2017 FINANCIAL REPORT

2017 FINANCIAL REPORT

Straumann Group

Consolidated statement of financial position

Assets

(in CHF 1 000)	Notes	31 Dec 2017	31 Dec 2016
Property, plant and equipment	5	174 243	119 320
Intangible assets	6	629 178	314 027
Investments in associates	7	65 939	61 284
Financial assets	8	26 943	49 907
Other receivables		6 270	4 013
Deferred income tax assets	18	90 743	84 119
Total non-current assets		993 317	632 670
Inventories	9	152 146	101 957
Trade and other receivables	10	243 520	181 645
Financial assets	8	2 672	1 105
Income tax receivables		4 901	8 522
Cash and cash equivalents	11	281 816	164 024
Total current assets		685 055	457 253
TOTAL ASSETS		1 678 372	1 089 922

Equity and liabilities

(in CHF 1 000)	Notes	31 Dec 2017	31 Dec 2016
Share capital	12	1 588	1 588
Retained earnings and reserves		1 068 487	632 093
Total equity attributable to the shareholders of the parent company		1 070 075	633 681
Non-controlling interests		(150)	0
Total equity		1 069 924	633 681
Straight bond	13	199 746	199 632
Other liabilities	15	18 205	13 759
Financial liabilities	14	57 780	831
Provisions	16	40 321	24 511
Retirement benefit obligations	20	49 453	46 763
Deferred income tax liabilities	18	29 044	2 078
Total non-current liabilities		394 549	287 574
Trade and other payables	17	183 817	138 702
Financial liabilities	14	1 063	440
Income tax payable		28 692	12 739
Provisions	16	327	16 785
Total current liabilities		213 898	168 666
Total liabilities		608 447	456 241
TOTAL EQUITY AND LIABILITIES		1 678 372	1 089 922

The notes on pages 158–193 are an integral part of these consolidated financial statements.

Consolidated income statement

(in CHF 1 000)	Notes	2017	2016
Revenue	4	1 112 102	917 517
Cost of goods sold		(271 638)	(198 987)
Gross profit		840 464	718 530
Other income	21	3 353	2 376
Distribution costs		(249 607)	(211 004)
Administrative expenses		(310 578)	(282 726)
Operating profit		283 632	227 176
Finance income	24	58 701	35 260
Finance expense	24	(78 028)	(38 607)
Gain on consolidation of Medentika and Dental Wings	24	68 867	0
Share of results of associates	7	(9 739)	(1 603)
Profit before income tax		323 433	222 225
Income tax expense	18	(47 841)	7 375
NET PROFIT		275 592	229 600
Attributable to:			
Shareholders of the parent company		272 917	229 600
Non-controlling interests		2 675	0
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	25	17.61	14.68
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	25	17.53	14.60

The notes on pages 158–193 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	2017	2016
Net profit	275 592	229 600
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	31 552	(2 046)
Share of other comprehensive income of associates accounted for using the equity method	(420)	(305)
Exchange differences on translation of foreign operations	(28 880)	58 196
Income tax effect	(2 535)	184
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(283)	56 029
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	3 483	(2 634)
Remeasurements of retirement benefit obligations	(9 689)	(599)
Income tax effect	983	287
Items not to be reclassified to profit or loss in subsequent periods	(5 223)	(2 946)
Other comprehensive income, net of tax	(5 506)	53 083
TOTAL COMPREHENSIVE INCOME, NET OF TAX	270 086	282 683
Attributable to:		
Shareholders of the parent company	265 689	282 683
Non-controlling interests	4 397	0

The notes on pages 158–193 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	Notes	2017	2016
Net profit		275 592	229 600
Adjustments for:			
Taxes charged	18	47 841	(7 375)
Interest and other financial result		3 841	2 574
Foreign exchange result		239	2 156
Fair value adjustments		(1 026)	(1 382)
Financial impairment result		16 273	0
Gain on consolidation of Medentika and Dental Wings		(68 867)	0
Share of results of associates	7	9 739	1 603
Depreciation and amortization of:			
Property, plant and equipment	5, 22	24 975	22 852
Intangible assets	6, 22	14 936	9 171
Change in provisions, retirement benefit obligations and other liabilities		(16 022)	(5 761)
Change in long-term assets		(1 639)	0
Share-based payments expense	19, 23	7 726	4 242
Result on disposal of property, plant and equipment		181	0
Working capital adjustments:			
Change in inventories		(34 027)	(19 856)
Change in trade and other receivables		(47 284)	(33 203)
Change in trade and other payables		16 201	11 623
Interest paid		(6 020)	(4 626)
Interest received		1 052	2 305
Income tax paid		(26 421)	(29 180)
Net cash from operating activities		217 290	184 743

(in CHF 1 000)	Notes	2017	2016
Purchase of financial assets		0	(348)
Proceeds from sale of financial assets		30 458	0
Purchase of property, plant and equipment		(66 554)	(39 170)
Purchase of intangible assets		(6 850)	(7 526)
Purchase of investments in associates		(43 287)	(15 706)
Acquisition of a business, net of cash acquired		(178 770)	(24 703)
Contingent consideration paid		0	(782)
Proceeds from loans		29	6 244
Disbursement of loans		(29 140)	(2 931)
Dividends received from associates		404	894
Net proceeds from sale of non-current assets		861	642
Net cash used in investing activities		(292 849)	(83 386)
Increase in non-current financial debts		1 467	0
Transaction costs paid		0	(426)
Dividends paid to the equity holders of the parent	26	(65 139)	(63 152)
Dividends paid to non-controlling interests		(1 127)	0
Repayment of finance lease		(412)	0
Proceeds from exercise of options		167	14 062
Sale of treasury shares		262 992	2 228
Purchase of treasury shares		(5 377)	(209 763)
Net cash used in financing activities		192 571	(257 051)
Exchange rate differences on cash held		780	1 421
Net change in cash and cash equivalents		117 792	(154 273)
Cash and cash equivalents at 1 January	11	164 024	318 297
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	281 816	164 024

The notes on pages 158–193 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

2017

(in CHF 1 000)	Notes	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to the shareholders of the parent company							
At 1 January 2017		1 588	31 412	(206 550)	(89 810)	897 041	633 681	0	633 681
Net profit						272 917	272 917	2 675	275 592
Other comprehensive income					2 672	(9 900)	(7 228)	1 722	(5 506)
Total comprehensive income		0	0	0	2 672	263 017	265 689	4 397	270 086
Dividends to equity holders of the parent	26					(65 139)	(65 139)		(65 139)
Dividends to non-controlling interests							0	(1 127)	(1 127)
Share-based payment transactions	19, 23					7 524	7 524		7 524
Purchase of treasury shares				(5 377)			(5 377)		(5 377)
Sale of treasury shares				186 043		77 116	263 159		263 159
Changes in consolidation group							0	21 852	21 852
Put options to non-controlling interests	3					(29 464)	(29 464)	(25 272)	(54 736)
AT 31 DECEMBER 2017		1 588	31 412	(25 884)	(87 138)	1 150 097	1 070 075	(150)	1 069 924

2016

(in CHF 1 000)	Notes	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to the shareholders of the parent company							
At 1 January 2016		1 572	18 280	(923)	(145 839)	731 880	604 970	0	604 970
Net profit						229 600	229 600		229 600
Other comprehensive income					56 029	(2 946)	53 083		53 083
Total comprehensive income		0	0	0	56 029	226 654	282 683	0	282 683
Issue of share capital	12	16	13 132				13 148		13 148
Dividends to equity holders of the parent	26					(63 152)	(63 152)		(63 152)
Share-based payment transactions	19, 23					3 058	3 058		3 058
Purchase of treasury shares				(209 746)		(426)	(210 172)		(210 172)
Sale of treasury shares				4 119		(973)	3 146		3 146
AT 31 DECEMBER 2016		1 588	31 412	(206 550)	(89 810)	897 041	633 681	0	633 681

The notes on pages 158–193 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 CORPORATE INFORMATION

Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in implant and restorative dentistry and oral tissue regeneration. In collaboration with leading clinics, research institutes and universities, the Straumann Group researches, develops and manufactures dental implants, instruments, prosthetics and biomaterials for use in tooth replacement and restoration solutions or to prevent tooth loss. The Group employs approximately 4900 people worldwide, and its products and services are available in more than 100 countries through its broad network of distribution subsidiaries and partners.

The consolidated financial statements of the Straumann Group for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 7 February 2018 and are subject to approval by the Annual General Meeting on 4 April 2018.

2.1 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 2017.

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.

2.2 CHANGES IN ACCOUNTING POLICIES

NEW STANDARDS AND AMENDMENTS EFFECTIVE IN 2017

The Group has applied the following amendment for the first time for its annual reporting period commencing 1 January 2017:

- IAS 7 (Amendments) Disclosure Initiative (effective 1 January 2017)
  The Group has applied the amendments to IAS 7. As a result, movements in liabilities arising from financing activities are disclosed in Note 14.
- IAS 12 (Amendment) Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
  This amendment has no impact on the Group's financial statements.

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 2018 or later periods, and the Group has not adopted them early:

- IFRS 9 (2014) Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue and related Interpretations. According to the new standard, which includes quantitative and qualitative disclosures, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount

that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. The Group will adopt the standard for the fiscal year beginning as of 1 January 2018 adopting the modified approach. The impact of the adoption of IFRS 15 will be recorded in the opening equity as of 1 January 2018. Assessments of the implementation of IFRS 15 confirmed that there will be no significant impacts on the Group's consolidated financial statements.

– IFRS 2 (Amendment) Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
– IFRS 16 Leases (effective 1 January 2019)
  In January 2016, the IASB issued IFRS 16 Leases, which replaces IAS 17 Leases and related interpretations. The new standard will require lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The Group is in the process of evaluating the impact this new standard may have on its consolidated financial statements. The current undiscounted operating lease commitments as disclosed in Note 27 provide an indication on the maximum impact.
– 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)
– IFRIC 22 Foreign currency transactions and advance consideration (effective 1 January 2018)
– IFRIC 23 Uncertainty over income tax treatments (effective 1 January 2019)

2.3 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.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, they are measured using valuation techniques like discounted cash flow or the binominal model. Data for the models are taken from observable markets when possible. If this is not available, management judgment is required for inputs such as interest and credit risk. The sensitivity of the fair values to those risks are disclosed in Note 30.

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).

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.

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 61.5 million as of 31 December 2017 (2016: CHF 73.1 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. Different interpretation of the legal conditions by tax authorities or potential changes in Brazilian tax legislation cause a risk of limited future recoverability of such deferred taxes. There is a risk that tax authorities could challenge the current tax deductibility of the statutory goodwill and intangible assets in future.

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. Details on tax-related provisions are disclosed in Note 16.

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 2017 was CHF 49.5 million (2016: CHF 46.8 million). Further details are given in Note 20.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Swiss francs (CHF), which is Straumann Holding AG's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using this functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the balance sheet date. All differences are taken to profit or loss with the exception of differences arising on monetary items that in substance form part of an entity's net investment in a foreign operation. 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.

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 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 – 10 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 profit or loss when the asset is derecognized.

RESEARCH AND DEVELOPMENT COSTS

Development expenditure on an individual project is recognized as an intangible asset if the Group can demonstrate:
– the technical feasibility of completing the intangible asset so that it will be available for use or sale
– its intention to complete the asset
– its ability to use or sell the asset
– how the asset will generate future economic profit
– the availability of resources to complete the asset
– the ability to measure reliably the expenditure during development.

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

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

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

Goodwill is tested annually for impairment or whenever there are impairment indicators. Impairment for goodwill is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill on 30 November.

FINANCIAL ASSETS

For the classification of financial assets the Group applies IFRS 9 (2010).

The Group recognizes financial assets 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.

FINANCIAL ASSETS MEASURED AT AMORTIZED COST

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE

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

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

FAIR VALUE

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 amortised 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.

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. 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.

SHARE CAPITAL

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

TREASURY SHARES

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

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

For the classification of financial liabilities the Group applies IFRS 9 (2010).

INTEREST-BEARING LOANS AND BORROWINGS

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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 profit or loss, 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 cost.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the income statement.

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

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 19.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the Board of Directors, 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) and options is reflected as additional share dilution in the computation of earnings per share (Note 25).

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

Conditional share capital was approved by the shareholders for an unlimited period for share-based compensation in 1998 and 2016. Non-employee shareholders are excluded from subscribing for these shares.

REVENUE RECOGNITION

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

SALE OF GOODS

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

REVENUE FROM CUSTOMER TRAINING AND EDUCATION

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

INTEREST INCOME

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

DIVIDENDS

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

RENTAL INCOME

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

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 are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

DEFERRED INCOME TAX

Deferred income tax is 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 profit or loss.

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

SALES TAXES

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in profit or loss.

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

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

DIVIDEND DISTRIBUTION

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

3 BUSINESS COMBINATION

TRANSACTIONS IN 2017

MEDENTIKA

The Group signed a new shareholder agreement with the founding shareholders of Medentika GmbH to obtain control over the company as of 1 January 2017. Medentika GmbH, based in Germany, is a provider of prosthetics for leading implant and CADCAM systems. The company also supplies a range of titanium implants and instruments. The agreement enables the Group to direct all relevant activities of Medentika GmbH with an unchanged participation of 51%.

Based on a spin-off agreement in 2015, Medentika GmbH transferred its German distribution business into Instradent Deutschland GmbH, in which the Group held a 51% non-controlling stake. When the Group obtained control over Medentika GmbH, it acquired the remaining 49% stake in Instradent Deutschland GmbH for a cash consideration of CHF 1.8 million.

To reflect the underlying economic and commercial circumstances, the Group considered the simultaneous transactions jointly as a single business combination (hereafter referred to as 'Medentika'). As a result of obtaining control, the Group has consolidated Medentika in its 2017 financial statements, based on the current ownership interests in the respective Medentika entities.

The Group recognized an overall gain of CHF 25.0 million as a result of derecognizing its 51% equity interest in Medentika held before the business combination. The fair value of the 51% stake in Medentika was CHF 63.5 million and the associate carrying amount was CHF 33.7 million on 1 January 2017. The gain resulting from the revaluation to fair value of the 51% equity instrument in Medentika immediately before the deemed acquisition amounted to CHF 29.8 million. The related portion of translation losses of CHF 4.8 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 Medentika and Dental Wings'.

The fair value of the identifiable assets and liabilities on 1 January 2017 were:

(in CHF 1 000)	Fair Value
Assets	
Property, plant and equipment	5 432
Intangible assets:	
Brand	18 947
Customer relationships	16 242
Technology	537
Other intangible assets	97
Investments in associates	4 673
Financial Assets	33
Inventories	12 798
Trade and other receivables	2 380
Financial assets	94
Income tax receivables	1 951
Cash and cash equivalents	1 722
Total assets	64 906
Liabilities	
Financial liabilities	3 419
Deferred income tax liabilities	12 247
Trade and other payables	2 006
Other current liabilities	2 041
Total liabilities	19 713
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	45 193
Deemed consideration: Fair value 51 % stake after revaluation	63 450
Purchase price Instradent Deutschland GmbH	1 763
Non-controlling interests	21 867
Total consideration	87 080
GOODWILL	41 887
Cash flow	
Net cash acquired	1 722
Cash paid	(1 763)
NET CASH OUTFLOW	(41)

The 49% non-controlling interest of CHF 21.9 million was measured on the basis of the proportionate fair value of the identifiable net assets.

At the date of the business combination the fair value of the trade receivables was CHF 2.0 million. The gross contractual amount for trade receivables is CHF 2.3 million, of which CHF 0.3 million is expected to be uncollectable.

In connection with the modification of the shareholder agreement, the Group has written put options granting the holders of the 49% non-controlling interests the right to sell their remaining shares to the Group. The options are exercisable in certain windows from 2020 to 2022 and may be exercised either in respect to the founding shareholder's entire interests or in instalments. As the Group has not acquired a present ownership interest at reporting date, the non-controlling interests of CHF 25.3 million have been reclassified to financial liabilities, representing the present value of the estimated redemption value by the Group in the event of full exercise of the rights held by the founding shareholders, with the excess amount of CHF 29.5 million allocated to retained earnings.

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, Medentika contributed revenues of CHF 21.8 million and a net profit of CHF 5.8 million to the Group.

CLEARCORRECT

On 19 September 2017, the Group has acquired ClearCorrect Holdings Inc. (hereafter referred to as 'ClearCorrect'), a well-established provider of clear-aligner tooth-correction solutions based in Round Rock, USA. The net assets recognized as part of this acquisition, except of cash and cash equivalents, are provisional, as the purchase price allocation has not been completed by the date of approval of these financial statements by the Board of Directors.

The identifiable assets and liabilities acquired – as preliminarily determined – were:

(in CHF 1 000)	Fair Value
Assets	
Property, plant and equipment	6 623
Intangible assets	4 015
Deferred tax assets	15 341
Inventories	588
Trade and other receivables	30 740
Cash and cash equivalents	5 875
Total assets	63 182
Liabilities	
Financial liabilities	2 306
Provisions	4 853
Trade and other payables	39 988
Total liabilities	47 147
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	16 035
Consideration satisfied in cash	146 077
Total consideration	146 077
GOODWILL (PRELIMINARY)	130 042
Cash flow	
Net cash acquired	5 875
Cash paid	(146 077)
NET CASH OUTFLOW	(140 202)

From the acquisition date, ClearCorrect contributed revenues of CHF 8.3 million and a net loss of CHF 6.6 million. The net loss is mainly related to the revaluation of tax loss carryforwards caused by the US tax reform. If ClearCorrect had been included as of 1 January 2017, management estimates the impact on revenues for the 12 months ended 31 December 2017 would have been CHF 28.6 million with no material impact on net profit (except of the tax loss carryforward revaluation disclosed above).

DENTAL WINGS

On 1 October 2017, the Group has increased its stake in Dental Wings Inc. from 55% to 100%. As a result, the Group obtained control and started to consolidate Dental Wings in its financial statements from that date. Until 30 September 2017, Dental Wings 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.

Dental Wings (based in Montreal, Canada) is a leading provider of digital dentistry technologies. Its solutions cover the full digital workflow – from treatment-planning to final restoration including dental scanning, implant planning, prosthesis design, manufacturing, and communication among dental professionals. Dental Wings Inc. owns subsidiaries in Germany, Hong Kong and China and a branch office in France.

The fair values of the identifiable assets and liabilities acquired were:

(in CHF 1 000)	Fair Value
Assets	
Property, plant and equipment	973
Intangible assets:	
Technology	40 404
Brand	4 670
Customer relationships	3 225
Other intangible assets	90
Inventories	2 757
Trade and other receivables	4 184
Other assets	30
Cash and cash equivalents	1 326
Total assets	57 659
Liabilities	
Financial liabilities	3 123
Provisions	3 008
Deferred tax liabilities	12 828
Other liabilities	367
Trade and other payables	10 136
Total liabilities	29 462
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	28 197
Fair value of previously held interest	47 792
Consideration satisfied in cash	39 102
Non-controlling interests	(14)
Total consideration	86 880
GOODWILL	58 683
Cash flow	
Net cash acquired	1 326
Cash paid	(39 102)
NET CASH OUTFLOW	(37 776)

At the date of the business combination the fair value of the trade receivables was CHF 3.2 million. The gross contractual amount for trade receivables is CHF 3.3 million, of which CHF 0.1 million is expected to be uncollectable.

Goodwill, which is not deductible for tax purposes, comprises intangible assets that are not separable such as expected synergy effects and employee know-how.

The Group recognized an overall gain of CHF 43.9 million as a result of derecognizing its 55% equity interest in Dental Wings held before the business combination. The fair value of the 55% stake was CHF 47.8 million and the associate carrying amount was CHF 2.8 million on 1 October 2017. The gain resulting from the revaluation to fair value of the 55% equity instrument in Dental Wings immediately before the business combination amounted to CHF 45.0 million. The related portion of translation losses of CHF 1.1 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 Medentika and Dental Wings'.

From the acquisition date, Dental Wings contributed revenues of CHF 5.2 million, with no material impact on net profit. If Dental Wings had been included as of 1 January 2017, management estimates the impact on revenues for the 12 months ended 31 December 2017 would have been CHF 16.6 million, with no material impact on net profit.

LOOP

On 3 November 2017, the Group has acquired Loop Digital Solutions LLC. Loop (based in Lincoln, USA) develops a software that facilitates the referral management process by connecting surgeons, general practitioners and dental laboratories. As part of the business combination, the Group recognized an intangible asset of CHF 0.5 million representing the software development and a workforce related goodwill of CHF 3.2 million. The goodwill is deductible for tax purposes. The total consideration amounted to CHF 3.7 million, whereof CHF 0.7 million were immediately satisfied in cash. The second consideration component depends on the course of business and is recognized as contingent consideration liability until settlement.

The business combination had no material impact on the Group's revenues or net profit, neither for the period from 3 November 2017 to 31 December 2017, nor when considering an inclusion of Loop as of 1 January 2017.

TRANSACTIONS IN 2016

BOTISS GERMANY

On 1 September 2016, the Group acquired the German distribution business from botiss biomaterials GmbH. The transaction comprises the take over of the botiss biomaterials sales team and an exclusive distribution right in the German market. As part of the business combination, the Group recognized an intangible asset of CHF 2.4 million representing the exclusive distribution rights and a workforce related goodwill of CHF 7.0 million. The goodwill is deductible for tax purposes.

In the period from 1 September 2016 to 31 December 2016, the exclusive distribution business contributed revenues of CHF 1.1 million, with no material impact on net profit. If the exclusive distribution business had been included as of 1 January 2016, management estimates the impact on consolidated revenues for the 12 months ended 31 December 2016 would have been CHF 3.2 million, with no material impact on net profit.

EQUINOX INDIA

On 30 November 2016, the Group entered into a business transfer agreement with the Indian dental implant manufacturer Equinox. The Group has acquired the Equinox manufacturing and distribution business based in Mumbai, India. The total consideration amounted to CHF 21.7 million, whereof CHF 15.3 million were immediately satisfied in cash. The second consideration component depends on the course of business of Equinox and is recognized as contingent consideration liability until settlement.

In 2017, the purchase price allocation (PPA) was completed. The PPA had no material effect on the Group's financial statements compared to the values which were provisionally recognized in 2016.

From the acquisition date, the Equinox business had no material impact on Group revenues and net profit. If the Equinox India business had been included as of 1 January 2016, management estimates the impact on consolidated revenues for the 12 months ended 31 December 2016 would have been CHF 3.0 million, with no material impact on net profit.

4 OPERATING SEGMENTS

Operating segments requiring to be reported are determined on the basis of 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 headquarters 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'.

As of 1 January 2017, the Group has combined its former separate segments 'Sales CE' and 'Sales WE' into a single European region 'Sales Europe'. To strengthen the emerging and distributor markets, the Group's premium and Instradent distribution business and the business with external distributors in the EMEA region were allocated into a new operating segment 'Distributor & Emerging Markets EMEA'.

Comparative information was adapted to the structure prevailing at the balance sheet date.

SALES EUROPE

'Sales Europe' comprises the Group's premium and Instradent distribution businesses in Europe. It also acts as the principal (excluding the premium distribution businesses performed by 'Operations') towards all Instradent businesses of the Group. It also includes Medentika's distribution business and its manufacturing plant in Germany (which produces implants and prosthetic components) as well as 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 premium and Instradent distribution businesses mainly in Russia, as well as the premium business with European, African and Middle Eastern distributors. It further incorporates the value distribution business of Anthogyr implants and prosthetic components in Russia. It includes segment-related management functions located inside and outside Switzerland.

SALES NAM

'Sales NAM' comprises the Group's premium and Instradent 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. The segment also incorporates Dental Wing's 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 premium distribution businesses in the Asia pacific region, as well as the business with Asian distributors. It further incorporates the value distribution business of Anthogyr implants and prosthetic components in China and the Equinox implants in India. 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 premium distribution and Instradent 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 plant in Brazil (which produces implants, biomaterials and CADCAM products). It includes segment related management functions located inside and outside Switzerland.

OPERATIONS

'Operations' acts as the principal towards all premium distribution businesses of the Group; it does not include the Instradent distribution activities of fully-controlled Group companies. It includes the global manufacturing network i.e. the manufacturing plants, production of implants, biomaterials and CADCAM products as well as all corporate logistics functions. It does not include the manufacturing sites of Neodent, Equinox, Medentika, ClearCorrect and Dental Wings.

INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

2017

(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	429 427	57 066	315 306	188 848	121 455	0	0	0	1 112 102
Revenue inter-segment	28 706	0	3 427	210	14 551	503 943	0	(550 836)	0
Total revenue	458 133	57 066	318 733	189 058	136 006	503 943	0	(550 836)	1 112 102
Depreciation & amortization	(4 736)	(117)	(2 883)	(1 752)	(12 390)	(12 790)	(5 243)	0	(39 911)
Other expenses / income	(446 498)	(39 078)	(297 704)	(177 241)	(104 077)	(149 583)	(101 315)	526 937	(788 559)
Operating profit	6 900	17 870	18 146	10 064	19 539	341 571	(106 559)	(23 899)	283 632
Financial result									49 541
Share of profit of associates									(9 739)
Income tax expenses									(47 841)
NET PROFIT									275 592
Segment assets	253 960	17 123	318 562	84 234	342 990	318 340	30 945	(155 897)	1 210 259
Unallocated assets, thereof:									
Cash and cash equivalents									281 816
Deferred income tax assets									90 743
Financial assets									29 615
Investments in associates									65 939
GROUP									1 678 372
Segment liabilities	76 811	4 199	82 527	41 397	32 070	105 428	71 887	(93 504)	320 815
Unallocated liabilities, thereof:									
Deferred income tax liabilities									29 044
Straight bond									199 746
Financial liabilities									58 843
GROUP									608 447
Addition in non-current assets	5 252	286	2 884	1 116	24 010	30 454			64 002

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 and intangible assets.

2016

(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	368 948	41 875	255 723	152 518	98 452	0	0	0	917 517
Revenue inter-segment	10 457	0	0	0	8 485	445 529	0	(464 470)	0
Total revenue	379 405	41 875	255 723	152 518	106 937	445 529	0	(464 470)	917 517
Depreciation & amortization	(1 800)	(108)	(715)	(1 073)	(10 464)	(13 518)	(4 333)	0	(32 010)
Other expenses / income	(383 386)	(28 587)	(255 543)	(145 341)	(84 447)	(123 202)	(115 347)	477 522	(658 331)
Operating profit	(5 781)	13 180	(535)	6 104	12 026	308 809	(119 680)	13 052	227 176
Financial result									(3 347)
Share of profit of associates									(1 603)
Income tax expenses									7 375
NET PROFIT									229 600
Segment assets	102 287	16 381	71 195	63 598	326 430	260 512	17 142	(128 060)	729 484
Unallocated assets, thereof:									
Cash and cash equivalents									164 024
Deferred income tax assets									84 119
Financial assets									51 012
Investments in associates									61 284
GROUP									1 089 922
Segment liabilities	55 342	761	54 232	30 850	25 933	97 891	62 094	(73 843)	253 260
Unallocated liabilities, thereof:									
Deferred income tax liabilities									2 078
Straight bond									199 632
Financial liabilities									1 271
GROUP									456 241
Addition in non-current assets	4 101	17	1 422	1 088	11 617	14 050			32 295

NON-CURRENT ASSETS PER LOCATION

(in CHF 1 000)	2017	2016
Switzerland	107 905	83 807
Brazil	243 909	245 854
United States of America	173 472	26 645
Germany	136 815	47 718
Other	207 260	90 608
GROUP	869 361	494 632

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

REVENUES WITH EXTERNAL PARTIES

(in CHF 1 000)	2017	2016
PER BUSINESS FRANCHISE		
Implant Solutions	676 179	571 009
Restorative Solutions	328 717	277 251
Other	107 205	69 256
GROUP	1 112 102	917 517

PER LOCATION OF CUSTOMER		
Switzerland	30 342	30 726
United States of America	280 704	234 731
Germany	154 399	130 696
Brazil	126 990	102 337
Other	519 667	419 028
GROUP	1 112 102	917 517

- The Business Franchise ‘Implant Solutions’ comprises primarily implants and related instruments
- The Business Franchise ‘Restorative Solutions’ comprises abutments and related parts as well as milling elements
- ‘Other’ comprises scanner hardware, software licenses, 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.

5 PROPERTY, PLANT AND EQUIPMENT

2017

(in CHF 1 000)	Land	Buildings	Plant and machinery	Other	Total
COST					
At 1 January	8 445	115 169	191 987	101 976	417 579
Change in consolidation scope (Note 3)	134	642	9 529	2 723	13 028
Additions	248	8 928	42 468	14 909	66 554
Disposals	(2)	(434)	(2 842)	(4 998)	(8 276)
Reclassifications	0	0	0	1 623	1 623
Currency translation adjustments	87	(285)	(681)	1 557	677
At 31 December	8 913	124 020	240 462	117 790	491 185
ACCUMULATED DEPRECIATION					
At 1 January	0	(81 718)	(133 878)	(82 662)	(298 259)
Depreciation charge (Note 22)	0	(4 069)	(12 183)	(8 723)	(24 975)
Disposals	0	213	2 281	4 791	7 286
Currency translation adjustments	0	22	22	(1 038)	(994)
At 31 December	0	(85 552)	(143 757)	(87 633)	(316 942)
NET BOOK VALUE	8 913	38 468	96 705	30 157	174 243

2016

(in CHF 1 000)	Land	Buildings	Plant and machinery	Other	Total
COST					
At 1 January	7 167	110 724	174 312	99 312	391 515
Change in consolidation scope (Note 3)	15	23	95	121	254
Additions	0	4 119	17 372	13 152	34 643
Disposals	0	(1 022)	(3 052)	(8 774)	(12 848)
Reclassifications	0	0	0	(2 102)	(2 102)
Currency translation adjustments	1 263	1 325	3 260	268	6 117
At 31 December	8 445	115 169	191 987	101 976	417 579
ACCUMULATED DEPRECIATION					
At 1 January	0	(78 347)	(124 205)	(83 485)	(286 037)
Depreciation charge (Note 22)	0	(4 097)	(11 764)	(6 992)	(22 852)
Disposals	0	904	2 875	7 490	11 270
Currency translation adjustments	0	(178)	(785)	324	(639)
At 31 December	0	(81 718)	(133 878)	(82 662)	(298 259)
NET BOOK VALUE	8 445	33 452	58 109	19 314	119 320

In 2017, the net book value of assets under finance lease that are included in property, plant and equipment - amounted to CHF 2.5 million (2016: CHF 0.1 million). Repair and maintenance expenses for property, plant and equipment for the business year 2017 amounted to CHF 6.5 million (2016: CHF 5.7 million).

6 INTANGIBLE ASSETS

2017

(in CHF 1 000)	Goodwill	Brands	Customer relation-ships	Technology	Other intangibles	Total
COST						
At 1 January	323 787	59 883	127 899	16 133	96 327	624 029
Change in consolidation scope (Note 3)	233 843	23 617	19 467	40 941	4 665	322 533
Additions	0	0	0	1 004	5 845	6 849
Disposals	0	0	0	0	(23 809)	(23 809)
Currency translation adjustments	3 786	(407)	5 781	(114)	877	9 923
At 31 December	561 416	83 093	153 147	57 964	83 905	939 525
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
At 1 January	(116 066)	(1 226)	(94 150)	(15 254)	(83 306)	(310 002)
Amortization charge (Note 22)	0	(130)	(8 720)	(1 756)	(4 330)	(14 936)
Disposals	0	0	0	0	23 710	23 710
Currency translation adjustments	(7 097)	(3)	(1 362)	(36)	(621)	(9 119)
At 31 December	(123 163)	(1 359)	(104 232)	(17 046)	(64 547)	(310 347)
NET BOOK VALUE	438 253	81 734	48 915	40 918	19 358	629 178

2016

(in CHF 1 000)	Goodwill	Brands	Customer relation-ships	Techno-logy [1]	Other intangibles	Total
COST						
At 1 January	276 014	49 440	117 424	16 633	89 486	548 997
Changes in scope of consolidation (Note 3)	27 401	0	0	0	2 429	29 830
Additions	0	0	0	0	7 526	7 526
Disposals	0	0	0	(500)	(3 754)	(4 254)
Currency translation adjustments	20 372	10 443	10 475	0	640	41 930
At 31 December	323 787	59 883	127 899	16 133	96 327	624 029
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
At 1 January	(117 732)	(1 216)	(83 704)	(15 754)	(84 091)	(302 497)
Amortization charge (Note 22)	0	(5)	(6 069)	0	(3 097)	(9 171)
Disposals	0	0	0	500	3 740	4 240
Currency translation adjustments	1 666	(5)	(4 377)	0	142	(2 574)
At 31 December	(116 066)	(1 226)	(94 150)	(15 254)	(83 306)	(310 002)
NET BOOK VALUE	207 721	58 657	33 749	879	13 021	314 027

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

Management assessed that the acquired brands Neodent, Medentika and Dental Wings have an indefinite useful life. The Group supports the brand's 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 the goodwill allocation per CGU is presented below:

(in CHF 1 000)	2017	2016
ClearCorrect Business (preliminary)	130 042	0
Neodent Business	115 327	122 119
Global Premium Implant Business	59 400	55 113
Dental Wings Business	58 448	0
Medentika Business	45 540	0
Other	29 496	30 489
TOTAL GOODWILL	438 253	207 721

CLEARCORRECT BUSINESS (PRELIMINARY):

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 has been preliminarily recognized as part of the acquisition of ClearCorrect in 2017. The acquisition is disclosed in Note 3.

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 as part of the following acquisitions:
– Straumann Italia srl, Italy
– Straumann Japan KK, Japan
– Manohay Dental SA, Spain
– Straumann Danmark ApS, Denmark
– Straumann LLC, Russia.

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. The acquisition is disclosed in Note 3.

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 as well as 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. The acquisition is disclosed in Note 3.

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 goodwill positions include:

(in %)	2017	2016
CLEARCORRECT BUSINESS		
Gross profit margin of the CGU[1]	73.9	
Terminal growth rate[2]	2.0	
Weighted average cost of capital (WACC)[3]	12.6	
NEODENT BUSINESS		
Gross profit margin of the CGU[1]	71.4	70.0
Terminal growth rate[2]	4.6	4.6
Weighted average cost of capital (WACC)[3]	17.4	16.6
GLOBAL PREMIUM IMPLANT BUSINESS		
Gross profit margin of the CGU[1]	68.8	69.8
Terminal growth rate[2]	1.5	1.5
Weighted average cost of capital (WACC)[3]	8.5	8.6
DENTAL WINGS BUSINESS		
Gross profit margin of the CGU[1]	68.2	
Terminal growth rate[2]	2.0	
Weighted average cost of capital (WACC)[3]	20.5	
MEDENTIKA BUSINESS		
Gross profit margin of the CGU[1]	61.9	
Terminal growth rate[2]	1.5	
Weighted average cost of capital (WACC)[3]	13.2	

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

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

7 INVESTMENTS IN ASSOCIATES

The Group has investments which are accounted for as associated companies. In 2017, the Group invested in some additional associated companies, notably Rapid Shape GmbH, a developer and manufacturer of high-end 3D-printing systems for additive manufacturing based in Heimsheim, Germany and Rodo Medical, Inc., a developer and producer of innovative retention devices for dental implant restorations based in San Jose, USA.

From a Group perspective, the associates Rapid Shape GmbH, Heimsheim, Germany and Anthogyr SAS, Sallanches, France, are material at the reporting date.

(in CHF 1 000)	2017		2016	
	Balance sheet value	Net income statement effect	Balance sheet value	Net income statement effect
Rapid Shape GmbH, Germany	23 026	(113)	0	0
Anthogyr SAS, France	14 004	(585)	14 013	(905)
Medentika GmbH, Germany (until December 2016)	0	0	26 535	2 108
Instradent Deutschland GmbH, Germany (until December 2016)	0	0	7 453	(908)
Others	28 909	(9 041)	13 283	(1 898)
TOTAL	65 939	(9 739)	61 284	(1 603)

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.

ANTHOGYR SAS:

Anthogyr SAS manufactures implants. 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 Anthogyr SAS and determined that it has significant influence and therefore applies the equity method of accounting.

The tables below provide summarized financial information for Rapid Shape GmbH and Anthogyr SAS. The information disclosed reflects the amounts presented in the financial statements of Rapid Shape GmbH and Anthogyr SAS, 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)	2017		2016
	Rapid Shape GmbH	Anthogyr SAS	Anthogyr SAS
Current assets	6 090	19 956	19 878
Non-current assets	16 823	35 141	33 127
Current liabilities	(3 573)	(8 819)	(6 625)
Non-current liabilities	(5 068)	(22 759)	(20 973)
Net assets	14 272	23 519	25 407
RECONCILIATION TO CARRYING AMOUNT:			
Opening net assets	14 327	25 407	28 331
Result for the period	(322)	(1 951)	(3 018)
Other comprehensive income	0	(1 401)	471
Dividends declared	0	(654)	0
Currency translation adjustments	267	2 118	(377)
Closing net assets at 31 December	14 272	23 519	25 407
Group share's in %	35.0	30.0	30.0
Group share's in CHF	4 995	7 056	7 622
Goodwill	17 682	6 486	6 486
Currency translation adjustments on goodwill	349	462	(96)
CARRYING AMOUNT	23 026	14 004	14 013

Summarized comprehensive income statements of Rapid Shape GmbH and Anthogyr SAS for the period, where the Group has significant influence:

(in CHF 1 000)	2017		2016
	Rapid Shape GmbH	Anthogyr SAS	Anthogyr SAS
Revenue	3 161	50 949	48 419
Result from continuing operations	(322)	(1 951)	(3 018)
PROFIT FOR THE PERIOD	(322)	(1 951)	(3 018)
Other comprehensive income	0	(1 401)	471
TOTAL COMPREHENSIVE INCOME	(322)	(3 352)	(2 547)

OTHER INVESTMENTS:

In addition to the investments in Rapid Shape GmbH and Anthogyr SAS 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)	2017	2016
Aggregate carrying amount of individually immaterial associates	28 909	13 283
AGGREGATE AMOUNT OF GROUP'S SHARE OF:		
Result from continuing operations	(9 041)	(1 898)
Other comprehensive income	0	(446)
TOTAL COMPREHENSIVE INCOME	(9 041)	(2 344)

In 2017 and 2016, no impairment has been recognized for investments in associates.

8 FINANCIAL ASSETS

(in CHF 1 000)	2017	2016
Financial assets at fair value through profit or loss	351	31 151
Financial assets at fair value through other comprehensive income	14 669	12 782
Loans and other receivables	11 923	5 975
TOTAL NON-CURRENT FINANCIAL ASSETS	26 943	49 907
Financial assets at fair value through profit or loss	1 149	1 105
Loans and other receivables	1 523	0
TOTAL CURRENT FINANCIAL ASSETS	2 672	1 105

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. The convertible bonds from MegaGen Implant Co. Ltd, which were disclosed as 'non-current' in 2016, were repaid in the course of 2017.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income represent non-derivative 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.

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.

9 INVENTORIES

(in CHF 1 000)	2017	2016
Raw materials and supplies	22 860	19 109
Work in progress	31 447	24 956
Finished goods	97 840	57 892
TOTAL INVENTORIES	152 146	101 957
Inventories recognized as an expense in 'Cost of goods sold'	(231 001)	(170 680)
Obsolete inventories written down and recognized as an expense	(685)	(2 281)

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 2017 and 2016.

10 TRADE AND OTHER RECEIVABLES

(in CHF 1 000)	2017	2016
Trade receivables, net	191 868	148 909
Other receivables, thereof:	51 652	32 736
Sales related	22 606	16 944
VAT and other non-income taxes	22 879	10 631
Salary and social security prepayments	1 589	1 689
Prepaid rent	761	1 177
Cash deposits	976	561
Interest	797	0
Other	2 043	1 734
TOTAL TRADE AND OTHER RECEIVABLES	243 520	181 645
thereof: financial assets as defined by IFRS 7	25 140	18 682
thereof:		
CHF	5 046	12 274
EUR	83 682	48 942
USD	59 269	49 501
BRL	44 019	42 222
CNY	12 077	6 585
Other	39 427	22 121

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.

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

(in CHF 1 000)	2017	2016
At 1 January	(23 451)	(9 746)
Change in consolidation scope	(363)	0
Charge for the year	(32 204)	(17 160)
Utilized	1 816	1 521
Unused amounts reversed	2 790	2 716
Currency translation adjustments	150	(782)
AT 31 DECEMBER	(51 261)	(23 451)

The charge for the year is mainly related to the business expansion and increased default risks in certain distributor markets. There is no provision on other receivables.

The analysis of overdue trade receivables is as follows:

(in CHF 1 000)	2017		2016	
	Gross	Allowance	Gross	Allowance
Not past due	181 559	(962)	128 470	(894)
Past due, thereof:	61 570	(50 299)	43 889	(22 557)
< 30 days	16 738	(7 997)	13 079	(142)
31–60 days	11 485	(9 936)	7 035	(618)
61–90 days	4 840	(4 222)	3 760	(2 907)
91–120 days	3 457	(3 211)	4 562	(3 982)
> 120 days	25 050	(24 933)	15 453	(14 908)
TOTAL	243 129	(51 261)	172 360	(23 451)

11 CASH AND CASH EQUIVALENTS

(in CHF 1 000)	2017	2016
Cash at banks and on hand, thereof:	271 630	154 867
CHF	225 042	120 033
CNY	5 286	7 476
EUR	17 510	6 671
INR	4 871	6 193
USD	9 979	4 429
Other	8 942	10 065
Short-term bank deposits, thereof:	10 186	9 156
BRL	9 073	8 635
GBP	874	521
Other	240	0
TOTAL CASH AND CASH EQUIVALENTS	281 816	164 024

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

12 SHARE CAPITAL

The share capital is represented by 15 878 984 issued shares (2016: 15 878 984) of CHF 0.10 par value, fully paid in. In 2016, the authorized share capital was increased by CHF 15 604.50. The additional share capital was created from conditional share capital and was used for the performance share plan for Executive and Senior Management and for tradeable options that were exercised by a Swiss bank into shares.

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 2017 the conditional share capital amounted to CHF 28 395.50 (2016: 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 2017 amounted to CHF 45.4 million (2016: CHF 219.5 million).

In 2017, treasury shares were sold through an accelerated book-building offer to finance the strategic acquisitions/investments in the fields of orthodontics (ClearCorrect) and digital dentistry (Dental Wings, Rapid Shape). In 2016, the Group purchased treasury shares, after GIC Private Limited (GIC) then the second largest shareholder of the Group, significantly reduced its stake in the Group. As of 31 December 2017 the number of outstanding shares amounted to 15 813 002 (2016: 15 326 815) and the number of treasury shares to 65 982 (2016: 552 169).

The number of shares outstanding developed as follows:

	2017	2016
At 1 January	15 326 815	15 715 403
Issuance of new shares		
Compensation plan - PSU	0	88 212
Option plan	0	67 833
Treasury shares		
Purchased	(11 039)	(560 974)
Used	497 226	16 341
AT 31 DECEMBER	15 813 002	15 326 815

13 STRAIGHT BOND

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

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

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

(in CHF 1 000)	2017	2016
Straight bond at 1 January	199 632	199 520
Interest expense	3 384	3 382
Redemption	(3 270)	(3 270)
thereof:		
Recognized in trade and other payables (Note 17)	(2 180)	(2 180)
Disbursement	(1 090)	(1 090)
STRAIGHT BOND AT 31 DECEMBER	199 746	199 632

14 FINANCIAL LIABILITIES

(in CHF 1 000)	2017	2016
Unpaid purchase price consideration	519	674
Financial liabilities at amortized costs	1 449	0
Finance lease payables	1 076	156
Put options to non-controlling interests	54 736	0
TOTAL NON-CURRENT FINANCIAL LIABILITIES	57 780	831
Finance lease payables	940	0
Financial liabilities at fair value through profit or loss	122	440
TOTAL CURRENT FINANCIAL LIABILITIES	1 063	440

The put options to non-controlling interests relate to the business combination Medentika (Note 3).

Movements in liabilities arising from financing activities are as follows:

(in CHF 1 000)	2017	2016
At 1 January	1 271	1 544
Change in consolidation scope	52 855	0
Net change from financing cash flows	1 055	0
Change in fair values	4 921	0
Other changes	(1 284)	(281)
Currency translation adjustments	25	8
AT 31 DECEMBER	58 843	1 271

The 'change in consolidation scope' mainly relates to the put options granted to non-controlling interests in the business combination Medentika (Note 3).

15 OTHER LIABILITIES (NON-CURRENT)

(in CHF 1 000)	2017	2016
Other long-term employee benefits	6 035	4 723
Government grants	1 018	929
Rent payable	2 164	1 978
Contingent consideration	8 988	6 129
TOTAL OTHER LIABILITIES	18 205	13 759
thereof: financial liabilities as defined by IFRS 7	11 153	8 107

The contingent consideration relates to the Equinox and Loop business combinations. Government grants mainly relate to grants recognized in Germany in connection with investments in the manufacturing facilities of etkon GmbH.

16 PROVISIONS

(in CHF 1 000)	Sales-related	Tax-related	Other	Total 2017	Total 2016
At 1 January	8 436	11 997	20 863	41 296	47 544
Change in consolidation scope	0	0	7 860	7 860	0
Utilization	0	0	(5 950)	(5 950)	(7 217)
Reversal	(148)	(1 925)	(8 062)	(10 135)	(9 146)
Additions	135	6 558	724	7 417	8 263
Currency translation adjustments	198	0	(38)	160	1 852
At 31 December	8 621	16 630	15 397	40 648	41 296
Non-current 2017	8 621	16 630	15 070	40 321	
Current 2017	0	0	327	327	
TOTAL PROVISIONS 2017	8 621	16 630	15 397	40 648	
Non-current 2016	4 377	11 597	8 537		24 511
Current 2016	4 059	400	12 326		16 785
TOTAL PROVISIONS 2016	8 436	11 997	20 863		41 296

The position 'Sales-related' contains provisions for product warranties and similar items. As a result of a modified assumption concerning maturity, the remaining provision from 2013 in the amount of CHF 4.1 million in connection with the Group's go-to-market approach in the People's Republic of China was reclassified from 'current' to 'non-current' in 2017. In connection with this provision, the Group does not expect any payments in 2018.

The position 'Tax-related' contains provisions to income taxes as well as VAT and other non-income tax cases in a number of jurisdictions. The Group re-assessed its provision for tax risks to reflect recent developments in a number of jurisdictions including all ongoing disputes with tax authorities. Based on this reassessment, the Group increased non-current provisions for income taxes by CHF 1.7 million. Owing to a new risk assessment, additional non-current provisions of CHF 4.9 million for Brazilian federal taxes imposed on revenue were considered in the Group financial statements in 2017. Following successful settlements with tax authorities in the European Union concerning various custom and VAT lawsuits, the Group reversed non-current provisions of CHF 1.9 million in 2017.

At the time the Group obtained control over ClearCorrect Inc. and Dental Wings Inc. it initially recorded non-current provisions in the total amount of CHF 7.9 million under the position 'Other'. The provisions relate to various legal disputes in connection with past business dealings. In 2017, the Group was involved in various legal proceedings with third parties. In this connection, costs in the amount of CHF 6.0 million incurred. In the period under review, the Group reversed current provisions in the total amount of CHF 8.1 million. The largest proportion of these provisions originates from Neodent, Brazil. Due to a string of favorable court decisions in the course of 2017, the Group partially reversed current provisions for CHF 5.4 million. The reversed provisions stem from the separation of a local distributor in 2015, litigations in the United States and labor disputes. The corresponding remaining provisions from Neodent in the amount of CHF 5.8 million and additional CHF 1.0 million refer to disputes that are not expected to be resolved within the next 12 months and therefore were reclassified from 'current' to 'non-current'. Primarily in connection with the conclusion of a lawsuit filed by a competitor alleging infringement of patents, additional provisions of CHF 2.7 million were reversed. No payment has been made to the claimant. The increase in the amount of CHF 0.7 million consists of a number of separate legal matters, including claims arising from trade, in various Group companies. By their nature, the amounts and timings of any outflows are difficult to predict.

17 TRADE AND OTHER PAYABLES

(in CHF 1 000)	2017	2016
Trade payables	43 792	30 307
Other payables, thereof:	140 025	108 395
Salary and social security	68 319	60 340
Sales related	52 183	35 138
VAT and other non-income taxes	14 206	7 825
Interest accrued on straight bond (Note 13)	2 180	2 180
Rent payable	450	307
Contingent consideration	289	0
Other	2 398	2 606
TOTAL TRADE AND OTHER PAYABLES	183 817	138 702
thereof: financial liabilities as defined by IFRS 7	55 103	37 625

18 INCOME TAX

INCOME TAX EXPENSE

(in CHF 1 000)	2017	2016
Income taxes from current period	(45 045)	(22 040)
Income taxes from other periods	979	(5 402)
Deferred	(3 775)	34 817
Total income tax expense	(47 841)	7 375

EFFECTIVE INCOME TAX RATE (IN %)	14.8	(3.3)

For 2017, the applicable Group tax rate is 14.6% (2016: 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)	2017	2016
Profit before tax	323 433	222 225
Applicable Group tax rate	14.6 %	15.5 %
Income tax at the applicable Group tax rate	(47 324)	(34 523)
Non-taxable / non-tax-deductible positions	(370)	2 843
Changes in recognition of tax assets from losses or tax credits (and their expiry)	1 739	44 807
Utilization of previously unrecognized tax losses or tax credits to offset current taxes	4 207	15
Tax losses or tax credits from current year that are not recognized	(183)	(428)
Effect of changes in tax rates or imposition of new taxes	(7 071)	89
Current taxes from other periods	979	(5 402)
Other	182	(27)
EFFECTIVE INCOME TAX EXPENSE	(47 841)	7 375

AVAILABLE TAX LOSS CARRY-FORWARDS AND TAX CREDITS

(in CHF 1 000)	2017	2016
At 1 January	253 890	210 426
Adjustments of tax loss carry-forwards on opening balance	74	(2 153)
Change in consolidation scope	50 211	0
Tax losses and credits arising from current year	6 208	133 261
Tax losses and credits expired (not used) during current year	0	(1 204)
Tax losses and credits utilized against current year profits	(35 255)	(117 014)
Currency translation adjustments	(11 353)	30 573
AT 31 DECEMBER	263 775	253 890

Deferred income tax assets of CHF 78.1 million (2016: CHF 82.1 million) were recorded in respect of available tax loss carry-forwards and tax credits of CHF 247.4 million (2016: CHF 243.6 million). Deferred income tax assets for unused tax losses and tax credits are recognized to the extent that it is probable that future taxable prots 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 benet 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 180.9 million (2016: CHF 215.0 million) and CHF 61.5 million (2016: CHF 73.1 million).

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

(in CHF 1 000)	2017	2016
Expiry in next business year (current year +1)	0	0
Expiry current year +2	3 366	0
Expiry current year +3	4 998	3 837
Expiry current year +4	396	5 212
Expiry current year +5 and later	7 596	1 253
UNUSED TAX LOSS CARRY-FORWARDS AT 31 DECEMBER	16 356	10 302

DEFERRED INCOME TAXES

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

2017

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards, tax credits	Other	Total
Deferred tax assets at 1 January	358	1 451	23 050	82 088	20 255	127 202
Deferred tax liabilities at 1 January	(4 811)	(32 896)	(3 319)	0	(4 135)	(45 161)
Net deferred tax balance at 1 January	(4 452)	(31 445)	19 731	82 088	16 120	82 041
Change in consolidation scope	0	(24 588)	(446)	15 341	2	(9 691)
(Charged)/credited to income statement	(1 797)	2 364	4 870	(15 037)	5 824	(3 775)
Charged to statement of comprehensive income	0	0	0	0	(1 553)	(1 553)
(Charged)/credited to statement of changes in equity	0	0	0	0	(202)	(202)
Currency translation adjustments	213	1 434	(185)	(4 294)	(2 289)	(5 122)
NET DEFERRED TAX BALANCE AT 31 DECEMBER	(6 036)	(52 235)	23 970	78 099	17 902	61 699
Deferred tax assets at 31 December	282	1 363	27 464	78 099	24 915	132 122
Deferred tax liabilities at 31 December	(6 319)	(53 598)	(3 493)	0	(7 013)	(70 422)

2016

(in CHF 1 000)	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards, tax credits	Other	Total
Deferred tax assets at 1 January	214	78	20 272	40 052	20 712	81 328
Deferred tax liabilities at 1 January	(3 201)	(29 665)	(2 761)	0	(3 474)	(39 101)
Net deferred tax balance at 1 January	(2 987)	(29 587)	17 511	40 052	17 238	42 227
(Charged)/credited to income statement	(1 366)	4 516	1 911	31 913	(2 155)	34 818
Charged to statement of comprehensive income	0	0	0	0	471	471
(Charged)/credited to statement of changes in equity	0	0	0	0	(1 184)	(1 184)
Currency translation adjustments	(99)	(6 374)	309	10 124	1 749	5 709
NET DEFERRED TAX BALANCE AT 31 DECEMBER	(4 452)	(31 445)	19 731	82 089	16 120	82 041
Deferred tax assets at 31 December	358	1 451	23 050	82 088	20 255	127 202
Deferred tax liabilities at 31 December	(4 811)	(32 896)	(3 319)	0	(4 135)	(45 161)

At 31 December 2017, deferred tax assets and deferred tax liabilities of CHF 41.4 million (2016: CHF 43.1 million) have been offset.

At 31 December 2017, there was no recognized deferred tax liability (2016: 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.

19 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

Under the Performance share plan introduced in 2012, Executive Management and Senior Management are granted 'Performance Share Units' (PSUs), which are convertible into shares after a three-year performance period. The compensation model awards shares according to the number of PSUs allocated and total shareholder return (TSR) and EBIT growth amount (EGA) achieved per annum over a three-year performance period. Both KPI's are weighted equally with 50%.

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', EGA target including 'cap' and 'floor', share price at issue, risk-free interest rate, expected volatility, expected EGA and expected dividend rate. At the end of the performance period, no shares will be allocated for a TSR of 0% p.a. or less; half a share will be granted per vested PSU if the TSR is + 7% p.a. and one share per vested PSU for a TSR of + 14% p.a. or more (capped at 200%). For a TSR between 0% and 7% p.a. or between 7% and 14% p.a., the number of shares allocated per vested PSU is calculated on a linear basis.

Related to the EGA at the end of the performance period, no shares will be allocated for an EGA which is below the defined floor; half a share will be granted per vested PSU if the EGA is exactly the defined performance target and one share per vested PSU for an EGA which is the defined cap or more (capped at 200%). For an EGA between the defined floor and the defined performance target or between the defined performance target and the defined cap, the number of shares allocated per vested PSU is calculated on a linear basis.

BOARD OF DIRECTORS REMUNERATION

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 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

Selected employees in Switzerland had the right to buy between 10 and 1 000 shares (depending on the hierarchical level) in 2017. The employees were offered a discount of 25% based on the average share price over the seven trading-day period following the ex-dividend day. The difference between the fair value at grant and the cash consideration paid by the employees was immediately recognized as personnel expense. The shares are subject to a two-year blocking period. During the reporting period, employees subscribed to 12 636 (2016: 8 754) of those shares.

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

(in CHF 1 000)	2017	2016
Performance share plan	6 180	2 905
Board of directors remuneration	694	657
Employee share plan	852	680
TOTAL SHARE-BASED PAYMENTS (NOTE 23)	7 726	4 242

There were no cancellations or modifications to the PSU awards in 2017 or 2016.

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

RECONCILIATION OF OUTSTANDING PERFORMANCE SHARE UNITS

	2017	2016
At 1 January	45 606	76 799
Granted	16 785	14 520
Exercised	(24 614)	(44 105)
Forfeited	(1 329)	(1 608)
TOTAL AT 31 DECEMBER	36 448	45 606
Exercisable at 31 December	0	0

16 785 'Performance Share Units' (PSUs) were granted in 2017 under the Performance share plan (2016: 14 520). The fair value of the internal performance (EGA) reflects the share price at grant and amounts to CHF 483.00 (2016: CHF 336.00). The fair value for the external condition (TSR) has been determined using the Monte Carlo model and amounts to CHF 195.08 (2016: CHF 138.84).

Underlying assumptions for the fair value of the PSUs are presented below:

INPUTS TO THE MODELS

	2017	2016
	PSU	PSU
Dividend yield (in %)	0.00	0.00
Expected volatility (in %)	26.42	28.50
Risk-free interest rate (in %)	(0.59)	(0.72)
Expected life of PSUs (in years)	3	3
Share price (in CHF) at grant date in April	483.00	336.00

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.

The option program has expired in 2017 and no more options can be exercised at 31 December 2017 (2016: 1 033 options).

The option program developed as follows:

RECONCILIATION OF OUTSTANDING OPTIONS

	2017		2016	
	Number of options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)
At 1 January	1 033	162.10	77 200	192.21
Exercised	(1 033)	162.10	(73 305)	191.78
Expired	0	0	(2 862)	214.00
TOTAL AT 31 DECEMBER	0	0	1 033	162.10

20 RETIREMENT BENEFIT OBLIGATIONS

Apart from the legally required social security schemes, the Group has several independent pension plans. In most cases these plans are externally funded in vehicles which are legally separate from the Group. For certain Group companies, however, no independent plan assets exist for the pension plan of subsidiaries. In these cases the related unfunded liability is included in the statement of financial position. 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 these IFRS 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)	2017	2016
Net liabilities at 1 January	(46 763)	(44 496)
Currency translation adjustments	(178)	15
Expense recognized in consolidated income statement	(2 969)	(10 086)
Employer contributions	9 861	8 435
Remeasurements	(9 404)	(631)
NET LIABILITIES AT 31 DECEMBER	(49 453)	(46 763)

BALANCE SHEET

(in CHF 1 000)	2017	2016
Fair value of plan assets	176 472	151 514
Present value of funded benefit obligations	(224 029)	(195 606)
Deficit in the plan	(47 557)	(44 092)
Present value of unfunded benefit obligations	(1 896)	(2 671)
TOTAL RETIREMENT BENEFIT OBLIGATIONS	(49 453)	(46 763)

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

(in CHF 1 000)	2017	2016
Current service cost	(10 239)	(9 963)
Interest expense on defined benefit obligation	(1 485)	(1 310)
Interest income on plan assets	1 123	966
Administration costs	(257)	(250)
Gains on curtailments, settlements and plan amendments	7 889	471
EXPENSE RECOGNIZED IN THE CONSOLIDATED INCOME STATEMENT	(2 969)	(10 086)

Plan amendment gains in 2017 are recorded mainly in respect of changes to the Swiss pension plan. The change represents the adoption of a lower conversion rate, which determines the annuity at the normal retirement age.

As of 1 January 2016, the Swiss based Group companies joined the Gemini collective pension fund. As part of this change, the risks relating to the pensioners have not been transferred to Gemini but have been assumed by a reinsurance company. Accordingly, the defined benefit obligations of CHF 4.9 million and pension assets of CHF 4.4 million relating to those pensioners have been excluded from the net defined benefit obligation. This resulted in a settlement gain of CHF 0.5 million.

The defined benefit obligation of the Swiss pension plan amounts to CHF 223.0 million (2016: CHF 194.7 million), the plan assets are CHF 175.6 million (2016: CHF 150.8 million) and current service costs are CHF 9.7 million (2016: CHF 9.5 million).
The movement in the Group's defined benefit obligation over the year is as follows:

(in CHF 1 000)	2017	2016
Present value of benefit obligation at 1 January	(198 277)	(189 074)
Current service cost	(10 239)	(9 963)
Interest expense on defined benefit obligation	(1 485)	(1 310)
Curtailments, settlements and plan amendments	7 889	4 854
Employee contributions	(5 322)	(4 857)
Experience losses on defined benefit obligation	(13 088)	(7 330)
Benefits paid/transferred in	919	8 535
Actuarial results arising from change in financial assumptions	(6 102)	1 259
Actuarial results arising from change in demographic assumptions	21	(406)
Currency translation adjustments	(241)	15
PRESENT VALUE OF BENEFIT OBLIGATION AT 31 DECEMBER	(225 925)	(198 277)
whereof due to active members	(194 001)	(172 051)
whereof due to pensioners	(31 924)	(26 226)

On 31 December 2017, the weighted-average duration of the defined benefit obligation was 14 years (2016: 14 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:

	2017		2016	
	Switzerland	Other	Switzerland	Other
Discount rate	0.50 %	1.41 % - 2.83 %	0.70 %	1.35 % - 2.53 %
Future salary increases	1.00 %	1.00 % - 2.50 %	1.00 %	1.00 % - 2.50 %
Future pension increases	0.00 %	0.00 %	0.00 %	0.00 %

Generational mortality tables are used where this data is available.

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)	2017		2016	
	Defined benefit obligation		Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25 % movement)	7 351	(7 836)	6 428	(6 853)
Future salary growth (0.25 % movement)	(1 121)	1 095	(1 040)	1 016

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)	2017	2016
Fair value of plan assets at 1 January	151 514	144 578
Interest income	1 123	966
Employer contributions	9 861	8 435
Employee contributions	5 322	4 857
Curtailments, settlements and plan amendments	0	(4 383)
Benefits paid/transferred in	(919)	(8 535)
Return on plan assets	9 765	5 846
Administration costs	(257)	(250)
Currency translation adjustments	63	0
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	176 472	151 514

Plan assets are comprised as follows:

(in CHF 1 000)	2017		2016	
Cash and cash equivalents	8 079	4.6 %	6 938	4.5 %
Debt instruments	36 357	20.6 %	32 730	21.6 %
Equity instruments	45 490	25.8 %	34 540	22.8 %
Real estate	47 949	27.2 %	44 042	29.1 %
Other	38 597	21.8 %	33 264	22.0 %
TOTAL PLAN ASSETS	176 472	100.0 %	151 514	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. 40% of the 'Real estate' investments have a quoted market price, while the rest is mainly invested in common investment foundation.

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 2018 is CHF 9.7 million.

Apart from the defined benefit plans, the Group also operates several of 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 4.9 million (2016: CHF 3.7 million).

21 OTHER INCOME

(in CHF 1 000)	2017	2016
Rental income	1 752	1 673
Other	1 601	703
TOTAL OTHER INCOME	3 353	2 376

22 DEPRECIATION AND AMORTIZATION

(in CHF 1 000)	2017	2016
Depreciation of property, plant and equipment	(24 975)	(22 852)
Amortization of intangible assets	(14 936)	(9 171)
TOTAL DEPRECIATION AND AMORTIZATION	(39 911)	(32 024)

23 EMPLOYEE BENEFITS EXPENSE

(in CHF 1 000)	2017	2016
Wages and salaries	(346 276)	(283 998)
Share-based payments (Note 19)	(7 726)	(4 242)
Social security cost	(47 469)	(40 839)
Pension costs and other personnel expense	(14 559)	(27 506)
TOTAL EMPLOYEE BENEFIT EXPENSE	(416 030)	(356 584)

24 FINANCE INCOME AND EXPENSE

(in CHF 1 000)	2017	2016
FINANCE INCOME	58 701	35 260
Interest income	2 496	2 308
from financial instruments at amortized cost	1 821	1 910
from financial instruments at fair value	675	399
Fair value and other financial income	7 257	1 977
Foreign exchange gains	48 949	30 975
FINANCE EXPENSE	(78 028)	(38 607)
Interest expense	(6 020)	(4 626)
from financial instruments at amortized cost	(5 658)	(4 282)
on defined benefit obligation (net)	(362)	(344)
Fair value and other financial expense	(16 917)	(851)
Foreign exchange losses	(55 091)	(33 130)
GAIN ON CONSOLIDATION OF MEDENTIKA AND DENTAL WINGS	68 867	0
Fair value income	74 771	0
Foreign exchange losses	(5 903)	0
TOTAL FINANCE EXPENSE NET	49 541	(3 347)

The 'fair value and other financial expense' includes a financial impairment expense of CHF 16.3 million relating to a revaluation of loans. The Group incorporated its current knowledge into the valuation of the loans and estimated its risk-adjusted value.

25 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

	2017	2016
Net profit attributable to shareholders (in CHF 1 000)	272 917	229 600
Weighted average number of ordinary shares outstanding	15 496 962	15 637 687
BASIC EARNINGS PER SHARE (IN CHF)	17.61	14.68

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.

	2017	2016
Net profit used to determine diluted earnings per share (in CHF 1 000)	272 917	229 600
Weighted average number of ordinary shares outstanding	15 496 962	15 637 687
Adjustments for instruments issued	70 672	91 559
Weighted average number of ordinary shares for diluted earnings per share	15 567 634	15 729 246
DILUTED EARNINGS PER SHARE (IN CHF)	17.53	14.60

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.

26 DIVIDENDS PER SHARE

The dividend paid in 2017 was CHF 4.25 per share (2016: CHF 4.00 per share), resulting in a total payout of CHF 65.1 million in 2017 and CHF 63.2 million in 2016. A dividend for the year ended 31 December 2017 of CHF 4.75 per share, amounting to a total dividend of CHF 75.1 million, will be proposed at the Shareholders' General Meeting on 4 April 2018. These financial statements do not reflect this payable dividend.

27 CONTINGENCIES AND COMMITMENTS

OPERATING LEASE COMMITMENTS

(in CHF 1 000)	2017	2016
MATURITY:		
Within 1 year	20 948	16 660
After 1 year but not more than 5 years	66 618	49 301
More than 5 years	59 752	46 239
TOTAL OPERATING LEASE COMMITMENTS	147 318	112 199
TOTAL RENTAL AND OPERATING LEASE EXPENSES	24 722	23 195

The majority of the operating lease commitments are in connection with non-cancellable operating lease agreements for office buildings in Switzerland and the US, as well as for an office building and a manufacturing site in Germany and Brazil respectively. The increase of operating lease commitments compared to previous year relates to new or prolonged contracts in the countries mentioned above. The non-cancellable leases have remaining terms up to thirteen years. In addition, the Group entered into various cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

CONTINGENT ASSETS AND LIABILITIES

The Group has guarantee obligations with a maximum of CHF 5.4 million (2016: CHF 5.6 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 Group's 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 increase in purchase commitments relates to the Group's expansion projects in various plants.

CONTINGENT LIABILITIES

(in CHF 1 000)	2017	2016
Letter of credit facilities	5 446	5 560
Purchase commitments	17 411	1 450
Other	0	148
TOTAL	22 857	7 158

28 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)	2017	2016
PURCHASE OF GOODS FROM:		
Associates	(15 859)	(16 042)
Medartis	(168)	0
SALE OF GOODS TO:		
Associates	954	0
Joint Venture	1 137	434
SERVICES RENDERED TO:		
Associates	28	958
The International Team for Implantology (ITI) Foundation	545	0
SERVICES RECEIVED FROM:		
Associates	(2 454)	0
The International Team for Implantology (ITI) Foundation	(11 101)	(10 739)
TOTAL	(26 918)	(25 389)

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)	2017	2016
The International Team for Implantology (ITI) Foundation	(2 602)	(3 056)
Associates	(1 397)	(2 283)
Joint Venture	1 571	434
TOTAL	(2 428)	(4 905)

On 31 December 2017 loans granted to associates amounted to CHF 0.0 million (2016: CHF 5.3 million).

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 Straumann Performance Share Plan.

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)	2017	2016
Salaries and other short-term employee benefits	11 524	11 019
Post-employment benefits	2 430	2 347
Share-based payments	3 472	1 938
Termination benefits[1]	0	562
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION RECOGNIZED IN PROFIT OR LOSS	17 426	15 866

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

29 FINANCIAL RISK MANAGEMENT

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

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

It is, and has been throughout 2017 and 2016, the Group's policy not to use derivatives without an underlying operational transaction, nor for trading (i.e. speculative) purposes.

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

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include deposits, investments and derivative financial instruments. The sensitivity analysis in the following sections relates to the position at 31 December 2017 and 2016. The sensitivity analysis has been prepared on the basis that the amount of net cash and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place on 31 December 2017. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, as well as on provisions and on the non-financial assets and liabilities of foreign operations.

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

– The statement of financial position sensitivity relates to derivatives.
– The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2017 and 2016.

INTEREST RATE RISK

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

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

INTEREST RATE RISK SENSITIVITY

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

(in CHF 1 000)	2017		2016	
CURRENCY	Increase / decrease (in base points)	Effect on profit before tax	Increase / decrease (in base points)	Effect on profit before tax
CHF	30	677	30	362
BRL	100	96	100	92
CHF	(30)	(677)	(30)	(362)
BRL	(100)	(96)	(100)	(92)

FOREIGN CURRENCY RISK

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

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

The Group's risk management policy is to hedge recognized and anticipated transactions (mainly export sales) in each major currency for a maximum of 12 months based on actual exposures, budget assumptions and currency expectations. The forward currency contracts, NDF or options must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. At 31 December 2017, the Group had hedged foreign currency sales, mainly relating to sales in euros, USD, Japanese yen and Chinese renminbi, for which firm commitments existed at the balance sheet date, and also for anticipated transactions and short- and long-term loans, mainly in Japanese yen, USD and British pounds.

At 31 December 2017 the Group had hedged 95% (2016: 98%) 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 investments in foreign operations is not hedged.

FOREIGN CURRENCY RISK SENSITIVITY

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

(in CHF 1 000)	2017			2016		
CURRENCY	Increase / decrease (in %)	Effect on profit before tax	Effect on equity	Increase / decrease (in %)	Effect on profit before tax	Effect on equity
CNY / CHF	5	143	0	5	130	0
USD / CHF	5	132	0	5	30	0
BRL / CHF	5	83	0	5	17	0
CNY / CHF	(20)	(571)	0	(20)	(519)	0
USD / CHF	(20)	(528)	0	(20)	(121)	0
BRL / CHF	(20)	(332)	0	(20)	(69)	0

CREDIT RISK

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

TRADE RECEIVABLES

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances, their overall maturity profile and their overdue profile are monitored on an ongoing basis. The Group reviews its provision for impairment on an ongoing basis. Overall the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 10. In 2017, 94% (2016: 94%) of the transactions occur in the country of the relevant 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 financial institutions is managed by Corporate Treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

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

(in CHF 1 000)	2017		2016	
BANK	Rating	Balance	Rating	Balance
Bank A	AAA	19 799	AAA	15 437
Bank B	AA	1 985	AA	1 974
Bank C	AA+	4 953	AA+	4 982
Bank D	A+	146 666	A+	52 144
Bank E	A-	32 068	BBB+	9 012
Bank F	A	29 843	A	41 440
TOTAL		235 315		124 990

LIQUIDITY RISK

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. Corporate Treasury maintains flexibility in funding by maintaining availability under uncommitted credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow). The Group's policy follows the principle of maintaining liquidity reserves higher than the daily and monthly demand of operating cash and the target of maintaining a minimum cash on hand of CHF 60.0 million and available liquidity including credit lines of more than CHF 200.0 million.

The following table reflects all undiscounted contractually agreed payments for repayments and interest resulting from recognized financial liabilities at 31 December 2017 and 31 December 2016.

(in CHF 1 000)	2017			2016		
	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Straight bond	1 090	206 560	0	1 090	210 920	0
Derivative financial liabilities	122	0	0	440	0	0
Other financial liabilities	940	56 290	1 491	0	831	0
Trade payables	43 792	0	0	30 307	0	0
Other payables	55 103	11 153	0	37 625	8 107	0
TOTAL	101 047	274 002	1 491	69 462	219 858	0

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and secure shareholder investments. The Group manages its capital structure and makes adjustments if required. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders through share buy-backs, or issue new shares. No changes were made in the objectives, policies or processes during 2017 and 2016.

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

EQUITY RATIO

(in CHF 1 000)	2017	2016
Total assets	1 678 372	1 089 922
Equity	1 069 924	633 681
EQUITY RATIO	63.7 %	58.1 %

30 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 200.0 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 mainly relates to the business combination with Medentika. Refer to Note 3 for further details.

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 acquired Equinox business in India and Loop in the United States. The fair value of the Equinox contingent consideration is based on a growth component (CAGR) and a profitability component (local contribution), while the fair value of the contingent consideration for Loop is based on revenues generated and a service clause.

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

FAIR VALUE HIERARCHY

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

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

At 31 December 2017 and 2016 the Group held the following financial instruments:

AT 31 DECEMBER 2017

(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			1 149		1 149	
Equity instruments		7 578		7 091	14 669	
Convertible bonds				351	351	
Loans and other financial receivables	13 446				13 446	
Other receivables	25 140				25 140	
Trade receivables	191 868				191 868	
Cash and cash equivalents	281 816				281 816	
FINANCIAL LIABILITIES						
Straight bond	(199 746)				(199 746)	(207 250)
Derivative financial liabilities			(122)		(122)	
Put options to non-controlling interests				(54 736)	(54 736)	
Other financial liabilities	(3 466)			(9 796)	(13 262)	
Trade payables	(43 792)				(43 792)	
Other payables	(56 978)				(56 978)	

AT 31 DECEMBER 2016

(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			1 105		1 105	
Equity instruments		7 172		5 610	12 782	
Convertible bonds				31 166	31 166	
Loans and other financial receivables	5 975				5 975	
Other receivables	18 682				18 682	
Trade receivables	148 909				148 909	
Cash and cash equivalents	164 024				164 024	
Financial Liabilities						
Straight bond	(199 632)				(199 632)	(210 750)
Derivative financial liabilities			(440)		(440)	
Other financial liabilities	(156)			(6 803)	(6 959)	
Trade payables	(30 307)				(30 307)	
Other payables	(39 603)				(39 603)	

The changes in carrying values associated with Level 3 financial instruments are set as follows:

(in CHF 1 000)	2017		2016 [1]	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
At 1 January 2017	36 776	(6 803)	35 617	0
Additions	0	(52 783)	348	(6 735)
Remeasurement recognized in OCI	2 749	(149)	(141)	(68)
Remeasurement recognized in profit or loss	(337)	(46)	952	0
Remeasurement recognized in equity	0	(4 920)	0	0
Settlements	(30 130)	169	0	0
Reclassifications	(1 616)	0	0	0
AT 31 DECEMBER 2017	7 442	(64 532)	36 776	(6 803)

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

The main addition to Level 3 financial liabilities in 2017 relates to the put options granted to non-controlling interests in conjunction with the gain of control in Medentika. At balance sheet date, its remeasurement is recognized within equity. In 2016, the addition to Level 3 financial liabilities mainly related to the contingent consideration payable in conjunction with the Equinox business combination.

The settlement of Level 3 financial assets in 2017 relates to the repayment of the convertible bonds by MegaGen Implant Co. Ltd.

In 2017, the Group gained significant influence in Rodo Medical Inc. Therefore, the investment was reclassified from Level 3 financial assets into 'Investments in associates'.

In 2017 and 2016, 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 2017 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 33.6 million Cap: CHF 54.7 million	1'000 basis points decrease in enterprise value would result in a decrease in fair value of kCHF -5'474
Contingent Consideration Equinox	DCF method	CAGR	30 – 45%	1'000 basis points decrease in the CAGR from 45% to 35% would result in a decrease in fair value of kCHF -749
		Local contribution	60 – 64%	400 basis points decrease in the local contribution margin would result in a decrease in fair value of kCHF -642
Fund	Net asset valuation	Fair value of the financial assets of the fund	-	500 basis points increase (decrease) in the financial assets of the fund would result in an increase (decrease) in fair value of kCHF 351, resp. kCHF -351

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 33.6 million and CHF 54.7 million. As of 31 December 2017, 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 2017 reflects this development and is recorded at CHF 54.7 million.

Depending on the development of the Equinox parameters above, the fair value of the contingent consideration is expected to range between nil and CHF 6.3 million. As of 31 December 2017, the Group assess that it is highly probable that Equinox will achieve all targets due to expansion and synergies realized in future. The fair value of the contingent consideration determined on 31 December 2017 reflects this development and the fair value is recorded at CHF 6.3 million (2016: CHF 6.1 million).

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 does not determine the fair value of the fund itself. 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.

The Group did not perform any quantitative sensitivity analysis at 31 December 2017 for the remaining, individually immaterial instruments, categorized within Level 3 of the fair value hierarchy.

HEDGES

At 31 December 2017, the Group had no option contracts open (2016: CHF 2.2 million), forward exchange contracts for CHF 39.1 million (2016: CHF 31.2 million) and NDF of CHF 1.8 million (2016: CHF 0.7 million). Forward exchange contracts, NDF and options were used during 2017 and 2016 to hedge the Group's foreign currency risk of firm and not-firm commitments.

31 PRINCIPAL CURRENCY TRANSLATION RATES

CURRENCY	Unit	31 Dec 2017	Average 2017	31 Dec 2016	Average 2016
Brazilian real (BRL)	100	29.43	30.69	31.16	28.37
Canadian dollar (CAD)	1	0.78	0.76	0.75	0.74
Chinese renminbi (CNY)	100	14.97	14.56	14.61	14.85
euro (EUR)	1	1.17	1.11	1.07	1.09
Indian rupees (INR)	100	1.53	1.51	1.49	1.47
Japanese yen (JPY)	100	0.87	0.88	0.87	0.90
US Dollar (USD)	1	0.98	0.98	1.02	0.99

32 EVENTS AFTER THE BALANCE SHEET DATE

BATIGROUP

As of 1 January 2018, the Group acquired a 70% stake in Batigroup, the Turkish dental distribution, company for a cash consideration of CHF 8.1 million. Batigroup currently markets Straumann, Medentika, Zinedent, botiss and a number of third party products.

Based on a call and put option agreement, the Group gradually obtains the remaining 30% stake in three stages from the founding shareholder until 2021. The contingent consideration arrangement requires the Group to pay up to a maximum undiscounted amount of CHF 21.5 million for the remaining non-controlling stake. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between CHF 0 and CHF 21.5 million.

The contractual obligation to purchase equity from non-controlling interests gives rise to a financial liability in the consolidated financial statements of the Group. The present value of the contingent consideration arrangement and the corresponding financial liability amounts to CHF 11.4 million and is recognized as of 1 January 2018. The amount has been estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 11% and assumed probability-adjusted local contribution of Batigroup.

The financial effects of this transaction have not been recognized at 31 December 2017. The operating results and assets and liabilities of the acquired company will be consolidated from 1 January 2018. On the date the Group obtained control over Batigroup, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of Batigroup and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time theses consolidated financial statements have been authorized for issue.

ASM CONSULTANTS (PROPRIETARY) LIMITED

As of 1 January 2018, the Group acquired 100% of the issued shares in ASM Consultants (Proprietary) Limited, the South African distributor of Straumann products. ASM also distributes the Straumann Group's non-premium brands Medentika and Neodent and a number of other third party products. The total consideration amounts to CHF 2.2 million. CHF 1.5 million were satisfied upfront in cash and the remaining CHF 0.7 million are based on a contingent consideration agreement.

The financial effects of this transaction have not been recognized at 31 December 2017. The operating results and assets and liabilities of the acquired company will be consolidated from 1 January 2018. On the date the Group obtained control over ASM, the Group's share of identifiable net assets has not yet been elaborated. Details of the assets taken over and the liabilities assumed, the future revenue and profit contribution of ASM and the effect on the cash flow for the Group are not disclosed, as the accounting for the transaction is still incomplete at the time theses consolidated financial statements have been authorized for issue.

SAME DAY SOLUTIONS – PRODUTOS MEDICOS, LDA. (SDS)

The Group signed an agreement to fully acquire SDS, a dental distribution company based in Portugal that markets and sells competitor dental implants, biomaterials and whitening products in Portugal. SDS is also the local distributor for milling machines made by the Group's partner Amann Girrbach.

The upfront cash consideration amounts to CHF 8.2 million. In addition, the parties agreed on a contingent consideration agreement in the maximum undiscounted amount of CHF 3.2 million during a period of three years.

The financial effects of this transaction have not been recognized at 31 December 2017. The closing of the transaction is foreseen for February 2018.

33 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The consolidated financial statements of the Group include:

NAME	Principal activities	Country of incorporation	Interest and voting rights 2017 (in %)	Interest and voting rights 2016 (in %)
SUBSIDIARIES:				
Institut Straumann AG	Sales / Principal	Switzerland	100.00	100.00
Straumann Villeret SA	Manufacturing	Switzerland	100.00	100.00
Straumann GmbH	Sales	Germany	100.00	100.00
Straumann USA, LLC	Sales	USA	100.00	100.00
Straumann Ltd	Sales	UK	100.00	100.00
Straumann BV	Sales	Netherlands	100.00	100.00
Straumann SAS	Sales	France	100.00	100.00
Straumann AB	Sales	Sweden	100.00	100.00
Straumann AS	Sales	Norway	100.00	100.00
Straumann Oy	Sales	Finland	100.00	100.00
Manohay Dental SA	Sales	Spain	100.00	100.00
Straumann Canada Ltd	Sales	Canada	100.00	100.00
Straumann GmbH	Sales	Austria	100.00	100.00
Straumann SA / NV	Sales	Belgium	100.00	100.00
Straumann Italia Srl	Sales	Italy	100.00	100.00
Straumann Manufacturing, Inc.	Manufacturing	USA	100.00	100.00
Straumann Pty Ltd	Sales	Australia	100.00	100.00
Manohay México SA de CV	Sales	Mexico	100.00	100.00
Straumann Danmark Aps	Sales	Denmark	100.00	100.00
Biora AB	Manufacturing	Sweden	100.00	100.00
Straumann Holding Deutschland GmbH	Sub-Holding	Germany	100.00	100.00
etkon GmbH	Manufacturing	Germany	100.00	100.00
Straumann Japan KK	Sales	Japan	100.00	100.00
Straumann Dental Korea Inc	Sales	Republic of Korea	100.00	100.00
Straumann Singapore Pte Ltd	Sales / Management	Singapore	100.00	100.00
Straumann SRO	Sales	Czech Republic	100.00	100.00
Straumann (Beijing) Medical Device Trading Co Ltd	Sales	China	100.00	100.00
Straumann Dental India LLP	Sales	India	100.00	100.00
Instradent AG	Sub-Holding	Switzerland	100.00	100.00
Instradent USA, Inc.	Sales	USA	100.00	100.00
Instradent Italia Srl	Sales	Italy	100.00	100.00
Instradent Iberia SL	Sales	Spain	100.00	100.00

NAME	Principal activities	Country of incorporation	Interest and voting rights 2017 (in %)	Interest and voting rights 2016 (in %)
Manohay Argentina SA	Sales	Argentina	100.00	100.00
JJGC Indústria e Comércio de Materiais Dentários S.A. ('Neodent')	Manufacturing / Sales	Brazil	100.00	100.00
Manohay Colombia SAS	Sales	Colombia	100.00	100.00
etkon Japan KK	Manufacturing	Japan	100.00	100.00
Instradent SRO	Sales	Czech Republic	100.00	100.00
Instradent Ltd	Sales	UK	100.00	100.00
Straumann LLC	Sales	Russia	100.00	100.00
Straumann New Zealand Ltd	Sales	New Zealand	100.00	100.00
Equinox Dental AG	Management	Switzerland	100.00	100.00
Instradent Canada Ltd	Sales	Canada	100.00	100.00
Instradent Europe GmbH (merged in Instradent Deutschland GmbH in 2017)	Sales	Germany	0.00	100.00
Instradent LLC	Sales	Russia	100.00	100.00
Manohay Chile SPA	Sales	Chile	100.00	100.00
Equinox Implants LLP	Manufacturing	India	100.00	100.00
STM Digital Dentistry Holding Ltd	Sub-Holding	China	49.00	49.00
etkon Dental Company Ltd	Manufacturing / Sales	China	49.00	49.00
Straumann Middle East PJS	Sales	Iran	100.00	0.00
Medentika GmbH (Associate in 2016)	Sales	Germany	51.00	51.00
Medentika CNC GmbH (Associate in 2016)	Manufacturing	Germany	48.45	48.45
Instradent Deutschland GmbH (Associate in 2016)	Sales	Germany	100.00	51.00
Dental Wings Inc. (Associate in 2016)	Sales	Canada	100.00	55.00
Shenzhen Dental Wings Company Limited (Associate in 2016)	Sales	China	90.00	49.50
Dental Wings GmbH (Associate in 2016)	Sales	Germany	100.00	55.00
Dental Wings Hong Kong Ltd (Associate in 2016)	Sub-Holding	China	100.00	55.00
ClearCorrect Holdings, Inc.	Sub-Holding	USA	100.00	0.00
ClearCorrect Operating, LLC	Manufacturing / Sales	USA	100.00	0.00
Loop Digital Solutions, LLC	Sales	USA	100.00	0.00
Straumann Group Peru SA	Sales	Peru	100.00	0.00
Straumann Group (Thailand) Limited	Sales	Thailand	100.00	0.00

NAME	Principal activities	Country of incorporation	Interest and voting rights 2017 (in %)	Interest and voting rights 2016 (in %)
ASSOCIATES:				
Open Digital Dentistry AG (in liquidation)	Sales	Switzerland	44.39	44.39
Createch Medical, SL	Manufacturing / Sales	Spain	30.00	30.00
T-Plus Implant Tech. Co. Ltd.	Manufacturing / Sales	Taiwan	48.60	48.60
Valoc AG	Manufacturing / Sales	Switzerland	44.00	44.00
Anthogyr SAS	Manufacturing / Sales	France	30.00	30.00
V2R Biomédical Inc.	Manufacturing / Sales	Canada	30.00	30.00
Abutment Direct Inc.	Sales	Canada	25.50	0.00
maxon dental GmbH	Manufacturing / Sales	Germany	49.00	0.00
Geniova Technologies S.L.	Manufacturing / Sales	Spain	38.02	0.00
Rapid Shape GmbH	Manufacturing / Sales	Germany	35.00	0.00
Rodo Medical Inc.	Manufacturing / Sales	USA	30.00	12.04
JOINT VENTURE:				
Zinedent Implant Manufacturing Co.	Manufacturing / Sales	Turkey	50.00	50.00

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

Audit Report – Consolidated financial statements

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

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 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 154 to 193).

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 2017, 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 with indefinite useful life stemming from various acquisitions represent 31% of the Group's total assets and 48% of the Group's equity as of balance sheet date (see Group's disclosure Note 6).

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 assessed the company's internal controls over its annual impairment test and key assumptions applied. We evaluated the Company's valuation model 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.

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 61.5 million. The Neodent deferred tax assets represent in total 4% of the Group's total assets (see Group's disclosure Note 18). Such tax deductible statutory goodwill and fair value step ups stem from mergers subsequent to Neodent acquisitions through fully owned subsidiaries. The Company performs periodic assessments of the recoverability of deferred tax assets.

Different interpretation of the legal conditions by tax authorities or potential changes in Brazilian tax legislation cause a risk of limited future recoverability of such deferred taxes, in case current tax deductibility of statutory goodwill and fair value step ups would be abolished contrary to management's previous assessment. 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 future developments in Brazilian tax legislation, this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We assessed the Company's internal controls over its assessment of recoverability of deferred tax assets in Brazil. We obtained and evaluated the documentation from the company regarding tax deductibility of statutory goodwill and fair value step ups and involved local Brazilian tax experts to assist in evaluating the Company's assessment.

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	Fabian Meier
Licensed audit expert (Auditor in charge)	Licensed audit expert

Basel, 7 February 2018

2017 FINANCIAL REPORT

Straumann Holding

Balance sheet

ASSETS

(in CHF 1 000)	Notes	31 Dec 2017	31 Dec 2016
Cash and cash equivalents		183 075	102 579
Other short-term receivables		11 665	13 751
from third parties		2 577	1 964
from investments		9 088	11 787
Prepaid expenses		598	388
Total current assets		195 338	116 719
Financial assets	2.1	745 313	529 892
Investments		427 129	365 508
Intangible assets		368	558
Total non-current assets		1 172 810	895 958
TOTAL ASSETS		1 368 148	1 012 676

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2017	31 Dec 2016
Trade payables to third parties		449	1 154
Other short-term liabilities to investments		1 908	15 084
Short-term provisions	2.3	37 483	0
Deferred income		2 593	2 498
Total current liabilities		42 433	18 736
Long-term interest-bearing liabilities	2.4	200 519	200 674
to third parties		200 519	200 674
Long-term provisions		3 000	3 000
Total non-current liabilities		203 519	203 674
Total liabilities		245 952	222 410
Share capital	2.5	1 588	1 588
Reserves from capital contributions[1]		66 327	66 288
Share premium		9 208	9 208
Legal retained earnings		29 587	47 530
Reserves for treasury shares	2.7	26 047	43 990
Statutory reserves		1 540	1 540
Extraordinary reserves		2 000	2 000
Voluntary retained earnings		1 015 486	828 375
Available earnings			
- Retained earnings		781 180	690 283
- Net result		234 307	138 092
Treasury shares	2.8	0	(162 723)
Total equity		1 122 196	790 266
TOTAL EQUITY AND LIABILITIES		1 368 148	1 012 676

1 thereof CHF 10 575 177 not accepted by the Swiss Federal Tax Administration.

Income statement

(in CHF 1 000)	Notes	2017	2016
Income from investments	2.9	111 179	100 631
Other financial income	2.10	124 162	18 111
Other operating income	2.11	59 962	51 668
Total income		295 303	170 410
Other financial expense	2.12	(45 624)	(22 618)
Personnel expense		(1 519)	(1 574)
Other operating expense	2.13	(10 095)	(7 929)
Depreciation of intangible assets		(190)	(190)
Total expenses		(57 428)	(32 311)
Result before income tax		237 875	138 099
Direct taxes		(3 568)	(7)
NET RESULT		234 307	138 092

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.

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 personnel expenses.

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 2017	31 Dec 2016
Loans to subsidiaries	724 771	486 045
Loans to third parties	9 120	1 882
Financial assets	11 422	41 965
TOTAL	745 313	529 892

2.2 INVESTMENTS

The major direct and indirect investments of the company are listed in Note 33 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 of CHF 37.1 million and provisions for taxes of CHF 0.5 million.

2.4 LONG-TERM INTEREST-BEARING LIABILITIES

(in CHF 1 000)	31 Dec 2017	31 Dec 2016
Bond	200 000	200 000
Other	519	674
TOTAL	200 519	200 674

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

2.5 SHARE CAPITAL

The share capital for 2017 and 2016 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 to 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 65 982 shares with an average value of CHF 394.75, the decrease relates to the share based payment program and the employee shares program (2016: 119 504 with an average value of CHF 368.10).

2.8 TREASURY SHARES

During the year Straumann Holding AG sold 432 665 of its own shares with an average value of CHF 376.20.

	Number of transactions	Lowest share price in CHF	Highest share price in CHF	Average share price in CHF	Amount of treasury shares
Balance at 1 January 2016					3 850
Exercise of options of CS	1	144.19	144.19	144.19	(4 845)
Transfer of Institut Straumann	1	144.19	144.19	144.19	995
Transfer of Institut Straumann	1	332.14	332.14	332.14	1 660
Transfer of Institut Straumann	1	376.20	376.20	376.20	431 632
Allocation of US options	3	373.25	393.00	382.40	(627)
Balance at 31 December 2016					432 665
Sale of own shares	1	332.14	332.14	332.14	(1 033)
Sale of own shares	1	376.20	376.20	376.20	(431 632)
Balance at 31 December 2017					0

2.9 INCOME FROM INVESTMENTS

In the reporting period the dividend income amounted to CHF 111.2 million (2016: CHF 100.6 million).

2.10 OTHER FINANCIAL INCOME

Other financial income amounts to CHF 124.1 million (2016: CHF 18.1 million) and contains mainly the gain of the selling of the own shares, the interest income from loans to subsidiaries and realized foreign exchange gains.

2.11 OTHER OPERATING INCOME

Other operating income amounts to CHF 60.0 million (2016: CHF 51.7 million) and consists of income from licenses.

2.12 OTHER FINANCIAL EXPENSE

In 2017 the other financial expense includes an impairment expense of CHF 16.3 million relating to a revaluation of loans. The Group incorporated its current knowledge into the valuation of the loans and estimated its risk-adjusted value.

(in CHF 1 000)	2017	2016
Interest on bond	3 419	3 292
Foreign exchange losses	25 937	16 491
Impairment on financial assets	16 268	2 835
TOTAL	45 624	22 618

2.13 OTHER OPERATING EXPENSE

(in CHF 1 000)	2017	2016
Administrative expense	1 883	718
Consulting expense	7 709	6 691
Sundry expense	503	520
TOTAL	10 095	7 929

3 OTHER INFORMATION

3.1 FULL TIME EQUIVALENTS

Straumann Holding AG does not have any employees.

3.2 MAJOR SHAREHOLDERS

Shareholders own more than 5 percent of voting rights are as follows:

(in %)	31 Dec 2017[1]	31 Dec 2016[1]
MAJOR SHAREHOLDERS		
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	17.1	17.1
Dr h.c. Rudolf Maag	11.9	12.1
Black Rock Group[2]	6.5	5.0
GIC Private Ltd[2]	n/a	4.4

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:

	2017		2016	
	Number	Value in CHF 1 000	Number	Value in CHF 1 000
Allocated to the Board of Directors	1 664	713	2 115	639

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 and Performance Share Units) held on 31 December 2017 and 2016 by the members of the Board of Directors, the Executive Management Board and individuals related to them.

2017

	Shares	Performance Share Units		
		22 Apr 2018	20 Apr 2019	21 Apr 2020
BOARD OF DIRECTORS				
Gilbert Achermann	20 172	0	0	0
Dr h.c. Thomas Straumann	2 723 700	0	0	0
Monique Bourquin	738	0	0	0
Dr Sebastian Burckhardt	4 720	0	0	0
Ulrich Looser	4 407	0	0	0
Dr Beat Lüthi	3 774	0	0	0
Regula Wallimann	454	0	0	0
Total	2 757 965	0	0	0
EXECUTIVE MANAGEMENT BOARD				
Marco Gadola	1 750	0	2 542	2 470
Dr Peter Hackel	573	0	761	554
Dr Gerhard Bauer	3 871	0	489	475
Wolfgang Becker	600	0	521	507
Guillaume Daniellot	0	0	377	379
Jens Dexheimer	970	281	228	348
Frank Hemm	3 968	0	570	554
Patrick Loh	0	0	0	495
Dr Alexander Ochsner	0	0	570	554
Petra Rumpf	1 700	0	652	633
Mike Rynerson	0	0	0	0
Matthias Schupp	1 606	0	0	317
Total	15 038	281	6 710	7 286
TOTAL	2 773 003	281	6 710	7 286

2016

	Shares	Performance Share Units		
		24 Apr 2017	22 Apr 2018	20 Apr 2019
BOARD OF DIRECTORS				
Gilbert Achermann	19 756	0	0	0
Dr h.c. Thomas Straumann	2 723 492	0	0	0
Dr Sebastian Burckhardt	6 012	0	0	0
Roland Hess	4 299	0	0	0
Ulrich Looser	4 199	0	0	0
Dr Beat Lüthi	4 266	0	0	0
Total	2 762 024	0	0	0
EXECUTIVE MANAGEMENT BOARD				
Marco Gadola	2 368	5 121	0	2 542
Dr Peter Hackel	273	0	0	761
Dr Gerhard Bauer	2 394	1 231	0	489
Wolfgang Becker	0	1 056	0	521
Guillaume Daniellot	0	810	0	377
Jens Dexheimer	450	215	281	228
Frank Hemm	1 200	1 149	0	570
Dr Alexander Ochsner	0	1 149	0	570
Petra Rumpf	1 000	0	0	652
Matthias Schupp	2 006	0	0	0
Total	9 691	10 731	281	6 710
TOTAL	2 771 715	10 731	281	6 710

Proposal of the Board of Directors for the appropriation of the available earnings

(in CHF 1 000)	2017	2016
Net result	234 307	138 092
Carried forward from previous year	763 236	733 742
Change in reserves for treasury shares	17 943	(43 459)
Profit available to the Annual General Meeting	1 015 486	828 375
Dividend paid out of the available earnings (CHF 4.25 per share)		(65 139)
BALANCE CARRIED FORWARD		763 236

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 4.75 per share be distributed, payable as of 12 April 2018. Calculated based on the total number of outstanding shares of 15 813 002, this corresponds to a total amount of CHF 75.1 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.

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 197 to 202), for the year ended 31 December 2017.

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 2017 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. These matters were addressed in the context of our audit of the 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 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 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 accompanying financial statements.

VALUATION OF INVESTMENTS IN AND LOANS TO SUBSIDIARIES

AREA OF FOCUS

Investments in and loans to subsidiaries as at balance sheet date amount to CHF 1'152 million or 84% of total assets. The Company generally assesses the valuation of its investments and loans and determines potential impairments on an individual basis in accordance with the Swiss Code of obligations. Under specific circumstances, certain investments are combined for this assessment, also taking into account the Companies principal structure.

Due to the significance of the carrying amount of the investments and loans and the judgement involved in the determination of potential impairments, this matter was considered significant to our audit.

OUR AUDIT RESPONSE

We examined the Company's valuation model and analysed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We also assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. Further, we evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

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, 7 February 2018

Building a better working world