2 225 |
| UNUSED TAX LOSS CARRY-FORWARDS AT 31 DECEMBER | 21 340 | 10 442 |

### DEFERRED INCOME TAXES

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

2019

| (in CHF 1 000) | PPE & Leasing | Intangible assets | Inventory valuation | Tax loss carryforwards, tax credits | Other | Total |
|---|---|---|---|---|---|---|
| Net deferred tax balance at 1 January | (8 189) | (48 690) | 24 761 | 62 517 | 3 455 | 33 855 |
| Change in consolidation scope | | (8 063) | (479) | | (597) | (9 139) |
| (Charged) / credited to income statement | 5 087 | (5 870) | (1 385) | (6 803) | 5 630 | (3 342) |
| Charged to statement of comprehensive income | | | | | (67) | (67) |
| Credited to statement of changes in equity | | | | | 31 | 31 |
| Currency translation adjustments | 180 | 1 750 | (83) | (2 625) | 2 546 | 1 768 |
| NET DEFERRED TAX BALANCE AT 31 DECEMBER | (2 922) | (60 873) | 22 814 | 53 088 | 10 999 | 23 106 |
| Deferred tax assets at 31 December | 33 913 | 384 | 26 920 | 53 088 | 17 263 | 131 568 |
| Deferred tax assets after offset at 31 December | | | | | | 59 993 |
| Deferred tax liabilities at 31 December | (36 835) | (61 257) | (4 106) | | (6 264) | (108 462) |
| Deferred tax liabilities after offset at 31 December | | | | | | (36 887) |

| 2018 (in CHF 1 000) | PPE | Intangible assets | Inventory valuation | Tax loss carryforwards, tax credits | Other | Total |
|---|---|---|---|---|---|---|
| Net deferred tax balance at 1 January | (6 036) | (63 711) | 23 970 | 78 099 | 17 902 | 50 223 |
| Change in consolidation scope | | (3 855) | (312) | 1 951 | | (2 216) |
| (Charged) / credited to income statement | (2 378) | 13 143 | 1 358 | (8 905) | (16 264) | (13 047) |
| Credited to statement of comprehensive income | | | | | 3 064 | 3 064 |
| Charged to statement of changes in equity | | | | | (432) | (432) |
| Currency translation adjustments | 226 | 5 734 | (255) | (8 627) | (815) | (3 737) |
| NET DEFERRED TAX BALANCE AT 31 DECEMBER | (8 189) | (48 690) | 24 761 | 62 517 | 3 455 | 33 855 |
| Deferred tax assets at 31 December | 439 | 1 064 | 28 457 | 62 517 | 23 639 | 116 116 |
| Deferred tax assets after offset at 31 December | | | | | | 70 066 |
| Deferred tax liabilities at 31 December | (8 628) | (49 754) | (3 696) | 0 | (20 184) | (82 261) |
| Deferred tax liabilities after offset at 31 December | | | | | | (36 211) |

At 31 December 2019, there was no recognized deferred tax liability (2018: CHF nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group does not expect significant income tax liabilities from the distribution of retained earnings to the parent company.

## 8 PERSONNEL

### 8.1 EMPLOYEE BENEFITS EXPENSE

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Wages and salaries | (500 749) | (407 538) |
| Share-based payments (Note 8.3) | (13 130) | (10 706) |
| Social security cost | (59 882) | (53 268) |
| Pension costs and other personnel expense | (46 602) | (36 716) |
| TOTAL EMPLOYEE BENEFIT EXPENSE | (620 363) | (508 228) |

### 8.2 RETIREMENT BENEFIT OBLIGATIONS

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

The Swiss pension plan represents the most significant portion of the Group's total defined benefit obligation and plan assets. Current pension arrangements for employees in Switzerland are made through plans governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan is funded by regular employer and employee contributions. The final benefit is contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of the Group's financial statements, although the plan has many of the characteristics of a defined contribution plan.

The amounts for the Group's pension plans recognized in the statement of financial position are as follows:

#### MOVEMENTS OF NET LIABILITIES RECOGNIZED IN STATEMENT OF FINANCIAL POSITION

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Net liabilities at 1 January | (59 185) | (49 453) |
| Change in consolidation scope | (1 117) | 0 |
| Currency translation adjustments | 154 | 76 |
| Expense recognized in consolidated income statement | (12 779) | (12 200) |
| Employer contributions | 11 002 | 10 013 |
| Remeasurements | (5 993) | (7 621) |
| NET LIABILITIES AT 31 DECEMBER | (67 918) | (59 185) |

#### BALANCE SHEET

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Fair value of plan assets | 224 849 | 191 979 |
| Present value of funded benefit obligations | (290 346) | (249 213) |
| Deficit in the plan | (65 497) | (57 234) |
| | | |
| Present value of unfunded benefit obligations | (2 421) | (1 951) |
| TOTAL RETIREMENT BENEFIT OBLIGATIONS | (67 918) | (59 185) |

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Current service cost | (12 072) | (11 644) |
| Interest expense on defined benefit obligation | (1 723) | (1 212) |
| Interest income on plan assets | 1 302 | 936 |
| Administration costs | (286) | (280) |
| EXPENSE RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT | (12 779) | (12 200) |

The defined benefit obligation of the Swiss pension plan amounts to CHF 287.3 million (2018: CHF 247.9 million), the plan assets are CHF 223.7 million (2018: CHF 191.0 million) and current service costs are CHF 11.5 million (2018: CHF 11.1 million).

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Present value of benefit obligation at 1 January | (251 164) | (225 925) |
| Change in consolidation scope | (1 175) | 0 |
| Current service cost | (12 072) | (11 644) |
| Interest expense on defined benefit obligation | (1 723) | (1 212) |
| Employee contributions | (6 706) | (5 988) |
| Experience losses on defined benefit obligation | (6 596) | (13 677) |
| Benefits paid / transferred in | 5 756 | 2 115 |
| Actuarial results arising from change in financial assumptions | (19 099) | 5 092 |
| Actuarial results arising from change in demographic assumptions | (200) | (31) |
| Currency translation adjustments | 212 | 106 |
| PRESENT VALUE OF BENEFIT OBLIGATION AT 31 DECEMBER | (292 767) | (251 164) |
| whereof due to active members | (251 019) | (219 379) |
| whereof due to pensioners | (41 748) | (31 785) |

On 31 December 2019, the weighted-average duration of the defined benefit obligation was 14 years (2018: 13 years).

The calculation of defined benefit obligation is based on actuarial assumptions. The principal actuarial assumptions for the plans, which are determined with respect to local conditions, were as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Switzerland | Other | Switzerland | Other |
| Discount rate | 0.15 % | 0.62 %–1.91 % | 0.65 % | 1.62 %–2.40 % |
| Future salary increases | 1.00 % | 1.00 %–4.23 % | 1.00 % | 1.00 %–2.50 % |

Generational mortality tables are used where this data is available. For the Swiss pension plan, the Group uses the BVG 2015 GT.

The defined benefit pension obligation is significantly impacted by assumptions regarding the discount rate. Furthermore, the rate of future salary increases significantly affects the value of the plans.

A quantitative sensitivity analysis for significant assumptions is shown below:

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| | Defined benefit obligation | | Defined benefit obligation | |
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.25 % movement) | 9 898 | (12 299) | 7 948 | (8 468) |
| Future salary growth (0.25 % movement) | (1 515) | 1 471 | (1 182) | 1 149 |

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

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Fair value of plan assets at 1 January | 191 979 | 176 472 |
| Change in consolidation scope | 58 | 0 |
| Interest income | 1 302 | 936 |
| Employer contributions | 11 002 | 10 013 |
| Employee contributions | 6 706 | 5 988 |
| Benefits paid / transferred in | (5 756) | (2 115) |
| Return on plan assets | 19 902 | 995 |
| Administration costs | (286) | (280) |
| Currency translation adjustments | (58) | (30) |
| FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER | 224 849 | 191 979 |

Plan assets are comprised as follows:

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| Cash and cash equivalents | 6 510 | 2.9 % | 7 259 | 3.8 % |
| Debt instruments | 44 731 | 19.9 % | 36 296 | 18.9 % |
| Equity instruments | 61 952 | 27.6 % | 48 139 | 25.1 % |
| Real estate | 60 834 | 27.1 % | 55 207 | 28.8 % |
| Other | 50 822 | 22.5 % | 45 078 | 23.5 % |
| TOTAL PLAN ASSETS | 224 849 | 100.0 % | 191 979 | 100.0 % |

Cash and cash equivalents, as well the largest part of the debt, equity instruments and 'Other' (mainly consisting of insurance-linked securities and investments in an infrastructure fund) have a quoted market price and are tradeable in liquid markets. 17% of the 'Real estate' investments have a quoted market price, while the rest is mainly invested in common investment foundations.

The strategic allocation of assets is determined with the objective of achieving an investment return which, together with the employer and employee contributions, is sufficient to maintain reasonable control over the various funding risks of the plan. The aim is to ensure that plan assets and liabilities are aligned in the medium and long term.

The Group's defined benefit plans are administered by independent foundations. The Board of Trustees, which is constituted by an equal number of representatives of the employer and employees, is responsible for the management of the plans. The Board of Trustees determines the investment strategy within the framework of the legal provisions taking into consideration the plans' risk objectives, benefit obligations and risk capacity. The Board of Trustees uses external actuarial reports to estimate the risk capacity.

Each year, the level of funding is reviewed as required by legislation. The duties of the Board of Trustees are laid down in the BVG and the pension fund regulations. In accordance with BVG, a temporary shortfall is permitted. The Board of Trustees must take appropriate measures in order to solve the shortfall within a reasonable time. Pursuant to BVG, additional employer and employee contributions may be incurred whenever a significant shortfall in accordance with BVG arises.

The expected amount of contribution to post-employment benefit plans for 2020 is CHF 11.3 million.

Apart from the defined benefit plans, the Group also operates several defined contribution plans which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognized in the current period in relation to these contributions was CHF 8.1 million (2018: CHF 5.1 million).

## 8.3 SHARE-BASED PAYMENTS

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

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

### PERFORMANCE SHARE PLAN

The performance share plan is designed for Executive Management, Senior Management and other key employees. The plan uses Performance Share Units (PSU), which are granted to eligible personnel with specific performance conditions that result in a potential vesting into Straumann shares after three years. The number of shares allocated per PSU depends on the achievement of two performance conditions, both directly reflecting the shareholder experience and considered essential for sustaining shareholder value creation.

- Absolute total shareholder return (aTSR) aims to link the performance share plan at vesting directly with the absolute value created by the company for its shareholders.
- Relative total shareholder return (rTSR) shows the Group's share performance in the context of the market and in comparison with peer companies of the SMIM (Swiss Market Index Mid) index.

The two performance conditions are weighted equally and vest independently of each other. In each case the maximum conversion factor is one share per PSU. The valuation is performed by independent specialists applying the following significant inputs into the model: grant date, vesting date, average reference price, performance target including 'cap' and 'floor', share price at issue, risk-free interest rate, expected volatility, expected correlation and expected dividend yield.

Regarding the aTSR component, the conversion rate of PSUs into shares is linear and ranges from 0 to 100%. If the TSR CAGR is 0% or below, the conversion rate is zero. If the CAGR is 7%, each PSU converts into half a share, while a CAGR of 14% or more results in a conversion of one share per PSU. In the case of rTSR, the conversion rate is also linear and ranges from 0% to 100%. No shares are allocated if the Group underperforms the SMIM by 25%-points or more. Each PSU converts into one share if the Group outperforms the SMIM by 25%-points or more. Performance in-line with the SMIM results in each PSU converting into half a share.

From 2016 to 2018 (vesting in 2019 to 2021), the performance share plan was determined by aTSR and EBIT Growth Amount (EGA) measured over a three year performance cycle and equally weighted. The vesting conditions for those grants remain unchanged.

### BOARD OF DIRECTORS REMUNERATION

The compensation of the Board of Directors consists of a fixed compensation component only, paid in cash and undiscounted shares. The shares allocated to the members of the Board of Directors are blocked for two years. The value of shares allocated is calculated using the average closing price of the shares over the seven trading days following the ex-dividend day.

### EMPLOYEE SHARE PLAN

Effective in 2019, eligible employees in Switzerland have been able to purchase Straumann shares up to a maximum of 25% or 35% of their annual base salary at a discount of 25% or 35%, respectively, depending on hierarchical level and respective LTI eligibility. The grant value is based on the average share price over the seven-trading-day period following the ex-dividend day. The shares are blocked for two years. During the reporting period, employees subscribed to 8 951 (2018: 12 566) of those shares.

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Performance share plan | 10 540 | 8 118 |
| Board of Directors remuneration | 979 | 855 |
| Employee share plan | 1 611 | 1 733 |
| TOTAL SHARE-BASED PAYMENTS (NOTE 8.1) | 13 130 | 10 706 |

There were no cancellations or modifications to the PSU awards in 2019 or 2018.

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

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

| | 2019 | 2018 |
|---|---|---|
| At 1 January | 40 833 | 36 448 |
| Granted | 11 062 | 12 334 |
| Exercised | (14 024) | (5 538) |
| Forfeited | (3 100) | (2 411) |
| TOTAL AT 31 DECEMBER | 34 771 | 40 833 |
| Exercisable at 31 December | 0 | 0 |

In 2019, 11 062 PSUs were granted under the performance share plan (2018: 12 334). The total fair value has been determined using the Monte Carlo model and amounts to CHF 752.74. In 2018, the fair value of the internal performance (EGA) amounted to CHF 625.50 (equivalent to the share price at the grant date) and the fair value of the external condition (aTSR) amounted to CHF 230.34.

Underlying assumptions for the fair value of the PSUs are presented below:

INPUTS TO THE MODELS

| | 2019 | 2018 |
|---|---|---|
| | PSU | PSU |
| Dividend yield (in %) | 0.00 | 0.00 |
| Expected volatility (in %) | 23.16 | 22.18 |
| Risk-free interest rate (in %) | (0.54) | (0.24) |
| Expected life of PSUs (in years) | 3 | 3 |
| Share price (in CHF) at grant date in April | 836.80 | 625.50 |

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

## 9 OTHER DISCLOSURES

### 9.1 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

### 9.2 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise trade payables, finance leases, overdrafts, bank loans and a straight bond issued in Switzerland. The Group has various financial assets such as trade receivables, cash, cash equivalents and short-term deposits.

The main risks arising from the Group's financial assets and liabilities are related to interest rate changes, foreign currency fluctuations, possible credit defaults and liquidity shortage. The Audit and Risk Committee agrees and reviews policies for managing these risks, which are summarized below. The risk management execution is carried out by specialist teams that have the appropriate skills, experience and supervision.

#### MARKET RISK

Market risk refers to the risk that the fair value of future cash flows of financial assets and liabilities will fluctuate because of external changes in markets involved. This systemic risk mainly affects the Group's interest rate risk, foreign currency risk, credit risk and liquidity risk.

The subsequent sections provide insights into the management of the various risks, including major exposures and their potential effects on the Group's profitability. Such financial impacts are demonstrated in sensitivity analyses, which relate to the Group's net financial positions at 31 December 2019 and 2018. Excluded from the sensitivity calculations are changes in the carrying value of post-retirement obligations, provisions, non-financial assets and liabilities of foreign operations.

#### INTEREST RATE RISK

Interest rate risk refers to the risk that the fair value of future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. The Group's exposure to this risk arises primarily from short-term interest-bearing assets and short-term debt obligations.

The Group is primarily exposed to interest rate risks in the Swiss and US market.

The Group's policy is to closely monitor interest rate risks and manage them through the use of variable and fixed rates or financial derivatives. No material hedging activities, such as interest rate swaps, were conducted during the period under review.

#### INTEREST RATE RISK SENSITIVITY

The following table demonstrates the impact of reasonably possible interest rate changes on the Group's profit before tax, with all other variables held constant. The sensitivity analysis considers major interest rate risk exposures. The method considers fair value changes of interest-bearing assets and borrowings. There is no material impact on the Group's equity.

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| CURRENCY | Increase / decrease (in base points) | Effect on profit before tax | Increase / decrease (in base points) | Effect on profit before tax |
| CHF | 30 | 511 | 30 | 604 |
| USD | 50 | 136 | 50 | 14 |
| CHF | (30) | (511) | (30) | (604) |
| USD | (50) | (136) | (50) | (14) |

#### FOREIGN CURRENCY RISK

Foreign exchange risk arises when future transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional one. As the majority of the Group's business is international and since the Group's financial statements are prepared in Swiss francs, fluctuations in exchange rates affect both the Group's operating results and the reported values of the assets and liabilities. The Group is primarily exposed to the euro, the US dollar, the Brazilian real, the Chinese renminbi and the Japanese yen.

Besides the general attempt to naturally reduce currency exposures, the Group's foreign currency risk management policy aims to concentrate exposures centrally and subsequently manage them through a selective hedging approach. Managed exposures comprise recognized and anticipated transactions over a maximum of 12 months. The Group uses derivative instruments, primarily forward currency contracts, non-deliverable foreign exchange forwards (NDF) and plain vanilla options. Hedging decisions are taken and, if possible, executed by Corporate Treasury. Speculative trading is forbidden.

At 31 December 2019 the Group had economically hedged 80% (2018: 92%) of its foreign currency exposure for which firm commitments existed at the reporting date.

The Group has investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's long-term investments in foreign operations is not hedged.

### FOREIGN CURRENCY RISK SENSITIVITY

The following table demonstrates the impact of reasonably possible currency rate changes on the Group's profit before tax (for fair value changes of financial assets and liabilities including foreign currency derivatives as fair value hedges) and the Group's equity (for fair value changes of currency derivatives designated as cash flow hedges), with all other variables held constant. The sensitivity analysis considers major foreign currency risk exposures.

| (in CHF 1 000) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| CURRENCY | Increase / decrease (in %) | Effect on profit before tax | Effect on equity | Increase / decrease (in %) | Effect on profit before tax | Effect on equity |
| CNY / CHF | 10 | 1 069 | 0 | 10 | 879 | 0 |
| USD / CHF | 10 | 423 | 0 | 10 | 466 | 0 |
| BRL / CHF | 10 | (202) | 0 | 10 | (289) | 0 |
| EUR / CHF | 10 | (629) | 0 | 10 | (343) | 0 |
| JPY / CHF | 10 | 422 | 0 | 10 | 1 | 0 |
| CNY / CHF | (10) | (1 069) | 0 | (10) | (879) | 0 |
| USD / CHF | (10) | (423) | 0 | (10) | (466) | 0 |
| BRL / CHF | (10) | 202 | 0 | (10) | 289 | 0 |
| EUR / CHF | (10) | 629 | 0 | (10) | 343 | 0 |
| JPY / CHF | (10) | (422) | 0 | (10) | (1) | 0 |

### CREDIT RISK

Credit risk refers to the risk that counterparties will not meet their obligations, leading to a financial loss for the creditor. The Group is exposed to credit risk from its operating activities, primarily trade receivables and loan notes, as well as from its financing activities, primarily financial instruments such as foreign exchange derivatives and cash deposits with financial institutions.

### TRADE RECEIVABLES

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, maturing and overdue receivable balances are monitored on an ongoing basis. The Group continuously reviews its provision for impairment. The maximum exposure is the carrying amount as disclosed in Note 5.2. In 2019 and 2018, 96% of the transactions occured in the country of the respective operating unit. There are no significant concentrations of customer credit risk within the Group.

### FINANCIAL INSTRUMENTS AND CASH DEPOSITS

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

The table below shows the major cash balances held with financial institutions at the balance sheet date.

| (in CHF 1 000) | 2019 | | 2018 | |
|---|---|---|---|---|
| BANK | Rating | Balance | Rating | Balance |
| Bank A | AAA | 9 890 | AAA | 19 837 |
| Bank B | AA+ | 1 988 | AA+ | 1 994 |
| Bank C | AA | 451 | AA | 4 953 |
| Bank D | A+ | 111 888 | A+ | 133 274 |
| Bank E | BBB+ | 23 871 | BBB+ | 38 876 |
| Bank F | A+ | 28 128 | A | 27 286 |
| Bank G | A– | 23 729 | A | 5 667 |
| TOTAL | | 199 945 | | 231 887 |

### LIQUIDITY RISK

Liquidity risk refers to the possible inability to meet short-term debt obligations due to the lack of liquid assets. The Group closely monitors its liquidity risk through a prudent asset and liability management. This includes a recurring liquidity planning approach throughout the Group.

The Group's objective is to maintain an adequate funding structure by using bank overdrafts, bank loans, bonds and finance leases. In accordance with the policy, Corporate Treasury maintains a permanently accessible cash stock as well as flexible short-term funding possibility through uncommitted credit lines, involving a prospective approach.

The following table reflects all undiscounted contractually agreed payments for repayments and interest resulting from recognized financial liabilities at 31 December 2019 and 31 December 2018.

| (in CHF 1 000) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | < 1 year | 1–5 years | > 5 years | < 1 year | 1–5 years | > 5 years |
| Straight bond | 203 290 | 0 | 0 | 1 090 | 203 290 | 0 |
| Lease liabilities | 31 214 | 113 787 | 179 414 | | | |
| Other financial liabilities | 866 | 31 201 | 7 921 | 22 103 | 36 723 | 3 194 |
| Trade payables | 63 207 | 0 | 0 | 47 557 | 0 | 0 |
| Other payables | 94 121 | 38 699 | 0 | 82 759 | 22 173 | 0 |
| TOTAL | 392 698 | 183 687 | 187 335 | 153 509 | 262 186 | 3 194 |

### CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and secure shareholder investments. The Group manages its capital structure and makes adjustments when necessary. These can also involve changing the dividend payment to shareholders, returning capital to shareholders through share buy-backs, or issuing new shares.

As the Group operates in a fast-moving industry, its policy is to maintain a high degree of flexibility in its capital structure through a high availability of liquid funds. The Group monitors its capital base using the equity ratio. The Group strives to maintain an equity ratio of 50% or higher.

### EQUITY RATIO

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Total assets | 2 389 978 | 1 864 569 |
| Equity | 1 367 222 | 1 204 320 |
| EQUITY RATIO | 57.2 % | 64.6 % |

The implementation of IFRS 16 'Leases' negatively affected the equity ratio by six percentage points.

## 9.3 PRINCIPAL CURRENCY TRANSLATION RATES

| CURRENCY | Unit | 31 Dec 2019 | Average 2019 | 31 Dec 2018 | Average 2018 |
|---|---|---|---|---|---|
| Brazilian real (BRL) | 100 | 24.09 | 25.15 | 25.36 | 26.88 |
| Canadian dollar (CAD) | 1 | 0.74 | 0.75 | 0.72 | 0.75 |
| Chinese renminbi (CNY) | 100 | 13.91 | 14.36 | 14.31 | 14.73 |
| euro (EUR) | 1 | 1.09 | 1.11 | 1.13 | 1.15 |
| Indian rupees (INR) | 100 | 1.36 | 1.41 | 1.41 | 1.43 |
| Japanese yen (JPY) | 100 | 0.89 | 0.91 | 0.89 | 0.88 |
| US Dollar (USD) | 1 | 0.97 | 0.99 | 0.99 | 0.98 |

## 9.4 RELATED-PARTY DISCLOSURE

Besides the associates, the joint venture and the Key Management Personnel, the Group has identified the following related parties:

- The International Team for Implantology (ITI) Foundation
- Medartis AG.

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| PURCHASE OF GOODS FROM: | | |
| Associates | (7 579) | (20 274) |
| Joint Venture | 0 | (3 055) |
| Medartis AG | (189) | (222) |
| SALE OF GOODS TO: | | |
| Associates | 78 | 1 748 |
| ITI Foundation | 0 | 231 |
| Joint Venture | 0 | 3 254 |
| SERVICES RENDERED TO: | | |
| Associates | 130 | 596 |
| ITI Foundation | 266 | 466 |
| SERVICES RECEIVED FROM: | | |
| Associates | (105) | (183) |
| ITI Foundation | (10 387) | (10 316) |
| TOTAL | (17 786) | (27 753) |

Due to the business combination of Anthogyr in 2019 (Note 2.1), there was a shift from purchase of goods from associates to intercompany transactions, which are eliminated in the Group's financial statements.

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

The payments received for the rendering of services as well as the purchases of goods as stated above are carried out under normal commercial terms and conditions.

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Associates | 10 584 | 7 803 |
| ITI Foundation | (2 478) | 564 |
| Joint Venture | 0 | 1 789 |
| TOTAL | 8 107 | 10 156 |

On 31 December 2019 loans granted to associates amounted to CHF 10.9 million (2018: CHF 10.1 million). The amount is included in the Associates line in the table above.

### KEY MANAGEMENT PERSONNEL COMPENSATION

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

The Board of Directors is entitled to a fixed compensation, which is paid out in cash and shares. Approximately 40% of the compensation is paid out in shares. The shares allocated to the members of the Board of Directors are blocked for 2 years.

The compensation of the EMB consists of a fixed portion and variable portion, which depends on the course of business and individual performance. In addition, Executive Management Board members participate in the performance share plan (Note 8.3).

### COMPENSATION

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

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Salaries and other short-term employee benefits | 13 326 | 11 968 |
| Post-employment benefits | 2 547 | 1 715 |
| Share-based payments | 7 072 | 4 907 |
| TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION RECOGNIZED IN THE INCOME STATEMENT | 22 945 | 18 590 |

## 9.5 SUBSIDIARIES AND ASSOCIATES

The consolidated financial statements of the Group include:

| NAME | City | Country of incorporation | Interest and voting rights 2019 (in %) | Share capital 31.12.2019 | |
|---|---|---|---|---|---|
| SUBSIDIARIES: | | | | | |
| AG Projections SAS | Sallanches | France | 100.00 | EUR | 7 799 300 |
| Anthogyr SAS | Sallanches | France | 100.00 | EUR | 1 254 040 |
| Anthogyr Benelux | Sint-Martens-Latem | Belgium | 100.00 | EUR | 20 000 |
| Anthogyr Iberica | Sant Cugat del Vallès | Spain | 100.00 | EUR | 5 000 |
| Anthogyr Inc. | Orlando | USA | 100.00 | USD | 5 000 |
| Anthogyr Italia SRL | Milano | Italy | 100.00 | EUR | 50 000 |
| Anthogyr Ltd. | Crawley | UK | 100.00 | GBP | 1 |
| Anthogyr S.A. | Mersch | Luxembourg | 100.00 | EUR | 400 100 |
| Anthogyr Center Sarl | Mersch | Luxembourg | 100.00 | EUR | 12 000 |
| Anthogyr Unipessoal Lda | Porto | Portugal | 100.00 | EUR | 5 000 |
| Batigroup Dental Diş Ürünleri Ticaret AŞ | Ankara | Turkey | 80.00 | TRY | 5 000 000 |
| Biora AB | Malmö | Sweden | 100.00 | SEK | 950 152 |
| Dental Wings Inc. | Montreal | Canada | 100.00 | CAD | 21 648 923 |
| Dental Wings GmbH | Chemnitz | Germany | 100.00 | EUR | 25 000 |
| Dental Wings Hong Kong Ltd | Hong Kong | China | 100.00 | HKD | 4 635 044 |
| Shenzhen Dental Wings Company Limited | Shenzhen | China | 90.00 | CNY | 1 790 369 |
| DW Manufacturing Inc. | Montreal | Canada | 100.00 | CAD | 1 |
| Digital Planning Service (Private) Ltd | Lahore | Pakistan | 100.00 | PKR | 12 000 000 |
| Equinox Dental AG | Basel | Switzerland | 100.00 | CHF | 100 000 |
| etkon (Schweiz) AG | Rheinfelden | Switzerland | 70.00 | CHF | 100 000 |
| Institut Straumann AG | Basel | Switzerland | 100.00 | CHF | 100 000 |
| Equinox Implants LLP | Mumbai | India | 100.00 | INR | 320 000 000 |
| Straumann Italia Srl | Milan | Italy | 100.00 | EUR | 270 000 |
| Instradent AG | Basel | Switzerland | 100.00 | CHF | 100 000 |
| Createch Medical S.L.U. | Mendaro | Spain | 100.00 | EUR | 1 334 784 |
| Createch Institute A.E.I.E. | Mendaro | Spain | 100.00 | EUR | 880 000 |
| Straumann Middle East PJS | Tehran | Iran | 100.00 | IRR | 40 000 000 |
| T-Plus Implant Tech. Co. Ltd. | New Taipei City | Taiwan | 58.06 | TWD | 154 901 960 |
| Zinedent İmplant Üretim A.Ş. | Ankara | Turkey | 100.00 | TRY | 2 300 000 |
| Instradent LLC | Moscow | Russia | 100.00 | RUB | 17 250 000 |
| Manohay Argentina SA | Buenos Aires | Argentina | 100.00 | ARS | 19 000 000 |
| Manohay Chile SPA | Santiago | Chile | 100.00 | CLP | 464 515 950 |
| Manohay Colombia SAS | Bogotá | Colombia | 100.00 | COP | 7 100 062 213 |
| Manohay Dental SA | Madrid | Spain | 100.00 | EUR | 60 200 |

| NAME | City | Country of incorporation | Interest and voting rights 2019 (in %) | Share capital 31.12.2019 | |
|---|---|---|---|---|---|
| Manohay México SA de CV | México DF | Mexico | 100.00 | MXN | 41 892 615 |
| STM Digital Dentistry Holding Ltd | Hong Kong | China | 49.00 | USD | 100 |
| etkon Dentistry (Shenzhen) Technology Co. Ltd. | Shenzhen | China | 49.00 | USD | 4 488 598 |
| Straumann (Beijing) Medical Device Trading Co Ltd | Beijing | China | 100.00 | CNY | 70 290 000 |
| Straumann (China) Investment Company Limited | Shanghai | China | 100.00 | USD | 30 000 000 |
| Lirui Medical Technology (Shanghai) Company Limited | Shanghai | China | 100.00 | CNY | 16 000 000 |
| 3D ADD Medical Technology (Beijing) Co. Ltd. | Beijing | China | 100.00 | CNY | 1 285 714 |
| Straumann AB | Mölndal | Sweden | 100.00 | SEK | 100 000 |
| Straumann AS | Oslo | Norway | 100.00 | NOK | 1 000 000 |
| Straumann BV | Ijsselstein | Netherlands | 100.00 | EUR | 18 151 |
| JJGC Indústria e Comércio de Materiais Dentários S.A. ('Neodent') | Curitiba | Brazil | 100.00 | BRL | 1 152 621 860 |
| Yller Biomateriais S/A | Pelotas | Brazil | 100.00 | BRL | 19 984 |
| Northern Cross B.V. | Amsterdam | Netherlands | 100.00 | EUR | 100 |
| Smile factory S I e P LTDA. | São Paulo | Brazil | 100.00 | BRL | 1 300 100 |
| Straumann Canada Ltd | Burlington | Canada | 100.00 | CAD | 2 100 000 |
| Straumann Danmark Aps | Brøndby | Denmark | 100.00 | DKK | 125 000 |
| Straumann Dental India LLP | Mumbai | India | 100.00 | INR | 1 706 000 000 |
| Straumann Dental Korea Inc | Seoul | Republic of Korea | 100.00 | KRW | 2 300 000 000 |
| Straumann Dental s.r.l. | Bucharest | Romania | 100.00 | RON | 45 000 |
| Straumann GmbH | Vienna | Austria | 100.00 | EUR | 40 000 |
| Straumann Group (Taiwan) Co. Ltd. | Taipei | Taiwan | 75.00 | TWD | 13 333 333 |
| Straumann Group (Thailand) Limited | Bangkok | Thailand | 100.00 | THB | 120 000 000 |
| Straumann Group Adriatic d.o.o. | Zagreb | Croatia | 100.00 | EUR | 25 000 |
| Straumann Group Peru SA | Lima | Peru | 100.00 | PEN | 1 702 500 |
| Straumann Group SDN. BHD. | Kuala Lumpur | Malaysia | 100.00 | MYR | 1 055 000 |
| Straumann Group South Africa (PTY) LTD | Somerset West | South Africa | 100.00 | ZAR | 1 000 |
| Straumann Holding Deutschland GmbH | Freiburg | Germany | 100.00 | EUR | 25 000 |
| etkon GmbH | Gräfelfing | Germany | 100.00 | EUR | 326 000 |
| Medentika GmbH | Hügelsheim | Germany | 91.00 | EUR | 275 000 |
| Medentika CNC GmbH | Hügelsheim | Germany | 91.00 | EUR | 200 000 |
| Abutment Direct Inc. | Markham | Canada | 45.50 | CAD | 0 |
| Straumann GmbH | Freiburg | Germany | 100.00 | EUR | 200 000 |
| Straumann Japan KK | Tokyo | Japan | 100.00 | JPY | 10 000 000 |
| etkon Japan KK | Shibayama | Japan | 100.00 | JPY | 10 000 000 |

| NAME | City | Country of incorporation | Interest and voting rights 2019 (in %) | Share capital 31.12.2019 | |
|---|---|---|---|---|---|
| Straumann LLC | Moscow | Russia | 100.00 | RUB | 21 000 000 |
| Straumann Ltd | Crawley | UK | 100.00 | GBP | 300 000 |
| Straumann Manufacturing, Inc. | Andover | USA | 100.00 | USD | 1 |
| Bay Materials LLC | Fremont | USA | 100.00 | USD | 0 |
| ClearCorrect Holdings, Inc. | Round Rock | USA | 100.00 | USD | 4 424 |
| ClearCorrect Operating, LLC | Round Rock | USA | 100.00 | USD | 1 000 |
| Straumann USA, LLC | Andover | USA | 100.00 | USD | 1 |
| Straumann Oy | Helsinki | Finland | 100.00 | EUR | 32 000 |
| Straumann Pty Ltd | Port Melbourne | Australia | 100.00 | AUD | 100 |
| Straumann New Zealand Ltd | Napier | New Zealand | 100.00 | NZD | 0 |
| Straumann SA/NV | Zaventem | Belgium | 100.00 | EUR | 2 081 620 |
| Straumann SAS | Fontenay-sous-Bois | France | 100.00 | EUR | 192 000 |
| SCI Alpina Immobilière | Fontenay-sous-Bois | France | 100.00 | EUR | 50 000 |
| Straumann Singapore Pte Ltd | Singapore | Singapore | 100.00 | SGD | 10 000 |
| Straumann SRO | Prague | Czech Republic | 100.00 | CZK | 200 000 |
| Straumann Villeret SA | Villeret | Switzerland | 100.00 | CHF | 9 000 000 |
| Valoc AG | Rheinfelden | Switzerland | 55.00 | CHF | 100 000 |

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

| NAME | City | Country of incorporation | Interest and voting rights 2019 (in %) |
|---|---|---|---|
| ASSOCIATES: | | | |
| botiss medical AG | Berlin | Germany | 30.00 |
| Dental Monitoring SAS | Paris | France | 7.68 |
| Geniova Technologies S.L. | Madrid | Spain | 38.02 |
| maxon dental GmbH | Kenzingen | Germany | 49.00 |
| Rodo Medical Inc. | San Jose | USA | 30.00 |
| Rapid Shape GmbH | Heimsheim | Germany | 35.00 |
| V2R Biomédical Inc. | Montreal | Canada | 30.00 |
| Z-Systems AG | Oensingen | Switzerland | 33.94 |
| Peak Dental Solutions HK Ltd. | Kowloon | Hong Kong | 40.00 |
| Warantec Co., Ltd. | Seongnam-si | Republic of Korea | 33.50 |

# Audit Report – Consolidated financial statements

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

### STATUTORY AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### OPINION

We have audited the consolidated financial statements of Straumann Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 140 to 182).

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

#### RECOVERABILITY OF GOODWILL AND BRAND

AREA OF FOCUS

Goodwill and brand stemming from the various acquisitions represent 25% of the Group's total assets and 44% of the Group's equity as of balance sheet date (see Group's disclosures Note 4.3).

There is a risk of limited recoverability of these assets, in case the planned growth and margins for the domestic or international business are not realized as budgeted or forecasted by management. In determining the value in use of cash-generating units, management applies judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates. Such assumptions are affected by expected future market or economic conditions. Due to the significance of the carrying amount of the goodwill and brand and the judgment involved in performing the impairment test, this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We evaluated the Company's valuation model for the material goodwill and brand with indefinite useful life and analysed the underlying key assumptions, including future long-term growth and discount rates. We assessed the assumptions regarding future revenues and margins, historical accuracy of the Company's estimates and considered its ability to produce accurate mid- and long-term forecasts. We evaluated sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information.

Our audit procedures did not lead to any reservations concerning the measurement of goodwill and brand.

#### RECOVERABILITY OF DEFERRED TAX ASSETS NEODENT

AREA OF FOCUS

As of balance sheet date recognized deferred tax assets relating to tax deductible statutory goodwill and fair value step ups amount to CHF 37.7 million. Such tax deductible statutory goodwill and fair value step ups stem from mergers subsequent to Neodent acquisition through fully owned subsidiaries. The Company performs periodic assessments of the recoverability of deferred tax assets.

Brazilian tax authorities have challenged the legality of the tax deductibility of the statutory goodwill and intangibles assets which cause a risk of future recoverability of such deferred taxes. Key assumptions concerning the assessment of the deferred tax assets recoverability are disclosed in the notes to the consolidated financial statements. Due to the significance of the carrying amount of the deferred tax asset and the judgement involved in making an assessment regarding the decision by the court this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We involved local Brazilian tax experts to assist in evaluating the Company's assessment regarding tax deductibility of statutory goodwill and fair value step ups. Further, we analysed the assessment of Straumann related to the decision of the Brazilian Administrative Court of First Instance and the negative decision of the second level appeal which may impact the appropriateness of the capitalisation of the deferred tax assets.

Our audit procedures did not lead to any reservations concerning the measurement of deferred tax assets Neodent.

### OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Fabian Meier
Licensed audit expert

Basel, 14 February 2020

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# 2019 FINANCIAL REPORT

## STRAUMANN HOLDING

# Balance sheet

## ASSETS

| (in CHF 1 000) | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| Cash and cash equivalents | | 136 684 | 167 441 |
| Other short-term receivables | | 28 955 | 20 197 |
| from third parties | | 333 | 952 |
| from investments | | 28 622 | 19 245 |
| Prepaid expenses | | 58 | 217 |
| Total current assets | | 165 697 | 187 855 |
| | | | |
| Financial assets | 2.1 | 817 519 | 828 453 |
| Investments | 2.2 | 688 213 | 511 713 |
| Intangible assets | | 78 | 178 |
| Total non-current assets | | 1 505 810 | 1 340 344 |
| | | | |
| TOTAL ASSETS | | 1 671 507 | 1 528 199 |

## EQUITY AND LIABILITIES

| (in CHF 1 000) | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| Trade payables to third parties | | 158 | 327 |
| Short-term interest-bearing liabilities to investments | | 7 851 | 6 498 |
| Short-term interest-bearing liabilities to third parties | 2.4 | 200 000 | 0 |
| Short-term provisions | 2.3 | 41 475 | 51 764 |
| Deferred income | | 2 591 | 2 693 |
| Total current liabilities | | 252 075 | 61 282 |
| | | | |
| Long-term interest-bearing liabilities | | 18 287 | 214 592 |
| to third parties | 2.4 | 0 | 200 000 |
| to investments | | 18 287 | 14 592 |
| Long-term provisions | | 19 000 | 3 000 |
| Total non-current liabilities | | 37 287 | 217 592 |
| Total liabilities | | 289 362 | 278 874 |
| | | | |
| Share capital | 2.5 | 1 588 | 1 588 |
| Reserves from capital contributions[1] | 2.6 | 66 254 | 66 254 |
| Share premium | | 9 281 | 9 281 |
| Legal retained earnings | | 13 064 | 23 572 |
| Reserves for treasury shares | 2.7 | 9 524 | 20 032 |
| Statutory reserves | | 1 540 | 1 540 |
| Extraordinary reserves | | 2 000 | 2 000 |
| Voluntary retained earnings | | 1 291 958 | 1 148 630 |
| Available earnings | | | |
| – Retained earnings | | 1 076 012 | 946 382 |
| – Net result | | 215 946 | 202 248 |
| Total equity | | 1 382 145 | 1 249 325 |
| | | | |
| TOTAL EQUITY AND LIABILITIES | | 1 671 507 | 1 528 199 |

1 thereof CHF 10 996 956 not accepted by the Swiss Federal Tax Administration.

# Income statement

| (in CHF 1 000) | Notes | 2019 | 2018 |
|---|---|---|---|
| Income from investments | 2.9 | 168 744 | 152 050 |
| Other financial income | 2.10 | 14 755 | 13 743 |
| Other operating income | 2.11 | 79 351 | 69 540 |
| Impairment reversal of investments | 2.14 | 0 | 15 000 |
| Total income | | 262 850 | 250 333 |
| | | | |
| Other financial expense | 2.12 | (15 788) | (35 624) |
| Board compensation | | (1 799) | (1 506) |
| Other operating expense | 2.13 | (25 118) | (10 652) |
| Depreciation of intangible assets | | (155) | (190) |
| Total expenses | | (42 860) | (47 972) |
| Result before income tax | | 219 990 | 202 361 |
| Direct taxes | | (4 044) | (113) |
| NET RESULT | | 215 946 | 202 248 |

# Notes to the financial statements

## 1 PRINCIPLES

### 1.1 GENERAL

Straumann Holding AG is a public company whose shares are traded on the Swiss Exchange (SIX). As the parent company of the Straumann Group, the purpose of Straumann Holding AG is to acquire, dispose of and manage investments in the field of dental and medical technology.

These financial statements have been prepared in accordance with the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

As Straumann Holding AG has prepared consolidated financial statements in compliance with accepted international accounting standards (IFRS), it has decided to forego presenting a cash flow statement in accordance with the law.

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

### 1.2 FINANCIAL ASSETS

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the exchange rate at the balance sheet date, whereby unrealized losses are recorded but unrealized gains are not recognized.

### 1.3 TREASURY SHARES

Treasury shares are recognized at acquisition cost and deducted from shareholders‘ equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expense.

### 1.4 SHARE-BASED PAYMENTS

Should treasury shares be used for share-based payments for the Board Members’ compensation, the difference between the acquisition costs and any consideration paid is recognized as board compensation.

### 1.5 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognized at nominal value. Discounts and issuing costs are recognized as prepaid expenses and amortized on a straight line basis over the term of the liability.

## 2 INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

### 2.1 FINANCIAL ASSETS

| (in CHF 1 000) | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Loans to subsidiaries | 804 321 | 805 823 |
| Loans to third parties | 13 198 | 12 118 |
| Financial assets | 0 | 10 512 |
| TOTAL | 817 519 | 828 453 |

### 2.2 INVESTMENTS

The direct and major indirect investments of the company are listed in Note 9.5 to the Straumann Group Financial Statements. Ownership interests equal voting rights.

### 2.3 SHORT-TERM PROVISIONS

Short-term provisions include provisions for unrealized foreign currency gains CHF 36.8 million and provisions for taxes CHF 4.7 million (2018: CHF 51.4 million and taxes CHF 0.4 million).

### 2.4 INTEREST-BEARING LIABILITIES TO THRID PARTIES

| (in CHF 1 000) | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Bond | 200 000 | 200 000 |
| TOTAL | 200 000 | 200 000 |
| | | |
| BOND CONDITIONS | | |
| Nominal value | 200 000 | 200 000 |
| Interest rate in % | 1.625 | 1.625 |
| Maturity / Term in years | 7 | 7 |
| Due date / Maturity | 4/30/2020 | 4/30/2020 |

The Group’s CHF 200 million bond is due for repayment 30 April 2020. An evaluation of the midterm cash development especially considering the investments in future growth currently is being performed. If the planned cash flow would not cover the requirements, a proposal for a new CHF bond would be submitted to the Board of Directors during the course of the first quarter 2020.

### 2.5 SHARE CAPITAL

The share capital for 2019 and 2018 is CHF 1 587 898.40 and is represented by 15 878 984 registered shares of CHF 0.10 par value.

### 2.6 RESERVES FROM CAPITAL CONTRIBUTION

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration (ESTV) acknowledged the reported reserves for capital contribution as a capital contribution in accordance with Article 5 Paragraph 1 bis VStG.

### 2.7 RESERVES FOR TREASURY SHARES

The shares of Straumann Holding AG on stock of Institut Straumann AG amount to 13 502 shares with an average value of CHF 705.37. The decrease occurred due to the share based payment program and employee shares program (2018: 45 543 with an average value of CHF 439.85).

### 2.8 TREASURY SHARES

Since 2017 all shares have been sold and no transactions regarding treasury shares occurred in 2019.

### 2.9 INCOME FROM INVESTMENTS

In the reporting period the dividend income amounted to CHF 168.8 million (2018: CHF 152.1 million).

### 2.10 OTHER FINANCIAL INCOME

Other financial income amounts to CHF 14.8 million (2018: CHF 13.7 million) and contains mainly the interest income from loans to subsidiaries and realized foreign exchange gains.

### 2.11 OTHER OPERATING INCOME

Other operating income amounts to CHF 79.4 million (2018: CHF 69.5 million) and consists of income from licenses.

### 2.12 OTHER FINANCIAL EXPENSE

Other financial expense amounts to CHF 15.8 million (2018: CHF 35.6 million) and contains mainly the valuation of the loans and the interest expense from bond and earn out.

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Interests | 6 801 | 5 112 |
| Foreign exchange losses | 8 987 | 30 512 |
| TOTAL | 15 788 | 35 624 |

### 2.13 OTHER OPERATING EXPENSE

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Administrative expense | 748 | 722 |
| Consulting expense | 7 714 | 9 340 |
| Sundry expense | 16 656 | 591 |
| TOTAL | 25 118 | 10 652 |

Other operating expense amounts to CHF 25.1 million (2018: CHF 10.7 million) and contains newly a provision of CHF 16 million for acquisition and integration risk for new acquired subsidiaries posted under sundry expense.

### 2.14 IMPAIRMENT REVERSAL OF INVESTMENTS

In 2019 no reversal of impairment occurred (2018: CHF 15.0 million relates to the Straumann Netherlands investment).

## 3 OTHER INFORMATION

### 3.1 FULL TIME EQUIVALENTS

Straumann Holding AG does not have any employees.

### 3.2 MAJOR SHAREHOLDERS

Shareholders who own more than 3 percent of voting rights are as follows:

| (in %) | 31 Dec 2019[1] | 31 Dec 2018[1] |
|---|---|---|
| MAJOR SHAREHOLDERS | | |
| Dr h.c. Thomas Straumann (Vice Chairman of the Board) | 16.9 | 17.1 |
| Dr h.c. Rudolf Maag | 11.5 | 11.5 |
| Black Rock Group[2] | 7.3 | 6.5 |
| Simone Maag de Moura Cunha | 3.7 | 3.7 |
| Gabriella Straumann | 3.0 | 3.0 |
| The Capital Group companies, Inc.[2] | 3.0 | n/a |
| TOTAL MAJOR SHAREHOLDERS | 45.4 | 41.8 |

1 Or at last reported date if shareholdings are not registered in the share register
2 Not registered in Straumann's share register.

### 3.3 ALLOCATION OF EQUITY INSTRUMENTS TO THE BOARD OF DIRECTORS

According to the compensation plan, Board members' fees are paid in a fixed remuneration and shares. The number of shares is calculated based on the average price over the last seven days prior to the allocation.

The allocation was as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number | Value in CHF 1 000 | Number | Value in CHF 1 000 |
| Allocated to the Board of Directors | 1 199 | 1 004 | 1 483 | 903 |

### 3.4 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed in these financial statements.

### 4 EQUITY INSTRUMENTS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The following tables disclose the number of vested and non-vested equity instruments (shares, options and Performance Share Units) held on 31 December 2019 and 2018 by the members of the Board of Directors, the Executive Management Board and individuals related to them.

2019

| | Shares | Performance Share Units | | |
|---|---|---|---|---|
| | | 21 Apr 2020 | 27 Apr 2021 | 20 Apr 2022 |
| BOARD OF DIRECTORS | | | | |
| Gilbert Achermann | 42 432 | 0 | 0 | 0 |
| Dr h.c. Thomas Straumann | 2 693 985 | 0 | 0 | 0 |
| Monique Bourquin | 1 023 | 0 | 0 | 0 |
| Dr Sebastian Burckhardt | 3 005 | 0 | 0 | 0 |
| Juan José Gonzalez | 120 | 0 | 0 | 0 |
| Ulrich Looser | 4 692 | 0 | 0 | 0 |
| Dr Beat Lüthi | 4 059 | 0 | 0 | 0 |
| Regula Wallimann | 739 | 0 | 0 | 0 |
| Total | 2 750 055 | 0 | 0 | 0 |
| EXECUTIVE MANAGEMENT BOARD | | | | |
| Marco Gadola | 520 | 2 470 | 1 845 | 1 385 |
| Dr Peter Hackel | 720 | 554 | 402 | 326 |
| Dr Gerhard Bauer | 958 | 475 | 369 | 302 |
| Wolfgang Becker | 0 | 507 | 369 | 302 |
| Guillaume Daniellot | 754 | 379 | 304 | 255 |
| Jens Dexheimer | 1 111 | 348 | 326 | 271 |
| Frank Hemm | 330 | 554 | 0 | 0 |
| Patrick Loh | 0 | 495 | 402 | 326 |
| Alastair Robertson | 0 | 0 | 0 | 272 |
| Petra Rumpf | 904 | 633 | 434 | 350 |
| Matthias Schupp | 856 | 317 | 239 | 207 |
| Peter Zihla | 943 | 158 | 109 | 111 |
| Total | 7 096 | 6 890 | 4 799 | 4 107 |
| TOTAL | 2 757 151 | 6 890 | 4 799 | 4 107 |

2018

| | Shares | Performance Share Units | | |
|---|---|---|---|---|
| | | 20 Apr 2019 | 21 Apr 2020 | 27 Apr 2021 |
| BOARD OF DIRECTORS | | | | |
| Gilbert Achermann | 20 665 | 0 | 0 | 0 |
| Dr h.c. Thomas Straumann | 2 723 865 | 0 | 0 | 0 |
| Monique Bourquin | 903 | 0 | 0 | 0 |
| Dr Sebastian Burckhardt | 4 885 | 0 | 0 | 0 |
| Ulrich Looser | 4 572 | 0 | 0 | 0 |
| Dr Beat Lüthi | 3 939 | 0 | 0 | 0 |
| Regula Wallimann | 619 | 0 | 0 | 0 |
| Total | 2 759 448 | 0 | 0 | 0 |
| EXECUTIVE MANAGEMENT BOARD | | | | |
| Marco Gadola | 1 329 | 2 542 | 2 470 | 1 845 |
| Dr Peter Hackel | 813 | 761 | 554 | 402 |
| Dr Gerhard Bauer | 2 871 | 489 | 475 | 369 |
| Wolfgang Becker | 0 | 521 | 507 | 369 |
| Guillaume Daniellot | 0 | 377 | 379 | 304 |
| Jens Dexheimer | 1 524 | 228 | 348 | 326 |
| Frank Hemm | 1 655 | 570 | 554 | 402 |
| Patrick Loh | 0 | 0 | 495 | 402 |
| Dr Alexander Ochsner | 187 | 570 | 554 | 402 |
| Petra Rumpf | 1 721 | 652 | 633 | 434 |
| Matthias Schupp | 1 406 | 0 | 317 | 239 |
| Peter Zihla | 640 | 163 | 158 | 109 |
| Total | 12 146 | 6 873 | 7 444 | 5 603 |
| TOTAL | 2 771 594 | 6 873 | 7 444 | 5 603 |

# Proposal of the Board of Directors for the appropriation of the available earnings

| (in CHF 1 000) | 2019 | 2018 |
|---|---|---|
| Net result | 215 946 | 202 248 |
| Carried forward from previous year | 1 065 503 | 940 366 |
| Change in reserves for treasury shares | 10 508 | 6 016 |
| Profit available to the Annual General Meeting | 1 291 958 | 1 148 630 |
| | | |
| Dividend paid out of the available earnings (CHF 5.25 per share) | | (83 126) |
| BALANCE CARRIED FORWARD | | 1 065 503 |

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 5.75 per share be distributed, payable as of 15 April 2020. Calculated based on the total number of outstanding shares of 15 865 482, this corresponds to a total amount of CHF 91.2 million. In deciding on the appropriation of dividends, the Shareholders' General Meeting shall take into account that the Company will not pay a dividend on treasury shares held by the Company. The remaining amount of the available earnings is to be carried forward.

# Audit Report – Financial statements Straumann Holding AG

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

### REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Straumann Holding AG, which comprise the balance sheet, income statement and notes (pages 186 to 191), for the year ended 31 December 2019.

**BOARD OF DIRECTORS' RESPONSIBILITY**

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

**AUDITOR'S RESPONSIBILITY**

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

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

**OPINION**

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

**REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

**REPORT ON OTHER LEGAL REQUIREMENTS**

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

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

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

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Fabian Meier
Licensed audit expert

Basel, 14 February 2020

# APPENDIX

# Global Reporting Initiative
## Transparency for Stakeholders

Sustainability is integral for Straumann's business success and reflects our corporate values and behavior. We have consistently integrated reporting on sustainability aspects in our Annual Report since 2004. By communicating our sustainability performance, we foster stakeholder trust and confidence. To provide transparency for stakeholders who are impacted by our activities, including shareholders, customers, employees and members of the communities in which we operate, we base our sustainability reporting on the internationally accredited GRI Sustainability Reporting Standards by the Global Reporting Initiative.

GRI is a nonprofit, multi-stakeholder organization that provides companies with a systematic basis for informing stakeholders on corporate responsibility in a concise and comparable manner. We have applied the GRI sustainability reporting frameworks in our Annual Report for fourteen years. This report has been prepared in accordance with the 'GRI Standards: Core option'. It provides a comprehensive overview of Straumann's Corporate Responsibility activities while addressing all material topics and was submitted to the GRI Materiality Disclosures Service in February 2020.

The GRI Standards require us to determine which sustainability topics are most relevant, i.e. material, for our company and stakeholders. The corresponding assessment and topics determined to be material are presented on p. 60. The topics listed are relevant for Straumann's operations, shareholders and employees, as they can influence cost, brand reputation, and ultimately business success. Economic, social and environmental topics are also relevant for the communities in which we operate. Environmental topics are also of interest to international environmental organizations. Product-related topics are relevant for our customers and the patients they serve. Human resources topics influence the competence of our team and ultimately the confidence and peace-of-mind we provide to our customers.

This report is based on information for the whole Straumann Group, unless stated otherwise. We have not sought external assurance of the GRI information provided, but we have used the standards for internal auditing wherever practical.

This page addresses GRI disclosures 102–40, 102–42, 102–45.

# Global Reporting Initiative
# Management Approaches

## ECONOMIC TOPICS

Strong economic performance is our core goal. Strategic oversight of our financial performance is provided by the Board of Directors. The operational responsibilities are delegated to the Executive Management Board. Central to our approach is a strong commitment to innovation, quality and service in all the regions where we do business. We are positioned as a supplier of premium products and services and have a clear focus on cost control. We plan to maintain our position through prompt execution of strategic goals and by upholding our commitment to developing new products in the replacement, restorative, regenerative, esthetic and preventive dental markets, as well as for digital dentistry.

Management Approach for GRI disclosures 201, 203, 205, 206

Our main indirect economic impacts include the provision of jobs in the communities in which we operate and our charitable and social engagement initiatives to make dental treatment and education about oral hygiene available to the underprivileged. Straumann's charitable and social engagement programs around the world are a key part of our culture. They are typically managed by the teams located in each region where we do business. Our charitable programs relate, for example, to ectodermal dysplasia or basic dental care and oral hygiene. Our products and services are, by their nature, designed to improve the human condition and thus inherently benefit society.

In all our business activities, we place a high value on ethical behavior. The Straumann Code of Conduct clearly outlines our expectations in this regard. The Code was revised in 2018 and explicitly prohibits any form of corruption. It requires Straumann employees to comply with applicable laws and regulations at all times. This includes respecting rules of fair competition. Employees are obligated to report any violation or suspected violation, or any other suspected misconduct.

With regard to supply chain administration, our Strategic Procurement & Direct Spend team is responsible for procuring raw materials (e.g. titanium), tools, semi-finished goods, production machines, external work benches etc., while the Indirect Purchasing group handles the procurement of goods and services, including marketing materials, translation services, documentation, travel / hotels, cars, office supplies, packaging, consulting and event services.

## ENVIRONMENTAL TOPICS

Environmental issues are under the responsibility of local environmental officers at our production sites. They are overseen by plant managers who in turn report to our Head of Operations or the Head of our Digital Business Unit. At our global headquarters, which accommodates research and development, facility management is overseen by the CFO. At top management level, the CFO is tasked with the oversight of environmental performance and sustainability. To track our performance, we regularly collect and evaluate data from our production sites to understand our environmental impact and continuously identify measures for improvement. We recently started to collect this information also from our major non-production sites.

Minimizing our impact on the environment also falls within the responsibility of our employees. Our Code of Conduct obliges every individual in the Straumann Group to comply with all laws and internal regulations regarding environmental matters.

Efficiency is an integral part of how we do business at Straumann. We continuously refine products and processes and seek ways to improve the conservation of resources. We employ this approach for materials, energy and water consumption. Economical use of resources and efficient production as well as recycling efforts minimize effluents and waste.

We closely monitor our greenhouse gas emissions to quantify our impact on climate change. We calculate corresponding emissions from electricity consumption and heating, and further report information to investors within the Climate Change program of CDP (formerly the Carbon Disclosure Project).

We are aware that our supply chain also influences our environmental impact and we strive for a thorough environmental assessment of suppliers. Our expectations regarding environmental protection in the supply chain are clearly specified in our Code of Conduct for Suppliers.

Management Approach for GRI disclosures 301, 302, 303, 305, 306, 308

## SOCIAL TOPICS

### LABOUR PRACTICES AND DECENT WORK

Management Approach for GRI disclosures 401, 403, 404, 405

Operational aspects of labor practices and policies fall within the responsibilities of the Head of Global People Management & Development, who is part of the Executive Management Board. On a strategic level, the Human Resources & Compensation Committee of the Board of Directors reviews Straumann's human resources policies and oversees the recruitment of Executive Board Members as well as the compensation of the Board and the Executive Management Board.

We base our approach to employment on principles of employee development, open dialogue and fair and attractive employment conditions. Collective bargaining agreements and freedom of association are allowed throughout the company in compliance with laws and regulations. However, there is a general preference for informal employee dialogue, and labor contracts are negotiated individually rather than by collective bargaining.

Our commitment to maintaining a safe working environment is ensured by monitoring occupational health and safety. We continuously communicate health and safety procedures to employees through training and awareness programs, and we regularly monitor and report absence rates.

In order to keep our employee's skills up to date, training and education are of key importance. Our continuing training and education programs are aligned with our Cultural Journey. In addition, we continue to offer informal educational sessions.

We believe a diverse workforce greatly contributes to team performance and to our ability to serve customers all around the world. Therefore, we place a high value on inclusion and equal opportunity. We regularly monitor a variety of indicators in our workforce such as age, gender, nationality and educational background to ensure inclusiveness and diversity of perspectives. Everyone who works at the Straumann Group should feel comfortable being themselves at work.

### HUMAN RIGHTS

Management Approach for GRI disclosures 406, 414

Our approach to protecting human rights is based on our Code of Conduct. The code requires all employees to act ethically and uphold human rights at all times. Our Compliance team manages compliance with the Code. It is integrated in all our employment contracts, and new employees are made aware of it as part of our onboarding program. We also offer an anonymous call line for employees to raise and report compliance concerns.

To foster an open, collaborative working environment, our employees are protected from discrimination by Straumann's Code of Conduct. We define discrimination as biased treatment based on gender, race, background, religion, or sexual orientation. Our Code of Conduct for Suppliers serves as a supplier social assessment, with the purpose of ensuring that working conditions and human rights are protected along our supply chain.

Management Approach for GRI disclosures 406, 414

**PRODUCT RESPONSIBILITY**

Our overall profitability depends on the quality, performance and reliability of the solutions we provide to our customers. We apply stringent requirements for safety and effectiveness in product design and production, and will never accept shortcuts to market in order to boost short-term sales. The fitness for use of our products is assured over the entire product lifecycle: from conceptualization to research, development, manufacturing, storage, distribution, and in-market support.

Management Approach for GRI disclosures 416, 417, 418, 419

Our approach towards customer health and safety as well as compliance of our products and services includes the following: in the rare case of a potentially serious safety issue, our Corporate Product Safety Officer is authorized to convene a Safety Board meeting at very short notice to initiate corrective actions. Furthermore, our implant and regenerative products undergo preclinical and clinical testing, which continues after market introduction. Results of these studies are often published in peer-reviewed scientific journals and are presented by independent experts at scientific meetings.

Our commitment to truthful and accurate marketing and labelling is embedded in our global sales compliance program, which has been in place since 2009. It is one of several safeguards ensuring compliance with regulations relating to sales of our products and services. Finally, respecting laws and regulations concerning customer privacy is integrated in our Code of Conduct.

Materiality Disclosures Straumann Feb 2020 Service

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For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

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| | |
|---|---|
| 18 February | 2019 Full-year results conference |
| 7 April | Annual General Meeting |
| 9 April | Dividend ex date |
| 15 April | Payment date |
| 30 April | First-quarter results conference call |
| 13 August | Half-year results conference |
| 28 October | Third-quarter results conference call |

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