2012 First-half report – Media release

Straumann reports stable net revenues of CHF 362 million in first half of 2012

- *Revenue in local currencies (l.c.) reaches prior-year level; performance constrained by tough market environment especially in Europe*
- *Strong expansion in North America and emerging markets; solid growth in Asia Pacific*
- *Soft second quarter (-2% l.c.) reflecting economic slow-down in Europe and baseline effects*
- *Expansion of marketing & sales team as well as one-time costs weigh operating margin down to 15%*
- *Good operational and strategic progress: new organizational structure implemented with further investments in R&D, and sales*
- *Path to leadership in the world's two largest markets: Neodent stake acquired in Brazil; expansion in US*
- *Guidance: tooth replacement market expected to be stable at best over full year; Group foresees above-market performance, with reported 2012 EBIT margin similar to H1 level*

KEY FIGURES SUMMARY

(in CHF million)	H1 2012 reported	H1 2011 pre-exceptionals[1]	H1 2011 reported
Net revenue	**361.7**	**367.3**	**367.3**
Change[2] in %	(1.5)		(6.4)
Change in local currencies in %	(0.2)		4.8
Gross profit	**278.4**	**290.3**	**290.3**
Margin in %	77.0	79.0	79.0
Change[2] in %	(4.1)		(7.7)
EBITDA	**69.7**	**98.3**	**98.3**
Margin in %	19.3	26.8	26.8
Change[2] in %	(29.1)		(20.0)
Operating profit (EBIT)	**53.3**	**79.2**	**38.9**
Margin in %	14.7	21.6	10.6
Change[2] in %	37.0		(60.6)
Profit for the period	**43.8**	**65.2**	**38.5**
Margin in %	12.1	17.8	10.5
Change[2] in %	13.9		(53.1)
Free cash flow	**19.9**		**46.9**
Margin in %	5.5		12.8
Basic earnings per share (in CHF)	**2.83**	**4.16**	**2.45**
Change[2] in %	15.5		(53.2)
Number of employees (30 June)	**2555**		**2413**

[1] In this release 'exceptionals' refers to the impairment of intangible assets of CHF 40 million and corresponding deferred tax effects of CHF 13 million in the second quarter of 2011.
[2] Compared with reported 2011 figures.

Basel, 21 August 2012: The Straumann Group today reported first-half net revenues of CHF 362 million, matching the prior year's comparative level in local currencies. In Swiss francs, net revenue dipped slightly less than 2%, reflecting a moderate currency impact, which reduced net revenue by CHF 5 million. The Group achieved double-digit growth in local currencies in North America and emerging markets, but these good performances were not enough to offset the shortfall in Europe, which is Straumann's largest region.

Following a positive first quarter, the tooth replacement market – like other sectors that rely on patient financing – came under further pressure from the weak economic environment, particularly in Europe, where austerity measures have further impaired consumer confidence. The US market also relinquished some of its first-quarter momentum but the fundamental growth drivers remain intact.

Straumann stayed ahead of certain key competitors in the second quarter but was unable to reach the revenue level achieved in the comparative period of 2011, which benefitted from an additional selling day, as well as from significant product roll-outs and the biennial IDS trade fair.

The softer top line, together with costs related to important strategic initiatives in Q2 – including sales-force expansion, global reorganization, and the Neodent stake – constrained net profit to CHF 44 million, squeezing the overall margin to 12%.

"Our environment has been disappointing and the gradual market improvement that we were expecting has not materialized. Furthermore, the market slowdown has coincided with a several cost-intensive strategic initiatives, including our new organizational structure and the addition of sales power in North America", explained Beat Spalinger, President & CEO. "Thanks to efficient cost management, we have been able to offset some of the additional costs by savings elsewhere. Operationally and strategically we have made very good progress, redesigning our organization for the future and investing in attractive emerging markets like Brazil. At the same time, we have expanded in North America and have maintained our commitment to research and education. These initiatives are important for future growth but have obviously weighed heavily on profits. To protect margins in 2012 and to improve them going forward in what we anticipate will be a challenging environment, we have started a project to optimize our cost structure."

BUSINESS & REGIONAL PERFORMANCES

Straumann's core implant business remained stable in the first half, while CADCAM/digital sales were expectedly lower than in the comparative period of 2011, which was boosted by the introduction of a new in-lab CADCAM scanner and the roll-out of Straumann's intra-oral scanning business.

The Regeneratives business achieved solid growth in the first six months of 2012, lifted by a successful Europerio congress event, where Straumann introduced a new convenient size of Emdogain designed to promote use in daily practice.

Double-digit growth in North America

North America posted double-digit growth over the first half, driven by an exceptionally strong first quarter (+14%), followed by an increase of 7% in the second quarter. With the implant and regenerative businesses performing consistently, the apparent reduction in momentum was due to the softer market and the fact that the comparative quarter of 2011 benefitted from the launch of Straumann's intra-oral scanning business in the region. The recent appreciation of the US dollar meant that first-half net revenues rose 13% in Swiss francs to CHF 89 million. As a result, North America now contributes roughly a quarter of Group net revenue.

Challenging economy in Europe
Europe contracted 5% in local currencies in the first half of 2012 to CHF 202 million, or 56% of Group net revenue. The region was dragged down by slowing economic activity, especially in Italy and Iberia, where conditions are not expected to improve in the near term. Germany was slightly behind the prior year period, while France and the UK continued to outperform. The weakness of the Euro against the Swiss franc resulted in a negative currency impact of approximately 3 percentage points.

The comparative softness of European revenues in the second quarter this year also reflects the IDS effect and the strong scanner sales in the comparative period of 2011.

APAC benefits from continued strong growth in China
First-half revenue in the Asia/Pacific region grew a modest 1% in local currencies to CHF 54 million (15% of the Group), reflecting the prevailing tough conditions in the largest regional market, Japan. In spite of this, Straumann Japan succeeded in generating the same level of first-half revenue as last year, when sales were boosted by the launch of the Bone Level Implant range. Both Korea and Australia contracted, but this was offset by another strong performance in China, where disposable income continues to increase, as does the awareness of dental care and facial esthetics.

Rest of the World driven by strong growth in Latin America
The Rest of the World region was driven by continuing strong growth in Brazil and Mexico. In contrast, the uncertainty in the Middle East led to the postponement of some tender business. Furthermore, in certain distributor markets, pricing adjustments were unavoidable due to the exceptional strength of the Swiss franc. These factors and the exceptional growth of 37% in the first half of 2011 meant that the region contracted 2% in local currencies and 6% in Swiss francs.

With net revenue reaching CHF 17 million, the region contributed 5% to the Group total.

BUILDING FOR THE FUTURE

Neodent transaction completed
To gain access to a much larger segment of the world's second largest market for implant dentistry and to enhance its access to additional Latin American markets, Straumann has acquired an initial 49% stake in Neodent, the leading dental implant company in Brazil. The transaction was completed in May (see financial details below) and provides Straumann with options to increase its stake to 100% over the next six years.

Reorganization to increase efficiency and leverage growth
The scope of Straumann's business has expanded considerably in recent years, adding complexity – particularly at the sales level. To address this, the Group initiated a global reorganization project in December, including the transformation of its sales team to focus on specific customer and product groups. The primary goals are to improve efficiency, leverage growth and shorten time to market. The new corporate structure and sales-force transitions have been completed on schedule. The scale of this undertaking suggests that some business disruption is inevitable, but thanks to staff engagement and the expediency of the project, this appears to have been kept to a minimum so far.

Sales force strengthened in selective markets
The new organization and sales-team configuration has created a number of new positions. In addition, the Group has continued to strengthen its marketing & sales team in selected markets, especially in countries which have been identified as key growth opportunities, like

the US. As a result, the global workforce increased by 103 in the first half of 2012 to 2555 at the end of June.

New global logistics center
Since its inauguration in 2005, Straumann's headquarters in Basel has gradually reached full capacity. To free up space for expansion, the Group's global distribution center has been moved to larger premises nearby. The new center became operational in July.

Sustained commitment to innovation and reliability
Straumann's investment in Research & Development increased to 6% of sales in the first half of 2012. With 16 clinical studies tracking more than 1200 patients, the Group continues to support one of the largest research and development programs in the industry, much of which is devoted to documenting long-term clinical performance. Further 10-year data were presented on Straumann® Emdogain at Europerio, while 10-year survival and success rates of 511 SLA implants were submitted for publication. Nine more studies are in preparation for 2012/13.

The Group also maintained its commitment to fostering independent research, exemplified by the IADR/Straumann Award for Periodontal Regenerative Medicine, which was presented in the second quarter.

A road map for long-term sustainability
The global reorganization, regional expansion and innovation initiatives are important elements in Straumann's growth strategy. The Group is well positioned to provide superior solutions over the next few years, and has broadened its horizon to address longer-term sustainability in its Vision 2020 project, which was presented at Capital Markets Day in May. The Vision is based on how dentistry, demographics, markets, technology etc. will evolve in the coming years and provides a valuable roadmap for the future. While current economic outlooks are somewhat bleak, Straumann is convinced that implant dentistry will remain a growth industry in the mid to long term. The Group is well positioned to capture growth potential and has started a project to optimize its cost structure in order to protect margins in 2012 and to improve them going forward.

OPERATIONS AND FINANCES

Inventory optimization
Thanks to the Group's initiative to optimize inventories, days of supply (DOS) were successfully reduced from 180 days in 2011 to 130 in 2012. However, as volumes remained more or less stable, manufacturing capacity was not fully/optimally utilized, reducing the gross margin.

These items, together with a modest currency effect, as well as the aforementioned distributor pricing adjustments, resulted in a CHF-12-million reduction in gross profit to CHF 278 million. As a result, the first-half gross margin contracted to 77%, 180 base points off the comparative currency-corrected margin in 2011.

Selling & Administrative costs (SG&A) amounted to CHF 204 million, of which CHF 5 million were related to the reorganization project and the Neodent transaction. Excluding both, SG&A would have remained at the 2011 level adjusted for one-time effects (impairment charge of CHF 40 million and the release of provisions of CHF 5 million).

Further investment in R&D
At CHF 23 million, R&D investments amounted to 6% of sales and were CHF 4 million higher than in the comparative period of 2011, reflecting the Group's commitment to leadership in innovation and long-term clinical excellence.

Due to the abovementioned items, earnings before tax, depreciation and amortization (EBITDA) declined CHF 29 million to CHF 70 million, or 19% of sales. Adjusted for currencies and the abovementioned one-time effects, the decline would have been CHF 16 million.

After ordinary amortization and depreciation charges of approximately CHF 16 million, operating profit (EBIT) amounted to CHF 53 million, with the corresponding EBIT margin reaching 15%.

The net financial result was a positive CHF 1 million, which is an improvement of CHF 2 million over the prior year. After amortization charges, Straumann's investments in Dental Wings and Neodent resulted in a negative contribution of CHF 2 million (disclosed in a separate line in the Income Statement).

With the effective tax rate at 16%, income tax expenses amounted to CHF 9 million compared to an extraordinary tax income of CHF 1 million in the previous year owing to a reduction of deferred tax liabilities. Going forward, the underlying tax rate is expected to remain at 16-17%.

Taking all the aforementioned factors into account, first-half net profit amounted to CHF 44 million and basic earnings were CHF 2.83 per share, compared with CHF 2.45 in the first half of 2011.

Operating cash flow squeezed by lower profitability
The combination of lower earnings and increased tax payments reduced net cash from operating activities by almost half to CHF 30 million. With capital expenditure remaining more or less constant, free cash flow amounted to CHF 20 million and the respective margin was 6%.

The purchase consideration for the 49% stake in Neodent amounted to CHF 261 million, of which CHF 218 million were paid in June. The balance is expected to be settled in the third quarter.

Net cash used for financing activities totaled CHF 59 million after the payment of CHF 58 million for the ordinary dividend. Consequently, cash and cash equivalents on 30 June 2012 amounted to CHF 117 million.

Treasury share purchase program concluded
The Neodent transaction has substantially reduced Straumann's high cash position, such that the Group has decided not to extend its Treasury Share purchase initiative. In total the Group purchased roughly 204 000 shares in the program for a total of CHF 29 million.

OUTLOOK (barring unforeseen circumstances)
The Group continues to expect challenging developments especially in parts of Europe and Asia, while the outlook for North America and emerging markets is more optimistic. Current macroeconomic indicators suggest that the aggregated global market for tooth replacement may remain soft and thus flat, at best, over the full year.

Straumann is strategically well positioned to deliver above-market performance and is therefore confident that it can achieve full-year revenues (excluding currency effects) at least in line with the 2011 level.

Assuming that the euro will not drop below CHF 1.20, Straumann expects a slightly positive currency effect overall in 2012. Despite cost optimization measures, it will not be possible to fully offset the combined impact of slower growth and costs related to reorganization, acquisition and salesforce expansion. As a result, the full-year reported EBIT margin is expected to be similar to the H1 level.

About Straumann
Headquartered in Basel, Switzerland, the Straumann Group (SIX: STMN) is a global leader in implant and restorative dentistry and oral tissue regeneration. In collaboration with leading clinics, research institutes and universities, Straumann researches, develops and manufactures dental implants, instruments, prosthetics and tissue regeneration products for use in tooth replacement and restoration solutions or to prevent tooth loss. Straumann currently employs more than 2500 people worldwide and its products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

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Disclaimer
This release contains certain “forward-looking statements”, which can be identified by the use of terminology such as ‘expect’, ‘foresee’, ‘similar to’, ‘anticipate’, ‘to optimize’, ‘project’, ‘future’, ‘protect’, ‘improve’, ‘going forward’, ‘vision’, ‘goal’, ‘so far’, ‘opportunity’, ‘will’, ‘intend’, ‘outlook’, ‘deliver’, ‘suggest’, ‘may’, ‘positioned’, ‘can’, ‘would’, ‘predict’, ‘could’, or similar wording. Such forward-looking statements reflect the current views of management and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied. These include risks related to the success of and demand for the Group’s products, the potential for the Group’s products to become obsolete, the Group’s ability to defend its intellectual property, the Group’s ability to develop and commercialize new products in a timely manner, the dynamic and competitive environment in which the Group operates, the regulatory environment, changes in currency exchange rates, the Group’s ability to hire and retain key talented individuals, to generate revenues and profitability, to realize its expansion projects in a timely manner, and to maintain its business relationships with suppliers, customers and other third parties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. Straumann is providing the information in this release as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

Analysts' and Media Conference Call

There will be a telephone conference call for financial analysts and journalists beginning at 10:00 a.m. CET, during which Straumann Top Management will review the financial performance and will be available to answer questions. The conference will be audio-webcast live (www.straumann.com/webcast) and the recorded webcast will be available for the next month.

Presentation slides
The corresponding conference visuals are available at www.straumann.com/Straumann-2012-HY-Presentation.pdf and on the Investor Relations pages at www.straumann.com.

The telephone conference can be accessed under the following dial-in numbers:

+41 (0)91 610 56 09 (Europe)
+44 (0)203 059 58 62 (UK)
+1 (1) 866 291 41 66 (USA)

Upcoming events in 2012

21 August	Half-year 2012 results	Conference Call
17 September	Investor meetings	Paris (F)
18 September	Investor meetings	London (UK)
19 September	Sanford C. Bernstein Conference	London (UK)
20 September	UBS Best of Switzerland Conference	Ermatingen (CH)
26 September	Investor meetings	Toronto (CDN)
27 September	Investor meetings	Boston (US)
28 September	Investor meetings	New York (US)
10 October	Investor meetings	Stockholm (S)
11 October	Investor meetings	Copenhagen (DK)
30 October	Third Quarter 2012 results	Conference Call

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

Interim selected financial information

SALES BY REGION

(in CHF million)	Q1, 2012	Q2, 2012	H1, 2012	H1, 2011
Europe	106.5	95.6	202.1	219.3
Growth in %	(6.5)	(9.2)	(7.8)	(9.2)
Growth in local currencies in %	(2.1)	(7.0)	(4.5)	1.3
in % of net revenue	57.5	54.1	55.9	59.7
North America	44.7	43.8	88.5	78.0
Growth in %	11.3	15.6	13.4	(8.5)
Growth in local currencies in %	14.0	7.0	10.4	8.8
in % of net revenue	24.1	24.8	24.4	21.2
Asia / Pacific	25.0	28.9	53.9	51.7
Growth in %	(1.9)	10.2	4.2	0.0
Growth in local currencies in %	(2.4)	4.2	1.0	5.5
in % of net revenue	13.5	16.4	14.9	14.1
Rest of the World	8.9	8.3	17.2	18.3
Growth in %	0.2	(11.9)	(6.0)	31.8
Growth in local currencies in %	4.3	(7.4)	(1.7)	37.2
in % of net revenue	4.8	4.7	4.8	5.0
Total	185.1	176.6	361.7	367.3
Growth in %	(1.8)	(1.2)	(1.5)	(6.4)
Growth in local currencies in %	1.6	(2.1)	(0.2)	4.8

OPERATING PERFORMANCE

(in CHF million)	H1, 2012	H1, 2011
Net revenue	361.7	367.3
Growth in %	(1.5)	(6.4)
Gross profit	278.4	290.3
Margin in %	77.0	79.0
Operating profit before depreciation and amortization (EBITDA)	69.7	98.3
Margin in %	19.3	26.8
Growth in %	(29.1)	(20.0)
Operating profit (EBIT)	53.3	38.9
Margin in %	14.7	10.6
Growth in %	37.0	(60.6)
Profit for the period	43.8	38.5
Margin in %	12.1	10.5
Growth in %	13.9	(53.1)
Basic earnings per share (in CHF)	2.83	2.45

FINANCIAL PERFORMANCE

(in CHF million)	H1, 2012	H1, 2011
Cash and cash equivalents	116.9	325.3
Net working capital (net of cash)	64.3	101.6
Inventories	64.4	72.2
Days of supplies	130	180
Trade receivables	116.2	108.0
Days of sales outstanding	59	54
Balance sheet total	814.7	789.5
Return on assets in % (ROA)	10.9	9.5
Equity	648.5	661.8
Equity ratio in %	79.6	83.8
Return on equity in % (ROE)	13.4	11.7
Capital employed	260.3	307.6
Return on capital employed in % (ROCE)	37.5	23.0
Cash generated from operating activities	30.1	57.6
in % of net revenue	8.3	15.7
Investments	228.8	17.0
in % of net revenue	63.3	4.6
thereof capital expenditures	10.3	10.8
thereof acquisitions of subsidiaries and associates	218.5	6.2
Free cash flow	19.9	46.9
in % of net revenue	5.5	12.8
Dividend	58.0	58.8

Interim consolidated statement of financial position

ASSETS

(in CHF 1 000)	30 Jun 2012	31 Dec 2011
Property, plant and equipment	106 710	110 588
Investment properties	7 350	7 500
Intangible assets	97 835	100 740
Investments in associates	256 705	6 624
Financial assets	643	857
Other receivables	2 479	2 534
Deferred income tax assets	25 459	26 410
Total non-current assets	**497 181**	**255 253**
Inventories	64 398	67 010
Trade and other receivables	132 428	109 898
Financial assets	1 337	982
Income tax receivables	2 430	1 069
Cash and cash equivalents	116 897	377 053
Total current assets	**317 490**	**556 012**
Total assets	814 671	811 265

Interim consolidated statement of financial position

EQUITY AND LIABILITIES

(in CHF 1 000)	30 Jun 2012	31 Dec 2011
Share capital	1 568	1 568
Retained earnings and reserves	646 911	669 550
Total equity	**648 479**	**671 118**
Other liabilities	7 422	6 862
Financial liabilities	58	64
Provisions	8 629	8 817
Retirement benefit obligations	2 409	1 164
Deferred income tax liabilities	11 400	12 343
Total non-current liabilities	**29 918**	**29 250**
Trade and other payables	123 594	89 656
Financial liabilities	1 314	1 758
Income tax payables	9 045	18 449
Provisions	2 321	1 034
Total current liabilities	**136 274**	**110 897**
Total liabilities	**166 192**	**140 147**
Total equity and liabilities	814 671	811 265

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Interim consolidated income statement

(in CHF 1 000)	H1, 2012	H1, 2011
Net revenue	361 709	367 277
Cost of goods sold	(83 265)	(76 981)
Gross profit	278 444	290 296
Other income	886	1 087
Selling and administrative costs	(203 501)	(233 377)
Research and development costs	(22 519)	(19 093)
Operating profit	53 310	38 913
Financial income	6 303	15 835
Financial expense	(5 675)	(17 678)
Share of profit of associates	(1 561)	0
Profit before income taxes	52 377	37 070
Income taxes	(8 599)	1 384
Profit for the period	43 778	38 454
Profit for the period attributable to:		
Shareholders of the parent company	43 778	38 454
Basic earnings per share (in CHF)	2.83	2.45
Diluted earnings per share (in CHF)	2.83	2.45

Interim consolidated statement of comprehensive income

(in CHF 1 000)	H1, 2012	H1, 2011
Profit for the period	43 778	38 454
Net foreign exchange loss on net investment loans	(1 314)	(8 120)
Income tax	117	995
Net	(1 197)	(7 125)
Exchange differences on translation of foreign operations	(9 012)	(6 140)
Net gain / (loss) on cash flow hedges	607	(408)
Income tax	(79)	53
Net	528	(355)
Other comprehensive loss for the period, net of tax	(9 681)	(13 620)
Total comprehensive income for the period, net of tax	34 097	24 834
Total comprehensive income attributable to:		
Shareholders of the parent company	34 097	24 834

Interim consolidated cash flow statement

(in CHF 1 000)	H1, 2012	H1, 2011
Profit for the period	43 778	38 454
Adjustments for:		
Income taxes	8 599	(1 384)
Interest and other financial result	(333)	(322)
Foreign exchange result	478	5 032
Fair value result	(208)	(1 559)
Share of profit of associates	1 561	0
Depreciation and amortization of:		
Property, plant and equipment	12 339	11 698
Investment properties	150	150
Intangible assets	3 907	7 309
Impairment of intangible assets	0	40 239
Change in provisions, pensions and other non-current liabilities	2 956	(4 101)
Share-based payments expense	2 050	2 084
Losses / (gains) on disposal of property, plant and equipment	27	(19)
Working capital adjustments:		
Decrease / (increase) in inventories	2 300	(2 571)
Increase in trade and other receivables	(22 730)	(21 161)
Decrease in trade and other payables	(5 718)	(3 729)
Interest paid	(197)	(450)
Interest received	451	858
Income tax paid	(19 281)	(12 951)
Net cash from operating activities	**30 129**	**57 577**
Purchase of property, plant and equipment	(8 527)	(8 180)
Purchase of intangible assets	(1 763)	(2 570)
Purchase of investments in associates	(217 788)	(6 092)
Contingent consideration paid	(740)	(126)
Net proceeds from sale of non-current assets	59	108
Net cash used in investing activities	**(228 759)**	**(16 860)**
Dividends paid	(58 033)	(58 762)
Proceeds from finance lease	239	396
Repayment of finance lease	(182)	(358)
Transaction costs paid	(995)	0
Proceeds from exercise of options	0	651
Purchase of treasury shares	(1 465)	(5 538)
Sale of treasury shares	1 687	2 682
Net cash used in financing activities	**(58 749)**	**(60 929)**
Exchange rate differences on cash held	(2 777)	(4 115)
Net decrease in cash and cash equivalents	**(260 156)**	**(24 327)**
Cash and cash equivalents at 1 January	377 053	349 603
Cash and cash equivalents at 30 June	116 897	325 276

Interim consolidated statement of changes in equity

H1, 2012

(in CHF 1 000)	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
	Attributable to the shareholders of the parent company						
Balance at 1 January 2012	1 568	42 267	(30 261)	3	(70 532)	728 073	671 118
Profit for the period						43 778	43 778
Other comprehensive income				528	(10 209)		(9 681)
Total comprehensive income	**0**	**0**	**0**	**528**	**(10 209)**	**43 778**	**34 097**
Dividends paid		(23 987)				(34 046)	(58 033)
Transactions with equity owners						(995)	(995)
Share-based payment						2 050	2 050
Purchase of treasury shares			(1 465)				(1 465)
Sale of treasury shares			2 923			(1 216)	1 707
Balance at 30 June 2012	1 568	18 280	(28 803)	531	(80 741)	737 644	648 479

H1, 2011

(in CHF 1 000)	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	Total equity
	Attributable to the shareholders of the parent company						
Balance at 1 January 2011	1 568	68 070	(2 310)	355	(61 537)	689 484	695 630
Profit for the period						38 454	38 454
Other comprehensive income				(355)	(13 265)		(13 620)
Total comprehensive income	**0**	**0**	**0**	**(355)**	**(13 265)**	**38 454**	**24 834**
Dividends paid		(28 989)				(29 773)	(58 762)
Share-based payment						2 553	2 553
Purchase of treasury shares			(5 538)				(5 538)
Sale of treasury shares			6 502			(3 438)	3 064
Balance at 30 June 2011	1 568	39 081	(1 346)	0	(74 802)	697 280	661 781

Notes to the interim condensed consolidated financial statements

1 CORPORATE INFORMATION
Straumann Holding AG is a public company incorporated and domiciled in Switzerland, whose shares are publicly traded on the SIX Swiss Exchange.

The interim condensed consolidated financial statements of the Straumann Group for the six months ended 30 June 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 13 August 2012.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES
BASIS OF PREPARATION
The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 *'Interim Financial Reporting'*. They do not include all the information and disclosures required in the annual financial statements, and should therefore be read in conjunction with the Group's annual financial statements as at 31 December 2011.

SIGNIFICANT ACCOUNTING POLICIES
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

3 IMPAIRMENT OF INTANGIBLE ASSETS
In 2011 the Group recognized an impairment charge of CHF 40.2 million, writing off the recognized acquisition-related customer-relationship assets in the cash-generating unit 'Implant Business Japan'. The impairment related to the primary reporting segment 'Asia/Pacific' and is disclosed under 'selling and administrative costs'. No impairment has been recognized in the current period.

4 INVESTMENTS IN ASSOCIATES
On 31 May 2012, the Group acquired 49% of the capital and voting rights of JJGC Industria e Comercio de Materiais Dentários S/A, Brazil ('Neodent'). Neodent is leader in the Brazilian market for implants and prosthetic components. At the same time, Straumann entered into option agreements to acquire the outstanding capital and voting rights of Neodent. These options are not currently exercisable. Straumann considers that it has 'significant influence' and is therefore is applying equity accounting with regard to its participation. The Group also concludes that it does not have de-facto control. The purchase consideration amounted to CHF 260.5 million of which CHF 217.8 million were settled in cash. The remaining CHF 42.7 million is expected to be settled in cash in the 3rd quarter 2012. Although the purchase price allocation has not yet been completed, finished goods on hand at the transaction date have been revalued to market value less cost to sell. The amount of CHF 17.6 million attributable to the Group is being recognized as an expense as part of the equity accounting procedure over 5 months from the transaction date. Notional goodwill of CHF 217.3 million has been provisionally determined as a result of this investment.

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

6 DIVIDENDS PAID
On 13 April 2012, Straumann Holding AG paid a dividend of CHF 3.75 (2011: CHF 3.75) per share to its shareholders. The total amount of the gross dividend paid was CHF 58.0 million (2011: CHF 58.8 million).

7 SEGMENT INFORMATION

For management purposes, the Group is organized into profit centers based on organizational responsibility. The profit center structure forms the basis for segment disclosure under IFRS 8. The 'chief operating decision-maker' (which has been identified as the Executive Management Board) uses the Group's internal reporting in order to assess performance and allocate resources. After the Group reorganized in 2012 the reported operating segments have been adapted to reflect the new organization. The most significant change is the separation of the businesses with regenerative and intra-oral scanning products away from the sales segments (which are organized by managerial responsibility on a country by country basis) into 'All other segments'. The corresponding principle was reallocated from 'Finance & Operations' to 'All other segments'. Additionally a number of support functions were reallocated to reflect the new distribution of managerial responsibilities. As of the balance sheet date, Management has identified seven reportable operating segments based on the guidelines of IFRS 8. These operating segments are defined as follows:

Sales 1
'Sales 1' comprises the Group's distribution businesses (except for Regenerative and Intra-Oral-Scanning products) in Europe, Brazil and Mexico as well as the business with distributors. It includes segment related management functions located inside and outside Switzerland.

Sales 2
'Sales 2' comprises the Group's distribution businesses (except for Regenerative and Intra-Oral-Scanning products) in the United States and Canada. It includes segment-related management functions located inside and outside Switzerland.

Sales 3
'Sales 3' comprises the Group's distribution businesses (except for Regenerative and Intra-Oral-Scanning products) in Japan, China, Korea, Australia and New Zealand. It includes segment-related management functions located inside and outside Switzerland.

Operations
'Operations' acts as the principle (except for Regenerative and Intra-Oral-Scanning products) towards all distribution businesses of the Group. It also contains the global manufacturing network (i.e. the manufacturing plants), which includes production of implants, regenerative and CADCAM products as well as corporate quality management.

Business units
'Business units' comprises research & development, product management, regulatory affairs and product life-cycle management except for Regenerative products.

Support functions
'Support functions' contains all headquarter finance functions, central facility management, internal audit, corporate investor relations, information technology, corporate logistics and global purchasing, corporate marketing, corporate communication & public affairs, global training & education business, corporate business development & licensing, corporate human resources, legal & compliance, all financial holding companies and the office of the CEO.

All other segments
'All other segments' comprises both distribution businesses for Regenerative and Intra-Oral-Scanning products. It includes segment-related management functions and a proportional share of distribution-related expenses. Furthermore, all expenses for research & development, product and life-cycle management activities for Regenerative products as well as global sales management functions for both Regenerative and Intra-Oral-Scanning products are disclosed under 'All other segments'.

Management monitors the operating results of its profit centers separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's-length basis in similar manner to transactions with third parties.

In the comparative period, Management had identified nine reportable operating segments based on the guidelines of IFRS 8. These operating segments were defined as follows:

Central Europe
'Central Europe' comprised the Group's distribution businesses in Germany, Switzerland, Austria, Hungary and the Czech Republic, as well as the business with most European, African and Middle Eastern distributors. It included segment related management functions located inside and outside Switzerland.

Western Europe
'Western Europe' comprised the Group's distribution businesses in Scandinavia, the UK, France, the Benelux countries, Iberia and Italy. It included segment-related management functions located inside and outside Switzerland.

North America
'North America' comprised the Group's distribution businesses in the United States and Canada. It included segment-related management functions located inside and outside Switzerland.

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

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

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

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

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

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

Comparative information was not restated to the structure prevailing at the balance sheet date as the necessary information is not available and the cost to develop it would be excessive as information would have to be re-allocated on the level of the individual transaction. Similarly and for the same reason the structure prevailing at the balance sheet date was not restated to the structure of the comparative information.

During the first quarter of 2012 the group transitioned its management reporting from the old structure to the new structure. While the new reporting structure was implemented at the beginning of the year a number of transactions were only allocated to the new segments as of 1 April when the new organization came into effect. This means that for the first quarter the vast majority of transactions relating to 'All other segments' were allocated to Sales 1-3 and a smaller number of transactions were allocated to the 'Business units' and 'Operations' segments.

'Net revenue, thereof Q1 2012 restated' represents an additional management estimate of how Net Revenue with third parties for the first six months would have looked if the organization had been in effect for the first six months of 2012. For inter-segment revenues and segment expenses this information is not available and the cost to develop it would be excessive as information would have to be re-allocated on the level of the individual transaction.

INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

The following tables' present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011, respectively.

H1, 2012

(in CHF 1 000)	Sales 1	Sales 2	Sales 3	Operations	Business units	Support functions	All other segments	Eliminations	Group
Net revenue									
Third party	221'065	84'504	47'940	0	0	0	8'200	0	361'709
Inter-segment	53	0	0	183'818	0	0	3	(183'874)	0
Total Net revenue	**221'118**	**84'504**	**47'940**	**183'818**	**0**	**0**	**8'203**	**(183'874)**	**361'709**
Operating profit	**17'697**	**294**	**830**	**116'323**	**(26'972)**	**(46'338)**	**(4'960)**	**(3'564)**	**53'310**
Financial result									(933)
Income taxes									(8'599)
Profit for the period									**43'778**
Net revenue, thereof Q1 2012 restated									
Third party	216'400	80'045	47'588	0	0	0	17'676		361'709

H1, 2011

(in CHF 1 000)	Central Europe	Western Europe	North America	Asia / Pacific	Rest of World	Global Sales	Products	Finance & Operations	Corp. Mgmt	Eliminations	Group
Net revenue											
Third party	123'684	104'816	77'979	51'774	9'014	10	0	0	0	0	367'277
Inter-segment	0	0	0	0	0	18	0	221'711	0	(221'729)	0
Total Net revenue	**123'684**	**104'816**	**77'979**	**51'774**	**9'014**	**28**	**0**	**221'711**	**0**	**(221'729)**	**367'277**
Operating profit	**2'291**	**(2'924)**	**(1'587)**	**(40'382)**	**1'074**	**(11'026)**	**(24'052)**	**112'286**	**6'333**	**(3'100)**	**38'913**
Financial result											(1'843)
Income taxes											1'384
Profit for the period											**38'454**

The remaining operating profit under 'Eliminations' (H1 2012 and H1 2011) represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

The following tables' present segment assets of the Group's operating segments at 30 June 2012 and 31 December 2011:

at 30 Jun 2012

(in CHF 1 000)	Sales 1	Sales 2	Sales 3	Operations	Business units	Support functions	All other segments	Eliminations	Group
Segment assets	**117'517**	**28'146**	**32'475**	**255'613**	**4'110**	**22'306**	**29'124**	**(78'090)**	**411'201**
Unallocated assets									403'470
Group									**814'671**

at 31 Dec 2011

(in CHF 1 000)	Central Europe	Western Europe	North America	Asia / Pacific	Rest of World	Global Sales	Products	Finance & Operations	Corp. Mgmt	Eliminations	Group
Segment assets	**39'094**	**52'391**	**31'190**	**28'278**	**9'757**	**2'665**	**747**	**279'164**	**9'276**	**(54'292)**	**398'270**
Unallocated assets											412'995
Group											**811'265**

8 RELATED-PARTY TRANSACTIONS

The International Team for Implantology (ITI) Foundation, the Straumann Pension Fund, Vischer Attorneys-at-law, the associates Neodent, Dental Wings Inc, and Open Digital Dentistry AG, the Board of Directors and the Executive Management Board were all identified as ‘related parties’. In the period under review, the following related-party transactions were made:

(in CHF 1 000)		H1, 2012	H1, 2011
Related party	**Nature**		
International Team for Implantology Foundation	Collaboration agreement	7 321	6 897
Pension Fund	Employer's contribution	3 415	4 083
VISCHER, Attorneys-at-law	Purchase of services	59	55
Associates	Purchase of services	728	0
Total		11 523	11 035

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

(in CHF 1 000)	30 Jun 2012	31 Dec 2011
International Team for Implantology Foundation	2 264	3 692
Pension Fund	1 761	0
VISCHER, Attorneys-at-law	0	2
Associates	295	0
Total	4 320	3 694

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

KEY MANAGEMENT PERSONNEL COMPENSATION

‘Key Management Personnel’ comprises the Board of Directors and the Executive Management Board.

For the period 1 January until 31 March 2012, the compensation of members of the Board of Directors consisted of a fixed portion and a variable portion (which may be granted in the form of Straumann shares). The amount that will be paid for the variable portion depends on the course of the business.

As of April 2012, Directors have been entitled to fixed attendance fees reflecting their roles, responsibilities and expected working time. The variable compensation component has been integrated in the fixed attendance fees. 75% of the full attendance fee is paid in cash on a monthly basis, the remaining 25% will be provided in Straumann shares at the end of the relevant service period.

The compensation of the Executive Management Board consists of a fixed portion and a 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 which was granted for the first time in April 2012. As of 1 January 2012, the Straumann Executive Management Board has included three additional members.

The total compensation for the key management personnel for the six-month period ended 30 June 2012 amounted to CHF 4.6 million. In the comparative period of 2011, the total compensation was CHF 4.9 million.

9 EVENTS AFTER THE BALANCE SHEET DATE

No events occurred after the balance sheet date.

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial information (statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes) of Straumann Holding AG for the period ended 30 June 2012 (pages 8 to 20). The Board of Directors is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers AG

Dr. Rodolfo Gerber

Christian Hirt

Basel, 13 August 2012

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