

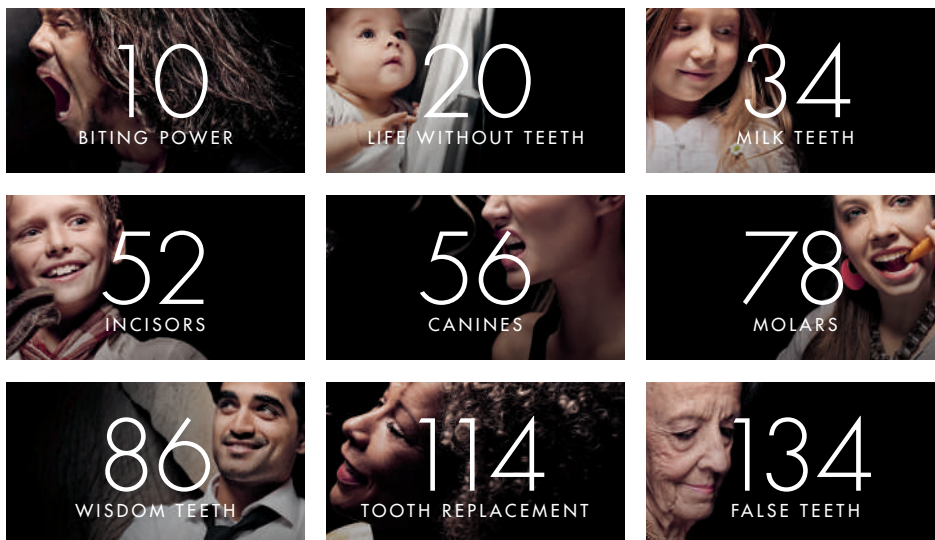


ANNUAL REPORT 2011

BITE

BITE

In the animal kingdom, biting power and thus teeth are often essential for survival. While human life may be less dependent on teeth, its quality is significantly impaired when dental function is lost. Straumann solutions put the 'bite' back into life and were used to treat almost a million people around the world in 2011. Indeed, biting power is the key to our success, as this Annual Report shows.



STRAUMANN

Straumann is a global leader in implant and restorative dentistry and oral tissue regeneration. For a brief overview of our company, our vision and mission, please see pp. 12–19.

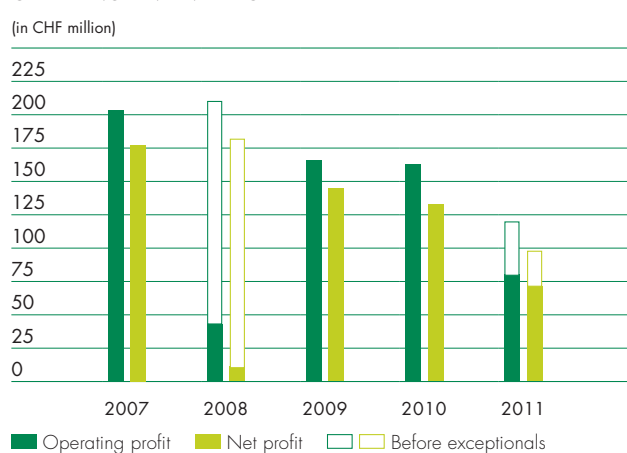
KEY FACTS AND FIGURES 2011

KEY FIGURES

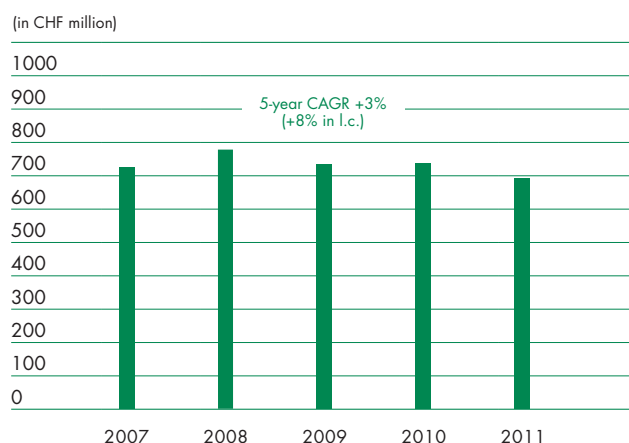
(in CHF million)	2011 ¹	2010	Change (%)
Net revenue	694	738	(6)
Operating result before depreciation and amortization (EBITDA)	157	212	(26)
Operating profit (EBIT)	120	164	(27)
Net profit	98	131	(25)
Cash generated from operating activities	140	176	(20)
Capital expenditure	19	22	(12)
Free cash flow	121	154	(21)
Value added (economic profit)	56	88	(39)

¹ Before exceptionals

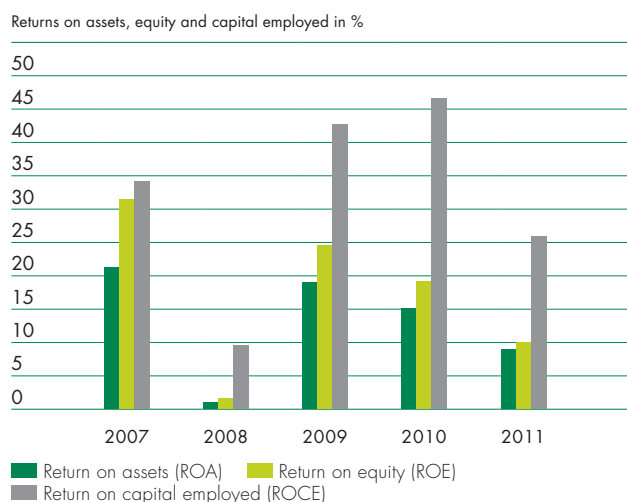
OPERATING AND NET PROFIT



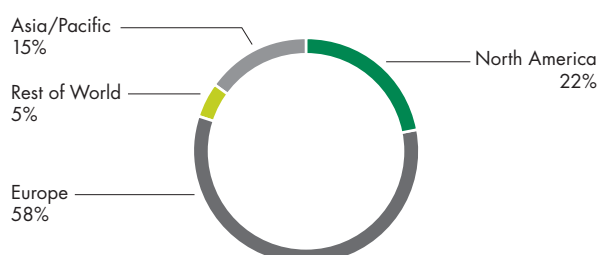
NET REVENUE



PROFITABILITY

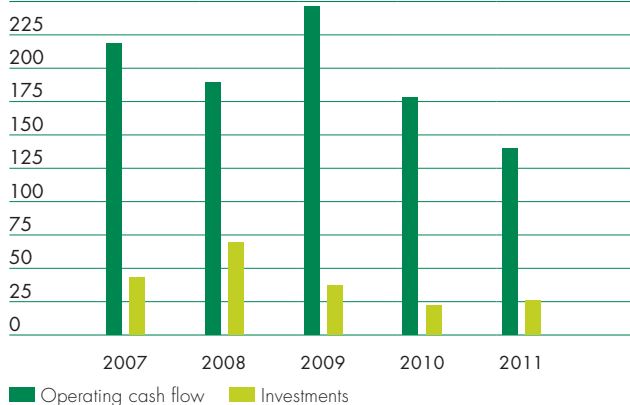


REVENUES BY REGION



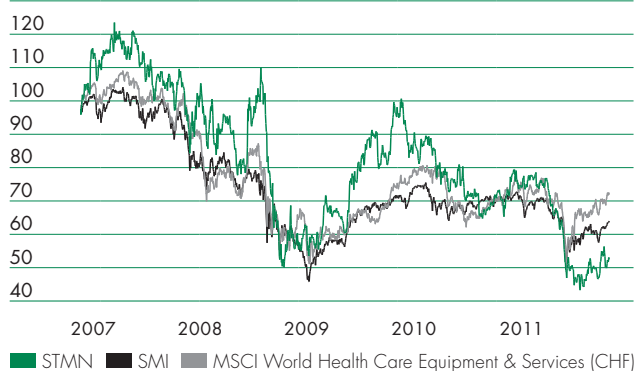
CASH FLOW AND INVESTMENTS

(in CHF million)

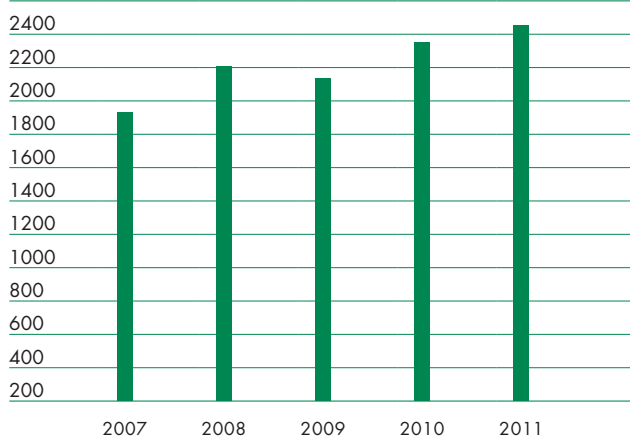


SHARE PRICE DEVELOPMENT

(in %)



EMPLOYEES



SHARE INFORMATION

(in CHF 1 000)

	2011	2010
Earnings per share (EPS)	4.54	8.37
Ordinary dividend per share	3.75 ¹	3.75
Payout ratio	59.40 ²	44.80
Share price at year-end	162.10	214.00

¹ Payable in 2012 subject to shareholder approval

² Before exceptionals

At 31 December	2011	2010	Change (in %)
Headcount	2 452	2 361	4

ANNUAL REPORT 2011

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2011 HIGHLIGHTS

GROWTH

+4%

In local currencies as full-year net revenue reaches CHF 694 million

CURRENCY
IMPACT71m^{CHF}

Lost from top line in unprecedented currency headwind: net revenue contracts 6% in Swiss francs

POSITION

No.1

Pole position in implant dentistry underpinned; significant steps towards leadership in digital dentistry

DRIVERS

+10%

Growth in local currencies in North America; dynamic emerging markets; more products sold to more customers in more geographies than ever before

R&D

INNOVATION
CONTINUES

Multiple refinements, novel solutions and services brought to customers; 6% of sales invested in R&D; pipeline well stocked

JOBS

91

New positions created worldwide, mostly in Marketing & Sales

DIVIDEND

3.75^{CHF}

Per share maintained; CHF 1.55 thereof paid from capital contributions

FUTURE

VISION
2020

New organizational structure; leadership strengthened; Straumann creates roadmap for sustainable success

LETTER TO SHAREHOLDERS

A FUNDAMENTALLY POSITIVE YEAR FROM
A STRATEGIC AND OPERATIONAL ASPECT



Beat Spalinger, President & CEO

DEAR SHAREHOLDER,

2011 was a disappointing year with regard to shareholder value, but it was nevertheless a fundamentally positive one from a strategic and operational aspect. This Annual Report shows why, and we hope that as you read it, you will share our view and long-term optimism for our industry in general and your company in particular.

STRAUMANN OUTPERFORMS IN A SLOW-MOVING MARKET

Straumann's prime objective for 2011 was to perform above the market for a fifth consecutive year and thus to further strengthen our market position. We believe that we achieved this goal by generating net revenue growth of 4% in local currencies, which is a solid performance in a challenging market.

Our growth was entirely organic and driven by all businesses and regions. We sold more implants than ever before and defended our premium implant prices against stiff competition. Consequently, we continue to be the world's leading dental implant company.

We substantially expanded our digital equipment business and, having entered the CAD/CAM arena just four years



Gilbert Achermann, Chairman of the Board of Directors

ago, we made progress towards our objective of establishing Straumann as a major contender in digital dentistry.

SOLID GROWTH LED BY NORTH AMERICA

Geographically (see pp. 30–33 for regional details), North America was our main growth driver, regaining double-digit growth (+10%) in local currencies (l.c.) as we made further progress in strengthening our market position.

A quarter of our total growth was delivered by our smallest region, the 'Rest of the World' (+26% l.c.), which continued to grow dynamically. In Asia/Pacific (see p. 31), we posted a solid increase, lifted by the rapidly expanding Chinese market. Contrastingly, Europe – which accounts for almost half the global tooth-replacement market – struggled with economic difficulties in the EU and dampened consumer sentiment. In spite of these challenges, we still succeeded in stabilizing our regional revenues at prior year levels, albeit in an overall declining market (see pp. 30–31).

PERSEVERING AGAINST UNPRECEDENTED CURRENCY HEADWIND AND NATURAL DISASTER

The most significant impact on our performance was currency headwind. In 2011, our major currencies, the euro and the dollar, fell to their lowest-ever levels against the Swiss

franc (see p. 143), contributing to a currency effect that slashed CHF 71 million from our top line, bringing Group net revenue to CHF 694 million, lower than in the previous two years.

Just 14% of our net revenues are in Swiss francs – less than half of which is generated in Switzerland, where more than 40% of our cost base is. In addition to cost management initiatives, we have taken initiatives to mitigate the currency impact, for example by leveraging the contribution of the US to global production. The intervention by the Swiss National Bank to set a minimum exchange rate of CHF 1.20 against the euro was very welcome and will provide more certainty going forward. As the Swiss franc is overvalued, there should be an upside potential on the currency side, once the economy stabilizes.

The other main factor weighing on our results in 2011 was an impairment charge of CHF 40 million in connection with the earthquake/tsunami in Japan in March. The impairment relates to intangible assets acquired in 2007 and is based on Management's assumption (see p. 185) of how the Japanese economy and market will develop in coming years. Notwithstanding, the Japanese market is still the biggest in Asia and it remains attractive.

CONTINUING INVESTMENT

Our goal for profitability was to deliver margins at least in line with the prior year. The two aforementioned unforeseeable circumstances made this impossible. In addition, the faster growth of our digital solutions – and our scanner business in particular – added to the pressure on margins because they are less profitable than our core implant businesses. Notwithstanding, the gratifying expansion of our scanner base is strategically important for generating sales of higher-margin CAD/CAM prosthetics. Thus, our gross margin declined in spite of considerable efficiency improvements in production and the implementation of 'lean' management principles at all of our sites (see p. 54).

We continued to invest in people and created 91 new jobs, most of which were in Sales & Marketing, to drive future growth. With our level of investment in research and development (R&D) maintained, our underlying (i.e. corrected for the impairment charge) EBIT margin was 17%. The corresponding underlying net profit margin was 14%. In absolute terms it was a quarter less than the prior year, and amounted to CHF 98 million.

INNOVATION SUBSTANTIATED BY CLINICAL EXCELLENCE

In order to prop up margins many companies have had to make sacrifices in research in the current economy. We have not followed this approach because innovation and clinical documentation are at the heart of our business model (see p. 13) and are central to our success. We have maintained a well-stocked pipeline (p. 51) and, with an investment of 5% of revenues, we continue to rank among the leading contributors to R&D in the field. Our extensive clinical program currently includes 18 ongoing clinical studies – tracking more than 900 patients around the world.

The value of scientific substantiation is even more evident in light of increased scrutiny of medical devices and legal action against certain manufacturers. Having concentrated on evidence-based dentistry since we entered the field, we are confident that our implant system is one of the best documented. In 2011, the first ten-year clinical data were published for our SLA Soft Tissue Level implants, which are still on the market today (see p. 39). Five-year data were published on our SLActive surface, three-year data on our Bone Level range, and two-year results for our high-performance implant material, Roxolid.

While genuine innovations were sparse in our industry in 2011, we introduced several refinements and novel solutions, which improve processes, convenience, and the standard of patient care (details on p. 37). We showcased them together with our range of other innovative solutions and services at international trade meetings which collectively drew more

'INNOVATION AND CLINICAL DOCUMENTATION ARE AT THE HEART OF OUR BUSINESS MODEL.'

than half a million visitors – showing that the fundamentals of our industry are intact, despite the present sluggishness.

COMBINING KEY INNOVATIONS IN ONE IMPLANT

There is hardly a better example of continuity in innovation than the new narrow-neck implant we introduced in October (see p. 41). Our high strength material Roxolid has enabled us to re-engineer our narrowest soft tissue level implant, which is used when space or bone is limited. The benefits of its SLActive surface and tissue level design reduce the time to final restoration. We also added new features to facilitate handling. Although we have clinical documentation, we chose to introduce this implant through a controlled market release – in Straumann's typical precautionary way.

THE STRAUMANN PRECAUTIONARY PRINCIPLE

In regenerative dentistry, MembraGel, our novel membrane for guided bone regeneration, is another example of responsible product introduction in 2011. We now have three-year clinical data on the product, but as it requires a new application technique, we have decided to introduce it through an education-based launch, which included more than 4400 customers in 2011.

BRINGING THE LATEST INNOVATIONS TO CUSTOMERS – MORE EFFICIENTLY

In restorative dentistry, we added new materials to our broad range of high-performance ceramics including a revolutionary nano material (see p. 43) supplied by 3M ESPE. This illustrates our strong desire to offer customers the best solutions – from our own range or by integrating third-party technologies with our own innovation and service. We also enhanced our range of prosthetic options and digital solutions. New software extends the functionality of our guided surgery and CAD/CAM systems, while our fully integrated intra-oral scanning option puts an end to unpleasant and imprecise impression-taking. These and other advances launched in 2011 mean that implant restoration workflow can be com-

pleted entirely digitally – from impression, through design, to manufacturing.

The aforementioned examples are a small selection of several new products introduced in 2011, which are presented on p. 37 ff. Aside from the technological developments at the product level, we made significant progress in production (see p. 54), reducing manufacturing times for CAD/CAM elements by 10–30% depending on product type – without compromising on quality or cost efficiency. This and the other aforementioned achievements have brought us several steps closer to our objective of being a global partner of choice in CAD/CAM.

Our Operations team also succeeded in achieving efficiency improvements elsewhere in production and logistics, through the introduction of 'lean' management principles – which was another of our objectives for 2011.

DRIVING TECHNOLOGIES THAT SHAPE THE FUTURE OF DENTISTRY: DIGITALIZATION

In our previous Annual Report, we stated our intention to be a leading player in digitalization as it shapes the future of dentistry. Our progress with intra-oral scanners and in-lab solutions in 2011 brought us a step nearer to this goal, but perhaps our most significant undertaking was to initiate a three-way partnership.

The spread of digital technologies in dentistry has led to incompatibility and a great need for standardization. Our response to this was to forge a partnership with Dental Wings and 3M ESPE to create an open standard software platform covering a range of dental applications. This will simplify, save time, and stimulate growth in our industry. Dental Wings is ideally positioned to spearhead this initiative and offers the common platform that manufacturers need to open their systems and attract new business. The initiative should attract business to Straumann, and will enable us to focus on key dental applications rather than on operating system software.

'WE HAVE SKILLED LEADERS, COMMITTED EMPLOYEES,
AND A CLEAR STRATEGIC DIRECTION.'

To underscore our commitment to this project, we invested in Dental Wings and acquired a minority stake of 30% in June.

REORGANIZING FOR THE FUTURE

While a number of companies announced significant job cuts, including several international companies based in Switzerland, we were able to create 91 new positions, the majority of which were in Western Europe and North America, mainly in Sales and Marketing.

In recent years our portfolio, geographic reach, and customer base have also expanded considerably, which has added significant complexity. To address this, we initiated a large reorganization project with the goal of leveraging growth by improving efficiency and reducing complexity. After careful analysis, we have decided to divide our sales team into dedicated sales forces focused on specific customer and product groups. This will bring us closer to customers, improve our service, and drive sales growth.

Our organization at global headquarters reflects this focus: We are strengthening our business units, giving them greater autonomy, and improving their interface with sales. This will help us respond to customer needs and bring products to market more expediently. The new organization is built around three businesses and three regions, each represented in the Executive Management Board, which has been extended from four to seven members (see p. 106). Our Corporate and Strategic Management groups have also been realigned.

We can take this initiative with confidence, not only because we are in a position of strength, but also because we have skilled leaders, committed employees, and a clear strategic direction. Having started the project in the third quarter of 2011, the new organization will be operational in the second quarter of the current year.

In November, we had the pleasure of welcoming our new Chief Financial Officer, Thomas Dressendörfer, to Straumann.

Mr. Dressendörfer has had a progressive career in finance in several international companies in various industries. His financial expertise, leadership qualities, and strong track record in business optimization make him very well suited for his new role at Straumann.

In the course of our reorganization project, Franz Maier decided to pursue his career outside Straumann and relinquished his responsibilities as Executive Vice President of Global Sales at year-end. He contributed significantly to establishing a new level of professionalism in global sales and marketing, the fruit of which has been market share gain. We thank him and wish him all the best for the future.

PEOPLE ARE OUR SUCCESS

One of our biggest challenges since the market recession in 2009 has been to maintain a stable team and to be well positioned for recovery. In 2011, we successfully achieved our objective of keeping our implant production staff intact without reducing working hours as in previous years. Having considerably strengthened our Sales & Marketing team in 2010, we continued to add new positions in the countries. We also created a number of new jobs at our global headquarters as well as in CAD/CAM and regeneratives production.

We have a portfolio of employee training and education programs and are committed to the ideal of promotion from within. In 2011 – for the first time – we achieved our goal of filling 50% of open positions with internal candidates.

RECOGNIZING VALUE CREATION

For many years our compensation model has been based on the increase in economic profit/value creation and is thus tied to shareholder interests. In the past three years, extraneous factors have severely limited Straumann's ability to generate sufficient economic profit to result in any variable compensation (bonus) for our staff. This did not reflect their hard work, achievement, and commitment to 'simply doing

more'. On the contrary, many employees exceeded their personal targets, helping Straumann to gain market share.

In 2011, the strength of the Swiss franc and the economic environment slashed our reported profits – even though Straumann delivered above-market performance and a decent underlying net margin – in very difficult conditions. We launched a stream of new products and solutions, achieved efficiency improvements, increased our customer base, and added value for our stakeholders in various ways. The Board strongly feels that our staff should be rewarded and encouraged for these achievements and has therefore decided, once again, to award a discretionary bonus with a multiplier of one – which corresponds to half of the bonus for performance on target.

To address the shortcomings of the compensation system, the Board worked on a new model in 2011 – as promised in our previous Annual Report. The new model is outlined in the Compensation Report on pp. 130–133 and will be presented to the shareholders at the forthcoming Annual General Meeting. We have a highly engaged, talented team and the tools to inspire, encourage, and retain them.

EDUCATION – DETERMINING THE FUTURE

The dental markets of tomorrow depend largely on efforts to advance education today. Training and education is therefore fundamental to our business model, strategy, and vision. In 2011, more than 60 000 places on Straumann courses were filled worldwide.

Our long standing academic partner, the ITI (see pp. 64–65) also increased its contribution to quality education in implant dentistry and related fields. Fuelled by the success of its Study Clubs – an important platform for sharing knowledge and networking – the ITI expanded its global membership to more than 10 000.

We also supported a number of third-party initiatives, including a new educational concept pioneered by the Academic

Center for Dentistry in Amsterdam (ACTA), which now offers undergraduate teaching on all basic aspects of oral implantology, including subjects that are often covered only in postgraduate courses.

CHARITABLE ACTIVITIES CONTINUE

Educational activities also feature in several of our sponsoring programs. In times of economic uncertainty, charitable donations are often the first costs to be saved. We are pleased to report that this was not the case at Straumann in 2011: We continued simply doing more to support charitable dental relief programs around the world and to help put the bite back into the lives of many underprivileged people (see pp. 70–73). Our major charitable donation was to disaster relief work in Japan, where, as a sign of solidarity and sympathy, Straumann donated more than CHF 630 000 in 2011, a portion of which was to restore disruptions in education.

MARKET CONSOLIDATION

Merger and acquisition activity in 2011, in both the implant and digital segments, confirmed expectations that our industry will consolidate. Our strategy has been to consider extrinsic growth opportunities that add value for our shareholders. With the exception of a 30% stake in Dental Wings, a leading dental software company, we did not make any acquisitions although we did evaluate several opportunities. Despite the changing competitive environment, Straumann has the strength, reach, and brand power to continue growing organically.

SHARE PERFORMANCE AND PURCHASE PROGRAM

The stock market was choked in 2011 by fears about the economy – particularly in Europe. Being susceptible to economic trends, Swiss shares dipped lower than average. Furthermore, in the gloom about the economy, investors shied away from shares in healthcare companies whose products are not reimbursed. In recent years, we have succeeded in protecting shareholder value but the aforementioned factors – especially the slow market recovery, meant that our

share performance was sobering (see p. 230 for analysis) – even if it was within the average of the Swiss Mid Cap index (SMIM).

Notwithstanding, we are convinced that there is plenty of opportunity for long-term value creation, both in the sector and at Straumann. While the development of our share price in 2011 was disappointing, it opened up an attractive opportunity, because it does not reflect the fair value of the company and – in our opinion – has upside potential. At the end of August, we therefore decided to purchase Treasury shares for up to a maximum of CHF 100 million over an unspecified period (see p. 95). The purchase will reduce our high cash position, without reducing our ability to take advantage of attractive strategic opportunities as they arise.

DIVIDEND MAINTAINED

Straumann is maintaining its dividend policy and the Board of Directors proposes a dividend for 2011 of CHF 3.75 per share to the Annual General Meeting of the Shareholders.

As in 2010, we will take advantage of the Swiss federal tax law that offers tax relief on dividends paid from reserved capital contributions by paying CHF 1.55 of the total dividend per share out of ‘reserves for capital contributions’.

OUTLOOK (BARRING UNFORESEEN CIRCUMSTANCES)

DISCUSSION OF STRATEGY

We believe that clear strategic focus and direction, the flexibility to adapt quickly, operational excellence, and a committed team have brought us through the recent economic recession ahead of our competitors. Having focused on achieving stability and efficiency in the prior two years, we continued to pursue a growth strategy in 2011, confident that the fundamental drivers of our markets are intact. Our strategy is discussed in further detail on pp. 14–17.

General economic uncertainty, exacerbated by the debt crisis, continues to depress consumer sentiment in many places,

which in turn restrains our main markets from returning to sustained vigorous growth.

On the other hand, low penetration rates in implant dentistry, improving work flows in dentistry due to digitalization as well as demographic trends will sooner or later bring back solid growth.

From a regional perspective, we expect challenging developments in many countries, especially in Europe. Fortunately, there are positive signals and elsewhere – for example in the US and emerging markets like China, where the latest economic data are encouraging and the business outlook for 2012 is slightly more optimistic, and we have good reason to expect similar levels of growth there in the year ahead.

Looking further ahead and assuming that the general economic environment will remain volatile for several years, we have to reckon with market growth in the high single-digits rather than a full recovery to the double-digit rates that characterized our industry prior to 2008. High single-digit market growth is still very attractive and provides ample opportunity for sustainable shareholder value creation.

CONFIDENT GOING FORWARD

Straumann is well positioned for continued success, not least because of the quality of our people and leadership, our innovation strength, our excellent product offering, our network, and our customer base. Because of this, our well-stocked pipeline, and our new organizational design, we are confident that we can perform above the market in local currencies in 2012 and going forward.

The prevailing instability and uncertainty in the financial markets, particularly with regard to currencies, make us cautious in offering guidance on margins, especially as more than 90% of our business is abroad and our main cost base is in Switzerland.

'THE FUTURE OF DENTISTRY IS INDEED EXCITING
AND WE ARE LOOKING FORWARD TO SHAPING IT TOGETHER
WITH ALL OUR CUSTOMERS AND THE ITI.'

The currency situation will be a major question in 2012. If the Swiss National Bank maintains the minimum exchange rate for the euro at CHF 1.20 – and we assume this will be the case – Straumann does not expect further currency headwind, at least in 2012. We won't see an improvement over 2011, but at least there should not be a further deterioration, and that is a major step forward. The currency trend is the main factor for the negative medium-term margin trend. In 2012, we will continue to invest in all our franchises, our pipeline, and in Marketing & Sales to create and drive superior treatment solutions and services. We will also continue to optimize efficiency and expect to achieve gross and EBIT margins at least in line with the prior year levels.

VISION 2020

Straumann's vision remains unchanged: We want to be the partner of choice in implant, restorative, and regenerative dentistry. Being a full service provider is a key to success in our industry. While most companies offer individual components, very few have direct access to a combination of surgical, restorative, and laboratory customers. Straumann on the other hand is able to reach and address over 100 000 dental professionals and their networks through its own global sales team. Our ambition is to be their provider of choice, to offer them the benefits of our network, and to help them provide quality care to patients.

While we are well positioned to provide superior solutions over the next few years, we have broadened our horizon to address longer-term sustainability in our Vision 2020 project. In the course of 2011, we completed a long-term strategy review, analysing market trends, growth drivers, and our strategic direction for the new decade. We concluded that the long-term growth drivers in our markets are valid and intact. Our new organization has been designed in the context of this Vision and our long-term strategic goals, which focus on value creation for all our stakeholders. Vision 2020 provides us with a valuable roadmap for the future and we will be sharing it in the course of 2012, starting with our

'Capital Markets Day' in May. The future of dentistry is indeed exciting and we are looking forward to shaping it together with all our customers and the ITI.

On behalf of the Executive Management Board and the Board of Directors we thank our staff and other stakeholders for their hard work, support, and commitment throughout 2011. In particular, we thank you, our shareholders, for your continued support, loyalty, and confidence in our company.

Yours sincerely,



Beat Spalinger
President & CEO



Gilbert Achermann
Chairman of the
Board of Directors



1800
Newtons

The lion's bite.

BITING POWER

The 'king of beasts' has one of the most powerful bites and can exert a force of about 1800 Newtons on its teeth. Biting power is vital for carnivores such as lions and wolves for hunting their prey.



For omnivores like humans, biting is less important for survival. We also have chewing teeth, or molars, which can apply a pressure of 600–800 Newtons – roughly a third of that of the lion's.

700
Newtons

Human chewing power.

STRAUMANN – A PORTRAIT

OUR VISION IS TO BE THE PARTNER OF CHOICE IN IMPLANT AND RESTORATIVE DENTISTRY AND IN ORAL TISSUE REGENERATION.

WHO WE ARE AND WHAT WE DO

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.

The Group manufactures implant system components and instruments in Switzerland and the US. Straumann CAD/CAM prosthetics as well as scanning and computer-guided surgery technology are manufactured in Germany and in the US. Oral tissue regeneration products are manufactured predominantly in Sweden. We also offer a wide range of services to the dental profession worldwide, including training and education, which are provided in collaboration with our academic partner, the International Team for Implantology (ITI).

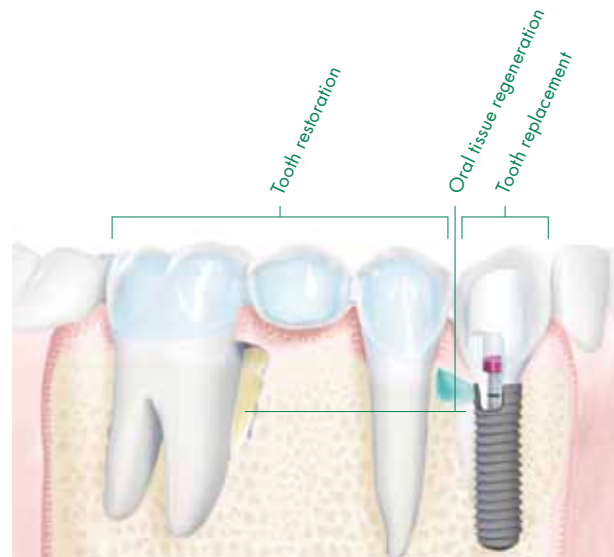
The company currently employs more than 2450 people worldwide. Straumann products, solutions and services are available in more than 70 countries through our broad network of distribution subsidiaries and partners. More than 90% of our business is conducted directly through our subsidiaries.

The business model on the opposite page illustrates how Straumann's businesses and activities are interwoven and interconnected. More about the company structure, organization and management can be found in the chapter on Corporate Governance (pp. 88–112).

WHERE WE ARE FROM

Originally founded in 1954 as a research institute specializing in alloys, Straumann moved into the field of osteosynthesis implants in the 1970s and then focused exclusively on dental implants in 1990. The company went

OUR BUSINESSES



Sectional illustration summarizing Straumann's range of business fields.

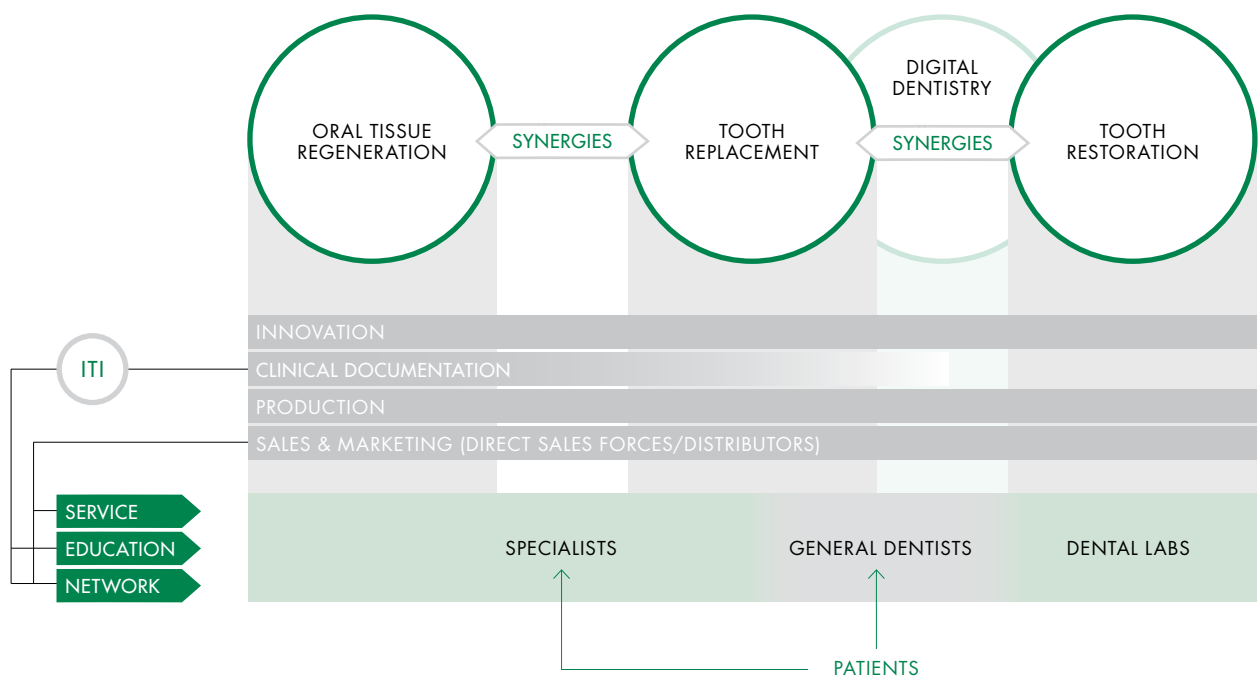
public in 1998 and its shares are traded on the SIX Swiss Exchange. Straumann entered the field of oral tissue regeneration in 2002 and the CAD/CAM tooth restoration sector in 2007. In 2009, the company added intra-oral scanning solutions and software applications for computer-guided implant surgery to complement its digital dentistry portfolio. More recently, in 2011, the company joined forces with Dental Wings and 3M ESPE to establish a standard software platform for dental applications. As a result, the company today holds a unique position in the dental sector, offering surgical, restorative, regenerative and digital solutions from bone augmentation through implants to individualized, CAD/CAM-based crowns and bridges.

WHERE WE ARE HEADED

OUR VISION

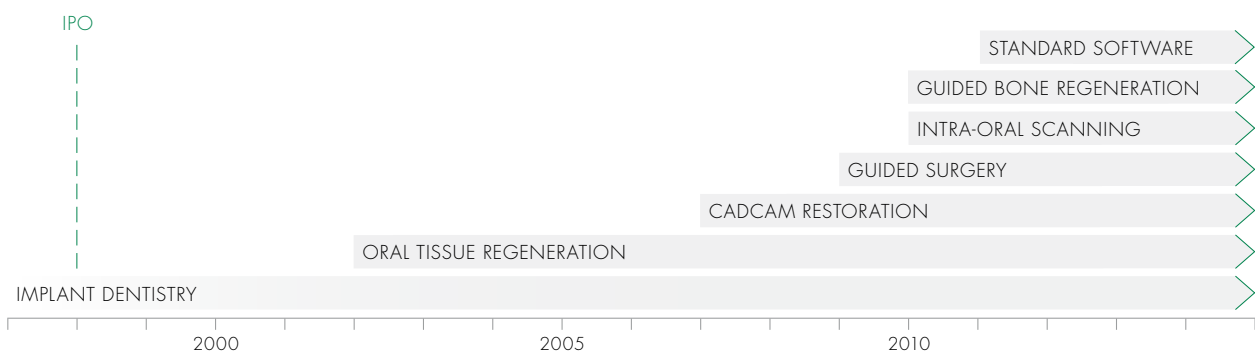
To be the partner of choice in implant and restorative dentistry and in oral tissue regeneration.

OUR BUSINESS MODEL



Straumann is a global leader in regenerative, restorative and implant dentistry. Driven by innovation, the company researches, develops and manufactures dental implants, prosthetics and oral tissue regeneration products (p.36). It is also an emerging leader in digital workflows that support and facilitate tooth restoration and replacement (p.41). Straumann produces almost all its products in house (p.54) and then markets and sells them together with solutions and services – either directly to dental professionals or, in certain countries, through distribution partners (p.237). Education, clinical research and customer networking are important aspects of the business model. In these areas Straumann collaborates with leading clinics, research institutes, universities, and the International Team for Implantology (p.64).

KEY DEVELOPMENTS SINCE STRAUMANN'S IPO



Schematic illustration of the most significant business extensions that have shaped Straumann into a global leader in implant and restorative dentistry and oral tissue regeneration.

OUR MISSION

We are committed to creating success for customers in implant and restorative dentistry and in oral tissue regeneration. By 'simply doing more', we deliver superior solutions that enable dental professionals to provide the best possible care to patients.

OUR STRATEGY**GROWTH AND MARKET LEADERSHIP**

Straumann is currently pursuing a growth strategy, which is focused on dental market-segments that are characterized by high unmet needs, strong growth potential and significant opportunity for innovative solutions. Each of the businesses we are currently in – implant dentistry, restorative dentistry and regenerative dentistry – meets these criteria and we aim for top-three positions in all our market segments, with clear differentiation from our competitors (see p. 23 for market shares).

In this respect, our strategy has been successful. Having overtaken the market leader in implant dentistry in 2010,

we underpinned our leadership position in 2011. With our regenerative product Emdogain, we continue to lead the oral soft tissue regeneration segment and we are among the top three players in centrally-milled CAD/CAM elements (restorative dentistry).

We believe substitution will drive growth in our markets for years to come. For example, dental implants are substituting conventional bridge treatments. Digitalization of dental workflows – such as computer-aided design and manufacturing (CAD/CAM) of restorative elements – is substituting manual processes and opening up new value chains.

We recognize that the performance of our markets is linked to the growth in gross domestic product (GDP) and consumer sentiment, so times of economic uncertainty or downturn may call for short-term adaptation, such as cautious cost management. However, the fundamental drivers of our markets are intact, and we continue to pursue a growth strategy.

‘WE DIFFERENTIATE OURSELVES THROUGH VALUE-ADDING INNOVATIONS, UNCOMPROMISING QUALITY AND STRONG CLINICAL EVIDENCE.’

STRAUMANN'S KEY STRATEGIC BUILDING BLOCKS



Straumann's strategy for its three business franchises is built on the four blocks illustrated above.

STRATEGIC BUILDING BLOCKS

Within our three businesses, our strategy comprises four building blocks, which are explained below. The table on p. 16 provides examples of how we applied our strategy in each case in 2011 and of our priorities in 2012.

DIFFERENTIATION THROUGH INNOVATION AND CLINICAL EXCELLENCE

We aim to stock and deliver a pipeline of innovative, clinically-proven products and solutions that generate value for dental professionals and patients, for instance by shortening treatment times, streamlining procedures, and improving clinical and esthetic outcomes. We also aim to expand indications in which implants can be used.

We differentiate ourselves through value-adding innovations, uncompromising quality and strong clinical evidence, rather than engaging in price-based competition. We use and build our in-house expertise in research and development, and we work with partners through in-licensing, acquisitions or other strategic collaborations.

There are numerous examples of how this strategic building block has been successfully implemented:

- In implant dentistry, they include the development of small-diameter implants using high strength materials (Roxolid) and surfaces with improved osseointegration (SLActive), which offer dentists additional treatment options. Ten years of clinical evidence and more than 110 clinical studies make our SLA Soft Tissue Level implant the best documented implant of its kind currently on the market and demonstrate our commitment to clinical excellence.
- In restorative dentistry, we are now able to offer integrated, streamlined workflows from digital impressions all the way through to CAD/CAM crowns and bridges. We have achieved this by augmenting internal capabilities with acquisitions (etkon) and strategic partnerships (Align/Cadent, Dental Wings, and 3M ESPE).
- In regenerative dentistry, we have successfully executed the education-based launch of MembraGel in guided bone regeneration.

CUSTOMER FOCUS

We aim to have direct access to customers so that we can understand their needs, and this then forms the basis of innovation and product development. We seek to build long-term partnerships with customers by:

- having our own sales force,
- consulting on applications and limitations of products,
- supporting practice-building, and
- offering education both for them and their patients (e.g. on the advantages of implants over conventional treatments).

We therefore set high standards of training for members of our staff who interact with customers.

Our academic partner, the International Team for Implantology (ITI, see pp. 64–65), plays an important role in our go-to-market strategy through high quality education and

STRATEGIC ACHIEVEMENTS IN 2011 AND PRIORITIES FOR 2012

IMPLANT DENTISTRY RESTORATIVE DENTISTRY REGENERATIVE DENTISTRY	Strategy in action 2011	Further reading	Priorities for 2012
Differentiation through innovation & clinical excellence	Outperformed market for 5th consecutive year; growth lifted by Bone Level Implant range, Roxolid, and digital solutions	p. 139	Performance above market average; launch enhanced digital solutions
	Initiated collaboration with Dental Wings and 3M ESPE to pioneer open software standard for dental industry.	p. 43f	Further streamline and connect key digital dental workflows
	Further built innovative product portfolio • Controlled launch of new generation small-diameter implant • Launch of high-performance ceramics for tooth restoration • Continued MembraGel rollout	p. 37ff	Exploit and further build innovation pipeline, further rollout of recent launches
	20 studies completed; 43 ongoing at year-end.	p. 48f	Maintain investments in R&D and clinical excellence
	Dedicated CHF 39 m (6% of net revenues) to R&D		
Customer focus	Started reorganization to enhance agility, salesforce efficiency, and time to market	p. 62	Implement new structure; expand training for sales and marketing
	Presence at key events attended by more than half a million participants	p. 63	Further build customer responsiveness and services; continue to leverage partnerships
	Expanded customer loyalty program supporting training, practice building and patient information	p. 62	
	Increased Sales & Marketing staff by approx. 50 to >1100		Further selective investments
Geographic focus	Achieved growth across all regions; strong in North America and RoW, solid in APAC, slight in Europe	p. 30ff	Foster local management and entrepreneurship to further drive growth; further expansion in emerging markets like China; rollout of key products in Japan
	Bone Level Implant launched in Japan after receiving regulatory approval	p. 31	
	Opened China office; entered Colombian market		
People & operational excellence	Implemented 'lean management'; operational efficiency gains; reorganization to drive entrepreneurship and reduce complexity	p. 54f	Reduce currency exposure
	Completed 'Vision 2020' (long-term strategic direction)	p. 18	Communicate 'Vision 2020' Group-wide
	Strengthened team: 91 new positions, low fluctuation (12%)	p. 66ff	Further build Straumann Academy; implement new remuneration model
	Staff development: >50% of leadership vacancies filled internally; leadership principles defined; 360° assessment for leaders	p. 66	Global staff survey

'A CLEAR STRATEGIC FOCUS AND DIRECTION, THE FLEXIBILITY TO ADAPT QUICKLY, THE OPERATIONAL EXCELLENCE, AND A TEAM THAT IS COMMITTED TO 'SIMPLY DOING MORE.'

its broad professional network. Through this network, which has doubled in the past five years to 10 000 members in 2011, we gain special insight into customer behaviors and needs.

We continue to improve our responsiveness to customers, in line with Straumann's guiding principle of 'simply doing more for dental professionals'. Indeed, the reorganization project we initiated towards the end of 2011 is intended to bring us closer to customers, enhance our agility and shorten time to market.

Our customer focus has broadened our global reach: we are present in more than 70 countries through 21 fully-owned sales subsidiaries and a broad distributor network. We generate 91% of our sales directly and dedicate 46% of our employees to sales and marketing.

This focus is paying off. Global market-research¹ shows Straumann as the implant brand most likely to be recommended by dentists to their colleagues.

GEOGRAPHIC FOCUS

We employ focused 'local' strategies as market dynamics and customer needs vary strongly between geographies due to differences in e.g. purchasing power, implant acceptance and penetration, market structure (i.e. specialist/generalist driven markets) or regulatory and educational requirements.

Over the past ten years, we have successfully expanded globally from our strong position in Europe and now generate 42% of our revenues in other regions.

In North America, our primary focus is to grow the implant business. We support this with programs that help surgeons to educate referring general practitioners in implant dentistry, through building networks and by strengthening our local organization.

In Europe, we drive broader portfolio growth by leveraging our strong market position in implants. We complement our product offering through premium services such as practice building and education to support our premium position.

In Asia, we focus on growth of the implant business by gaining market access in select countries.

PEOPLE AND OPERATIONAL EXCELLENCE

We strive to:

- build a culture of excellence,
- support further portfolio expansion,
- refine our targeted customer approach, and
- maintain our strong financial position.

Our team of highly-qualified professionals is the key to our success and culture – so, attracting and maintaining talent is a priority. We focus on leadership, learning and development, as well as fair and attractive compensation (see pp. 66–68).

To enhance operational excellence, the strategic priority is to manage resources and costs efficiently and to reduce our exposure to Swiss franc exchange rates.

We believe that by having a clear strategic focus and direction, the flexibility to adapt quickly, operational excellence, and a team that is committed to 'simply doing more', we have managed to come through the recent economic recession ahead of major competitors – which is evident in the fact that we have outperformed the market repeatedly.

'OUR STRATEGY HAS PROVEN SUCCESSFUL BOTH IN TIMES OF ECONOMIC GROWTH AND RECESSION.'

VISION 2020

During 2011, we completed a long-term review to analyze market trends, growth drivers and our strategic direction for the new decade. We concluded that the long-term growth drivers in our markets are valid and intact. We assume that the general economic environment will remain volatile for several years. Therefore, for the mid term (3–5 years), we expect market growth rates in the high single-digits rather than a full recovery to pre-recession double-digit rates. High single-digit market growth is still very attractive and provides ample opportunity for sustainable shareholder value creation. Because our strategy has proven successful both in times of economic growth and recession, we are confident that we can successfully address volatility through effective scenario planning.

OUR BRAND

The Straumann brand stands for: reliability, quality, simplicity, innovation, scientific evidence, and service – all attributes that are rooted in our Swiss heritage, which spans more than half a century. It is built on a longstanding reputation and trust, which take years to establish and can be lost in a moment.

PASSION FOR OUR MOST VALUABLE ASSET

In an increasingly crowded global marketplace, our brand is arguably our most valuable asset – together with our people, who are its living expression. We therefore defend and promote our brand passionately and effectively. We monitor and tightly restrict the use of our company name, trademarks, and logos by third parties. In 2011, we continued to implement our policy of restricting third-party references to the Straumann brand unless they add value for Straumann.

Our core beliefs, the Codes of Conduct for employees and suppliers, and our guiding principle are key instruments in safeguarding our reputation. We therefore emphasize their importance to our staff continuously, starting with our

NEW PRODUCT BRANDING VISUAL



New techniques, cutting-edge software, and high computing power were needed to create these incredibly realistic, highly esthetic visuals.

onboarding program and following through in internal communications.

LEVERAGING PRODUCTS AND SOLUTIONS

The Straumann umbrella brand is used to leverage and reinforce product and service brands, for instance: Roxolid, Straumann Allograft, Straumann NNC Tissue Level Implant, and Straumann CARES.

In 2011, we implemented our Corporate Design Policy Manual, which was published in 2010 with the goal of achieving a higher level of visual brand consistency and recognition, thus adding further value to our business. The manual covers all aspects of visual communications and will be extended to include electronic media in 2012 after the launch of our new website.

BRANDING POWER IN HOUSE

Straumann has its own Creative Agency, Events Team, and Digital Media Group, which support our branding initiatives and are heavily involved in developing the relevant materials, ensuring their consistency and promoting Straumann externally. This reduces the need to invest

externally in branding initiatives. As part of our internal reorganization project, which started in 2011, these teams were brought closer together with other customer marketing and communication services with the goal of enhancing alignment and leveraging our brand.

NEW VISUAL

The repeated, consistent use of eye-catching branding elements (e.g. on packaging, promotions, signage, etc.) increases customer recognition and attention.

In 2011, we developed new visuals to promote the quality, precision, value, and technical refinement of our dental implant system. As conventional high-end photography was not able to produce the desired effect, new 3D software was used to produce incredibly realistic and highly esthetic renderings of implants with abutments. This photorealism approach could set a benchmark for future marketing materials.

SETTING A NEW CYBER FOOTPRINT

Coinciding with the publication of this report, Straumann launched a completely new corporate website to promote our business and brand via the internet. Some key requirements for the development of the new website were:

- To strengthen customer relationships and retention through online activities, interactive communication, and integrated online solutions.
- To increase online training and education.
- To strengthen Straumann's reputation and brand awareness.
- To attract skilled, talented employees.
- To add value for our stakeholders through online information and communication.

BEYOND MARKETING

In addition to the aforementioned initiatives to drive brand awareness, we engaged in various activities to further strengthen the Group's reputation and visibility. Such activities range from producing clinical documentation

NEW CORPORATE WEBSITE



Screenshot of Straumann's new corporate website launched in 2012.

(see pp.48–50) to public relations, sponsoring (see pp.70–73) training and education activities (see p.45) – all with the clear goal of supporting our business and adding value for our stakeholders.

OUR BRAND OF BEHAVIOR

Logos, visuals, and names are just part of our branding activities. 'Committed to simply doing more' is the Straumann brand of behavior that we want all our stakeholders to perceive. 'Simply doing more' is not just a slogan; it is the culture of our company that is expressed in every interaction with customers. Hence branding is not an initiative driven by a single department or cost center at Straumann; branding has to be supported by each employee.

REFERENCES/FOOTNOTES

¹ 2011 Perception Pulse study conducted for Straumann by an external market research company

LIFE WITHOUT TEETH

BUTTERFLIES (LEPIDOPTERA)

Butterflies have neither jaws nor teeth. Their diet is exclusively liquid, sucked through a long, double-barrelled tube called a proboscis.

For human babies the nectar of life is breast milk, which – in addition to other nutrients – contains the minerals needed to form bones and teeth. The baby's jawbone is delicate and much softer than that of an adult – even when its first teeth have appeared.

6–8
months

Time to
first human teeth.

THE TOOTHLESS STAGE

Although teeth are not visible in mammals at birth, their milk teeth start developing in the womb. The first human milk teeth appear at age 6–8 months.



MARKETS

OPERATING IN A MARKET WORTH CHF 5 BILLION

Tooth loss can occur for various reasons, the most common being disease (e.g. caries and periodontal disease), trauma, and congenital absence. Even in countries where dental care and hygiene are advanced, the prevalence of missing teeth is high. In addition to the stigma of an imperfect smile, missing or damaged teeth can lead to loss of oral tissue, impaired nutrition, and reduced quality of life.

Attempts to replace lost teeth can be traced through history to ancient times but it was not until the late 1950s that a suitably strong, resilient, and biocompatible material was found to act as a replacement tooth root. The discovery that human bone integrated with titanium opened the door to successful modern implant dentistry. The first titanium dental implant was placed in the late 1960s. Since then, techniques and designs have improved, such that today implants are inserted under local anesthesia on an outpatient basis.

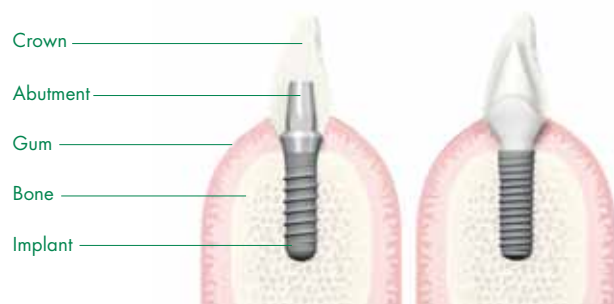
Dental implants act as an anchor for single crowns, multi-tooth bridges, and even entire dental prostheses. Compared with conventional methods, which involve grinding down healthy adjacent teeth to support a prosthetic bridge, implants offer significant advantages, because they:

- avoid damaging healthy neighboring teeth,
- have a proven record of clinical success, documented by numerous scientific studies¹,
- offer a long-term cost advantage, as conventional bridges are more likely to be replaced than dental implants²,
- have been shown to improve patients' quality of life and well-being³.

These advantages have enabled manufacturers and dental professionals to build a global market for dental implants that is currently worth around CHF 3.5 billion⁴.

This market has been supported directly by patient funding, because replacement dentistry using implants is generally not reimbursed by insurance or state healthcare plans.

THE STRAUMANN TOOTH



Cut-away sections showing Straumann Soft Tissue Level (left) and Bone Level (right) implant solutions, with standard (left) and CAD/CAM custom (right) abutments.

THE STRAUMANN TOOTH

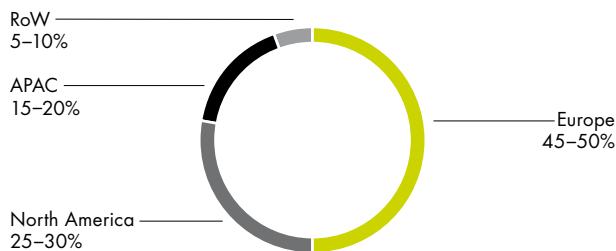
Straumann offers a complete tooth replacement solution that is almost indistinguishable from its natural counterpart, both in function and esthetics. The 'Straumann tooth' comprises a dental implant, a screw-in abutment, and a crown (see illustration above).

Straumann also offers products for regenerative and restorative dentistry, ranging from periodontal treatment to computer-guided implant surgery and CAD/CAM prosthetics. These provide strong synergies for dental professionals and patients, because regenerative and restorative products are often used to support implant treatment.

THE DENTAL SECTOR OF THE MEDICAL DEVICE MARKET

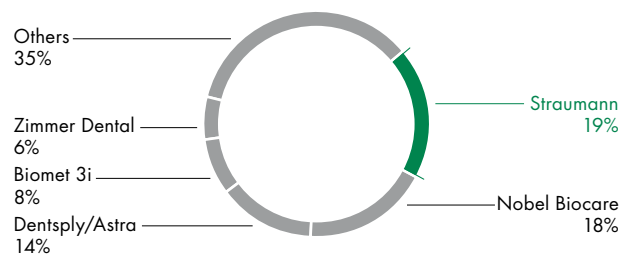
Our products are registered as 'medical devices' – a category which also includes artificial joints, cardiovascular stents, pacemakers, insulin pumps, and wound healing products. The medical device industry is driven mainly by ageing populations and rising living standards in emerging countries. The global market is estimated at CHF 320 billion⁵, of which just 5–10% or more than CHF 20 billion⁶

THE GLOBAL⁷ DENTAL IMPLANT MARKET BY REGION



Source: Straumann estimates, based on Millennium Research Group and iData.

THE GLOBAL⁷ DENTAL IMPLANT MARKET BY SHARE OF SALES



Source: Straumann estimates, based on Millennium Research Group and iData.

are contributed by dental devices and consumables. Straumann operates in the markets for implant, restorative, and regenerative dentistry, estimated to generate annual revenues of some CHF 5 billion⁴.

THE MARKET FOR IMPLANT DENTISTRY

Dental implants and abutments account for most of the market. Tools and instruments, which are used to support implantation, account for only a small part of the market. After its first-ever global decline in 2009, the implant dentistry market stabilized and recovered in 2010. In 2011, the market grew in the low single-digit range. This would have been higher, had demand not been constrained by poor consumer sentiment and a weaker economy in the second half of the year – especially in Europe.

Geographically, the market structure in 2011 remained unchanged. While Europe accounts for about half of the global market, North America is the second largest region followed by Asia/Pacific and the Rest of the World. An increasing need for esthetic tooth restorations and general improvements in the standard of living in emerging coun-

tries have led to above-average growth in the latter two regions in recent years, albeit from a smaller base.

MARKET STRUCTURE

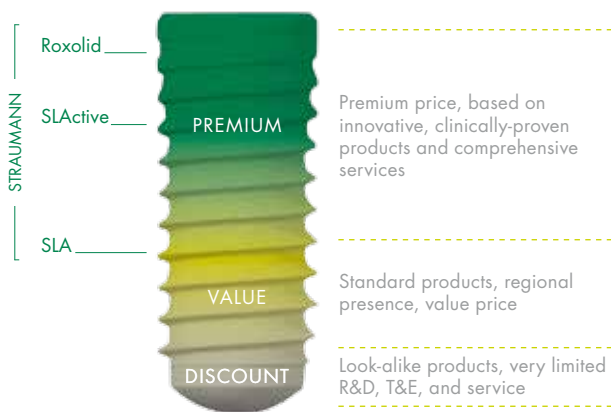
Straumann's share of the global implant dentistry market is approximately 19%⁴. In 2011, the strong appreciation of the Swiss franc cut our reported sales significantly.

The five leading manufacturers account for more than two-thirds of the global market (see chart above). In 2011, the most significant change in the top tier was the acquisition of Astra Tech by Dentsply, which created a new number three player.

The dental implant market can be divided into 'Premium', 'Value', and 'Discount' segments. Straumann competes predominantly in the Premium and, with its SLA implant range, also in the upper Value segment (see illustration on the following page). Discount implants account for the smallest, most fragmented part of the market. These products are usually differentiated through price, rather than by investments in research or user training and education.

DENTAL IMPLANT MARKET BY SEGMENT

Market total: CHF 3.5 bn



Within the dental implant market, Straumann competes in the premium and upper value segments.

Global market research studies in 2011 re-confirmed that dentists choose implants on the basis of product quality, ease of use, product familiarity, and long-term scientific evidence – areas where Straumann repeatedly receives best-in-class ratings⁸. Given this, it is no surprise that, despite the economic environment, most dentists did not switch to low-cost implants. Besides, implant and abutment costs account for only 15–20% of the average total treatment bill. Neither dentists nor patients want to compromise quality to save a relatively small fraction of the cost.

THE MARKET FOR RESTORATIVE DENTISTRY

The term 'restorative' or 'reconstructive' dentistry refers to the application of the prosthetic elements – for example crowns, bridges, partial/full dentures, inlays, and onlays – onto either an implant or a prepared tooth. These prosthetic elements can be fabricated either manually or with digital technology – Straumann is present in this 'digital' market,

which comprises CAD/CAM prosthetic elements and CAD/CAM equipment.

A few decades ago, the main goal of tooth replacement was to improve function. Today, this is taken for granted and patients expect to see an esthetic improvement as well. Close resemblance to natural teeth has become the standard in restorative dentistry.

Traditionally, restorations were fabricated manually. Today, manual work is being substituted by automated processes. Two main developments have made this possible:

- **Digitalization:** It is now possible to design prosthetic elements on a computer (CAD) and to produce them in a computer-aided manufacturing process (CAM). The key advantages are time savings in design and production, and high accuracy of the custom-made prosthetic elements.
- **Material improvement:** Advanced restorative materials have reduced work time and have led to the current high standards of esthetics and function. A good example of this is the new Resin Nano Ceramic (RNC) material for crowns, inlays, and onlays, which became available to Straumann customers in 2011 (see p. 43).

Straumann offers CAD/CAM solutions in restorative dentistry. This market consists of: 'CAD/CAM prosthetic elements' (crowns, inlays, onlays, bridges) and 'CAD/CAM equipment' (typically scanners and milling units). Their collective sales in 2011 revenues were CHF 1.7 billion⁴.

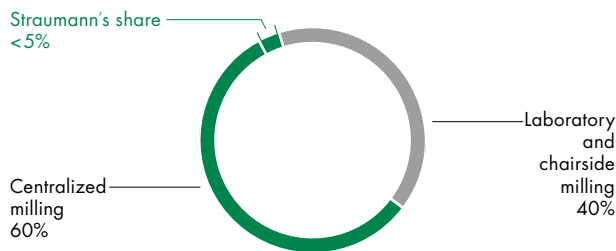
CAD/CAM PROSTHETIC ELEMENTS

Around 15–20% of tooth-borne and implant-borne prosthetic elements are produced by CAD/CAM. The other 80–85% are made using traditional techniques.

CAD/CAM prosthetic elements are produced either in a dentist's office (chairside), or in a dental laboratory by a

'DENTISTS CHOOSE IMPLANTS ON THE BASIS OF PRODUCT QUALITY, EASE OF USE, PRODUCT FAMILIARITY AND LONG-TERM SCIENTIFIC EVIDENCE.'

THE CADCAM CROWN & BRIDGE ELEMENTS MARKET



Source: Straumann estimates, based on Millennium Research Group and iData. Chart does not include inlays and onlays.

dental technician, or in an industrial milling center operated by a CADCAM manufacturer. About 60% of all CAD-CAM crowns and bridges are produced in the latter way (see chart above). Straumann CADCAM prosthetic elements are designed by dental laboratories with our CARES Visual software and milled centrally.

CADCAM EQUIPMENT

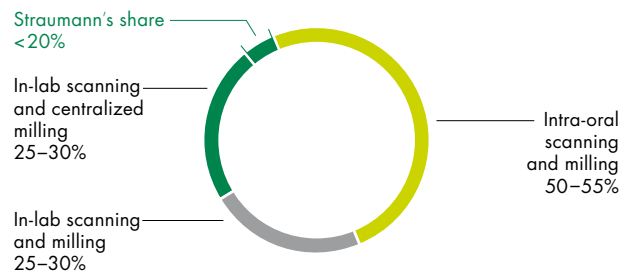
'CADCAM equipment' encompasses three categories:

- intra-oral scanners with or without chairside milling systems,
- in-lab scanners with milling units,
- in-lab scanners connected to an offsite milling center.

Straumann is active in the first and third categories through our intra-oral scanning and CARES CADCAM solutions respectively. We estimate that our market share for in-lab scanners connected to centralized milling centers is estimated to be 15–20% (see chart above).

Dental laboratories are under intense competitive pressure to find optimal levels of production efficiency and product quality. In-lab scanning with centralized milling is an attractive solution, because it gives laboratories access

THE CADCAM EQUIPMENT MARKET



Source: Straumann estimates, based on Millennium Research Group and iData.

to the latest technology without investments in expensive high-maintenance milling equipment. Laboratories profit from precise, high quality restorations and are able to respond to the needs of their customers with a high degree of flexibility.

THE MARKET FOR REGENERATIVE PRODUCTS

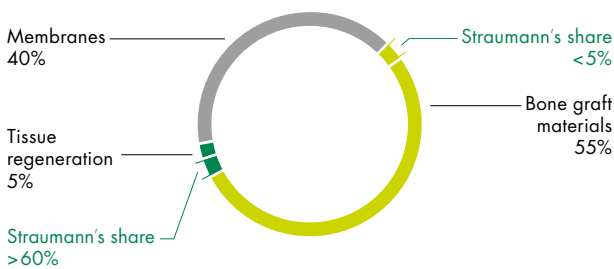
The regenerative products market is believed to have grown in the mid-single-digit range in 2011 to approximately CHF 500 million⁴. Its segments include:

- Bone graft substitutes
- Membranes
- Soft tissue regeneration products.

Since the launch of MembraGel in 2010, Straumann has been active in all three segments (see chart on next page).

BONE GRAFT SUBSTITUTES

Bone around a tooth gap can be lost due to several factors, for example the disease that caused the tooth loss, or if the tooth is not replaced with an implant within a certain period. As a result, an estimated one in four implant cases requires bone augmentation or transplantation either prior to, or concurrent with, implant placement⁴.

 THE ORAL TISSUE REGENERATION MARKET


Source: Straumann estimates, based on Millennium Research Group and iData.

This can be done with four types of graft material, which are converted into new bone by osteoblast cells in the body:

- Autografts (the patient's own bone)
- Allografts (human bone – but not the patient's own)
- Xenografts (bone from animals)
- Synthetic bone (e.g. Straumann BoneCeramic).

Synthetic bone accounts for more than half of the total regenerative market, and Straumann's share of this is around 5%. Allografts do not play a prominent role, except in North America, where they account for half the market. Straumann entered the US and Canadian allograft markets in 2009 and 2010, respectively.

MEMBRANES

Most bone augmentations are done in conjunction with a dental membrane, which acts as a barrier and prevents soft tissue growth into the space required for bone formation. Membranes account for an estimated 40% of the regenerative dental market. Straumann's novel hydrogel membrane MembraGel was launched in the third quarter of 2010, and has been well received.

SOFT TISSUE REGENERATION

Between 5 and 20% of people suffer from severe periodontitis⁹, the most common cause of tooth loss. Straumann Emdogain is used to regenerate tissues that anchor teeth when they are damaged by periodontal disease. Straumann leads this segment and our share is about two-thirds of the global market.

MARKET INTERDEPENDENCE

Implants and regenerative products are often used in combination. So, growth in the two segments is linked and key customers are often the same people, i.e. dental surgeons and periodontists.

The largest proportion of dental professionals is general practitioners. Most of them do not place implants themselves and refer patients to a dental surgeon for placement. The general dentist then carries out the restoration by adding the prosthetics once the implant has healed and is integrated in the bone. Although few general dentists currently place implants themselves, the number is expected to grow.

An increasing number of general dentists use CAD/CAM prosthetic elements for implants and conventional tooth-borne restorations. CAD/CAM elements are either produced in the dental practice (chairside) with a small milling machine, by dental laboratories, or by central milling facilities (for instance at a Straumann CARES production center).

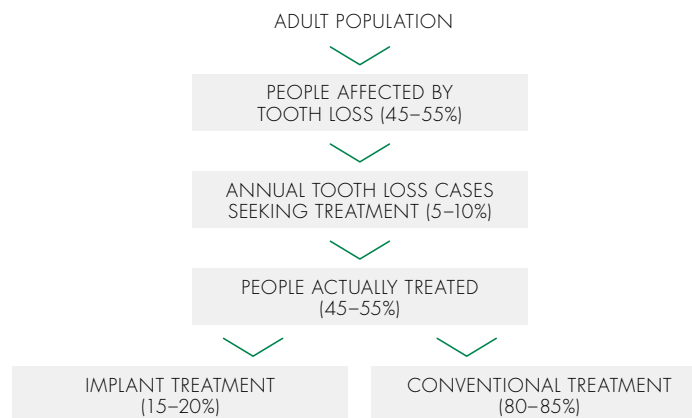
Because Straumann's product portfolio covers the entire implant treatment chain, we have broad access to specialists, general dentists, and dental laboratories. This contact and exposure to the entire market is a crucial help in discovering needs and developing new products.

TRENDS IN DIGITAL DENTISTRY

Digital dentistry is the computerization of dental work, from initial impression-taking right through to the final

'AROUND 30% OF ADULTS IN THE DEVELOPED WORLD CURRENTLY
ARE MISSING AT LEAST ONE TOOTH.'

TOOTH LOSS AND TREATMENT COURSES (USA)



The population in the US is aging, resulting in more patients with tooth loss. Patients who have been treated are likely to require maintenance work (probably more so with conventional treatment). Most people lose more than one tooth in life and thus re-enter the treatment path.

manufacture of a prosthesis. Some dental work-steps are done digitally, while others are still analogue, and there are numerous switches between the two. In the future, digital workflows are expected to prevail, due to clear advantages for dentists and dental laboratories:

- Improved efficiency: Labor-intensive manual processes are being replaced by computer-aided procedures to save cost and time
- Improved accuracy: Computer-aided procedures have low error rates and enhanced quality assurance
- Improved predictability.

Straumann recognized the digital trend and entered CAD-CAM in 2007 and intra-oral scanning – as well as guided surgery – in 2010. In 2011, Straumann agreed to collaborate with a dental software provider to create a leading open standard software for the dental industry.

OUTLOOK – FUNDAMENTAL MARKET DRIVERS

In the absence of reimbursement, our markets can be restrained by the general economic environment. Over the past two years, implant dentistry has recovered slowly from the economic downturn of 2009, with the US and European debt crisis in 2011 weakening the speed of recovery. Barring unforeseen circumstances, we expect further improvements over the next two years and are confident the market will reach high single-digit growth in the long-term. This positive outlook is underpinned by the still-intact growth drivers: substitution of conventional tooth loss treatment cases; and demographic aging and affluence.

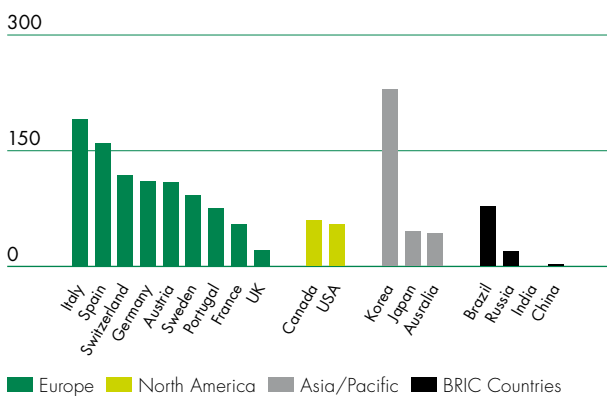
SUBSTITUTION OF CONVENTIONAL CROWNS AND BRIDGES

The substitution of conventional tooth loss treatment (i.e. crown and bridge work fixed on prepared teeth) is the most important growth driver in implant dentistry.

'WE SEE A SIGNIFICANT GROWTH POTENTIAL
IN MARKETS SUCH AS CHINA.'

DENTAL IMPLANT PENETRATION¹¹

Implants placed per 10 000 population per year



Substitution potential is determined by the number of individuals with untreated tooth loss. In 2011, this included patients:

- who lost teeth in 2011,
- with missing teeth, who put off treatment before 2011,
- who need to replace existing dental restorations (usually a conventional crown or bridge).

Straumann believes that the number of potential implant recipients will continue to grow, because:

- Some 50–60%¹⁰ of adults in the developed world have lost at least one tooth so far.
- On average they have lost 3–4 teeth. Around 30% of adults in the developed world are currently missing at least one tooth.¹⁰
- Market penetration of dental implants in industrialized countries is still low: Only 15–20% of adults treated for tooth loss in 2011 received dental implants¹⁰ (see chart on p. 27).

Treatment statistics bolster our optimistic outlook:

- Tooth-loss treatment rates fell after the economic crisis of 2009¹², presumably in response to lower consumer spending. More patients postponed or opted out of treatment.
- As the economic recovery continues, we expect many of those who postponed to ultimately initiate treatment.

DEMOGRAPHIC AGING AND AFFLUENCE

Two demographic trends – aging and affluence in the developing-world – will also drive growth:

- The general population is aging, and life expectancy is increasing: For instance, more than 18% of the US population is aged 60 or more. This will rise to 22% by 2020¹³. US life expectancy at birth reached 78.2 years in 2009¹³.
- Tooth loss is a function of age. In the developed world, two-thirds of people aged 55 and upwards and 84% of those aged 75 and upwards have lost at least one tooth. Only 59% of 45–54-year-olds and 33% of those younger than 35 have lost at least one tooth¹⁰.
- There is further evidence of continued financial strength in the senior population in developed countries¹⁴.
- We see significant growth potential in markets such as China, where incomes are increasing and implant rates are low (see chart left).

ADDITIONAL FACTORS

- Competence in placing implants and completing the restoration is rising, especially among general dentists, who are increasingly willing to recommend implants to their patients.
- Straumann's activities in training and education are further building customer confidence.
- Patient awareness of dental implants is increasing.
- Patient confidence in the merits of implants will rise due to increased awareness of dental implants and their advantages.

GROWTH OUTLOOK FOR CAD/CAM DENTISTRY UNCHANGED

More than three-quarters of dental laboratories are small or medium-sized¹⁵. The majority of large labs own at least one scanner and one milling unit; small and medium labs do not usually own any CAD/CAM equipment. Dental laboratories are consolidating, and as they do, outsourcing is often preferred to investing in new capital goods. Also, they want to convert manual processes to automated workflows. So we see great potential in outsourced milling for small and medium-sized laboratories.

CAD/CAM equipment already has a high penetration in large laboratories, so growth in this segment will mainly come in prosthetics, supported by equipment replacement/upgrades.

GROWTH IN REGENERATIVES STRONGLY LINKED TO DENTAL IMPLANT GROWTH

Because regenerative products are often used to support dental implant procedures, their growth depends mainly on the increase of the latter.

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REGIONS

WE INCREASED OUR INVESTMENTS IN SALES & MARKETING TO MAINTAIN OUR LEAD IN DENTAL IMPLANTS AND TO SUPPORT OUR PORTFOLIO EXTENSIONS IN REGENERATIVES AND CAD/CAM

In 2011, the global market for regenerative, restorative, and replacement dentistry is thought to have grown in the low single-digit percentage range. In local currencies, Straumann's business grew across all regions and segments. As in 2010, we increased our investments in Sales & Marketing to maintain our lead in dental implants and to support our portfolio extensions in Regeneratives and CAD/CAM prosthetics. As a result, our global Marketing & Sales staff grew by approximately 50 to more than 1100. This included sales experts for Regeneratives and for the new intra-oral scanning business, which required the addition of a sales team and first-level support specialists.

LEADING PERFORMANCES IN NORTH AMERICA AND REST OF THE WORLD

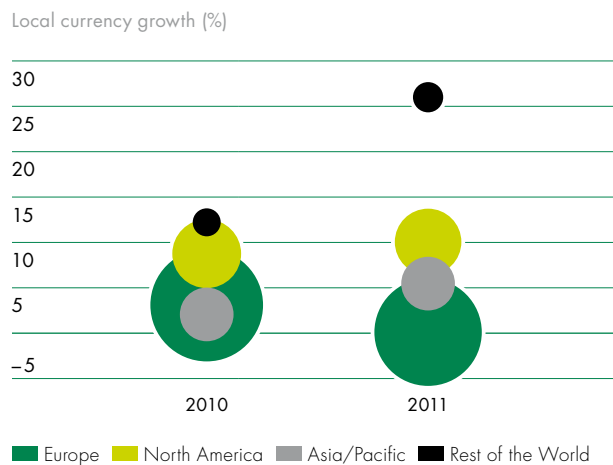
With a double-digit rise in net revenue, North America was our main performance driver in 2011, generating more than half of our overall growth. The 'Rest of the World' was the fastest growing region and made the next most significant contribution (approximately 25%), despite its comparatively small size. The remaining growth came from Asia/Pacific. Europe – our largest region – achieved a very modest increase in a challenging environment.

EUROPE REMAINS STABLE

With the market contracting in Europe, we again underpinned our leading position with a stable performance in line with the previous year. Regional net revenue amounted to CHF 404 million or 58% of Group net revenue. The region contended with high unemployment, sovereign debt, increased taxation, and fears of recession, which undermined already-fragile consumer confidence and constrained demand for non-reimbursed dental procedures.

Performances varied from country to country: France grew strongly and Germany posted solid results, while other major countries such as Italy and Spain declined. Economic circumstances have been particularly challenging in the latter, which is Europe's third largest dental implant market.

STRAUMANN NET REVENUE DEVELOPMENT BY REGION



In each case, the size of the bubble illustrates the comparative size of the regional sales.

Significantly, we expanded our customer base there and continued to exceed market performance. In Sweden, demand for implants was soft, reflecting the effects of reimbursement changes in the past.

We increased our footprint in fast-growing Eastern Europe, with strong growth in the Czech Republic and Hungary.

At Europe's largest dental event, the biennial International Dental Show in March, many customers took advantage of our attractive exchange promotion to upgrade to the new CARES CAD/CAM CS2 scanner. This lifted sales while marketing efforts surrounding the event led to an increase in our base of installed scanners – both intra-oral and in-lab.

With regard to the Regenerative business, we were able to train over 2300 surgically-active dentists in the use of Straumann MembraGel at 150 events in the three German-

'NORTH AMERICA WAS OUR MAIN PERFORMANCE DRIVER IN 2011, GENERATING MORE THAN HALF OF OUR OVERALL GROWTH.'

speaking countries alone. Acknowledging that an increasing proportion of dental graduates are female, we have begun to offer training courses tailored to their needs; these courses were well received.

OUTLOOK (EUROPE)

Our goal is to preserve and strengthen our market leadership, capitalizing on our comprehensive range of solutions, our access to the full dental network, and our innovations that replace conventional treatments. However, without a clear resolution to European debt and sustained economic improvement, consumer sentiment is expected to remain subdued. New-generation products such as our Bone Level Implant range, Roxolid, and MembraGel are expected to help us maintain pricing and to succeed in competitive market conditions. As digital dentistry becomes more popular, we are well positioned with our upgraded CARES CAD/CAM system for dental laboratories, the iTero intra-oral scanner for dental practices, and our open guided surgery system for implant surgeons.

NORTH AMERICA RECAPTURES DOUBLE-DIGIT GROWTH

With double-digit growth in both the US and Canada, North American revenues rose 10% (l.c.) with successive increases in each quarter, despite economic concerns in the summer. Regional revenue reached CHF 156 million, corresponding to 22% of the Group total.

Top-line growth was fuelled by the continuing success of Bone Level implants and Roxolid. Further impetus came from scanning equipment sales, most notably the iTero intra-oral scanner for which we gained non-exclusive distribution rights in the region at the beginning of 2011.

After impressive growth in 2010, our Regenerative business again achieved a strong double-digit increase in 2011, thanks to sales of Straumann Allograft, the launch of MembraGel, and the strengthening of our sales expert team.

OUTLOOK (NORTH AMERICA)

North America's tooth-replacement market progressed well in 2011, almost recapturing double-digit growth. The economic forecast for the US remains uncertain, with housing prices and employment still at remarkably low levels. However, we expect stability in the market in 2012, and our strategic orientation is unchanged. North America is a key growth market for many reasons, including relatively low implant penetration, the aging population, the esthetics-driven culture as well as growing awareness of, and demand for, advanced dentistry. We will therefore continue to invest in our sales capabilities and organization to unlock the full potential of this attractive market.

SOLID GROWTH MAINTAINED IN ASIA/PACIFIC

Revenue in the Asia/Pacific region rose 6% (l.c.) and reached CHF 101 million, or 15% of the Group total. Growth was driven by China and Japan, while Korea declined.

We achieved dynamic sales expansion and maintained our pole position in the fast growing Chinese market, where both the public and private segments are growing. Our performance was aided by a very successful national ITI congress, which attracted almost 1000 Chinese dental professionals, and the establishment of a Straumann office in Beijing.

The region's largest dental market, Japan, declined in the previous year only to be hit further by the devastating earthquake in the first quarter of 2011. Power shortages, the stagnant economy, and consumer caution all led to a further decline of the Japanese implant market.

In these exceptionally difficult conditions, Straumann Japan launched the long-awaited Bone Level implant range, a key element in our strategy to outpace local market growth. Boosted by the successful launch, our Japanese sales returned to growth for the first time in more than two years. We are fully committed to Japan and donated a

portion of sales to disaster relief in 2011 as an expression of solidarity and sympathy (see p.70). Implant penetration rates are lower than in Europe and we intend to invest further, although growth in the implant market will depend on an improvement in the economy.

OUTLOOK (ASIA/PACIFIC)

Asia/Pacific is one of the world's major growth regions, offering Straumann long-term opportunities. Innovation remains a key success factor, which is why we will continue to prioritize the introduction of Roxolid and SLActive. To this end, we have improved our regulatory and clinical capabilities, and are gathering clinical data in Japan.

China is also a key growth opportunity and we are working closely together with our Chinese distribution partner to strengthen areas such as marketing, training & education, and regulatory affairs.

DYNAMIC PERFORMANCE IN THE REST OF THE WORLD

The principal countries in the Rest of the World region are Brazil and Mexico. Customer gains in the former, and a good performance in the latter, contributed to full-year revenue growth of 26% (l.c.). With net revenue reaching CHF 33 million, the region contributed 5% to the Group total. In the course of the year, we entered the Colombian market with a third-party distributor and took initial steps towards market entry in India, reflecting our strategy to extend geographic reach.

OUTLOOK (REST OF THE WORLD)

The Brazilian implant market is the largest in the region and is growing rapidly. It is dominated by local non-premium suppliers and is thus expected to remain one of the most competitive in the world. We are confident that we can compete, by offering a complete range of tooth replacement products. Outside Brazil, there are a number of highly attractive markets with considerable untapped potential, where ITI structures have already prepared the way for quality dental treatment. We will evaluate these in light of our selective plans for expansion.

EXECUTIVE INTERVIEW HEAD OF SALES



Franz Maier
Executive Vice President
Head of Sales in 2011

Has Straumann's customer base changed during the economic downturn?

Our continuous market share gains in recent years have been fuelled by the loyalty of our existing customers and by the 5000 new customers we have won since 2008. Straumann has a clear value proposition and disciplined marketing/sales execution, which have enabled us to address the economic crisis as an opportunity, not merely a challenge.

How did the US market perform?

US practices are professional and serious about marketing. They know they need to excel clinically but see themselves as businesses. Many reacted quickly to the economic downturn and with us embraced the challenge. 2011 results will probably show that we took further market share in the US.

What is the secret to succeeding in emerging markets?

Understanding that customer needs differ widely from established markets. The notion that you can supply emerging markets with old technologies is wrong. These countries have commercial power and they want new technologies.

How has marketing changed since you joined Straumann?

Straumann's dental expertise is remarkable. In recent years we have complemented it with professional marketing know-how that is the gold standard in more mature industries. We aspire to be the most customer responsive service organization and have become a benchmark for brand value, competence, and customer service.

Do you see a trend towards consumer marketing?

The need for professional marketing will increase as the market matures, but it will have to be appropriate for the medical sector. Successful marketing starts with understanding consumers and delivering what is expected. Short-term strategies – like overpromising or cutting corners on science, legal, or regulatory aspects – will eventually backfire on companies that don't understand how to bring both worlds together.

Has the selling process at Straumann become complex?

Complexity came with the acquisitions of the Regenerative business and the CAD/CAM business. We have done a good job in managing it, establishing clear sales processes and getting the different specialties to work as a team. Having learnt that the market dynamics are very different, we have to adjust the organization to focus.

Have selling costs risen disproportionately?

In the past, we needed teams to manage the complex portfolio successfully, which increased selling costs. But we focused and created sales structures that were cost flexible – which paid off when demand in our key markets was very challenging. Today, our selling costs are developing more or less proportionally to the top line.

How important is customer relationship management in a dental medtech company?

It is essential. We are in a B-to-B market, where long-term collaboration with customers is based on consistently meeting their expectations of product performance, service, and innovation. Our CRM tool is state of the art and essential for managing all our interactions professionally.



MILK TEETH

DEER (CERVIDAE)

By the age of 28 months, deer already have a permanent set of fully-formed teeth. This puts them considerably ahead of humans, who at the same age only have milk teeth. Both deer and humans have 20 milk teeth. Likewise, both have the same number of adult teeth – but with one important difference: deer have no upper incisors (and no need for orthodontic correction!). They do, however, have three incisors on each side of the lower jaw, which is typical in ruminants.

Human milk teeth differ from their permanent counterparts in that they are much smaller and their outer enamel layer is thinner and softer, making them more vulnerable to decay.



MILK TEETH (DENTES DECIDUI)



Human infants acquire a full set of milk teeth at 20 to 30 months of age. The first permanent tooth erupts at about the age of 6.

20
milk teeth

in human infants.

PRODUCTS, SERVICES AND SOLUTIONS

A COMPREHENSIVE SYSTEM – FROM TISSUE REGENERATION
TO TOOTH REPLACEMENT AND RESTORATION WITH STATE-OF-THE-ART
DIGITAL SOLUTIONS

SOLUTIONS AND SERVICES

Straumann dental solutions extend from oral tissue regeneration – to help rescue teeth – to complete tooth replacement. They rely on innovative materials and designs as well as leading-edge digital systems. We refined our existing range and introduced a number of new products and solutions in 2011 which are presented in the table opposite together with their key benefits and potential to add value for customers and patients.

REGENERATIVE SOLUTIONS

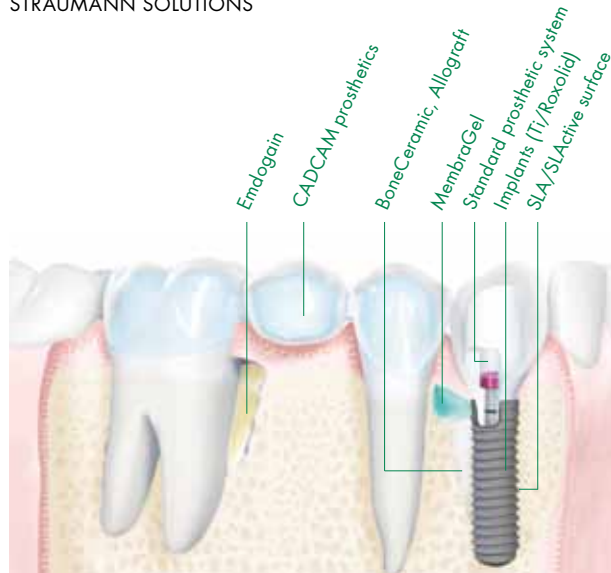
Straumann's regenerative products help to restore gums, periodontal tissues that support anchor teeth, and oral bone.

RESCUING TEETH – SOFT TISSUE REGENERATION

The most common cause of tooth loss is periodontal disease, which damages the tissues that surround and support teeth. Mild to moderate periodontitis affects most adults at some stage in life, while 5–20% of any population suffers from severe forms¹. Although oral hygiene is generally improving, demographic developments indicate that periodontal disease will continue to be a major health problem². Treatment involves controlling the causative bacteria and inflammation as well as subsequent restoration of the periodontal tissues in order to regain tooth attachment. Straumann Emdogain promotes the regeneration of damaged hard and soft periodontal tissue and thus stabilizes and helps to save compromised teeth³. Featured in more than 400 scientific publications, it is one of the most widely studied and documented dental products. Its clinical results demonstrate effectiveness in surgery for the treatment of intrabony⁴, furcation⁵, and recession defects⁶. In addition, Emdogain is approved for use with a number of bone graft materials⁷ in wide defects, where additional soft tissue support is needed.

Our investments and activities to expand the use of Emdogain include award-winning research on its mechanisms of action⁸. A total of 78 publications on the product

STRAUMANN SOLUTIONS



Sectional overview of Straumann's products.

appeared in 2011. Also during the year, the second edition of an Emdogain Periodontal Treatment Guide was published. Results from preclinical and pilot studies show the potential of Emdogain in the treatment of horizontal bone loss⁹. With a view to broadening the product's indication to include this disease, a multi-center clinical trial is being initiated in Germany, Switzerland and the US.

BONE REGENERATION

Market research suggests that at least one in every four dental implant procedures requires bone augmentation¹⁰, either prior to or concurrent with implant placement. The patient's own (autologous) bone is commonly used, but quantities are limited and the procedure can cause pain and complications at the donor site. Alternative materials can be derived from animals (xenograft) or humans (allograft), or they can be fully synthetic (see p. 26 for market details).

'WE REFINED OUR EXISTING RANGE AND INTRODUCED
A NUMBER OF NEW PRODUCTS AND SOLUTIONS.'

PRODUCT/SOLUTION LAUNCHES IN 2011

Product / solution	Description	Added value / benefit for customer
Standard Plus Narrow Neck CrossFit (NNC) implant ¹	Small diameter soft tissue level implant for limited inter-dental spaces or narrow bone ridges. Combines the strength of Roxolid with the enhanced osseointegration of SLActive and the reliability and handling of the CrossFit connection	<ul style="list-style-type: none"> • Confidence in limited spaces • 1 less surgical procedure than bone level • More treatment options • Potential to avoid the need for bone augmentation • Convenient handling; new transfer piece
All-In-One Sets ²	Kit containing all components for a complete restoration	<ul style="list-style-type: none"> • Easier ordering and storage • Convenient packaging for transfer from dentist to lab • Assurance that original components are used
Anatomic IPS e.max Abutment NC ³	Flexible pre-shaped, pre-colored ceramic abutment	<ul style="list-style-type: none"> • Ideal for highly esthetic solutions in narrow spaces • Ideal accompaniment to small diameter bone level implants
Repositionable implant analog	Seamless workflow with intra-oral scanning data	<ul style="list-style-type: none"> • Enables completely digital implant restoration workflow – from impression through design to manufacturing
CADCAM screw-retained bars and bridges ³	For complex implant-borne partial and full-arch prosthetics	<ul style="list-style-type: none"> • Designed and milled centrally by CADCAM • Precise and reliable
Variobase coping ³ (available 2012)	Prosthetic solutions for selected non-Straumann implant platforms ⁴	<ul style="list-style-type: none"> • Original on original implants with Straumann quality prosthetic solutions
Classic line ^{3,5}	Genuine prosthetic components for Straumann implants since 1974	<ul style="list-style-type: none"> • Long-term availability assured
CARES Visual 6.2 ³	CADCAM software release update	<ul style="list-style-type: none"> • Additional functionality, e.g. improved 'morphing' function, to recreate missing chewing surface automatically
coDiagnostiX 8	New guided surgery software	<ul style="list-style-type: none"> • Additional functionality, • Prosthetic-driven implant planning • 3D viewing
Resin Nano Ceramic (3M ESPE Lava Ultimate Restorative) ⁶	Tooth restoration material combining nano ceramic components with a highly cross-linked resin matrix. Used for CADCAM crowns, inlays, onlays and veneers	<ul style="list-style-type: none"> • Very thin, minimally invasive restorations for • Brilliant esthetics with durability • Layering and firing not required • Streamlines workflows
VITA High-end ceramic prosthetic materials ^{3,7}	Highly esthetic inlays, onlays, veneers, partial crowns and crowns	<ul style="list-style-type: none"> • Expanded range • High outstanding natural esthetics translucency, excellent shade matching, chameleon effect

¹ Controlled market release started

² In Europe

³ Product may not be available in all markets depending on regulatory approvals

⁴ Camlog and Nobel Biocare genuine abutment-implant connections

⁵ Manufactured by Diener AG, Switzerland

⁶ Supplied by 3M ESPE

⁷ Supplied by VITA Zahnfabrik H. Rauter GmbH & Co. KG

STRAUMANN EMDOGAIN

Straumann Emdogain, a leading product for periodontal regeneration.

STRAUMANN BONECERAMIC

Launched in 2005, Straumann BoneCeramic is a fully synthetic, high-performance alternative to conventional bone graft materials, which are derived from animal or human bone. The product's use in different indications is backed by a wealth of clinical evidence including 17 clinical and seven preclinical studies which have been published in peer-reviewed journals. Further preclinical studies – in combination with the new liquid membrane Straumann MembraGel – were in progress in 2011.

Research is also underway to evaluate a second-generation, synthetic bone graft material, which might achieve a more rapid bone response and conversion to permanent bone. Results of a first preclinical trial of this new material were presented at the 2011 Congress of the European Association for Osseointegration in Athens.

STRAUMANN ALLOGRAFT

In contrast to most dental markets, the US prefers allograft materials, which are human-sourced. Through an agreement with LifeNet Health, one of the largest and longest accredited tissue banking organizations in the world,

STRAUMANN MEMBRAGEL AND GRAFT MATERIALS

Straumann MembraGel is designed for use in guided bone regeneration with e.g. Straumann BoneCeramic or Straumann Allograft.

Straumann offers a wide range of bone allograft materials. The Straumann Allograft line was launched in North America in 2009/10. In 2011, we extended the range to include a new formulation and several line extensions to add convenience.

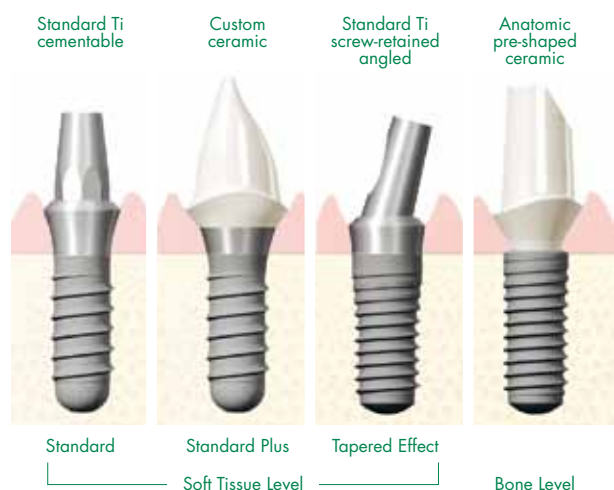
STRAUMANN MEMBRAGEL

In a procedure known as Guided Bone Regeneration, oral-bone augmentation often employs a barrier membrane to stabilize the bone graft and to prevent unwanted growth of soft tissue into the defect. Conventional membranes require trimming to fit the defect; in some cases they must be pinned, and have to be removed surgically after healing, if they are non-resorbable.

Towards the end of 2010, we introduced an alternative in major European and North American countries which allows undisturbed bone regeneration. Straumann MembraGel is applied as a liquid and molds to the defect. It solidifies shortly after application, thereby stabilizing the bone graft and blocking tissue infiltration. It biodegrades over time and dissolves harmlessly. The new membrane is backed by preclinical^{11,12,13,14,15,16,17} and clinical¹⁸ studies, including

'STRAUMANN OFFERS A DENTAL IMPLANT SYSTEM DESIGNED TO ACHIEVE PREDICTABLE, LONG-LASTING FUNCTION AND ESTHETICS.'

STRAUMANN IMPLANTS AND ABUTMENTS (EXAMPLES)



Ranging from standard applications to super-esthetic individualized CAD/CAM solutions, the Straumann Dental Implant System is highly versatile.

one- and three-year follow-up data¹⁹ that have been accepted for publication. More than 8000 patients have been treated with MembraGel since its launch, and a clinical program is ongoing with 300 patients at some 50 locations in Europe and North America.

In 2011, we introduced MembraGel in other markets together with an education program that includes hands-on product training. During the year, more than 200 courses were held for some 4000 customers. We have initiated discussions with over 100 surgeons and beyond to increase our capacity for education in 2012.

TOOTH REPLACEMENT SOLUTIONS

When tooth replacements are needed Straumann offers a dental implant system designed to achieve predictable, long-lasting function and esthetics. It includes Soft Tissue Level and Bone Level designs and covers all indications –

from single tooth to fully edentulous. The implants are complemented by prosthetic components (abutments) that connect the implant to the crown of the replacement tooth. We also supply the corresponding precision instruments, guided surgery tools and handling components that dentists need to conduct implantation.

SOFT TISSUE LEVEL IMPLANTS – PROVEN LONGEVITY

Soft Tissue Level Implants continue to be the main source of Straumann's revenues. In 2011, ten-year clinical data were presented for the first time on our SLA Tissue Level Implants, which continue to be a market leader. Designed for one-stage surgery (in contrast to two stages with bone level implants), they simplify procedures and offer flexibility with a minimum number of components. They have, therefore, become very popular and several million have been sold.

BONE LEVEL IMPLANTS – CONTINUE TO TAKE MARKET SHARE

Our Bone Level Implant range was introduced in 2007 and is our faster growing implant line. Sales were boosted by the launch in Japan in 2011.

We continued to add to the growing body of scientific evidence on bone level implants in 2011. A recent pre-clinical study²⁰ demonstrated stable bone maintenance and excellent soft tissue response, even when implants were placed close to each other. Three-year clinical results²¹ show excellent esthetic outcomes and an implant survival and success rate of 100%. Two-year data from a multicenter RCT²² (including 118 patients) showed an implant survival rate of 99.2% and almost no bone loss.

SLACTIVE – OUR PLATINUM STANDARD

As implant treatment becomes more common, the number of difficult cases will rise, and patients increasingly want faster treatments with shorter times to teeth. SLActive is a major step towards meeting those needs. Since its launch in 2005, it has become one of the best-investigated implant

COMPUTER-GUIDED SURGICAL WORKFLOW



DIGITAL PROSTHETICS WORKFLOW



'DIGITALIZATION IS CHANGING THE DENTAL INDUSTRY
AND WILL IMPACT ALL ASPECTS OF DENTISTRY.'

surfaces on the market. Preclinical studies have endorsed its remarkable properties, including shorter healing times and improved conditions for bone formation, both of which reduce the risk of implant loss²³. In 2012, the total number of SLActive implants sold since launch is expected to exceed 2 million.

As the body of data on SLActive grows, so too does the evidence to support its use in new treatments. In 2011, the first human histology study was published²⁴, which compares osseointegration between SLA and SLActive in the early phase of healing. Results for SLActive were excellent. Another study of Straumann implant surfaces in diabetic patients is due for publication in 2012.

To prepare entry into the Japanese market, we began a multi-center clinical study of SLActive in Japan in 2011, which will continue in 2012.

ROXOLID – FROM STRENGTH TO STRENGTH

Our large clinical program with Roxolid continued^{25,26}. Promising results were presented from a two-year clinical follow up of a double-blind randomized controlled trial²⁷ comparing Roxolid with standard titanium implants in 91 patients. Data from this study, which show high survival rates and minimal bone loss, are being evaluated for publication in 2012. The clinical program also includes a non-interventional study in more than 30 centers worldwide, involving approximately 350 patients and 600 implants in a variety of indications in daily practice situations. The practitioners have considerable flexibility regarding how they place the implants. In more than 50% of cases, the use of a Roxolid 3.3 mm implant may have eliminated the need for bone augmentation, which a wider implant would have required²⁶.

This reflects the significant need for narrow implants, not just when there is limited space between teeth, but also when the bone is thin.

NARROW-NECK CROSSFIT – THE NEXT-GENERATION IMPLANT

At the 2011 Congress of the European Association for Osseointegration, we presented what is undoubtedly our superlative implant, the Narrow-Neck Crossfit (NNC). It combines all our expertise in tissue level design, the advantages of SLActive, the strength of Roxolid and our latest CrossFit connection. Roxolid has enabled us to produce such a small diameter Tissue Level Implant with an internal connection. With a small diameter, it can be used when space or bone are limited. It also incorporates a new transfer piece to make the surgeon's job easier. The implant provides excellent biological response²⁴ and high mechanical strength^{25,26}, while offering extended treatment options. Although its various features are well documented, we introduced NNC in a controlled market release, in typical Straumann fashion. The full market launch will follow in 2012.

DIGITAL DENTISTRY

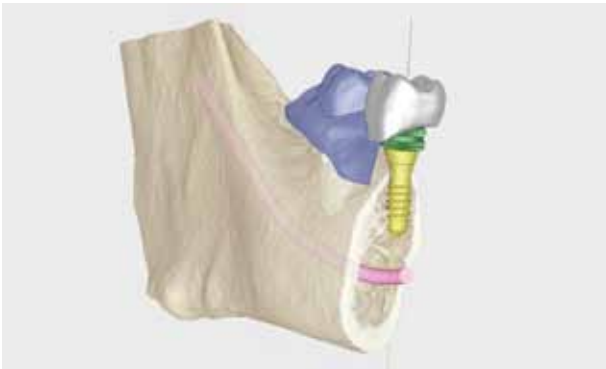
While implants continue to have a profound impact on modern dentistry, the main driver of innovation and enhanced patient care is digitalization.

Digitalization is changing the dental industry and will impact all aspects of dentistry as digital workflows supersede labor-intensive manual manufacturing processes, simplifying interfaces, shortening treatment, reducing potential for error and improving quality assurance and reliability. These benefits are expected to translate into higher efficiency, reduced costs, added convenience and improved comfort for patients. Straumann is committed to bringing the new technologies to customers as part of an integrated array of flexible, reliable solutions that are designed to optimize workflows and enhance patient care.

The objective of Straumann CARES Digital Solutions is to connect the various professionals involved in tooth replacement, including guided surgery users, general dentists and

'THE STRAUMANN CARES PLATFORM OFFERS SEAMLESS CONNECTIVITY TO THOUSANDS OF SCANNERS IN DENTAL PRACTICES WORLDWIDE.'

STRAUMANN COMPUTER-GUIDED SURGERY



A three-dimensional CT image of a section of jaw bone with planned implant site and angulation.

technicians. Straumann CARES Digital Solutions include state-of-the-art guided surgery, intra-oral scanning, and a full range of CAD/CAM prosthetics in modern, biocompatible, durable and esthetic materials. The main advantage lies in the fact that the complete package comes from a single provider and is designed for seamless connectivity to simplify processes and to link dental professionals across disciplines.

Indeed, the Straumann CARES platform connects thousands of scanners in dental practices worldwide and provides our customers with access to future leading-edge developments in digital dentistry.

COMPUTER-GUIDED SURGERY

In computer-guided surgery, 3D imaging technologies are used to plan the position, depth and angle of an implant (see illustrations above). The planning software designs a surgical template, which guides the implant drills precisely (see p. 40). The benefits are: more predictable, esthetic outcomes; minimally invasive surgery; broader indications; and higher patient acceptance of implant treatment.

In 2011, we expanded our guided-surgery offering with enhanced versions of the coDiagnostiX planning software and the enhanced gonyX device. The software connects to a communication tool, CARES caseXchange, via a tablet PC, facilitating treatment communication to the patient and other members of the dental team.

DIGITAL IMPRESSIONS WITH INTRA-ORAL SCANNING

Intra-oral scanners offer dentists a convenient, fast, precise and easy-to-use alternative to conventional, analog impression-taking with putty, which can be very unpleasant for patients. Straumann is the exclusive distributor of the iTero intra-oral scanner in Europe, and became an official distributor in North America in 2011.

Straumann digital solutions connect iTero with the CARES software, so that the prosthetic elements can be produced by Straumann CAD/CAM.

With the launch in 2011 of a small but very significant component, the Straumann scanbody, we introduced the final link that makes the entire workflow digital.

COMPUTER-AIDED RESTORATIVE SOLUTIONS

Modern dental prosthetic inlays, onlays, crowns and bridges are designed by computer (CAD) and milled on computerized machines (CAM) (see illustration on p. 40). This procedure is considerably more efficient than traditional methods and therefore attractively profitable for dental laboratories. It also offers precise, reliable, esthetic, individual solutions for patients.

In 2011, we continued the roll-out of our new CAD/CAM system, which was launched in 2010 and includes a new in-lab scanner.

STRAUMANN MILLING CENTERS – SPECIALIZED IN PROSTHETICS

Straumann has strong expertise in state-of-the-art CAD/CAM prosthetics manufactured with industrial-grade precision

and quality. Their reliability is based on validated design software and manufacturing that are compatible with each other. Our milling centers are preparing to offer design expertise – as a service for complex restorations such as screw-retained bars and bridges – and a scan service for customized abutments.

SCREW-RETAINED BARS AND BRIDGES

Screw-retained bars and bridges are used to connect two or more dental implants in patients who have lost a number of teeth in a row. Bars are commonly used to support partial or full dentures. They ensure a firm, correct fit and allow denture removal for cleaning.

The conventional laboratory method of manufacturing screw-retained bars and bridges is laborious and involves casting, soldering and finishing – all by hand. In 2011, we continued the roll-out of our CAD/CAM bars and bridges, which were launched in 2010.

EXCEPTIONALLY BROAD CHOICE OF HIGH-PERFORMANCE MATERIALS

The prosthetic material can influence the function and reliability of the complete restoration. We therefore use only high-quality materials that meet our stringent internal standards. Straumann CAD/CAM prosthetic elements are available in an exceptionally broad range of materials, ranging from alloys and polymers to high performance ceramics. In 2011, we included additional high-end ceramics and a revolutionary Resin Nano Ceramic (RNC), supplied by 3M ESPE as 'Lava Ultimate Restorative'.

REVOLUTIONARY NANO MATERIAL

Mimicking the translucency and fluorescence of natural teeth, RNC combines brilliant esthetics with durability. It is composed of nano-sized ceramic components and a highly cross-linked resin matrix. Because it is not brittle, restorations are less likely to chip. Thanks to its strength, consistency and elasticity, RNC can be used to produce

complete restorations in a single piece, rather than in multiple layers. It is also ideal for very thin, minimally invasive restorations. Unlike ceramics, RNC does not require firing and is particularly suitable for final adjustment and polishing. It thus streamlines workflows, offering benefits to dentists, dental labs and patients.

ORIGINAL ON ORIGINAL

Our approach, based on more than 30 years of experience in developing and producing implant systems, emphasizes the quality and reliability of a prosthetic product as well as its fit into the overall implant system.

In particular, the connection between the implant and the abutment is of great importance to long-term stability and treatment outcome. The shape and quality of the load-bearing surface is also of great importance – in this respect, the Straumann implant-abutment connection is designed to seal tightly and to provide excellent biting force distribution. Besides these technical and quality arguments, Straumann original components have been evaluated in numerous clinical studies and are based on years of experience. Furthermore, our warranty is void if our products are mixed with those of other manufacturers.

These are all strong arguments supporting the 'Original on Original' campaign we launched in 2011 to inform customers about the potential issues involved with using copycat abutments on our implants. Another initiative launched in 2011 is our All-In-One Sets, which contain all the components needed for a complete restoration. They make ordering, storage and transfer easier and, above all, are designed to ensure the use of Straumann original components only.

CREATING THE OPEN DENTAL SOFTWARE PLATFORM OF THE FUTURE

As digitalization grows, so too does the number of incompatible systems. Standard software would break the gridlock, which is why in 2011 we and 3M ESPE – one of the

largest players in digital dentistry – entered a collaboration with Dental Wings to create a leading open standard software in dentistry. An open system will offer access to multiple data sources, giving customers more flexibility, without having to compromise on quality. Straumann has assumed a key role in this crucial area. We strongly believe that standardization will considerably simplify processes for dental labs and practices, thus reducing complexity, improving treatment predictability and expanding growth opportunities (see interview on p. 47).

OUTLOOK (PRODUCTS AND SOLUTIONS)

Straumann's philosophy of continuous innovation has increased the standard of patient care in the past and will continue to do so in the future. Over the past five years we have introduced a number of significant products, technologies and services, most of which are still being rolled out. Despite this, we still have a well-stocked pipeline of attractive projects, which are outlined in the table on p. 51.

Our goal is to introduce a significant, purposeful innovation every other year, in addition to continuous refinements and updates. We also aim to make our innovations broadly available and are committed to educating the medical community about their distinguishing benefits. We shall continue to provide dental professionals with a wide range of treatment options as part of a comprehensive portfolio of solutions for restorative, replacement and regenerative dentistry.

We will pursue substitution technologies that add value and change treatment paradigms and dentistry in general. We will continue to invest in innovative technologies, new materials, platforms, functionalities and applications to further enhance solutions for dental professionals. And we will look carefully at attractive development projects as well as strategic acquisitions or in-licensing opportunities.

In digital dentistry, we will continue to work on seamless connectivity. It is our goal to further develop our tooth- and implant-borne CAD/CAM portfolio in terms of new materials and applications. Innovations will simplify and improve the efficiency of the whole restoration process. Another area where specific progress is expected is integration of the implant and prosthetics workflow and software standardization. Our collaboration with Dental Wings and 3M ESPE as well as the launch of our CARES 7.0 software in 2012 will be particularly important in this respect.

In a digital world, companies increasingly work together to provide a better overall solution. Further collaboration with other suppliers of dental technologies is therefore expected in 2012 and beyond.

SERVICES

To complement our wide range of products and solutions – and to support their effective implementation – we offer a broad spectrum of services, some of which have been mentioned in the previous section. These differentiate Straumann, endorse our premium status and include the following examples:

SUPPORT

We serve customers directly through our own highly trained sales team. This enables us to provide a personalized service, including initiatives to help them develop their skills, manage their practices/laboratories and expand their businesses. We assist with networking and, if requested, we arrange experienced mentors.

Each Straumann sales subsidiary offers a telephone hotline for customers needing assistance. Callers are quickly linked to a trained specialist for product support. Our CAD/CAM customer support includes a software update service and an in-scanner camera link allowing our service specialist to see inside the customer's scanner in order to provide efficient advice. Our customers rate our service level as



In 2011, Straumann educational courses were attended by more than 60 000 participants.

'excellent', particularly in Germany, where Straumann was named the most customer-oriented service provider in 2011 for the fifth consecutive year, with a special award in the Pharmaceutical and Medical Service Provider category.

TRAINING & EDUCATION

LEVERAGING STAFF AND CUSTOMER SKILLS

Service excellence calls for a high standard of professional knowledge in our staff, who have to provide qualified information and instruction on new products. To this end, we run an extensive internal training program.

Professional education has an essential part in assuring long-term success and patient satisfaction. We offer a very broad range of courses, which extends from classic implant dentistry to modern digital solutions and tissue regeneration techniques. It covers all levels of competence and addresses all relevant specialties (e.g. surgeons, prosthodontists, periodontists, general practitioners, dental technicians, nurses). The curriculum is based on the clinical guidance of the ITI (see p.65) and most of the teaching is provided by ITI specialists and internationally renowned speakers, in collaboration with well-known universities.

Courses are offered around the world, with the highest concentration in North America and Central Europe. The most rapid increase in demand for courses has recently been in China.

In 2011, educational events were attended by more than 60 000 participants worldwide. 4400 of them participated in courses on MembraGel, our innovative membrane for guided bone regeneration. As this is a very new technology we are introducing it in conjunction with a training program to ensure success from the outset.

A NOVEL UNIVERSITY EDUCATION CONCEPT

We also support a number of third-party educational initiatives, including a novel concept pioneered by the Academic Center for Dentistry in Amsterdam (ACTA). Thanks to our provision of materials, planning software and training for key faculty staff, ACTA's undergraduate program will incorporate teaching on all basic aspects of oral implantology, from diagnosis and treatment planning to implantation and prosthetic restoration – subjects that are otherwise covered only in postgraduate courses.

EXTENDED PRODUCT SERVICES

One important addition to our product services in 2011 is the Straumann Classic Line, which ensures the continued availability of prosthetic components for Straumann implants produced since 1974. After more than thirty years, many of our early implants are still firmly attached and chewing. Like natural teeth, they will wear and may need replacement pieces. If so, our Classic Line provides the solution and is a blessing in an age where obsolescence has become a curse.

OUTLOOK (SERVICES)

A key objective of our current reorganization project is to improve our sales interface with customers, which in turn should leverage our service in general. We are also working

on a number of new CAD/CAM service concepts, which we plan to introduce in the course of 2012.

Education is a key to driving implant dentistry in both established and new markets. It is also the key to sustaining high treatment standards and success rates. Straumann will therefore continue to be a leading global proponent of education in the field, in collaboration with the ITI and dental faculties like ACTA, where we are exploring new models and opportunities.

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EXECUTIVE INTERVIEW HEAD OF PRODUCTS



Dr. Sandro Matter
Executive Vice President
Head of Products in 2011

How was the feedback from the market to the announcement of your partnership with Dental Wings and 3M ESPE?

Overwhelmingly positive. Customers know digitization is here to stay and standardization is the right way to go. A future open standard software opens a world of new opportunities for everyone.

Are there any specific objectives to include other partners?

Yes, our aim is to offer Straumann processes and elements built on an 'open' platform that is the Number One in the dental world. To achieve this, we need and want other partners to join this platform, but that will take time.

'CARES 7.0: now open' – is this statement correct?

Indeed, with the upcoming CARES 7.0 system and its DWOS core, Straumann CARES will be built on an open standard software platform, offering dental professionals flexibility, connectivity, and validated workflows with the Straumann manufacturing process. The DWOS partners will continue to have their own software applications, only the platform – the DWOS core – is shared. So although between 70 and 80% of the functionality will be very similar, there will also be Straumann-specific applications. We thus ensure that the product that goes into the patient's mouth is exactly what has been designed.

What do you think are the main benefits?

First, increased flexibility and connectivity throughout the entire prosthetic digital workflow and connections to multiple data sources. Second, reduced investment risks:

investing in standard software driven by several strong partners is the right answer against technological obsolescence. Because of the fast moving nature of technology, this has been one of the big hurdles for our customers facing the introduction of digital technologies. This collaboration gives the market, as a whole, assurance and confidence. Investment decisions that are made today should also be the right decision tomorrow. Third, the capacity for differentiation and the potential to improve the quality and effectiveness of the prosthetic outcome.

Does digitization offer benefits for all dental professionals? Absolutely. In a survey, dental professionals said that the advantages and opportunities of digitization were 'higher quality and precision' followed by 'faster workflow', 'higher cost effectiveness' and 'better esthetics'.

How complete is the current digital workflow of the digital solutions portfolio?

We are already able to offer a complete digital workflow – not only for tooth-borne restorations, but also for implant-borne restorations – with pre-operative planning, guided surgery, intra-oral impression-taking, scanners and milling centers.

What is Straumann's vision of the future of digital dentistry?

Customers buy a product because it is more efficient and adds value. They want higher precision, fewer remakes of crowns, and other clinical advantages. Straumann's vision is to have the leanest, most practical and easy-to-use workflow, where the Straumann product is not only judged by the quality of the final restoration placed in the patient, but also by the process to get there.

INNOVATION

RESEARCH & DEVELOPMENT

CONTINUING COMMITMENT IN CHALLENGING ECONOMIC TIMES

Research & Development are essential for a company like Straumann whose business model, strategy and success are built on innovation. Our commitment to R&D has not wavered even in difficult economic circumstances, when others have scaled back. In 2011, as in previous years, we invested approximately 5% of net revenue in R&D activities to drive innovation that will spur future growth and advance the standard of patient care.

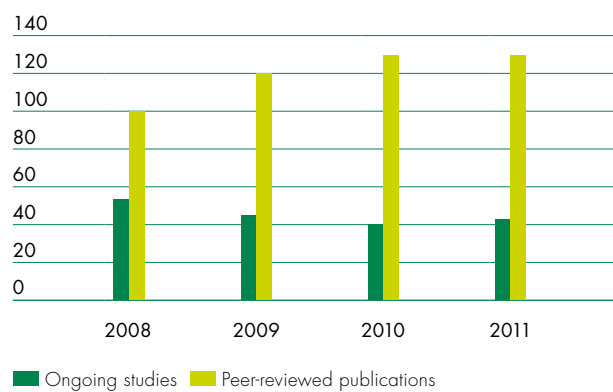
In recent years we have sought to optimize collaboration between our in-house specialists and renowned researchers around the world in order to develop an efficient system for conducting scientifically grounded, high quality research. All potential research projects are screened by a team of experts in a rigorous internal process to identify the most promising candidates. The process is also designed to clarify and resolve potential issues as early as possible. A full range of research activities is undertaken, from basic laboratory research through to preclinical and clinical research programs and large post-market surveillance studies.

PRECLINICAL RESEARCH – FOCUS ON THE BASICS

Thorough testing of all materials and technologies is essential. Mechanical and physicochemical properties of our materials (e.g. surface chemistry, stability, strength) and their biocompatibility with living cells and tissues are extensively tested in vitro. Materials that display the desired characteristics are further tested in a preclinical environment, which may also include an evaluation of surgical techniques or component design. Preclinical studies are carried out by experts at state-of-the-art facilities in Europe and North America, and by professors, doctors and researchers at renowned academic institutions worldwide. Mutually beneficial collaborations of this kind are at the heart of modern scientific research.

At the end of 2011, 24 preclinical studies were under way and ten were in preparation to start in 2012. Fifteen pre-

SCIENTIFIC ENDORSEMENT



Numbers of ongoing clinical and preclinical studies (sponsored by Straumann) and peer-reviewed publications.

clinical studies were successfully completed in 2011. In most cases the results were or will be presented at major international congresses and/or published in peer-reviewed journals.

CLINICAL RESEARCH – FOCUS ON PATIENTS

When products and technologies display sufficient evidence of safety, effectiveness and potential benefit, clinical research investigations begin, often with a few selected patients in pilot trials initially, and subsequently with large, randomized multicenter clinical trials. Larger studies may be performed consecutively or in parallel. 'Non-interventional' studies (NIS) are a frequently used Straumann model to investigate the performance of a product or treatment in everyday clinical situations. Unlike randomized controlled clinical trials, which have strictly defined inclusion and exclusion criteria, these trials include a wide variety of patients and clinical situations that clinicians see and treat on a daily basis. They also provide data for a large number of clinical cases in a relatively short time. Clinicians participating in the study are permitted to use the product/treatment in whichever way they feel is appropriate

'CLINICAL EVIDENCE IS CRUCIAL
TO DEMONSTRATE SAFETY AND EFFECTIVENESS.'

for their daily practice, provided that the recommended treatment guidelines are observed.

Clinical evidence is crucial to demonstrate safety and effectiveness, and – in Straumann's case – a full market release is initiated only if successful outcomes in the testing scenarios are achieved and stringent requirements for safety and effectiveness are met. This is especially important in the changing regulatory environment for medical devices, where requirements for suitable clinical documentation are increasing. Our policy of 'simply doing more' means that we already go beyond what is necessary for regulatory compliance and have a long track record of well-conducted clinical research, giving us an advantage over a number of competitors and providing our customers with peace of mind and reliable products for every day use.

As in previous years, our clinical research in 2011 covered a range of areas, from studies with new products, such as MembraGel, to long-term follow-up investigations of established products, such as our SLActive surface technology. A total of six single-center and 13 multicenter clinical trials were ongoing at the end of 2011, including evaluations of Bone Level Implants, Straumann BoneCeramic, Tissue Level Implants and Emdogain. Five trials were completed during the course of 2011 and at the time of writing a further ten were planned to commence in 2012. The first study involving Tissue Level Implants with an extended rough surface was initiated in 2011, as was the first clinical study with Straumann ceramic implants. In addition, the first multicenter study with SLActive implants commenced in Japan, and substantial clinical results were obtained for MembraGel, which are planned for publication submission in 2012.

The ongoing trials include three large non-interventional studies, as follows:

- The largest is evaluating the performance of more than 1500 Straumann Bone Level Implants in approximately 850 patients at 123 clinical centers in nine countries.



Rigorous laboratory tests are conducted to evaluate the mechanical and physicochemical characteristics of new materials and designs.

- The second focuses on Roxolid implants with just over 600 implants placed in some 360 patients at 40 centers in Europe and the US.
- The third involves MembraGel and is currently enrolling up to 300 patients at 30 centers in nine countries.

CLINICAL SCIENTIFIC AFFAIRS
– FOCUS ON THE SCIENCE

Straumann also supports investigator-initiated studies involving academics and clinicians who wish to conduct research projects and trials using our products and technologies. These external researchers propose the rationale and design of the studies, which are evaluated by a committee of experts. If proposals are accepted, Straumann supplies appropriate support, e.g. through the provision of products or samples. The results of these studies are presented at international conferences and published in peer-reviewed journals. These investigations are coordinated by a dedicated group at Straumann, which is also responsible for: disseminating key scientific information within the company, keeping up-to-date with the latest literature, providing statements on certain topics, and ensuring that scientific accuracy is maintained. 2011 saw the completion of six of these studies, while 71 were in

progress at year-end. A further 32 studies were planned to commence in 2012.

Throughout 2011, over 120 preclinical and clinical publications involving Straumann products or technologies appeared in peer-reviewed scientific journals, underlining our commitment to scientific research. Notable publications include the following:

- Preclinical in vivo results with zirconia versus titanium implants¹
- A preclinical study showing faster osseointegration with SLActive implants in a diabetes model²
- The first 10-year clinical data on Straumann SLA tissue level implants^{3,4}
- Results from a human histology analysis confirming the superior osseointegration with SLActive versus SLA after two and four weeks⁵
- One-year clinical results with Roxolid implants from a large multicenter study⁶
- One-year results from a large multicenter clinical trial with Straumann Bone Level Implants⁷
- A clinical study confirming the success of Straumann implants in irradiated patients.⁸

OUTLOOK

The company continues to have a full pipeline of innovations in development, as can be seen from the table on the opposite page, with a number of launches planned over the coming years. The current level of R&D investment – around 5% of Group net revenue – is also intended to remain unchanged. Upcoming results scheduled for submission to journals in the coming year include 1-year results for the NIS investigation with Straumann Bone Level Implants, and 3-year data from clinical trials with MembraGel, Bone Level Implants and Roxolid implants, respectively.

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A STOCKED INNOVATION PIPELINE

Project	Key benefit target	Preclinical	Clinical	Introduction/roll-out	Addressable markets/segments
New small diameter tissue level implant	More options; simplified handling		Market acceptance; controlled release	Full launch 2012	~5% of implant market
New implant material	Tooth-colored implant for high-end esthetics	9 studies completed	1 ongoing study	Controlled release 2013	~10–20% of implant market
Implant maintenance	Simple, efficient instrument to rescue compromised implants	2 studies in prep.		Controlled release 2012	~5–10% of implant market
	Cleaning material adjunct for the above	5 bench tests done 1 study planned		Controlled release 2013	
Soft tissue control	Tissue control around implants	4 studies completed	2 ongoing studies 2 studies in prep.	2014	~20% of Straumann implants
Advanced planning/guided surgery	New software visualization; more options	Lab tests	Market acceptance	2013	3D implant planning software market
Common standard software platform	Standardization of digital workflows	n/a	n/a	2012	~30% of prosthetic market
Advanced digital versatility (CARES 7.0/8.0)	Validated, integrated CARES workflow or external options	Process validation	Market acceptance	2012	~10% of prosthetic market
Multi-unit restoration for bone level implants	More options for implant borne restorations	Extensive testing of dental workflow & digital process	Market acceptance & limited release	2012	~5% of prosthetic market
New CAD/CAM abutment solutions	More options for implant restorations	Extensive testing, validation, evaluation by expert team	Market acceptance	2012	~10% of prosthetic market
New materials for provisional restorations	Improved handling	Extensive testing	Market acceptance & controlled release	2012	~10% of prosthetic market
Increase intra-oral scanner connectivity	Improved communication and flexibility	Extensive testing, validation	Controlled release	2012	~10% of prosthetic market
Restorative services	Access to digital workflows	Extensive testing, validation	Controlled release	2012	~10% of prosthetic market
New restorative materials	Enhanced workflow efficiency	Extensive testing, validation, evaluation by expert team	Market acceptance	2013	~20% of prosthetic market
MembraGel	Degradable, precise, convenient handling	10 studies completed, 6 ongoing	2 studies completed, 4 ongoing	Roll-out APAC & RoW 2012	>50% of guided bone regeneration market
Enhanced bone graft material	Enhanced bone remodeling regeneration	1 study completed, 1 in prep.	1 study in prep.	2013	>50% of bone graft market
Emdogain	New indications	n/a	1 study in prep.	2015	~25% of periodontal surgery market
PEG technology	More applications	6 studies completed, 2 ongoing	n/a	2015	Guided bone regeneration market

Highlights from Straumann's development pipeline. Introduction/roll-out dates are subject to positive clinical results and regulatory clearances, and barring unforeseen circumstances. n/a = not applicable.

INCISORS

HARE (LEPUS)

A distinctive feature of hares and rabbits is their four large incisors. In hares, these teeth have either no roots at all or small open roots and continue to grow throughout the animal's life. This is necessary because the teeth are worn down by gnawing. There is a smaller pivot tooth behind the upper incisors which supports them.

In humans, the front teeth are incisors. They gleam and appear strikingly large in a child's mouth. When they fall out they grow back once only, and then the root is closed off.

6–8
years

Age when first
incisors are lost.

INCISORS (DENTES INCISIVI)



Spade-shaped and sharp-edged, incisors are well-suited to cutting food into bite-sized chunks.



PRODUCTION AND LOGISTICS

REALIZING COST SAVINGS AND PRODUCTIVITY GAINS IN THE FACE OF UNCERTAIN MARKETS

GLOBAL OPERATIONS

In the face of 2011's uncertain markets and unfavorable exchange rates, it was imperative to find opportunities for boosting efficiency. We held to our plan of implementing 'lean' management principles throughout the organization: improving asset utilization, reducing lead times, increasing automation and reducing costs.

Impressive productivity gains and technology improvements were achieved throughout our production and distribution system (see below), at a minimum capital spend with a maximum of insourcing. To lessen the impact of the strong Swiss franc, some manufacturing was shifted to the weaker-currency zones of the euro and the US dollar, where nearly 40% of our manufacturing capacity is located.

IMPLANT PRODUCTION

The backbone of our production organization is the plant in Villeret, Switzerland, which manufactures the entire portfolio of our dental implant system. Lean management focused on equipment efficiency, workforce flexibility, optimal asset utilization, streamlining manual operations and adding new technology – which brought about a productivity increase of nearly 18%.

Although the Villeret workforce remained stable at approximately 350 in 2011, output increased by 200 000 components to 6.2 million, while quality standards were maintained. Villeret also acquired new competencies in processing ceramic materials and using hydrofluoric acid for surface treatments.

Lean management expertise, some of it direct from Villeret, was also applied at our US implant factory in Andover, Massachusetts. Productivity there rose by 10%, thanks to the introduction of manufacturing cells, shop floor management, equipment efficiency reporting, and a sophisticated approach to unattended manufacturing. Due to the latter,

6% of the plant's output was produced without direct involvement of human labor. Annual output of components increased some 10% to 2.8 million, while staffing remained stable at 110.

The manufacturing process for SLActive, our hydrophilic implant surface, became fully operational in Andover. This – together with the successful transfer of technology for manufacturing our Bone Level Implant range – means that Andover now has a similar capability level to Villeret.

ORAL TISSUE REGENERATIVES PRODUCTION

Our facility in Malmö, Sweden, significantly increased its value chain profitability. A second sterile room, constructed in 2010, became operational and we installed an automated filling line. The latter will eliminate some manual processes and allow greater flexibility when it becomes operational in 2012. Laboratory space was expanded, obviating the need for external services, saving costs and reducing lead times. Additional process improvements raised yields and cut scrap volumes. Our Malmö team increased to 35.

CADCAM PROSTHETICS AND SCANNERS PRODUCTION

Lean management was also introduced in 2011 at our CAD/CAM milling centers – in Markkleeberg (Germany) and in Arlington (USA). This brought improvements in production technology, space management, automation and process quality, cutting lead times and material costs. Results beat expectations, as scrap and 're-do' volumes fell by more than 10%, milling times were shortened by 20%, and sintering productivity was doubled. Thanks to a consolidation of suppliers, the cost of raw materials was lowered by more than 30%.

A new manufacturing building was completed in Markkleeberg in 2011. The 2300-square-meter factory was designed to allow maximum implementation of lean management principles. A prototype for one-piece flow-through automation was successfully tested and will be scaled up

'QUALITY AND SERVICE REMAIN OUR KEY PRIORITIES.'



Precision manufacturing at Straumann's Markkleeberg central milling facility.

in 2012. We also installed new milling technology that will substantially reduce manufacturing costs. In addition, we launched a number of new CAD/CAM products, for example screw-retained bars and bridges and new CAD software.

To realize these projects, our global CAD/CAM/digital team (including our scanner production in Gräfelfing, Germany, as well as our guided surgery and software production teams) increased to approximately 150 people.

LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Although the uncertain market conditions challenged our ability to forecast demand, we improved our service and streamlined logistics. The sales and operations planning process was further refined in 2011, ensuring that our wide range of products is available reliably, continuously and quickly.

As announced and planned in 2010, we commissioned a new, global distribution center in Basel, which will become operational in 2012. Unsurprisingly, its design also focuses on lean management. Our workflows have been redesigned, making operations more efficient and flexible, within an unchanged distribution network.

Our Logistics team has established a state-of-the-art supply chain with transparent reporting tools. All key performance indicators – such as inventory turns, service levels, backorders and forecasting accuracy – showed steady improvement. The first projects with 'Kanban' just-in-time replenishment systems have been executed successfully, ensuring supply without excess inventories. Furthermore, lead times have been reduced in Arlington and Markkleeberg, and turn-around times shortened. Two other important projects were implemented: a global cold-chain system and a consolidation of freight-forward services.

OUTLOOK

As always, quality and service remain our key priorities. Nevertheless, the challenging economic environment requires a significant focus on costs and prudent capital spending. Four areas continue to receive the highest attention in our three-year planning cycle: cost reduction, improvement of asset management, lead time reduction and increased automation. Substantial progress has been made in all four areas, sometimes in excess of our challenging targets. We are confident that we can again exceed our targets in 2012.

We expect Operations headcount to increase moderately over the next few years, even though we have ambitious sales aspirations. Investments will be focused on cost reduction initiatives, automation and maintenance, where necessary.

CANINES

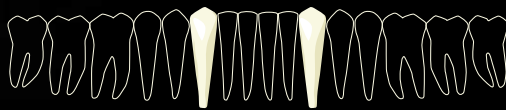
WOLF (CANIS LUPUS)



600
Newtons

The biting force of
an adult wolf.

CANINES (DENTES CANINI)



Canines are very durable and act as guides for the
lower jaw ('canine guidance') when chewing.



Predators like wolves rely on four pronounced, exceptionally sharp teeth called 'canines' to attack and kill their quarry – often with a fierce bite through the windpipe or a major blood vessel. They are also used for gripping and tearing meat. The prominence of these teeth in the canine species has led to the name being used to describe similar teeth in other species. Wolves have 42 teeth, ten more than humans.

Humans also have four canines. They are more pointed than the other teeth and often have a yellowish tinge. Canines also have the longest roots, which anchor them securely in the jawbone. Because canines are narrow and positioned close to neighboring teeth, they are more difficult to replace with implants. High-strength small-diameter implants address this problem (see page 41).

SUSTAINABILITY

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OUR RESPONSIBILITY

CONTRIBUTING TO PATIENTS' QUALITY OF LIFE WHILE BENEFITING SHAREHOLDERS
AND STAKEHOLDERS AND PROTECTING THE ENVIRONMENT.

CEO STATEMENT

Straumann's long-term success is built on our commitment to 'simply doing more' and to creating sustainable value for our customers and their patients, our employees, the environment, and the communities in which we operate.

Our recent reorganization – without headcount reduction – has made our structure flatter and faster. It includes the division of our global sales team into four dedicated, focused sales forces, bringing us closer to customers. A key objective is to foster entrepreneurship, empowerment and personal responsibility among our staff – all key elements of our newly defined Leadership Principles, which will be monitored in our third global staff survey later in 2012.

Our lean management program achieved strong productivity gains across our organization and reduced scrap volumes, benefiting the environment and reducing costs. Despite the challenging economic environment we maintained our charitable activities, providing access to dental treatment for underprivileged groups around the globe. On top of this, we made substantial donations to disaster relief in Japan.

Finally, we completed our Vision 2020 project, providing direction throughout the current decade by focusing on the long-term future of our business environment and the sustainable development of our company.

I want to thank all our partners, customers, ITI members, employees, and suppliers for their support and their contribution to our continuing success.



Beat Spalinger
President & CEO

SUSTAINABILITY: OUR WAY TO CONDUCT BUSINESS

For Straumann, sustainability means conducting our business in a manner that benefits our shareholders and other stakeholders today as well as tomorrow. Our key contribution to sustainability is to enhance the quality of life for patients through innovative dental solutions that provide lasting satisfaction, and to ensure that our business practices are also sustainable. Our strong focus on research and development (see pp. 48–50), uncompromising quality, and extensive education are essential for delivering benefits to patients. Operationally, our focus on sustainability includes attractive working conditions with equal opportunity (see pp. 66–69), and ensuring that we continuously measure and manage the comparatively small environmental impacts our business entails (see pp. 74–77).

The most relevant global trends influencing our long-term business environment are economic developments and the global aging of populations – especially in developed countries – and the availability of modern dental treatment.

Economic conditions impact our business, as in the absence of reimbursement for dental implant solutions, available income of patients influences the sale of our products.

While economic conditions have been challenging in recent years, statistics published by the United Nations and the Population Reference Bureau indicate that the percentage of the global population that is 65 or older will rise from about 8% in 2011 to about 16% in 2050, and they show that in developed regions current life expectancy is already at 78 years.¹

With aging populations, there comes a corresponding growth in the need for dental care, increasing the demand for our solutions and services since implant treatment is often the best replacement solution for tooth loss. While this provides opportunities for our business development, as a responsible company we also recognize that many people do not have access even to basic dental care, let alone advanced

tooth replacement. For this reason, we support charitable activities that provide free dental treatment in various places around the globe (see pp. 70–73), helping several thousand underprivileged people in recent years, many of whom are children.

A STRONG FOCUS ON PATIENT SAFETY

The safety and effectiveness of our solutions, and ultimately the well-being of patients, is at the core of our corporate responsibility. We offer extensive education and training in collaboration with the ITI and dental schools around the world.

We have never accepted nor will accept shortcuts to market in order to boost short-term sales. The ‘fitness for use’ of our products is assured over the entire product life-cycle: from conceptualization to research, development, manufacturing, storage, distribution, and in-market support. In particular, our implant and regenerative products undergo preclinical and clinical testing, which continues after market introduction. The results of the respective studies are often published in peer-reviewed scientific journals and are presented by leading independent experts at major scientific meetings.

We apply stringent requirements for safety and effectiveness in product design and production. In the rare case of a potentially serious safety issue, our Corporate Product Safety Officer can convene a Safety Board meeting on very short notice to initiate field safety corrective actions. In keeping with the precautionary principle of risk management, Straumann voluntarily performs field safety corrective actions in alignment with the applicable laws and regulations whenever product issues may arise. In 2011, we implemented two such field actions.

QUALITY IN ALL OUR ACTIVITIES

Ensuring quality throughout the organization is the basis for the safety, efficacy and reliability of our products and services. For that reason, Straumann’s Quality Policy clearly

states that ‘quality applies to every employee and all our activities’, worldwide. To heighten awareness we continued our Corporate Quality Award program for employees who demonstrate extraordinary vigilance on compliance and quality.

In 2011, we continued to apply these principles through defined quality objectives and measures globally. One key objective remained our focus on sustained and efficient Group-wide regulatory compliance and process ownership. Examples of this include: the extended global roll-out of our IT based Document Management System, the introduction of a system for efficient and effective management of corrective and preventive actions, the global implementation of post-market surveillance processes and efficiency improvements related to product design and development.

We continued our ‘cost of quality’ initiative in 2011 and achieved further significant savings, for example by reducing scrap costs and accelerating quality processes such as complaint processing and quality controls. A comprehensive Corporate Quality Audit program across the Group helped to assure compliance with applicable laws, regulatory requirements and internal policies. This process contributed to passing inspections and audits by regulatory authorities and Notified Bodies at the concerned sites (see pp. 145–146).

We are not aware of any incidents of non-conformance with regulations or voluntary codes concerning health or the safety of our products Group-wide in 2011. We successfully maintained the certification status of our Quality and Environmental Management Systems, and there are no critical open issues with authorities on the status of the quality management system at any of our sites.

CLEAR RESPONSIBILITIES GUIDED BY CODES

Corporate responsibility and sustainability are entrenched in Straumann’s management processes and procedures.

‘CORPORATE RESPONSIBILITY AND SUSTAINABILITY
ARE ENTRENCHED IN STRAUMANN’S MANAGEMENT
PROCESSES AND PROCEDURES.’

Strategic aspects of sustainability management are ultimately the responsibility of the Board of Directors. While the Board has delegated operational aspects to the Executive Management, it reviews sustainability performance data annually. The CFO is tasked with the oversight of environmental performance and sustainability. In all our business activities, we place a high value on ethical behavior and on upholding human rights. For our own operations, this is ensured by the Straumann Code of Conduct, and with regard to external partners by our Code of Conduct for Suppliers. Both Codes are discussed on p. 73.

Having established new Leadership Principles in 2010, we developed specific leadership competencies for each Principle. We also included the Principles in a 360° Leadership assessment, which was piloted in half our Senior Management team. More than 100 internal respondents provided feedback on the Leaders – for example with regard to the Principles of ‘integrity’, ‘compelling communication’, and ‘leveraging diversity to achieve the best team results’. All of these were rated highly. By contrast, ‘coaching/developing’ was seen as an area for improvement and shall be included in an advanced leadership development program. The 360° assessment pilot will be extended to other managers.

DIALOGUE WITH ALL OUR STAKEHOLDERS

Open and continuous dialogue with our stakeholders, particularly those who determine our performance and those on whom we have a major impact, is an important part of responsible corporate behavior at Straumann. The processes and results of this dialogue are discussed throughout this report, including those concerning staff, customers, environmentally interested stakeholders, communities, and investors.

Company visits are one of the many opportunities we have for direct contact with stakeholders. In 2011, more than a hundred groups including over 1200 participants visited our Swiss sites alone. These visitors included customers, educ-

ators, scientists, investors, analysts, politicians, representatives of the media, members of the general public, and business/cultural delegations from various countries.

Sustainability is an integral element in Straumann’s corporate communications to investors, customers, and other stakeholders. This is illustrated by the fact that the sustainability reporting guidelines of the Global Reporting Initiative (GRI) were followed in preparing this annual report (see p. 238).



FTSE Group confirms that Straumann Holding AG has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social, ethical and environmental criteria, and are positioned to capitalize on the benefits of responsible business practice.

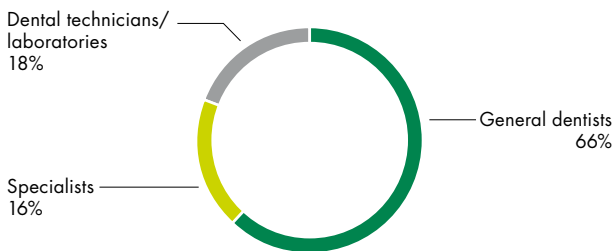
REFERENCES/FOOTNOTES

¹ United Nations, Department of Economic and Social Affairs, Population Division, World Population Ageing 1950–2050: Chapter II Magnitude and Speed of Population Ageing, 2001, and Population Reference Bureau, 2011 World Population Data Sheet, 2011.

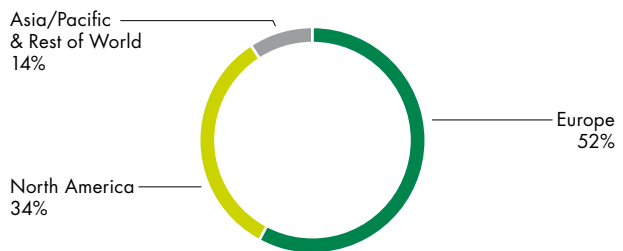
CUSTOMERS

DIVERSE CUSTOMERS REQUIRE INDIVIDUAL SERVICES
AND TAILORED COMMUNICATION

STRAUMANN'S CUSTOMERS BY SEGMENT



STRAUMANN'S CUSTOMERS BY REGION



Straumann's global customer base comprises general dentists, specialists (e.g. oral surgeons, periodontists, prosthodontists, etc.) and dental technicians/laboratories (see chart above). Straumann serves this diverse group of customers directly through our team of more than a thousand sales and marketing professionals worldwide, most of whom are highly trained representatives or customer service professionals.

FOCUSING AND REORGANIZING OUR CUSTOMER APPROACH

The expansion of our portfolio, customer base and geographic reach have added complexity, particularly for our sales team. To address this, we started an extensive reorganization project in the second half of 2011, including the allocation of our global sales team into four sales forces, each focused on specific segments. This should bring us closer to customers, facilitate the selling process and thus add to our top-line growth. At the same time, our global products team will be organized into business units, which will help us to respond better to customer needs and shorten time to market.

FOSTERING COMMUNICATION WITH AND BETWEEN CUSTOMERS

Treatment outcomes depend on planning and clear, seamless communication between the dentist, the specialist, the

lab and the patient (who is not our 'ultimate' customer); see Business Model Chart on p. 13). To support this, in 2011 our efforts included:

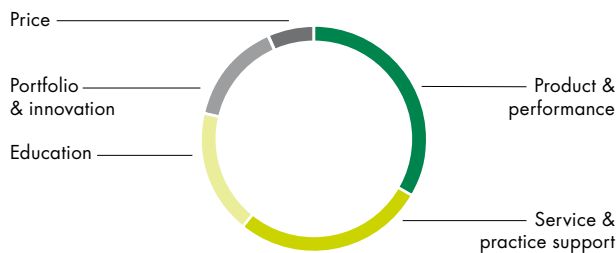
- Software updates to our digital communication solutions.
- Continued distribution of our award-winning¹ demonstration model, which helps dentists explain implant solutions to their patients and has now been distributed to 24 000 customers.
- Our customer magazine 'Starget' achieved a global circulation of more than 70 000 and is now accessible via mobile devices.
- Continued communication with our customers through regular e-letters and the complete redesign of our website, which will go live in February 2012.
- Extended educational offerings (see p. 45), another critical component of our communication strategy with customers.

REGULAR DIALOGUE WITH CUSTOMERS

We use a direct sales model which, along with our newly expanded Customer Relationship Management (CRM) system, lets us provide individualized, segmented service to our customers and adds significant value in areas such as practice building, further education and product training. Our customer loyalty program offers enhanced services to eligible customers, including consultation on business

'USING A DIRECT SALES MODEL ENABLES US TO BUILD RELATIONSHIPS WITH INDIVIDUAL CUSTOMERS AND TO ADD SIGNIFICANT VALUE.'

WEIGHTS OF PERCEPTION ATTRIBUTES (13 COUNTRIES)



Source: Straumann internal Perception Pulse Study with Millennium Research Group, 2011. Country reports from Canada, China, France, Germany, Italy, Japan, Netherlands, Spain, South Korea, Sweden, Switzerland, UK, USA.

practices and the opportunity to participate in seminars, congresses, and other special events.

One key way that we gather information to help us meet our customers' expectations is through our participation in dental conferences and meetings where opinion leaders gather to share ideas and best practices. In 2011, we showcased our solutions at more than 20 large trade events around the world, attended by more than half a million visitors, including many current and potential customers.

Surveys help us understand our customers and our progress toward meeting their expectations. In 2011, we extended our survey portfolio with benchmarking studies in Italy, Switzerland, Sweden, Norway, Denmark, the Netherlands, Belgium, the UK, Austria, Spain, and France. This generated more than 1000 single point contacts, 3000 referral interviews, and 15 000 patient feedbacks.

We also continued our 'Perception Pulse' studies, and included China for the first time. One key outcome was the

'Brand Advocacy Score', in which Straumann was ranked highest overall by current and former users of our products. In 2011, a 'Net Promoter Score' project, which provides rapid, direct feedback, was rolled out to five countries after an initial pilot project in Germany.

OUR COMMITMENT TO PRODUCT QUALITY AND RESPONSIBILITY

Our commitment to truthful and accurate marketing materials and communications is undiminished. Much of the scientific information used to endorse our products is peer-reviewed, and we have robust processes and guidelines in place to check that our marketing materials are ethical and accurate.

In 2011, there were no reported relevant incidents of non-compliance in our Global Sales Compliance program, which was developed in 2009 to ensure that regulations regarding the sale of our products and services are met.

OUTLOOK

One of our key priorities in 2012 will be to complete our re-organization, expand our CRM system and support it with state-of-the-art tools, including tablet-based technology. We will explore various new media and communication channels in order to expand and develop customer relationships wherever possible. We will continue to invest in customer surveys and focus groups, further enhance and improve our educational programs, and strengthen our professional networks.

REFERENCES/FOOTNOTES

¹ 2011 Health Media Award for Patient Communication.

PARTNERSHIP

THE INTERNATIONAL TEAM FOR IMPLANTOLOGY (ITI) – A UNIQUE COLLABORATION BETWEEN ACADEMIA AND INDUSTRY

The ITI is the largest international, independent academic organization in the field of implant dentistry. Its primary focus is on education – through various channels, including conferences, courses, and study clubs. It also awards annual research grants totaling CHF 2.5 million, making it the largest source of non-governmental funding for research in the field.

The ITI was founded in 1980, when implant dentistry was still in its early days. Led by pioneers André Schroeder and Fritz Straumann, the ITI was instrumental in developing the field and laying foundations for reliable treatments that have since become routine.

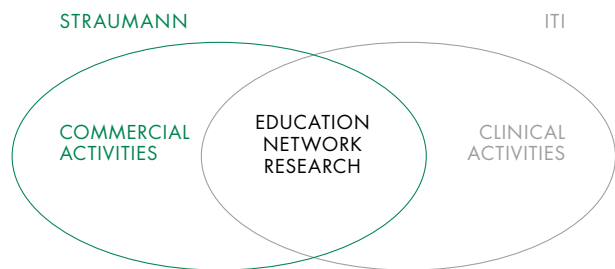
From its earliest days, the ITI has worked closely with Straumann, and this collaboration has led to many technological and therapeutic advances in implant dentistry. The ITI is nonetheless independent, and this independence is crucial to its credibility with dental professionals. Its activities and finances are therefore presented in its own annual report. The summary below shows how the ITI adds value for Straumann and its stakeholders.

RAPID GROWTH LIFTED BY STUDY CLUB SUCCESS

After growing by more than 10% in the previous two years, the ITI's membership expanded by 25% in 2011, passing the 10 000 mark in October. In addition to reflecting the ever-increasing acceptance of the organization and its principles, this milestone is all the more remarkable in light of a significant increase in membership fees in mid-2010.

The surge in 2011 is largely due to the launch of a new Study Club concept in 2010. ITI Study Clubs are an ideal channel for the systematic dissemination of information to all the organization's Fellows and Members. The initial goal was to establish 400 Study Clubs by the end of 2012, but this was achieved a year early, with more than 450 Clubs at the end of 2011. ITI Study Clubs have a unique

INTERACTION BETWEEN STRAUMANN AND THE ITI



According to the agreement between Straumann and the ITI, Straumann has sole responsibility for the development of its products but may draw on the expertise of individuals in the ITI.

role: they provide an efficient local platform from which to disseminate information, and their relatively small size fosters informal exchanges in an atmosphere of trust. Some are able to offer continuing education credits, which are required annually in many countries.

NATIONAL CONGRESSES

In 2011, the ITI organized 14 national congresses which collectively drew almost 6000 participants. A further ten congresses are planned for 2012. With the advantage of lectures in local languages, national congresses are a key to the transmission of information on implant dentistry around the world. These are augmented by an extensive commercial exhibition, which allows participants to explore the latest equipment and products in the field.

Every congress is actively supported and monitored by the Education Core Group to ensure top quality. All congresses are coordinated by a central Events Management team at the ITI Center in Basel. This increases efficiency by streamlining administration and organization, and it allows best practices to be shared.

'THE ITI'S MEMBERSHIP EXPANDED BY 25% IN 2011,
PASSING THE 10 000 MARK IN OCTOBER.'

The flagship educational event is the ITI World Symposium, which last attracted 4000 participants. It is held every three to four years and gathers an eminent faculty to debate the latest, often controversial, issues in the field. Preparatory work is already underway for the next World Symposium in April 2014.

ADDITIONAL EDUCATION CHANNELS

ITI Education Weeks have a long, successful history at the University of Bern and have become very popular, thanks to a balanced program of theory, live surgery and prosthetic sessions, some of which are 'hands-on'. In the past two years they have been extended to six other academic institutions and in 2011, Education Weeks were held in Bern, Boston, Hong Kong, London, Stuttgart and Toronto.

Now in its 14th year, the ITI Scholarship program awarded 25 one-year scholarships in 2011. The number of Scholarship Centers has increased steadily and 19 locations around the world now offer young professionals the opportunity of spending one year abroad, and gaining experience in implant dentistry under the guidance of an experienced ITI Fellow. To date, a total of 184 Scholars from 40 countries have benefited from this program with an overall sponsorship of CHF 9.9 million from the ITI.

ELECTRONIC TOOLS & RESOURCES

The ITI offers members a portfolio of electronic resources to gather and disseminate knowledge as well as to network.

The ITInet online platform offers discussion forums at a global, national and individual level plus a 'knowledge pool' with dynamic up-to-date content. This includes an extensive library of evidence-based reference material for Speakers and Fellows, including illustrations from the ITI's Treatment Guide series of publications. Since its inception in 2010, the ITInet has gained momentum, with increasingly lively exchanges on its various forums.

The highly popular SAC (Straightforward, Advanced, Complex) Assessment Tool, which is available on the international ITI website free of charge, has now been complemented by an 'app' for mobile devices. The unrestricted availability of this valuable tool, which offers step-by-step risk assessment of individual cases, demonstrates the ITI's dedication to quality assurance in implant dentistry to the benefit of patients.

CHANGING STRUCTURES

In response to the dramatic increase in Study Clubs and their priority for the organization, a Study Club Committee was formed to define their strategic direction and operation. This brings the number of ITI Committees to six: Education, Research, Scholarship, Section & Membership, Study Club and University Programs.

The ITI has made concerted efforts to reflect the heterogeneity of its membership in its Committees. It has lowered the average age of members and has increased the number of women on its Committees. With the aim of encouraging the Sections to contribute to the strategic direction of the organization, the ITI makes every effort to ensure that each Section is represented on at least one Committee.

OUTLOOK

The ITI continues to work towards establishing itself as the global academic authority in implant dentistry. The priority is to grow while maintaining high quality standards.

Straumann will continue to be the ITI's industry partner, nurturing this unique collaboration that brings considerable value to customers, patients and investors.

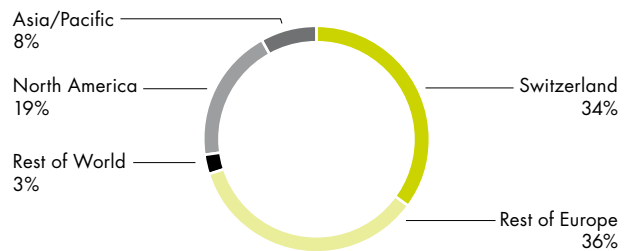
EMPLOYEES

FOCUSING ON CHANGE, DEVELOPMENT AND PERFORMANCE
IN DIALOGUE WITH ENGAGED EMPLOYEES

EMPLOYEES (WORLDWIDE)



EMPLOYEES BY REGION



CONTINUED GROWTH OF A LEARNING ORGANIZATION

While several leading healthcare companies downsized in 2011, we were able to continue to build and shape our team for the future, although at a lesser rate than in 2010. We added 91 new positions – mainly in Marketing & Sales. At the same time, we initiated a major reorganization project Group-wide to support both our strategy and our Vision 2020 project.

The new organization has been designed to increase empowerment, responsibility and entrepreneurship among our employees. Because a key success factor in reorganizing is to assign people optimally, we are focusing more on evaluation skills, experience and capabilities in our selection process. To support, equip and develop individuals in new roles – and to drive growth – we enhanced our Straumann Training Academy and adapted our learning platform, which incorporates training on Straumann's values, ways of working, brand, and products. By providing more internal rather than external training, we achieved the same amount of average training time at lower cost.

PROGRAMS FOCUSED ON LEADERSHIP SKILLS

Having established new Leadership Principles in 2010, we developed specific leadership competencies for each Principle. We also included the Principles in a 360° Leadership

assessment, which was piloted in half our Senior Management team. More than 100 internal respondents provided feedback on the Leaders – for example with regard to the Principles of 'integrity', 'compelling communication', and 'leveraging diversity to achieve the best team results'. All of these were rated highly. By contrast, 'coaching/developing' was seen as an area for improvement and shall be included in an advanced leadership development program. The 360° assessment pilot will be extended to other managers.

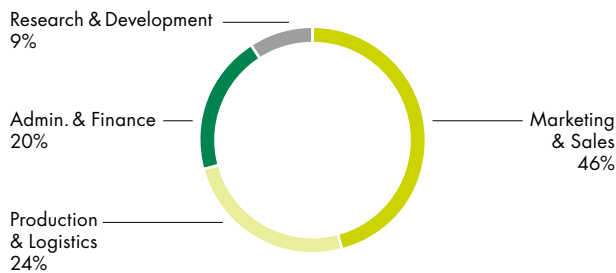
ADVANCING KEY LEADERS

Straumann's Strategic Management Development (SMD) process is a structured assessment of key employees. It reviews performance, behavior, and career potential as a basis for development, deployment and succession planning. We also conduct an International Talent Program (ITP), which involves senior line managers as observers. The Program enables us to assess internal talent and support personal and professional development. Over the past four years, 50 members of our staff have participated in the ITP and more than 60% of them have since been promoted to roles with greater responsibility.

These initiatives helped us to achieve for the first time our goal of filling 50% of open positions through internal

'OUR NEW ORGANIZATION HAS BEEN DESIGNED TO INCREASE
EMPOWERMENT, RESPONSIBILITY AND ENTREPRENEURISM.'

EMPLOYEES BY FUNCTION



promotion. The blueprint for our new organization is exemplary in this respect, as the vast majority of our executive and senior leadership appointments were internal promotions.

DEVELOPING YOUNG TALENT

In 2011, we thoroughly reviewed our Graduate Program, the goal of which is to develop tomorrow's leaders by attracting well qualified, high potential university graduates to the company. Participants are trained in various parts of the organization in addition to receiving mentoring from a member of Senior Management.

From 2012 on, a Steering Committee will oversee this program, while a forum will promote networking and community-building among graduates and will expose them to Executive Management. In 2012, we expect to recruit a further four graduates in our young talent pipeline.

Our efforts to attract young people who will drive the company in the future were also demonstrated in the recruitment of four new apprentices in 2011 in the fields of IT, polymechanics, construction, and business administration. This brought the number of apprentices employed by the company to ten at year-end.

FEEDBACK ON PERFORMANCE

The performance of our employees is reviewed against individual objectives in Performance Review meetings twice a year. More than 95% of our staff participated in such meetings in 2011. In addition, individual development goals are set and reviewed regularly to ensure that our employees can fulfill their roles effectively and meet the company's requirements for the future.

FOLLOW-UP ON OUR STAFF SURVEY

To gain a better understanding of what drives staff engagement, we conduct a global staff survey biennially and follow up on its findings. In the 2010 survey, our staff perceived the following as strengths at Straumann: focus on innovation and customers, performance management, and the way in which senior managers set direction and communicate strategy. Staff engagement – which indicates satisfaction and willingness to extend discretionary effort for the company – scored high, with 80% of employees responding favorably. On the other hand, organizational integration, compensation and benefits, learning and development ranked less favorably.

In the course of 2011, we continued to follow up on these findings and actively addressed perceived issues. This included focusing on leadership training, as discussed above, reviewing our remuneration system, and preparing an expert career path.

PERFORMANCE ENHANCEMENT
THROUGH DIVERSITY

Promoting diversity at Straumann has also received increased attention since the last survey. We believe diversity greatly contributes to team performance and our ability to serve diverse customers around the world. We regularly monitor a variety of diversity measures in our staff such as age, gender, and educational background and we have continued our 'Business Diversity' initiative, which will help us enhance cross-functional

and geographic collaborations in our new organizational framework.

FAIR AND ATTRACTIVE COMPENSATION

At Straumann, we believe in recognizing the skills and contributions each employee brings to the team through a fair compensation package. Salaries and benefits totaled CHF 281 million in 2011. Details regarding remuneration, salary benchmarking, participation in economic profit, and share ownership are provided in the Compensation Report (pp. 116–133).

Compensation is determined by employees' qualifications, not by gender or any other non-performance criteria. Although freedom of association, in compliance with relevant laws and regulations, is allowed throughout the company, there is a general preference for informal employee dialogue rather than union representation. Our labor contracts are therefore individually negotiated rather than through collective bargaining.

EMPLOYEE PROTECTION

Protecting our employees' health and safety is a top priority at Straumann. In Switzerland, where we track corresponding data, absences related to accidents and illness were very low at 0.06% and 2.8% respectively in 2011. There were no workplace fatalities. As in previous years, we believe these rates have remained low at least in part due to our ongoing efforts to communicate health and safety procedures to employees through training and awareness programs.

Employees are also protected from discrimination. The Straumann Code of Conduct prohibits discrimination, defined in internal regulations as biased treatment based on gender, race, background, religion, or sexual orientation. No cases of discrimination were reported in 2011.

Straumann's Code of Conduct is the subject of mandatory training for all our new employees. It provides the framework for all activities and aspects of the company – including our new leadership model, which requires leaders to exemplify ethical and professional behavior. All our employees are required to adhere to the Code of Conduct, which is aligned with international, national, and local rules and draws on the standards of the International Labor Organization.

Rather than endorsing external economic, environmental/social principles or association memberships, Straumann uses the Code as a basis for managing key sustainability topics, including human resource issues.

OUTLOOK

The implementation of our new organization will be a major undertaking in 2012. The new Senior Management team (see pp. 106–110) took office on 1 January and the new structure will be implemented expediently at the beginning of April 2012. An important goal is to increase efficiency (to drive sales) without downsizing. The redeployment of staff across the organization will require training and considerable change management.

Considering the valuable direction provided by our two previous staff surveys, we will invite and encourage all employees to participate in a third global survey later in 2012. We will also extend the 360° assessment to other managers.

We shall continue to refine and adapt our training programs and will begin the advanced leadership development program. We will focus further on evaluation skills, and plan to promote career paths for technical experts, complementing the current career options, which focus on line management.

SUMMARY OF HUMAN RESOURCES PERFORMANCE FIGURES

Parameter	Performance indicator	Unit	2011	2010
Staff size	Total headcount	Employees	2 452	2 361
	Jobs created	Number	91	191
Employment type	Part-time employees	% Headcount	7	6
Gender diversity	Women in general staff (excl. Mgmt)	% Headcount	48	48
	Women in management (excl. SMD)	% Headcount	31	28
	Women in SMD-Pool	% Headcount	20	22
Training and education	Investment in staff learning ¹	CHF million	1.6	2.3
	Average annual training & learning ²	Days/employee	3	3
Fluctuation and absence	Staff fluctuation ³	%	12	11
	Absence rate due to sickness ⁴	%	3	2
	Absence rate due to workplace accidents ⁴	%	0	0
	Work related fatalities	Number	0	n/a
Employee protection	Reported cases of discrimination	Number	0	2

STAFF STRUCTURE BY CATEGORY AND AGE GROUP (%)

Age	<30	30-50	>50	Unit	2011	2010
General staff (excl. Mgmt)	13.2	51.9	9.3	% Headcount	74	n/a ⁵
Management (excl. SMD)	0.7	14.9	2.8	% Headcount	18	n/a ⁵
SMD pool	0.2	6.1	1.1	% Headcount	7	n/a ⁵
Total	14.1	72.9	13.2			

REFERENCES/FOOTNOTES

¹ Only direct expenses for internal and external training activities are counted here. Salaries paid to employees while in training are additional and are not included.

² Average number of days by employee category is approximately 3 for each of the categories: Rest of workforce; Management (excl. SMD); and SMD-Pool. The reason is that in the management categories fewer employees receive longer training, while for the rest of the workforce more employees and especially new staff members receive shorter training modules.

³ Staff fluctuation by gender: Male: 10.6%, Female 14.2%; Staff fluctuation by region: Switzerland 12.6%; Rest of Europe 10.2%; North America 10.5%; APAC 19.6%; Rest of World 23.4%. Fluctuation is calculated on the basis of the number of exits as a proportion of average headcount.

⁴ Data currently available for Switzerland only. Proportion of absence time compared to target working hours.

⁵ Breakdown of staff by category and age tracked as of 2011.

COMMUNITIES

ENHANCING THE QUALITY OF LIFE WITH HIGH STANDARDS OF BUSINESS ETHICS.

In 2011, roughly a million people in more than 70 countries received Straumann dental solutions, indicating that our greatest contribution to the community is enhanced quality of life through safe, effective, and long-lasting solutions that restore dental function and esthetics. We also strive to provide peace of mind to customers and their patients, for example through clinical studies and long-term documentation. In 2011, we implemented two further initiatives in this respect: we extended our product warranty with transparent and simple conditions and we launched the Straumann 'Classic Line', which ensures continued availability of prosthetic components for Straumann implants produced since 1974.

BEYOND SOLUTIONS AND PRODUCT RESPONSIBILITY

In many parts of the world 'peace of mind' takes on a completely different meaning. Millions of people are still without access to basic dental care – either because of geographic distance or their economic situation. Straumann strongly believes that good corporate citizenship and ethical behavior are fundamental to our long-term sustainable development, and are thus in the interest of all our stakeholders, especially our staff, shareholders, customers and the communities in which we operate. By supporting various initiatives and projects to provide access to dental treatment and education about oral hygiene, we seek to balance fundamental human needs with the expectations of our various stakeholders.

SPONSORING – CREATING PUBLIC BENEFIT

Our sponsoring policy states that sponsoring activities should support the vision, mission and business goals of the company, within the framework of our Code of Conduct. We focus on areas where we can make a meaningful difference and which are related to our business. Philanthropic activities should demonstrate that we are a caring company and should effectively promote our reputation among relevant stakeholder groups.

Furthermore, sponsorship should not be driven by individual preferences or personal relationships. For this reason, requests for Corporate Sponsoring are evaluated by a diverse internal committee that reports regularly to the Executive Management Board.

As stated in previous Annual Reports, our goal is to continue our level of charitable sponsoring despite the economic environment. Sponsoring projects are defined in a formal written agreement describing the scope, milestones, goals and responsibilities. Recipients are asked to account for the agreed use of funding, usually by supplying documentation.

In 2011, we received and evaluated 80 requests for sponsoring, of which more than a dozen projects were supported. In each case, clear sponsorship goals were set and achieved. An overview of the major projects is presented in the table on page 72. Our monetary donations to all the listed projects in 2011 (including the projects below) totaled approximately CHF 730 000.

A special project in 2011 was to provide relief for Japan, following the devastating earthquake and tsunami in March. Straumann employees around the world quickly responded with sympathy and financial support and Global Headquarters committed to double staff donations. Straumann Japan independently made significant donations to immediate relief. The total donation exceeded CHF 630 000. Apart from this, a combined Straumann/ITI event raised CHF 118 000 (not included in the overall sponsoring total) for the Peace Winds Japan Charity.

ENHANCING ACCESS IN COOPERATION WITH OUR CUSTOMERS

Straumann AID (Access to Implant Dentistry) is a global initiative to donate Straumann products to assist patients who need implant treatment but are unable to afford it.

'WE FOCUS ON AREAS WHERE WE CAN MAKE
A MEANINGFUL DIFFERENCE.'



Outreaching with the Suyana Foundation for basic dental treatments and oral hygiene education in Bolivia and Peru.



In 2011, the first sponsored student at the 'Hope for All' dental clinic (on the right) graduated from the university dental school with distinction.

The program relies on dentists from the ITI network to provide the corresponding treatment without charging for their clinical services. This collaboration ensures that a high standard of treatment reaches people who are genuinely in need.

A LONG-STANDING COMMITMENT TO ECTODERMAL DYSPLASIA PATIENTS

Straumann has a long-standing commitment to supporting the National Foundation for Ectodermal Dysplasia (NFED), a non-profit organization based in Illinois, USA, that helps patients and their families around the world.

Ectodermal Dysplasia (ED) denotes a group of genetic disorders characterized by abnormal development of the skin and associated structures. In addition, sufferers typically are missing or have severely malformed teeth from infancy. Several thousand individuals around the world are affected by ED, but very few are covered by insurance. In addition to providing free implants and prosthetics to ED patients, we provide financial support to the NFED. Our overall sponsorship for ED in 2011 amounted to approximately CHF 26 000.

SUPPORTING BASIC DENTAL CARE TO SAVE TEETH

We also sustained our sponsorship of charitable missions and activities that provide basic dental care and education to thousands of underprivileged people, most of whom are children in developing countries. In many cases there are no dental facilities at all, making it necessary to set up provisional clinics with portable equipment, for example in school classrooms.

We strive for sustainability in all our charitable projects. A good example is the 'Hope for All' dental clinic in Cambodia, which we have supported since 2008. In addition to financial support for dental equipment and construction, we have provided educational grants for dental students who have no other financial means. In 2011, the first of our sponsored students graduated from the university dental school with distinction. The outcome of this initiative prompted us to extend our sponsorship to three additional students in 2012.

Education in basic oral hygiene plays an important part and is one of the most valuable gifts. Most of the projects and organizations sponsored have received support in

INITIATIVES AND PROJECTS SPONSORED BY STRAUMANN

Region	Project	Lead partner	Objective	Status/results
Global	Ectodermal dysplasia	National Foundation for Ectodermal Dysplasia	Free implants and prosthetics; patient support; awareness	Ongoing support, fundraising
Global	Straumann AID	Straumann country organizations	Free implant treatment for underprivileged individuals	Ongoing
Alaska	Dental care	American Academy of Prosthodontics	Free prosthodontic treatment of underprivileged people	2011 project completed; 12 patients fitted with 24 dentures and dental implants
Bolivia & Peru	Mobile clinic for basic dental care	Suyana Foundation	Free basic dental treatment; oral hygiene education	Ongoing
Cambodia	Basic dental care	Basel University dental team	Free basic dental treatment; oral hygiene education	2011 project completed; 1075 children treated
Cambodia	Basic dental care	Berne University dental team	Free basic dental treatment; oral hygiene education	2011 project completed
Cambodia	Support for charity dental clinic	Hope for All Foundation	Educational grant for three dental students	Ongoing projects, >7000 patients treated in 2011 (free of charge or for a minimal contribution)
Chile	Basic dental care	University of Connecticut Health Center	Free basic dental treatment; oral hygiene education	2011 project completed
Dominican Republic	Basic dental care	Zurich University dental team	Free basic dental treatment; oral hygiene education	2011 project completed
Japan	Disaster relief	Straumann Japan	Donations to relief organizations and to restoring dental education activities through Tohoku University Graduate School of Dentistry	Staff contributions doubled by the company in addition to company donations
Nicaragua	Basic dental care in Sonrisa children's homes	Sonrisa Foundation	Free basic dental treatment; oral hygiene education	Ongoing project; more than 100 children treated
Philippines	Basic dental care for street children	Virilanie foundation	Free basic dental treatment; oral hygiene education	Ongoing project
Tanzania	Basic dental care	Dental teams from Tübingen and Bonn Universities	Free basic dental treatment; oral hygiene education	Planned for spring 2012

'WE PLACE A HIGH VALUE ON ETHICAL BEHAVIOR
IN ALL OUR BUSINESS ACTIVITIES.'

previous years, reflecting the importance Straumann places on continuity.

The success of all these projects was due to the dedication and efforts of our dental partners who were invaluable in ensuring that funds were used with the utmost efficiency.

RESPONSIBILITY AND ETHICAL BEHAVIOR

In all our business activities, we place a high value on ethical behavior. The Straumann Code of Conduct clearly outlines our expectations in this regard. The Code is integrated into all our employment contracts and prohibits any form of human rights violation, bribery, corruption, unfair competition, misleading marketing, etc. Employees are obligated to report any violation or suspected violation, or any other suspected misconduct. No violations were reported in 2011.

We also expect ethical practices in our supply chain and are committed to working only with suppliers that share our values, including respect for human rights. This is why we also have a Code of Conduct for Suppliers, which presents our expectations regarding working conditions, human rights protection, business ethics, legal compliance, and environmental protection. It also requires certification from suppliers that there is no child or forced labor in the supply chain. The majority of our key suppliers, who are based in Europe and/or the USA – with two in China, have agreed to these provisions and signed the Code in 2011. In 2012, we shall continue the roll-out of the Code with the aim of obtaining agreement to it from 60% of our suppliers and partners.

Straumann maintains political neutrality in all its sponsorship activities. The Group refrains from making statements on public policy and from participating in political lobbying. It does not offer financial support or contributions of any kind to politicians or political parties.

A key impact on the communities in which we operate is the provision of jobs. We are pleased to report that our employee base continued to grow in 2011. At all locations where we operate, we ensure fair employment conditions and protection from discrimination.

OUTLOOK

Straumann will continue its support for global charitable activities in 2012, focusing on initiatives that provide access to dental treatment for people in need. This is where we feel we have the most to offer and where our involvement is most meaningful to our customers and other stakeholders.

ENVIRONMENT

STRIVING TO IMPROVE THE EFFICIENCY AND ENVIRONMENTAL PERFORMANCE OF OUR OPERATIONS AND PROCESSES

The concept of efficiency is integral to the way in which we do business at Straumann. We continuously refine our products and processes, seeking ways to conserve resources, increase recycling, and monitor and improve upon our environmental performance. Our Code of Conduct requires all our employees to comply with all laws and internal regulations regarding environmental matters; it also requires managers to encourage our staff to consider environmental protection as part of their daily responsibility. This is a proactive approach to improving our corporate and personal stewardship of the planet. It also supports our risk management and our business performance.

QUALITY AND SAFETY ARE PARAMOUNT

We manufacture and sell a wide range of products, including titanium dental implants, compact laser scanners and oral tissue regeneration products, which are used in medical procedures and are thus subject to strict requirements for quality and safety.

Throughout our implant manufacturing and assembly process, we have a rigorous protocol to test raw materials for purity and compliance with our quality standards, and we utilize laser marking for traceability. For each of our product families, we employ a similar level of scrutiny and safeguards to ensure that our products meet all applicable laws and standards for the respective type of product.

PROCESS AND INFRASTRUCTURE EFFICIENCIES

Up to now, our environmental improvement and monitoring efforts have focused on energy consumption, material usage, and primary production processes. In general, the impacts of our operations on the environment are low by comparison with many manufacturing industries and with other parts of the dental industry. We do not manufacture products such as filling materials and dental surgery equipment, and thus do not use significant amounts of metals such as mercury, lead, manganese, etc. that may

be found in production processes of other manufacturers serving the industry.

We continually seek opportunities to improve the efficiency of our production processes. For example, our main product group is dental implants, which are produced on computerized CNC lathes from bars of titanium or titanium-zirconium alloy. The machining process, in which cutting oil is used as a cooling agent, is followed by sand-blasting, acid etching, cleaning, packaging and sterilization. Each step of this process may present opportunities to realize efficiencies while maintaining our absolute commitment to quality and safety.

ENVIRONMENTAL DATA REPORTING

Apart from our production and research activities, our environmental impacts are typical for an organization of our size, including heating and other energy use, greenhouse gas emissions, water consumption, and solid waste production.

Our environmental performance report is based on available data for all production sites – Villeret (Switzerland), Gräfelfing and Leipzig (Germany), Malmö (Sweden), Andover and Arlington (USA) – and for our Group headquarters in Basel. Since our other facilities are generally smaller and focus on sales and distribution, they are not included in this report due to their minor impact and a lack of meaningful data.

Trends in environmental performance figures are discussed below, with data summarized in the table on p. 76.

TITANIUM AND OTHER RAW MATERIALS

In 2011, titanium consumption stayed approximately level with 2010, thanks to a reduction in scrap which more or less compensated for the increase in output. As a result, titanium waste went down 5%. We also achieved improvements in the consumption of our other main raw mate-

'IMPROVEMENTS IN PROCESS EFFICIENCY
RESULTED IN SOME VERY SIGNIFICANT REDUCTIONS IN THE ENERGY
REQUIRED FOR US TO PRODUCE OUR PRODUCTS.'

rials, including cobalt chrome and yttrium-stabilized zirconium oxide, thanks primarily to increased efficiencies in our testing and manufacturing processes. Consumption of polymethylmethacrylate (PMMA), which is used to add different shades to our prosthetic products, increased significantly as we introduced a wider range of colors to our crown and bridge portfolio.

OPERATING MATERIALS

The use (and subsequent recycling) of various oils in our production processes decreased significantly thanks to enhanced analysis techniques, which reduce the frequency of replacement. Acids used/recycled stayed relatively constant in 2011, and cleaning solvent consumption decreased due to more efficient use of materials and new procedures for refilling solvent containers.

Despite ongoing efforts to reduce paper consumption, e.g. through paperless workflow processes and double-sided printing, paper consumption increased. This was partly due to documentation requirements related to higher production volumes and the fact that an additional facility in Europe was included in the data collection process for the first time.

ENERGY

Electricity consumption increased slightly in absolute terms in 2011, due to increased production and climatic conditions that resulted in greater need for temperature regulation (e.g. air conditioning) at some sites. However, primary energy consumption (mostly natural gas) decreased overall by approximately 10% despite higher production volume. This reduction is primarily attributable to warmer weather at some sites and lower heating requirements.

To help manage our overall energy usage in 2011, we undertook a series of energy efficiency improvements. For example, at our facility in Andover, we worked with the property owners to increase the efficiency of the heating, ventil-

ation and air conditioning systems (HVAC) by replacing the motors in the cooling systems with variable speed drives, and replacing heat exchangers with more efficient models. We expect these improvements to result in significantly lower natural gas consumption in the winter of 2011/12. In Villeret, we also replaced heat exchangers in the HVAC systems, resulting in a reduced energy requirement of 2.4 kW per machine.

Improvements in process efficiency also resulted in some very significant reductions in production energy. For example, at our Markkleeberg facility, a new double-stacked sintering process for ceramic copings has been developed, which reduces the required sintering time by 50%, thus also reducing energy requirements by half.

GREENHOUSE GASES

As part of our overall environmental management process, we monitor CO₂ emissions due to our electricity consumption and heating. Business activities with minimal impact or for which meaningful data are not available are not included – e.g. emissions resulting from the transportation of our products (which are small and light), sales representative travel, and employee commuting. In our reporting we differentiate between direct (Scope 1) emissions, from sources such as burning natural gas, and indirect (Scope 2) emissions, from sources such as the use of electricity and district heat. This is the format preferred by many sustainability-conscious investors, including those who – like Straumann – collaborate in the Carbon Disclosure Project.

Greenhouse gas emissions in tons of CO₂ equivalents decreased slightly in absolute terms and by approximately 6% on a per-capita basis, reflecting the increased efficiencies in our various manufacturing and operational processes.

WATER

Water consumption is another area of focus for improvement. In Markkleeberg, we redesigned the washing process

SUMMARY OF ENVIRONMENTAL PERFORMANCE FIGURES

		Performance indicator	Unit	2011	2010
Product raw materials	Titanium	Consumption	kg	15 570	15 503
		Recycled (consumption minus product)	kg	9 071	9 541
	Cobalt chrome	Consumption	kg	4 310	4 824
		Recycled	kg	2 954	3 338
	Zirconia ¹	Consumption	kg	4 769	5 993
	Polymethyl- methacrylate	Consumption	kg	40	16
Operating materials	Various oils	Consumption	kg	38 074	60 180
		Recycled	kg	24 485	45 222
	Cleaning solvents	Consumption	kg	32 222	37 218
		Recycled	kg	20 425	23 247
	Acids	Recycled	kg	36 899	35 696
	Paper	Consumption	sheet	7 476 500	6 151 490
		Consumption per capita ²	sheet/employee	6 077	5 267
Energy and CO ₂	Electricity	Consumption	kWh	15 758 944	14 917 617
		Consumption per capita ²	kWh/employee	12 810	12 772
	Heating ³	Total heating energy	kWh	4 914 376	5 112 509
		– Natural gas	kWh	3 855 963	4 256 546
		– District heat	kWh	817 449	855 963
		Total heating energy per capita	kWh/employee	3 995	4 401
CO ₂ emissions ^{3,4}		Total emissions	tons	3 124	3 165
		– Direct (scope 1, excl. vehicle fuel)	tons	891	972
		– Indirect (scope 2)	tons	2 233	2 192
		Total emissions per capita	tons/employee	2.54	2.71
Water	Water ³	Consumption	m ³	31 778	32 204
		Consumption per capita	m ³ /employee	26	28
	Untreated waste water	Disposal	kg	31 919	21 611
Waste	Diverse waste	Hydroxide sludge	kg	14 068	8 816
		Contaminated material	kg	11 814	12 712
		Solvents	kg	2 301	2 163
	Refuse	Total	kg	174 839	152 453
		Per capita ²	kg/employee	146	133

'PROCESS EFFICIENCY AND MANAGING OUR ENVIRONMENTAL IMPACTS WILL REMAIN A FOCUS IN 2012.'

for abutments so that we can wash three times as many pieces in a single wash, thus reducing the water required by 66%. Due to these and other efficiencies, total water consumption decreased slightly on an absolute basis, despite our increased overall output.

Untreated waste water contains low concentrations of cleaning detergents, solvents, acid and oil. In order to avoid production stoppage when a water treatment plant in our facility at Villeret required maintenance, a larger-than-normal amount of untreated waste water was collected in tanks and disposed of by authorized specialist contractors.

WASTE

This category includes rejects, contaminated materials, solvents and hydroxide sludge. In 2011, the amount of contaminated materials produced decreased, and there was a slight increase in the amounts of solvent waste produced. Hydroxide sludge production increased significantly in 2011. This is a by-product of waste water treatment, and the amount produced can vary significantly between years depending on the composition of the waste water treated.

In 2011, we collaborated with a certified electronics disposal/recycling company to dispose of old scanners, which contributed to a 15% increase in reported refuse. As a result of the absolute increase, total waste production also increased on a per-capita basis.

OUTLOOK

Process efficiency and managing our environmental impacts will remain a focus in 2012. We will continue to assess our facilities and infrastructure for efficiency, since this is where our efforts have the potential to be quite meaningful. We want to continue the progress achieved over the past years, and will stay vigilant for opportunities to realize improvements where they make sense from an economic and technical perspective. While the quality of our products and the safety of patients remain the overriding consideration, we will explore additional activities that benefit our business and all our stakeholders.

REFERENCES/FOOTNOTES

¹ Yttrium-stabilized zirconium oxide.

² Per-capita figures refer to employees at the relevant reporting sites only.

³ To avoid double counting, heating energy data do not include electricity used for a small part of heating at Andover, or to operate the geothermal heat pump in Leipzig—these are included in the electricity data.

⁴ Scope 1 covers CO₂ emissions directly emitted by sources owned or controlled by Straumann such as heating boilers, while Scope 2 comprises emissions generated in the production of the electricity, heat or steam that we consume.

MOLARS

DOG (CANIS LUPUS FAMILIARIS)

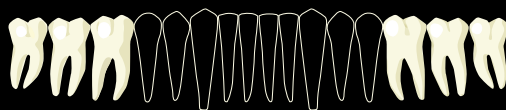
The lateral jaw movement that allows primates and omnivores to grind their food is not present in the canine family. Although dogs also have premolars and molars, they are relatively small and less important than their fangs. Like wolves, adult dogs have a full set of 42 teeth.

Humans, who rarely eat raw meat, prefer to grind their food. Due to the musculature of the jaw, human molars are especially powerful. The entire oral mechanism – the bones, gums and periodontal tissues that anchor our 32 teeth – is also highly sensitive, even to the smallest grain of sand that gets between our teeth when chewing.

42
teeth

Dogs and wolves have 12 incisors, 4 canines, 16 front and 10 rear molars.

MOLARS (DENTES MOLARES)



Humans have 8 incisors, 4 canines, 8 premolars and 12 molars. The upper molars have three or more roots, the lower molars have two.



INDEPENDENT EXPERT OPINIONS*

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*In each case, the personal opinions expressed are those of the interviewee and may not reflect the views of Straumann.

INTERVIEW WITH STEVEN ECKERT

MORE ON PAGE 82

'85% OF SINGLE IMPLANT RESTORATIONS OR SHORT-SPAN FIXED PROSTHESES ON IMPLANTS ARE CREATED BY CAD/CAM.'

Prof. Steven Eckert, DDS, MS, Rochester, Minnesota, USA.

We published an interview with Prof. Eckert in our 2005 Annual Report. He has since retired as Graduate Program Director at the Mayo Clinic and now works in a team practice devoted to implant dentistry. He still lectures and is Editor of the International Journal of Oral & Maxillofacial Implants.

INTERVIEW WITH NICK FAHEY

MORE ON PAGE 83

'IT IS ALMOST ESSENTIAL TO USE CAD/CAM BECAUSE IT AVOIDS SPENDING A FORTUNE ON GOLD ALLOY AND LAB BILLS.'

Dr Nick Fahey, BDS, M. Clin. Prosthodontics, is a private practitioner working in Harley Street, London, and at a second practice in Pangbourne, UK.

INTERVIEW WITH SHOHEI KASUGAI

MORE ON PAGE 84

'I STRONGLY BELIEVE THAT EDUCATING PATIENTS AND FUTURE PATIENTS IS VERY IMPORTANT.'

Prof. Shohei Kasugai, DDS, PhD, is a Professor at the Dental Implant Clinic, Tokyo Medical and Dental University.

INTERVIEW WITH GERHARD WAHL

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'IT IS BECOMING MORE AND MORE COMMON IN MEDICINE TO FOLLOW AN INTEGRATED APPROACH AND BUILD BRIDGES WITH NEIGHBORING DISCIPLINES.'

Prof. Gerhard Wahl was one of the first independent experts to contribute to our Annual Report. Since his interview in 2004, he has continued to lead dental education at Bonn University, in Germany, where he is Director of the Polyclinic for Dental, Oral and Maxillary Surgery.

TRENDS IN IMPLANTOLOGY

STEVEN ECKERT



Steven Eckert

In 2005 you thought the criteria for immediate loading would be known in five years. Has that happened?

Unfortunately, my response seems to have been premature! The patterns of success of immediate loading are clearer, but the criteria for predicting integration of immediately loaded implants remain unclear. Ideally, suitability for early loading should be predicted before surgery, perhaps with CBCT or CAT scans.

How is digitalization affecting your practice?

I use virtual design almost every day, and about 85% of single implant restorations or short-span fixed prostheses on implants are created by CAD/CAM. The advantage is a less expensive, more customized solution. The cost of buying the technology is high and the risk of buying the wrong technology is also high, but waiting too long for technology to settle out risks losing the whole game.

Can time to teeth be shortened?

New implant surfaces shorten treatment time by achieving secondary stability earlier than a decade ago. However, caution is needed as soft and hard tissue must mature before definitive restoration – otherwise tissue may mature unfavorably. Rather than shortening treatment, it may be prudent to investigate improvements in interim restorations, perhaps even using them to gather information about the best design and material for the final restoration.

What else might develop in the next five years?

We will see longer-term data for implants made from titanium/zirconium alloy, which seem to work well. We also expect results for implants and restorations made of zirconia and lithium disilicate, which need full testing. So do new surface ideas like laser scoring on the platform. Experiments to improve integration by adding chemicals or biologics to implant surfaces are likely, and bone morphogenic proteins might begin to outperform traditional grafting materials in some situations. We might also obtain more clarity about peri-implantitis.

How far away are we from growing replacement teeth?

Basic research identifies true biologic substitutes as clinically realistic, but no one knows when they will appear commercially. Still, biologic substitutes will decay. Ironically, they might be used to stimulate development of an alveolus and then sacrificed to allow placement of an implant.

What will the main issues be in five years?

The challenge is clear-function, comfort and esthetics have to be integrated. The technique must be simplified so an average clinician treating a patient with average financial means can provide implants with few appointments and one surgical procedure.

Should implants be standardized?

If we had as many car manufacturers as we do implant companies, there would be over 10 000 different models of automobiles on the road. Many would have a short market lifespan and no interchangeable parts. This situation cannot be sustained. Patients are damaged when an implant placed in one locale cannot be restored in another for lack of components.

How important are clinical trials and long term data?

They are essential. Memory is unreliable, so clinicians should keep a log of procedures and outcomes, and compare it with published data.

DIGITAL DENTISTRY IN DAILY PRACTICE NICK FAHEY



Nick Fahey

Can you describe your present workflow?

For a simple implant restoration, first I see the patient for a consultation. Then they see a nurse, to go over the treatment and give their consent. The nurse does the intra-oral scans, pictures and digital shades. The technician makes a scanning template on the gonyX, which the nurse uses for the CBCT scan.

When it is all ready, I get a digital prompt on my project management software. I combine the information on soft and hard tissue from the intra-oral scan together with the CBCT scan, position the implants virtually on the computer, and export the data to the technician. We may dialogue by email. He makes the stent (template) for the guided surgery as well as temporaries if we are doing immediate loading. Next, I perform the surgery, which is video recorded. In non-esthetic sites, we often scan on the day of surgery for the final model. The final crown is screwed into place after three to 12 weeks, and we see the patient once more to take photos and x-rays. As before, it usually takes 12 appointments, but I'm only in four of them, so I have more chair time for other patients.

How did you arrive at this workflow?

We got a scanner out of curiosity and were amazed what we could do with it – more than what the manufacturers described. Now we have an intra-oral scanner in both our offices. We are constantly refining what we do and are excited about ideas for new uses. Evidence-based dentistry is very important, but with some technologies 20 years' research is not necessary – they either work or they don't.

What other digital technologies do you use?

We have a paperless office. We use animated digital presentations to show possible procedures, and we email copies so the patient can view them as part of getting their consent. We build relationships on Twitter and YouTube. Recently we performed a guided surgery with 25 dentists watching in the practice. We fed a live stream onto Facebook, and people were typing in questions as they watched.

Are digital technologies forcing changes in the dentistry business?

Yes. Some dentists see websites as marketing, but the old way of making contacts through a small network of people was also a form of marketing. Some dentists resist digital dentistry, but it's racing ahead. It is almost essential to use CAD/CAM because it avoids spending a fortune on gold alloy and lab bills. The change will be hard on technicians. Finally, the business model will change as more technology comes on line. I don't think dentists will pay much for the software or for the scanners because companies will make money by selling services, not machines.

What innovations are needed next?

We need more accuracy and standardized data formats so we can lay scans on top of each other without losing information, and do new things. A computer design environment where you could simply 'move the teeth around' would be nice. There are many fantastic things that could be just around the corner, like optical coherence tomography scanners that image hard and soft tissue or 3D printers that make ceramic components and even tissue.

REPLACEMENT DENTISTRY IN JAPAN

SHOHEI KASUGAI



Shohei Kasugai

Has the dental industry in Japan suffered from the recent earthquake disaster?

Yes, but the population of the Tohoku area, which was the worst affected, is less than 10% of the total population in Japan. The recovery from the earthquake and tsunami is progressing although the nuclear plant problem is not yet solved. The recovery of the dental business in Japan depends on the world economy rather than the recovery from this disaster.

Are Japanese regulatory requirements more demanding because Japanese patients are different?

It is difficult to understand our regulatory requirements. While I have heard that some drug metabolisms are genetically different, and the average jaw bone is larger in Europe than in Asia, I believe there is no big difference between Japanese and European patients. I strongly believe the response to titanium is the same. One reason for the unreasonable requests is that the PMDA (Pharmaceuticals and Medical Devices Agency) wants to demonstrate its authority. Another reason is that it has to take full responsibility if severe adverse effects occur, unlike regulatory agencies in Europe and the USA. PMDA officers were called to court when Japanese patients contracted hepatitis after treatment with a biomaterial prepared from human blood. Still, Japanese patients should have access to the latest treatments.

Are implants considered the treatment of choice for tooth replacement in Japan?

Yes. However, as in other countries, the final treatment decision depends largely on how much money and time is available.

How is digitalization affecting dentistry in your practice? CAD/CAM has changed my dental practice dramatically. Implant treatment planning is now simple, and guided surgery is more accurate and less stressful. Titanium or zirconia frames for implant prosthesis provide more esthetic and functional outcomes without much effort.

What will be the biggest changes in Japanese dentistry in the next five years?

Social health insurance will cover implant treatment for edentulous patients and patients who need bone reconstruction because of tumors or congenital defects. Although the financial condition of the Japanese government is not good, this decision is very reasonable and welcome.

What issues will be important in the next five years?

We have many patients who suffer from shamefully improper treatments. All clinicians get difficult cases. If they cannot handle a problem, they should refer the patient to an expert. Some unethical clinicians believe that implant treatment is simply a way to get money, and we do not have a good way of eliminating unscrupulous practitioners. Our university, two academic implant societies and some implant companies now provide educational courses for dentists. I strongly believe that educating patients and future patients is also very important. If ordinary people are well informed, these bad clinicians will be stopped.

EDUCATION GERHARD WAHL



Gerhard Wahl

What have the main developments been in dental education in recent years?

Implantology is now an established part of dental education at many universities. Some courses even begin to familiarize students with implant treatments in their basic training, before they reach the clinical level. In the clinical semesters, the respective lectures are complemented by practical sessions, when students attend live surgeries to learn about the application of implant techniques.

Does this mean that implants have now become standard practice?

I wouldn't put it that way. Not every dental practitioner offers implants because there is an increase in specialization in dentistry. Many implant treatments are performed across disciplines. For example, implants are often placed by maxillofacial surgeons working with referring dentists, who do the final prosthetic reconstruction. Dentists who wish to offer the whole treatment have to be well trained in both surgery and prosthetics. Some do both, while others specialize in just one area. We are seeing something of a reversal in roles here: dentists no longer want to do everything themselves and want to draw on the specialist knowledge of colleagues.

Has there been an increase in the demand for specialization in further education in recent years as dentists seek their own niche?

Yes, you have to keep your skills up to date. Dentists find their niche, and this leads to collaboration models. For example, group practices and medical centers are able to offer a very high standard of treatment because everyone is highly skilled in specific disciplines. However, patients have to accept and get used to this. Some only want to see their own dentist, who does everything, so there is still a need for all-rounders.

There are now more women in dentistry than there were several years ago. Has this changed dentistry?

More than half of all dentistry students are female, which has a big impact. The treatments themselves are still the same, but women have influenced the way dentistry is actually performed. Women focus on different areas. There are more women in pediatric dentistry, and more men in maxillofacial surgery. One reason for this is the issue of balancing career and family – which is more difficult for women than men. As a result there will be more part-time employment in dentistry in the future: dentists will share practices or work closer with colleagues in other specialties.

Will the complexity of dentistry increase?

Without question. This affects implantology, as well as other disciplines. In periodontology, for example, there will be increasing emphasis on the impact of periodontal disease on general medical problems and whether they in fact trigger these problems. In implantology, one issue is how to perform implant treatment with lasting success if the patient's health status is not optimal. It is becoming more and more common in medicine to follow an integrated approach and build bridges with neighboring disciplines.



WISDOM TEETH

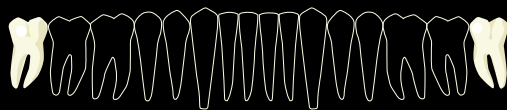
ELEPHANT (LOXODONTA)

Elephants live to an old age and are extremely intelligent, which is why they are often associated with wisdom. But they have no wisdom teeth – only incisors, which have evolved into tusks in the upper jaw, and molars for chewing. The latter gradually wear down and are replaced from behind by new teeth.

In humans, wisdom teeth appear between the ages of 17 and 25. Wisdom teeth often differ from the classical tooth shape and, due to our modern lifestyle, are not usually used for chewing. Many people have no wisdom teeth or only one or two. Others have a full set but not enough space in their jawbones, causing dental problems and pain – which is why wisdoms are often extracted.



WISDOM TEETH (DENTES SAPIENTES)



The lower wisdoms are the last human teeth to emerge but often do not have enough space.

6

replacement molars
in elephants.

CORPORATE GOVERNANCE

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'ENHANCING AGILITY, IMPROVING EFFICIENCY,
FOSTERING ENTREPRENEURISM
AND SHORTENING TIME TO MARKET.'

PRINCIPLES

Straumann's principles of, and rules on, corporate governance are laid down in the Articles of Association, the rules for organization and operation, the Group Management Policy, the Code of Conduct, and the Charters of the Board Committees. These principles and rules are the basis of corporate governance disclosures, which are in compliance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange, where Straumann's shares have been traded since the company's initial public offering in 1998.

The Articles of Association are available on Straumann's website (www.straumann.com).

GROUP STRUCTURE

Straumann Holding AG is a listed stock corporation incorporated and domiciled in Switzerland and registered in Basel. Information about the company's shares, which are traded on the main segment of the SIX Swiss Exchange under the symbol STMN, is provided on pp. 91, 231.

Straumann Holding AG is the ultimate parent company of the Straumann Group, which is headquartered in Basel and includes a total of 29 fully owned companies (see chart on p. 90) and two minority-held companies around the world.

CHANGES IN 2011 INCORPORATIONS

In the third quarter of 2011, Straumann established a wholly-owned company in India under the name Straumann Dental India Pvt Ltd, which will be responsible for registering Straumann products in India.

OPERATIONAL GROUP STRUCTURE

Throughout 2011, the operational structure of the Group was as follows:

- Corporate Services, which consisted of:
Corporate Business Development & Licensing, Corporate

Communication & Public Affairs, Corporate Human Resources, Corporate Pricing, Corporate Quality Management and Corporate Legal & Compliance

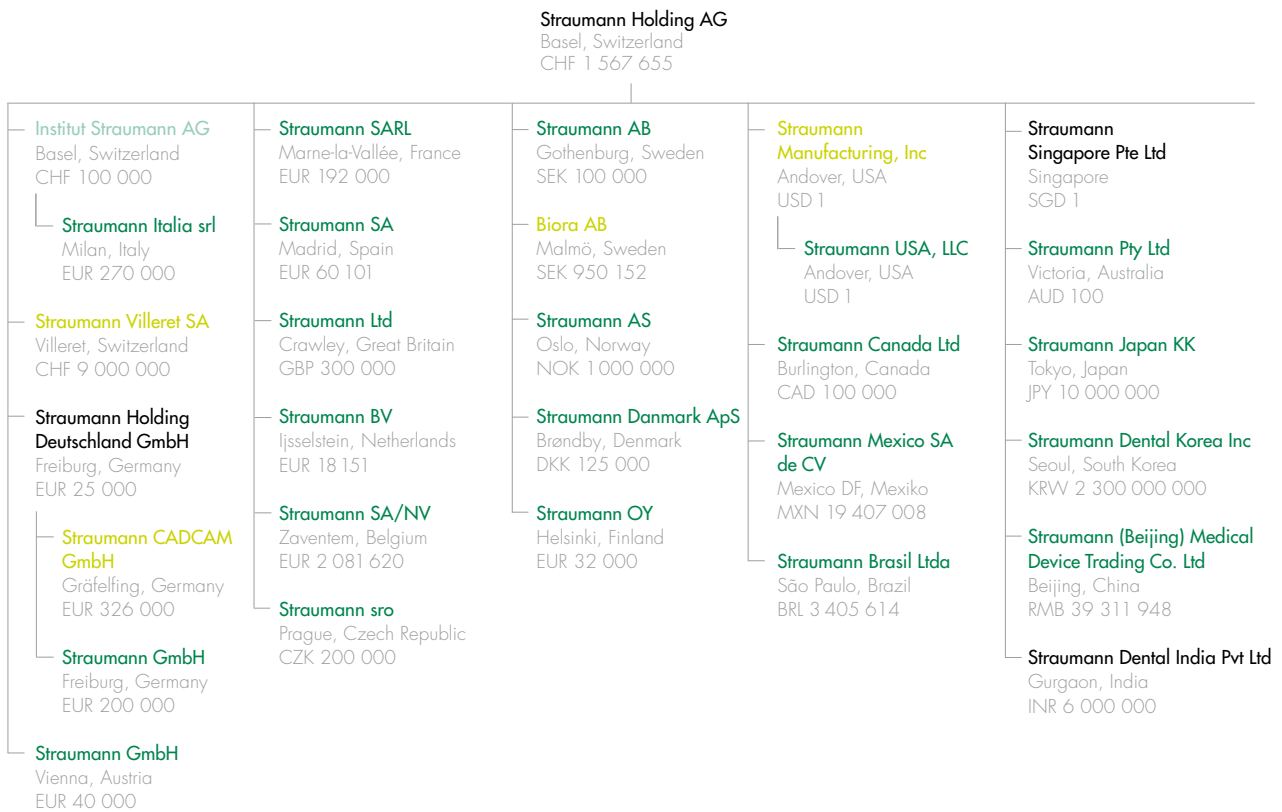
- Finance, which incorporated all finance-related functions, Facility Management, Internal Audit, Corporate Investor Relations, Corporate Process Excellence & Applications and Corporate Information & Communication Technologies
- Operations, comprising: Corporate Logistics, Global Production at the four manufacturing sites, and Global Purchasing
- Products, which was responsible for product innovation, development and lifecycle management, comprised three business units (Surgical, Regenerative and Prosthetics) and the administrative departments needed for the product lifecycle
- Sales, which comprised the sales subsidiaries grouped into five regions (APAC, Central Europe, Western Europe, North America, RoW), and the following functions: Marketing, Global Distributor Sales, Global Training & Education, Projects & Finance Management, Sales CARES Digital Solutions, and Sales Regenerative.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Head of Operations, the Head of Products and the Head of Sales were the respective Division Heads. The CEO, the CFO, the Head of Products and the Head of Sales comprised the Executive Management Board of the Straumann Group (see p. 106 for recent changes).

CHANGES IN 2012

In December 2011, Straumann announced plans to implement a new organizational structure in 2012, with the objective of enhancing agility, improving efficiency, fostering entrepreneurship and shortening time to market. At the heart of the reorganization is a transformation of the existing Products and Sales Divisions and the provision of greater autonomy to the sales regions (EMEA & Latin America; North America; Asia/Pacific) and the businesses ('Surgical',

PRINCIPAL GROUP COMPANIES



- Administrative regional headquarters or market development
- Sales and distribution
- Manufacturing
- Headquarters, sales and distribution

At 31 December 2011.
Values indicate share capital in each case.

'Prosthetics' and 'Regenerative') shortening decision times and streamlining processes. With effect of 1 January 2012, the new Executive Board comprised the CEO, the CFO, the Heads of the Regions and the Heads of the Surgical and Prosthetic Business Units (see p. 106).

LEGAL GROUP STRUCTURE

LISTED COMPANIES

Straumann Holding AG is the sole company of the Straumann Group and is listed at a stock exchange.

Name	Straumann Holding AG
Domicile	Peter Merian-Weg 12, 4052 Basel, Switzerland
Share capital*	CHF 1 567 654.90
Total shares (all registered)*	15 676 549
Nominal value	CHF 0.10
Treasury shares	1.28% of total
Market capitalization	CHF 2 541 million*
Listed at	SIX Swiss Exchange
Security ID	0 01228 007
ISIN	CH 0012 280 076
Bloomberg	STMN.SW
Reuters	STMN.S
Telekurs (Investdata)	STMN

* On 31 December 2011

NON-LISTED GROUP COMPANIES

The Group sells products and services through Institut Straumann AG and 21 fully-owned sales subsidiaries, 13 of which are in Europe, two in North America, four in the Asia/Pacific region, and two in Latin America. The Group has four manufacturing companies, of which three are in Europe and one in North America (see p. 54 for details of production locations). The purpose of the aforementioned company in India is product registration.

There are several Group subholdings: Institut Straumann AG holds Straumann Italia srl; Straumann Holding Deutschland

GmbH holds the German sales and distribution company as well as the CAD/CAM manufacturing and computer-guided-surgery development companies; while the North American production company, Straumann Manufacturing, Inc., holds the US sales and distribution company.

On 31 December 2011 Straumann Holding AG directly or indirectly held 100% of the capital and voting rights in all Group companies. In addition, Straumann Holding AG held 30% of the capital and voting rights in Dental Wings Inc. (Canada) and Open Digital Dentistry AG (Switzerland). Headquartered in Montreal, Canada, Dental Wings specializes in software for design and manufacturing in addition to developing and manufacturing 3D scanners. Open Digital Dentistry AG is mainly responsible for the distribution of Dental Wings' software products.

As laid down in the rules of organization and operation, the respective regional Head, the CFO and the General Counsel are generally Members of the Board of Directors in all Straumann companies, representing the parent company as the only shareholder. During the vacancy of the CFO position, the regional Finance Officers were appointed to the respective Boards ad interim. Straumann has one seat on the Board of Directors of Dental Wings Inc. and one on the Board of Open Digital Dentistry AG. The new CFO, who joined Straumann in November 2011 will be elected to the respective Boards in 2012, thereby replacing the regional Finance Officers.

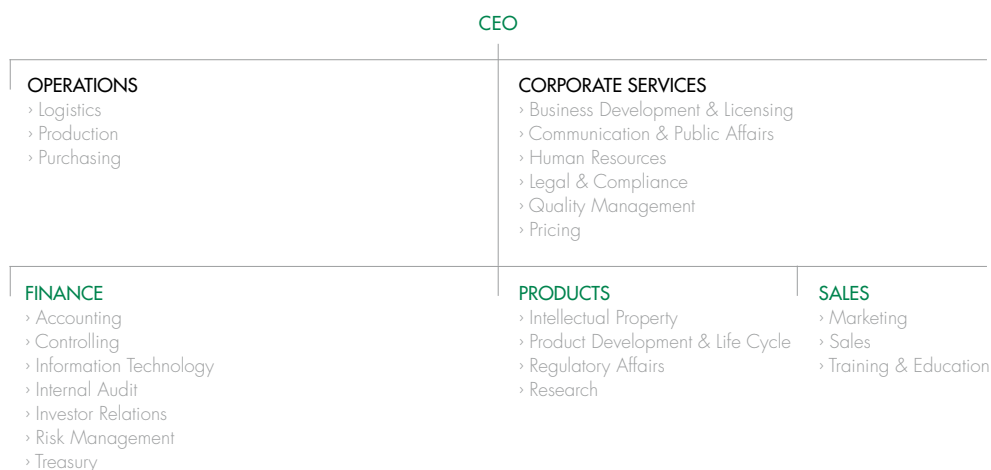
ORDINARY SHARE CAPITAL

On 31 December 2011, the share capital was composed of 15 676 549 registered shares, each with a nominal value of CHF 0.10. The share capital is fully paid in. On 31 December 2011, the ordinary share capital amounted to CHF 1 567 654.90.

CONDITIONAL AND AUTHORIZED SHARE CAPITAL

A conditional share capital was approved for an unlimited period at an extraordinary General Meeting in 1998 for use

OPERATIONAL GROUP STRUCTURE 2011



■ Represented in Executive Management Board

in equity participation plans for employees and management (see Compensation report for details). At the end of 2011, the conditional capital amounted to CHF 32 345.10 and the number of conditional shares was CHF 323 451. On 31 December 2011, Straumann Holding AG did not have any authorized share capital.

CAPITAL STRUCTURE

(in CHF 1000)	31 Dec 2011	31 Dec 2010	31 Dec 2009
Equity	671 118	695 630	635 420
Reserves	(58 523)	4 578	23 838
Retained earnings	728 073	689 484	610 014
Ordinary share capital	1 568	1 568	1 568
Conditional share capital	32	32	32
Authorized share capital	None	None	None
Number of registered shares	15 676 549	15 676 549	15 676 549
Registration restrictions	None	None	None
Voting restrictions	None	None	None
Opting-out, opting up	None	None	None

CHANGES IN CAPITAL

The capital of Straumann did not change in 2011. The only change in the past three years was in December 2009,

OPERATIONAL GROUP STRUCTURE 2012

CEO	
BUSINESS UNIT PROSTHETICS	BUSINESS DEVELOPMENT & LICENSING
BUSINESS UNIT SURGICAL	COMMUNICATIONS & MARKETING SERVICES
REGENERATIVE BUSINESS	FINANCE
SALES I (EMEA, LATAM, DISTRIBUTORS)	HUMAN RESOURCES
SALES II (NORTH AMERICA)	LEGAL & COMPLIANCE
SALES III (ASIA/PACIFIC)	OPERATIONS

■ Represented in Executive Management Board

when 45 878 shares of the conditional share capital were converted into ordinary shares, increasing the ordinary share capital from CHF 1 563 067.10 to CHF 1 567 654.90.

RESTRICTIONS ON THE TRANSFERABILITY OF SHARES AND NOMINEE REGISTRATIONS

All shares have the same entitlements to a dividend. Each share duly entered in Straumann's register of shares as being held in the shareholder's own name and for the shareholder's own account entitles the shareholder to one vote (see section below on Shareholders' rights).

A register of shares and their owners is maintained and administered by SIX SAG AG (Baslerstrasse 90, P.O. Box, 4601 Olten, Switzerland) on behalf of the Company. Proof of acquisition of title in the shares is a prerequisite for entry in the share register. The Company must be informed of any changes. Persons recorded in the register are considered to be shareholders in relation to the Company. The Company

may, after hearing the affected parties, delete entries in the register if these are based on false information.

There are no restrictions on the transferability of Straumann Holding's shares. Purchasers of shares are entered in the share register as shareholders with voting rights if they expressly declare that they have acquired the registered shares in their own name and for their own account. If a purchaser is not willing to make such a declaration, he/she is registered as a shareholder without voting rights.

Nominees can register the shares they hold, if this is specifically approved by the Board of Directors. The Board of Directors decides whether nominee entries shall have voting rights or not. At 31 December 2011, no nominees were registered as having voting rights.

At 31 December 2011, 31.72% of all issued shares were either not registered or were registered without voting rights.

**PARTICIPATION CERTIFICATES AND CONVERTIBLE/
EXCHANGABLE SECURITIES**

Straumann has not issued any of the following: participation certificates, profit participation certificates, convertible/exchangeable bonds, warrants, options or other securities granting rights to Straumann shares, other than options/warrants granted to certain employees as a component of compensation (see Compensation Report p. 123).

SHAREHOLDERS AND SHAREHOLDINGS**DISTRIBUTION OF SHARES**

On 31 December 2011, 10 938 shareholders were registered as holding 85.6% of the total shares of Straumann Holding AG (see chart opposite).

Shares held	No. registered shareholders	% of share capital	% of registered shareholders
1–100	7 214	2.34	65.95
101–1 000	3 368	6.28	30.79
1 001–10 000	305	5.55	2.79
10 001–100 000	37	5.69	0.34
100 001–1 000 000	12	26.24	0.11
1 000 001 and more	2	39.51	0.02
Unregistered shares	n/a	14.40	n/a

n/a = not applicable

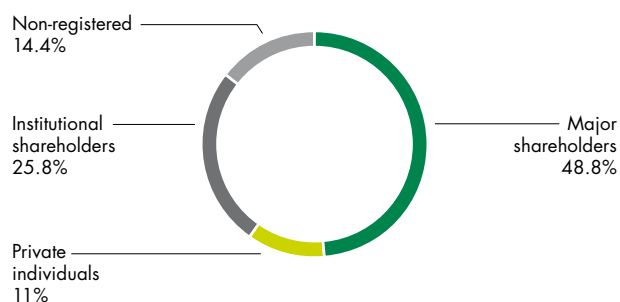
MAJOR SHAREHOLDERS

The following major shareholders were registered as holding more than 3% of the share capital on 31 December 2011.

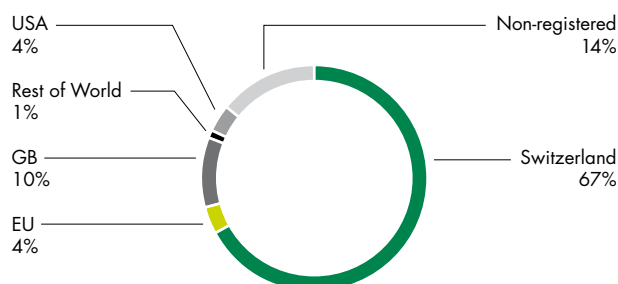
Major shareholders (in %)	31 Dec 2011	31 Dec 2010	31 Dec 2009
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	27.3	27.6	28.0
Dr h.c. Rudolf Maag	12.2	12.2	12.3
Simone Maag de Moura Cunha	5.9	6.0	6.0
Gabriella Straumann	3.4	4.0	4.3
Total	48.8	49.8	50.6

In October 2011, Manning & Napier Advisors, Inc. of 290 Woodcliff Drive, Fairport, NY 14450, USA reported a corporate reorganization resulting in a newly formed Delaware limited liability company, called Manning & Napier Advisors, LLC. The latter therefore reported its new holding of 599 839 shares, corresponding to 3.83% of the share capital of Straumann. In December 2011, it reported that the same shareholding had dropped below the 3% threshold.

SHAREHOLDINGS ON 31 DECEMBER 2011 (BY SEGMENT)



SHAREHOLDINGS ON 31 DECEMBER 2011 (BY GEOGRAPHY)



At the end of December 2011, Baillie Gifford, an independent investment management firm based in Edinburgh, Scotland, held more than 3% of the share capital of Straumann Holding AG. The stake is divided among Baillie Gifford & Co., Baillie Gifford Life Ltd and Baillie Gifford Overseas Ltd, all of Calton Square, 1 Greenside Row, Edinburgh, UK. Baillie Gifford is not registered in Straumann's share register.

No other non-registered shareholder reported a holding of more than 3% of the share capital.

To Straumann's knowledge, no shareholders' agreements or other agreements exist between the shareholders.

SHARE PURCHASE INITIATIVE

In April and May, the Group purchased 24 366 Straumann shares on the open market as Treasury shares. Early in August, the Group purchased 32 307 shares from Dr. h.c. Thomas Straumann.

In total, 28 928 shares were used for the Group's management bonus share plans and for its employee share plans. In August, the Group announced its intention to buy Straumann shares on the open market for up to a maximum of CHF 100 million. The goal of this initiative is to reduce the

Group's high cash holdings without restricting its ability to take advantage of strategic opportunities. Shares purchased are held as Treasury shares and may be used for the Group's employee share plans. The program started on 1 September 2011 and is over an unspecified period. For an overview of the number of Treasury shares held by Straumann Holding AG and Institut Straumann AG see Note 4 to the Financial Statements of the Financial Report of Straumann Holding AG on p. 216.

Updated summaries of the trading activities can be viewed in the Investor Relations section of the company's website or on the homepage of the Swiss takeover board (www.takeover.ch/transactions/detail/nr/0488).

CROSS SHAREHOLDINGS

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

SHAREHOLDERS' GENERAL MEETING AND PARTICIPATION RIGHTS

The Shareholders' General Meeting is held in Basel in March or April. Invitations to the General Meeting are issued in writing at least 20 days before the meeting and are published once in the company's journals of record, the 'Schweizerisches Handelsamtsblatt' ('SHAB' – Swiss Official Gazette of Commerce), the 'Neue Zürcher Zeitung', and on the company's website, www.straumann.com.

2011 GENERAL MEETING

The 2011 meeting took place on 18 March, and was attended by 604 shareholders representing a total of 9 702 581 voting shares, corresponding to 61.9% of the overall share capital.

The meeting approved: the 2010 Annual Report and Financial Statements as well as the Compensation Report (in a separate advisory vote), the appropriation of the available earnings, the dissolution of legal reserves, and the 2010 dividend.

Art. 3.1.3, para. 5 of the Articles of Association was amended by the meeting. This amendment reduced the requirement for putting items on the agenda from individually or jointly representing 400 000 shares to individually or jointly representing at least 150 000 shares.

The Directors were discharged for their activities in 2010 and were re-elected as Board Members for a term of one year. PricewaterhouseCoopers of Basel was reappointed as Statutory Auditors for a further term of one year.

At the meeting Straumann introduced electronic voting, which makes it possible to determine exact results. The agenda, the minutes (including the voting results) and a media release summary of the meeting are published in the Investor Relations section of the company's website: www.straumann.com 'Corporate Governance/ Annual General Meeting'.

2012 GENERAL MEETING

In 2012, the Shareholders' General Meeting will take place on 4 April. All shareholders who are entered in the share register as having voting rights are entitled to attend the General Meeting and have the right to vote. Each registered share entitles the holder to one vote. There are no voting restrictions. All shareholders may be represented at the General Meeting by written proxy. There are no general statutory quorums.

For organizational reasons, new entries in the share register cannot be made after 21 March 2012. Shareholders who sell their shares prior to the General Meeting are no longer entitled to vote. The invitation to submit proposals for agenda items is announced by publication once in the company's journals of record and on the company's website.

Shareholders individually or jointly representing 150 000 shares may request items to be included in the agenda no later than the date published on the invitation.

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

Shareholders have the right to receive dividends and hold other such rights as defined in the Swiss Code of Obligations.

BOARD OF DIRECTORS

All members of the Board of Directors are elected individually by the Shareholders' General Meeting for a term of one year, with re-election permitted and not limited.

At the Shareholder's General Meeting in March 2011, all current Directors – Gilbert Achermann, Dr Sebastian Burckhardt, Dominik Ellenrieder, Dr h.c. Thomas Straumann, Roland Hess, Ulrich Looser, Dr Beat Lüthi and Stefan Meister – were re-elected for a further one-year term.

Following the Meeting, the new Board appointed Gilbert Achermann as its Chairman and Dr h.c. Thomas Straumann as its Vice Chairman.

The Board of Directors of Straumann Holding AG comprised eight non-executive members. With the exception of Gilbert Achermann, no other Director has been a member of the company's Executive Management during the past three years.

The Directors are all Swiss citizens and the average age of the Members of the Board at year-end was 52.

GILBERT ACHERMANN

Swiss (born 1964),
Chairman of the Board of Directors

Gilbert Achermann has been a member of the Board of Directors at Straumann since 2009. In 2010, he was appointed Chairman of the Board. He is elected until 2012. Mr Achermann joined Straumann in 1998 as Chief Financial Officer and was appointed President & Chief Executive Officer in 2002, the office he held until the 2010 AGM.

Formerly, he served for 13 years at UBS in Zurich, Geneva, New York and Frankfurt, where he worked in Investment Banking. Gilbert Achermann holds an Executive MBA from IMD in Lausanne and a degree from the HWV business school in St. Gallen.

BOARD OF DIRECTORS



Gilbert Achermann



Dr. Sebastian Burckhardt



Dr. h.c. Thomas Straumann



Dominik Ellenrieder

Other key assignments include: the Board of Siegfried Holding AG, Zofingen (Chairman), the Board of Moser Group AG, Neuhausen am Rheinfall (Vice Chairman), the Board of Directors and Board of Trustees of the independent academic network International Team for Implantology (ITI) as well as the advisory boards for International Cooperation of the Canton Basel-Stadt and for the Basel Association of Statistics and Economy. At time of publication, Mr Achermann had been nominated to stand for election to the Board of Bank Julius Baer, Zurich.

Gilbert Achermann has been a main contributor to the Company's past success. He stands for continuity, stability and credibility among the various stakeholders. In addition, the Board benefits from his extensive knowledge of the industry, and his broad functional, regional and managerial experience.



Roland Hess



Stefan Meister



Beat Lüthi



Ulrich Looser

DR H.C. THOMAS STRAUMANN

Swiss (born 1963),
Vice Chairman of the Board
Member of the Strategy Committee

Thomas Straumann's skills in precision engineering were complemented by his studies at the Basel Management School, from which he graduated in 1988. In 1990, he was responsible for restructuring Institut Straumann AG and was CEO and Chairman of the Board of Directors until 1994. He was Chairman of the Board of Straumann Holding AG until

2002. In 2004, he was awarded an honorary doctorate by the University of Basel, Switzerland.

Thomas Straumann has been a member of the Board of Directors of Straumann since 1990 and is elected until 2012. Other directorships include Centervision AG (Chairman), CSI-BHE AG (Chairman), Medartis AG (Chairman), Tschudin+Heid AG (Deputy Chairman), Grand Hotel Bellevue SA (Member of the Board), Grand Hotel Les Trois Rois SA (Member of the Board), International Bone Research

Association IBRA (Member of the Board), and Moser Group AG (Member of the Board).

Thomas Straumann is the principal shareholder of Straumann Holding AG. He complements the Board with his understanding of the dental and medical device industries through personal management experience and various shareholdings. Having built up several companies, in which he is still involved, he is a true entrepreneur and has a diverse portfolio of interests, including not-for-profit activities.

DR SEBASTIAN BURCKHARDT

Swiss (born 1954),
Member of the Audit Committee
Secretary of the Board

Sebastian Burckhardt began his studies in the fields of economics and law and obtained his doctorate law degree at the University of Basel. He is a lawyer admitted to the bar of Switzerland and a civil law notary in Basel. Sebastian Burckhardt was admitted to the New York Bar following studies at New York University School of Law. He is a partner at the Vischer AG law firm in Basel. Vischer AG is Straumann's main law firm in Switzerland (for details regarding payments to Vischer AG in 2011 see Note 28 of the audited consolidated Financial Statements on p. 199).

Sebastian Burckhardt has been a member of the Board of Directors of Straumann since 2002 and is elected until 2012. Other directorships include: Dolder AG (Chairman of the Board), Applied Chemicals International AG, persona service AG and the School for Healing of the Deaf and Persons with Speech Impediments, Riehen, Switzerland.

Straumann's Board of Directors benefits from Dr Burckhardt's expertise as an independent lawyer. He is a specialist in corporate and commercial law and in mergers, acquisitions, joint ventures, licensing, distribution and technology contracts/agreements. His knowledge extends

well beyond legal matters and includes many years' experience on corporate boards.

DOMINIK ELLENRIEDER

Swiss (born 1958),
Member of the Strategy Committee

A graduate of the University of Basel, where he obtained a degree in economics, Dominik Ellenrieder was Head of International Sales at Protek AG (later Sulzer Medica). In 1990, he joined Stratec Medical, where he held a series of managerial positions with increasing responsibility (development, product management, and operations of affiliated companies). In 2000, he founded Kuros Therapeutics AG, where he was Chairman of the Board until 2002.

Dominik Ellenrieder is Chairman of the Boards of Sentec AG, QGel SA and SenSpec GmbH in Rostock, Germany, as well as Partner of Endeavour Vision (VC Fonds). Other key directorships include Medartis AG and Kuros Biosurgery AG.

Dominik Ellenrieder has been a member of the Board of Directors of Straumann since 2001 and is elected until 2012.

Having worked for a number of years in the medical device arena, Dominik Ellenrieder brings to the Board significant experience and knowledge of the industry. As an entrepreneur he has been involved in a number of start-up companies and has a portfolio of diverse interests within the medical device industry.

ROLAND HESS

Swiss (born 1951),
Chairman of the Audit Committee
Member of the Strategy Committee

Roland Hess is senior advisor to the Executive Committee of the Board of Schindler Holding AG. He is also President of the Boards of several companies within the Schindler Group. Mr Hess joined Schindler in 1984 and rose through positions of increasing responsibility in Controlling, Finance and Re-

gional Management to become President of the Elevator and Escalator Division. From 1971 to 1984, he worked for Nestlé, initially in accounting, then as an international auditor, and finally as Chief Financial Officer of a Group company.

His career includes several years in North and Latin America, in addition to assignments in Europe. He holds a degree in Business Administration from Lucerne Business School and studied at Harvard Business School near Boston.

Roland Hess has been a member of the Board of Directors of Straumann since 2010 and is elected until 2012.

He has a long and distinguished track record in larger companies in more mature industries, combined with in-depth regional and functional experience. In addition, he complements the Board with expertise in compliance, risk management and standardized global procedures.

ULRICH LOOSER

Swiss (born 1957),
Chairman of the Strategy Committee
Member of the Human Resources Committee

Ulrich Looser is a partner with BLR & Partners AG. From 2001 to 2009, he was with Accenture Ltd., where he became Chairman of its Swiss affiliate (2005) and Managing Director of the Products Business in Austria, Switzerland and Germany. Earlier, he spent six years as a partner at McKinsey & Company Ltd. Mr Looser graduated with a degree in Physics from the Zurich ETH (Swiss Federal Institute of Technology) and in Economics at the University of St. Gallen.

Ulrich Looser is Chairman of the Boards of Chemengineering AG and econis AG as well as a Member of the Boards of the Bachofen Group and economiesuisse, where he headed the Competition Commission until 31 December 2011 and the Commission of Research and Education as of 1 January 2012. He heads a chapter of the Swiss American Chamber of Commerce, is a Member of the Board of 'Engineers Shape

COMMITTEES OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS

AUDIT

Roland Hess*
Dr Sebastian Burckhardt
Dr Beat Lüthi

HUMAN RESOURCES

Stefan Meister*
Ulrich Looser
Dr Beat Lüthi

STRATEGY

Ulrich Looser*
Dominik Ellenrieder
Roland Hess
Dr h.c. Thomas Straumann

* Committee Chairman

our Future', and heads the finance commission of the Swiss Studies Foundation.

Ulrich Looser has been a member of the Board of Directors of Straumann since 2010 and is elected until 2012. His expertise in strategy, project and human capital management is valuable to the Straumann Board. He adds in-depth consultancy experience, which is particularly useful in the Vision 2020 process that the Company has been undertaking.

DR BEAT LÜTHI

Swiss (born 1962),
Member of the Audit Committee
Member of the Human Resources Committee

Beat Lüthi is CEO and Co-owner of CTC Analytics AG, a world leader in gas and liquid chromatography automation. After obtaining his PhD in Electrical Engineering from Zurich ETH, Beat Lüthi began his career with Zellweger Uster AG, a leading manufacturer of quality control equipment in textile production. In 1990, he moved to Mettler-Toledo International Inc. and rose to the position of

General Manager of the Swiss affiliate. In 1994, he completed an executive program at INSEAD and subsequently joined Feintool International Inc. in 1998. During his four-year tenure as CEO, the company went public and doubled in size. In 2003, he returned to Mettler Toledo as CEO of the Laboratory Division. At the end of 2007, he joined CTC Analytics near Basel to further develop this medium-sized company as an entrepreneur.

Beat Lüthi has been a member of the Board of Directors of Straumann since 2010 and is elected until 2012. He is also a member of the Board of Directors of the Bossard Group.

He combines entrepreneurship and corporate experience in different industries, which make him a valuable contributor to strategic and operational matters. His scientific background together with his experience in service businesses are of further benefit to the Straumann Board.

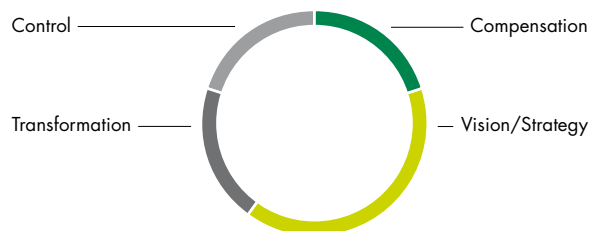
STEFAN MEISTER

Swiss (born 1965),
Chairman of the Human Resources Committee

Stefan Meister holds a degree in economics from Basel University. He started his career at Sandoz Pharma in 1991. From 1995 to 2009 he worked for Celesio AG, a leading pharmaceutical distribution and services company. From 1999, he was a member of the Celesio Management Board, where his responsibilities included Finance and Controlling, IT, Human Resources and the Pharmacy Business. In 2010, Stefan Meister joined the Management Board of Franz Haniel & Cie. GmbH, a family-owned, international group of companies holding – amongst others – a major stake in Metro AG and a majority stake in Celesio. At Haniel, he was responsible for the operating businesses CWS-boco and ELG as well as Group Finance, IT and Corporate Responsibility.

In September 2011, Stefan Meister took office as Member of the Board and Chief Operating Officer of Kedge Capital Holdings (Jersey) Ltd., the holding company for the Bertarelli

ALLOCATION OF BOARD TIME IN 2011



In 2011, the Board of Directors focused its time on four key themes in the proportions indicated above.

Family Investments. With his thorough understanding of portfolio businesses and macro-level strategic leadership, he assumes operating leadership and drives the strategic development of the Bertarelli Family Investments in close cooperation with the Board and its Chairman.

Stefan Meister is a Member of the Advisory Board of BPN (Business Professionals Network) in Bern. He has been a member of the Board of Directors of Straumann since 2010 and is elected until 2012.

He complements the Board with in-depth knowledge in the healthcare sector and from industries with comparable business models/challenges to those of Straumann. He also has a wealth of experience in governance, finance and human resources management.

OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors meets at least four times a year for one-day meetings and as often as business requires. In 2011, it held nine meetings. The extent to which the Board allocated its time and attention to various issues and agenda points is shown in chart above. Its major tasks included: finalizing the Vision 2020 project, evaluating transforma-

TIME (DAYS) SPENT BY INDIVIDUAL MEMBERS OF THE BOARD OR AT BOARD AND COMMITTEE MEETINGS IN 2011

Meetings	G. Achermann	T. Straumann	R. Hess	B. Looser	B. Lüthi	S. Meister	S. Burckhardt	D. Ellenrieder
Board meetings	9	9	9	9	9	9	9	9
Audit Committee	6		6		6		6	
Strategy Committee	5	5	5	5				5
Human Resources Committee	3			3	3	3		
Other	93	11	15	18	10	16	18	12
Total days	116	25	35	35	28	28	33	26

* Note: Meeting preparation & follow-up/conference calls/minutes/bilateral meetings etc.

tional opportunities, ensuring that Straumann has the right organization, the right compensation system and the right people to add value for the shareholders, and finally supporting the leadership amid changing industry dynamics and economic uncertainty. The members of the Executive Management Board participate in Board meetings in an advisory capacity. Dr Sebastian Burckhardt acts as Secretary to the Board of Directors. The Board of Directors consults external experts where necessary when discussing specific topics.

The Board of Directors is responsible for the strategic management of the Company, the supervision of the Executive Management Board and financial control. The Board of Directors reviews the Company's objectives and identifies opportunities and risks. In addition, it decides on the appointment and/or dismissal of members of the Executive Management Board.

The Board of Directors has a quorum if a majority of members is present. Valid resolutions require a majority of the votes cast. In the event of a draw, the Chairman of the Board holds the deciding vote.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three permanent committees consisting of not fewer than three Board Members with relevant background and experience: the Audit Committee, the Human Resources Committee and the Strategy Committee. The majority of each Committee's members shall be non-executive. Currently, the Audit Committee and the Human Resources Committee both comprise three non-executive Board Members and the Strategy Committee comprises four non-executive Board Members.

Each Committee informs the Board about its deliberations, makes recommendations, and subsequently monitors the implementation of the Board's decisions. The Human Resources Committee takes decisions directly in the context of recruiting members of the Executive Management Board. Copies of the charters of the three permanent committees can be found on the company's website: www.straumann.com under 'Investor Relations'.

In 2011, the Audit Committee met six times, the Human Resources Committee three and the Strategy Committee five times.

The Board of Directors may establish further committees or appoint individual members for specific tasks.

Beginning in 2012, the Board of Directors will provide a new 'mentoring' service. Each member of the Executive Management will be assigned to a Board Member, who will act as a coach. The concept is to provide an experienced sparring partner and sounding board for Executives to test ideas and seek a qualified independent opinion.

AUDIT COMMITTEE

Members: Roland Hess (Chair), Dr Sebastian Burckhardt, Dr Beat Lüthi

This Committee's main tasks are to:

- Develop, propose and review principles for the financial planning, dividend policy, accounting and reporting, disclosure and capital market relations
- Review proposed concepts of financial objectives, such as budget process, capital structure and capital expenditure
- Review the Group's finance policy
- Select the external auditors, examine their independence and effectiveness, as well as that of the internal controls and the way in which the two bodies cooperate
- Review and discuss the financial statements with the CFO and, separately, with the Head of the external auditors without the CEO and the CFO being present
- Review the auditing services provided by the auditors and their remuneration
- Review other activities performed by the auditing firm on behalf of the Company, in particular with respect to its independence
- Review organization, progress and staffing of the internal audit function, review its reports and the management responses
- Review major issues regarding compliance with applicable laws and regulations, as well as material litigation and legal risks
- Review the risk management framework.

HUMAN RESOURCES COMMITTEE

Members: Stefan Meister (Chair), Ulrich Looser, Beat Lüthi

This Committee's main tasks are to:

- Review and approve the principles and programs for compensation, including proposals to the Board regarding the stock option plans and the principles governing grants made under them
- Ensure that the compensation principles are designed to: foster a high performance culture; manage performance through a structured system; compete with best-in-class global companies and industry benchmarks as well as with local market practices
- Consider and recommend employment contracts for the CEO, the members of the Executive Management Board and the Corporate Management Group
- Review the principles and programs for compensation of the CEO, the Executive Management Board and the Corporate Management Group (in particular stock participation program, options and bonus schemes) and evaluate periodically their performances against individual and company goals
- Recommend the compensation schemes for the Board and periodically evaluate the performance of the Board and its Committees
- Periodically monitor and review succession planning including policies and principles for the selection of the members of the Executive Management Board and the Corporate Management Group
- Establish and review human resources policies to strengthen Straumann's position in the HR market.

STRATEGY COMMITTEE

Members: Ulrich Looser (Chair), Dr h.c. Thomas Straumann, Dominik Ellenrieder, Roland Hess

The main tasks of this Committee are to:

- Review and assess the long-term business development vision and mission of the Company

- Review and assess the Company's business franchise portfolio, its geographic portfolio, reach and channel approach, and the general validity of its business model considering competitive dynamics, disruptive technologies and economic trends
- Review the strategic plan which includes financial and other medium-term targets and is subsequently submitted for approval by the Board
- Review the merger, acquisition, licensing and other business development strategies of the Company.

**ASSIGNMENT OF RESPONSIBILITIES
TO THE EXECUTIVE MANAGEMENT BOARD**

The Board of Directors has delegated responsibility for the operational management and sustainable development of the Company to the CEO and the Executive Management Board. The CEO is responsible for the overall management of the Straumann Group and its operations. The CFO is responsible for Finance and Information Technology.

The Heads of the Sales Regions are responsible for the sales and local marketing activities and performance of the various country organizations in their respective regions. The Heads of the Business Units (BUs) have a commercial responsibility for their businesses, including Product Lifecycle Management, Research & Development and Marketing within the respective BU portfolio.

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

**INFORMATION AND CONTROL MECHANISMS FOR THE BOARD
OF DIRECTORS AND THE EXECUTIVE MANAGEMENT**

MANAGEMENT INFORMATION SYSTEM

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

Over the past ten years, Straumann has built up a state-of-the-art SAP enterprise resource planning system, which now covers 97% of the Group's business transactions. The system links all major subsidiary companies and production sites directly with Group headquarters. This greatly reduces the potential for error/fraud and enables the Executive and Senior Management to monitor local processes and related figures directly in detail and in real time.

INTERNAL CONTROL SYSTEM (ICS)

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

The Company's approach is to ensure that internal controls are accurate, timely, robust, and receive appropriate management attention in each respect. To achieve this, dedicated control templates are used for each business process to address major risks. The templates are continuously improved and are being extended to include supporting process flows. In addition, each entity (sales affiliate, production site or global function) has a designated, trained person or team which is ultimately accountable for the assessment undertaken and the decisions arising from it. A clear benefit of the Internal Control System has been an enhanced segregation of duties, an increased control consciousness and a higher awareness of potential risks and their consequences.

The ICS program is coordinated by Corporate Internal Audit, which meets with the external auditors on a regular basis to discuss the status of IC issues and the status of remediation of control deficiencies. Internal controls are evaluated annually by the external auditors and by Internal Audit according to an agreed program.

INTERNAL AUDIT

Corporate Internal Audit at Straumann is an 'independent' and 'objective' assurance and consulting body, reporting directly to the Chief Financial Officer and to the Audit Committee of the Board of Directors.

The main task of Corporate Internal Audit is to evaluate the effectiveness of the Group's governance and risk management processes, to review and assess internal controls, to monitor compliance with external and internal policies and procedures, and to ensure the economical and efficient use of the company's resources. In this role, Corporate Internal Audit promotes the exchange of best practices within the Straumann Group, proposes improvements, and monitors their implementation.

In addition, Corporate Internal Audit pursues the development of the Group's Internal Control System (ICS), which was established in 2008.

In 2011, Corporate Internal Audit performed 14 audits at global and local levels, at production sites and in sales affiliates, according to the audit program approved by the Audit Committee of the Board of Directors.

CORPORATE RISK MANAGEMENT

The Board of Directors is responsible for the overall supervision of risk management and uses the Internal Audit function to this end. The Board has delegated the task of risk management to the Chief Risk Officer (CRO), who is also the CFO. Through its Audit Committee, the Board assesses and discusses risks on a regular basis in consultation with the CRO and/or the relevant members of senior management (see 'Risk Management' on p. 145).

EXECUTIVE MANAGEMENT

The Group's Executive Management Board (EMB) is responsible for the operational management of the Straumann Group, in line with the instructions issued by the Board of Directors. Its tasks are laid down in the organizational and business regulations. It is also responsible for global strategy and stakeholder management.

In 2011, the EMB comprised four members under the leadership of the CEO, Beat Spalinger. The other members included: the CFO Thomas Dressendörfer, who took office on 1 November 2011 (Beat Spalinger acted as ad interim CFO and Head of the Finance Division from 15 September 2010 until the end of October 2011). Dr Sandro Matter was Head of the Products Division and Franz Maier was Head of the Sales Division until 31 December 2011.

To represent the regions and leading business units at top management level, the Executive Management Board was expanded on 1 January 2012 from four to seven members as part of a broad reorganization initiative. Beat Spalinger (President & CEO), Thomas Dressendörfer (CFO), and Dr Sandro Matter (EVP Prosthetics) were joined by: Dr René Willi (EVP Surgical), Frank Hemm (EVP Sales EMEA & LATAM), Andy Molnar (EVP Sales North America). The position of EVP Sales Asia Pacific has yet to be nominated and will be filled by the CEO ad interim.

Following the reorganization announcement, Franz Maier, Executive Vice President of Global Sales, left the company at year-end.

BEAT SPALINGER

Swiss (born 1958),
President & CEO

Beat Spalinger holds a Masters in Economics and Business Administration from HWV in Zurich, and is an alumnus of the Advanced Management Program at Harvard University near Boston. From 1986 to 1999, Mr Spalinger worked for

KPMG Zurich, a leading provider of audit, tax and advisory services in Switzerland. In 1993, he became a Partner of KPMG and directed the Corporate Finance Department. He left in 1999 to become CFO of Flughafen Zürich AG (Unique), the operating company of Zurich International Airport. In the course of his nine-year tenure at Unique, he oversaw the Accounting, Controlling, Treasury, Airport Charges and Legal Departments as well as Risk Management and Corporate Supply Management. He was Managing Director for all international projects, including the financing and construction of new airports in Asia and Latin America.

Mr Spalinger joined Straumann in September 2008 as CFO and was appointed President & CEO in March 2010. He is a Member of the Board of Directors and of the Board of Trustees of the independent academic network International Team for Implantology (ITI).

THOMAS DRESSENDÖRFER

German (born 1958),
Chief Financial Officer

Thomas Dressendörfer has a wide cultural background and broad international professional experience. After formative years abroad, he studied in Germany, gaining a Master's in Business Administration and Economics from the University of Erlangen-Nürnberg.

His career in finance progressed to senior positions including the role of CFO of major business units/regions in international companies, such as Randstad, The Nielsen Company, Procter & Gamble, and Baumüller. His career has thus taken him through the Healthcare and Consumer Products industries, as well as the Personnel Services, Market Intelligence, and Mechanical Engineering sectors – in various countries. He joined Straumann in November 2011 from Uster Technologies Ltd, where he was Chief Financial Officer and a Member of the Executive Committee for three years. Uster is the leading manufacturer of high-technology testing and monitoring systems for the textile industry.

FRANZ MAIER

German (born 1965),
Executive Vice President Sales
(until 31 December 2011)

Franz Maier holds a Master of Science in Business Administration from Passau University in Germany. Mr Maier worked for the Wella Group for 14 years, which was acquired by Procter & Gamble in 2003. He held managerial positions of increasing responsibility in Product Management, Strategic Management and Sales. He spent two years as Marketing Director of Wella France, was Managing Director of P&G Professional Care in Italy for three years, Corporate Senior Vice President and Regional Manager of Professional Care in Germany, and Head of Global Distributor Operations Professional Care at the company's international headquarters in Geneva.

Franz Maier joined Straumann in June 2007 as Head of Sales. Having helped lead the reorganization project, he decided to pursue his career outside Straumann and relinquished his Executive responsibilities on 31 December 2011.

FRANK HEMM

Swiss (born 1970),
Executive Vice President EMEA, LATAM

Frank Hemm holds a Masters degree in Economics from the University of St. Gallen and a Masters in Business Administration from Kellogg Graduate School of Management in the US. His business career began in management consulting with Andersen Consulting and McKinsey, focusing on business process re-engineering and strategic management consulting.

He joined Straumann in 2004 and was initially responsible for Corporate Business Development & Licensing. He was appointed Head of Sales, Western Europe in 2007 and became a member of the Corporate Management Group. A year later, he was given responsibility for the Asia Pacific Region as Head of Sales based in Singapore, where he es-

EXECUTIVE MANAGEMENT BOARD



Beat Spalinger



Dr. Sandro Matter



Andy Molnar



Dr. René Willi

established and built up Straumann's regional headquarters. In addition to leading the integration and turnaround of the acquired distributors in Japan and Korea, he also expanded Straumann's presence in China.

Mr Hemm was appointed to his current position at the beginning of 2012.

DR SANDRO MATTER

Swiss (born 1964),
Executive Vice President
Business Unit Prosthetics

Sandro Matter completed a professional apprenticeship at Ciba-Geigy, followed by the Swiss Federal Matura. After earning a Master's degree in Organic Chemistry from the Swiss Federal Institute of Technology in Zurich, he gained a PhD in Materials Science from the same institution. His business career began at Synthes-Stratec, where he was



Thomas Dressendörfer



Frank Hemm

responsible for biomaterials product management and development from 1997 to 2002. He was also a co-founder of Kuros Therapeutics. Dr Matter is a member of the Industrial Advisory Board (IAB) for the Department of Mechanical & Process Engineering (DMAVT) of the ETH Zurich.

He joined Straumann in 2002 as Head of the Biologics and Research Division and headed the Products Division from 2005 through 2011. He was appointed to his current position at the beginning of 2012.

ANDY MOLNAR

British (born 1962),
Executive Vice President North America

Andy Molnar has a proven track record in the dental and healthcare industries having held senior managerial roles in global business sales and country management. Under his leadership as General Manager of Straumann UK from 2006–2009, the company rose to national market leadership in implant dentistry. In 2009, Mr Molnar moved to Group headquarters as Senior Vice President Global Regenerative Sales and Member of the Corporate Management Group. In this position, he successfully orchestrated and supervised key product launches, in addition to driving significant growth in global sales of oral tissue regeneration products.

He joined Straumann in 2005 from SIDHIL, a UK medical equipment company, where he was Sales and Marketing Director. However, the bulk of his career – eleven years – was spent in sales and management roles at GlaxoSmithKline Pharmaceuticals.

Andy Molnar holds a Bachelor of Science degree from Reading University, in Physiology and Biochemistry, and an MBA from Bradford University. He was appointed to his current position at the beginning of 2012.

DR RENÉ WILLI

Swiss (born 1967),
Executive Vice President Business Unit Surgical

René Willi acquired much of his professional experience working in and for the medical device industry. His career began in engineering and sales – at EMS Inventa and then VonRoll Innova – and included international assignments in China and Europe. He then spent two and a half years at McKinsey&Company as a management consultant focusing on international mandates in the pharmaceutical and medical-device industries. In 2003, he moved to Medtronic to take on responsibilities in International Product Management and Marketing in the Cardiovascular Sector.

He joined Straumann in 2005 as Head of the Surgical Business Unit. From 2008 to 2010, he also headed Straumann's Regenerative Franchise and was a member of the Corporate Management Group.

Dr Willi holds a Master's degree in Chemical Engineering, a PhD in Technical Sciences and a postgraduate degree in Industrial Engineering and Management, all completed at the Swiss Federal Institute of Technology in Zurich. He is also an alumnus of the Medtronic Marketing Leader Program at the Wharton School (University of Pennsylvania). Dr Willi was appointed to his current position at the beginning of 2012.

CORPORATE MANAGEMENT GROUP 2011

The EMB is supported by the Corporate Management Group (CMG), which serves as a discussion, sounding and alignment board for the EMB. On 31 December 2011, the CMG comprised 17 members: the Sales Heads of: Central Europe, Western Europe, Iberia, Nordics, Benelux, APAC, Japan, China, CARES Digital Solutions, and Regenerative; the Heads of: Global Marketing, Business Unit Surgical, Projects & Portfolio Planning, Global Operations, Corporate Human Resources, Corporate Business Development & Licensing, and the General Counsel.

CHANGES IN 2012

As part of the company's reorganization, the CMG was redefined at the beginning of 2012 and expanded slightly to 21 members including: the Sales Heads of Central Europe, Western Europe, Iberia, Japan, China and North America; the Heads of Global Distributor Sales, Regenerative, Clinic Prosthetics, Lab Prosthetics, and Intra-Oral Scanners; the Market Managers of Surgical and Prosthetics, the Heads of Communication & Marketing Services, Project & Portfolio Planning, Product Management Surgical, Global Operations, Corporate Human Resources, Corporate Business Development & Licensing, Corporate Accounting, Planning & Reporting, and the General Counsel.

Almost all of the new positions in the CMG were filled through internal promotions. The appointment and term of office of CMG members is decided by the EMB.

SUPERVISORY/CONSULTING/POLITICAL FUNCTIONS

Beat Spalinger is a Member of the Board of Directors and Board of Trustees of the independent academic network International Team for Implantology (ITI). Straumann supports the ITI with payments under a collaboration agreement (see Note 28 of the Audited Consolidated Financial Statements on p. 199 for details of payments in 2011).

Sandro Matter is a member of the Industrial Advisory Board for the Department of Mechanical & Process Engineering of the ETH Zurich. Apart from these two cases, none of the Executive Management Board:

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

MANAGEMENT CONTRACTS

The Board of Directors and the Executive Management Board run the business directly. They have not delegated any managerial powers to persons or companies outside Straumann.

INTERNAL MANAGEMENT DEVELOPMENT

Straumann continued the Strategic Management Development System (SMD) program initiated in 2008 to assess, develop and deploy key people. The Group's goal is to fill at least 50% of key management positions with internal candidates. With the exception of the CFO and the vacant position of Head of Sales Asia/Pacific, all of the Executive Management positions have been filled with internal candidates. For further information on the Company's SMD program, see p. 66.

COMPENSATION, SHAREHOLDINGS AND LOANS

The compensation and equity holdings as well as the basic principles and elements of the programs determining the compensation and equity holdings of the Members of the Board of Directors and the Executive Management Board and their related parties are disclosed in the Compensation Report on pp. 126–129 and also in the audited Financial Statements on pp. 217–218.

CHANGES IN CONTROL AND DEFENSE MEASURES

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

AUDITORS

The Shareholders' General Meeting elects and appoints the Group's external auditors on an annual basis. In March 2011, PricewaterhouseCoopers AG (PwC), Basel, was re-elected for a seventh consecutive year as the auditor of Straumann Holding AG. The auditor in charge was Thomas Brüderlin, Swiss Certified Public Accountant, who took over the mandate in 2005.

The Board of Directors supervises the external auditors through the Audit Committee, which met six times in 2011. The external auditors participated in two of these meetings, discussing the Reports on the 2011 Audit Plan and the Half-Year Review.

The worldwide fees paid to the auditors PwC were as follows:

(in CHF 1 000)	2011	2010
Total audit fees	949	1 014
Tax consultancy	1 384	1 077
Legal	115	438
Other	486	57
Total non-audit fees	1 985	1 572
Total	2 934	2 586

INFORMATION POLICY

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

In addition to personal contacts, discussions, and presentations in Europe, North America, and Asia, Straumann held two financial results conferences for the media and analysts in 2011, each attended by around 40 participants. Both of these conferences were transmitted live via the internet and conference call.

Research analysts from approximately 20 banks/national institutions cover developments at the Straumann Group and are listed on p. 232 of this report as well as on the Straumann website.

Straumann also held two teleconference presentations for the media and analysts, each attended by approximately 80 participants. The presentation slides used for all these events are published on the company's website and recordings are available for a limited period.

Apart from this, Straumann frequently publishes media releases and briefing documents, which are archived and available from the company's website: www.straumann.com. The company offers a media release subscription service via its website and takes care to ensure that investor-relevant media releases are disseminated broadly and in a timely manner according to the rules of the SIX Swiss Exchange and with due regard for the principles of fair disclosure.

The company does not update its releases, reports and presentations, which means that the information they contain is only valid at the time of publication. Straumann advises against relying on past publications for current information.

ANNUAL REPORT/COMPENSATION REPORT

Straumann's Annual Report is a major instrument for communicating with key stakeholder groups. It is published in English and in German in hardcopy and electronically on the company's website.

Straumann issues a Compensation Report as part of the Annual Report. The Compensation Report can be downloaded with the Annual Report from the company's website. The printed version of the Annual Report can be ordered from investor.relations@straumann.com.

In 2011, Straumann's 2010 Annual Report received special recognition in the prestigious HarbourClub BILANZ awards. It ranked highest in value reporting, second overall, and highest over five years – outranking many of the world's largest companies. This recognizes and encourages Straumann's efforts to provide stakeholders with in-depth, transparent and accurate reporting.



MEDIA USED FOR REPORTING PURPOSES

The Company's website is www.straumann.com.

The Company's journals of record are 'Schweizerisches Handelsamtsblatt' ('SHAB' – Swiss Official Gazette of Commerce) and the 'Neue Zürcher Zeitung'.

Further information requests should be addressed to the:

- Head of Investor Relations:
investor.relations@straumann.com
Tel. +41 61 965 11 11
- Head of Corporate Communication:
corporate.communication@straumann.com
Tel. +41 61 965 11 11

CALENDAR

Straumann's calendar of planned reporting dates and investor relations events in 2012 can be found on p. 232 and is also published and updated on the company's website.

INTERVIEW CHAIRMAN OF THE BOARD



Gilbert Achermann
Chairman of the Board
of Directors

How does the Board encourage entrepreneurship and avoid excessive risk?

Taking excessive risks is gambling. This is not prudent management, nor is it entrepreneurial. Our Board Members are comfortable with risk. The key is to understand potential consequences, to be prepared and to have a 'Plan B'. Straumann has never looked at quick wins. The privilege of having anchor shareholders allows us to take a long-term view and to focus on sustainable success.

Boards are vulnerable to demands for quick turnaround and short-term gains e.g. from hedge funds. Does Straumann's shareholder structure protect you from this?

We probably have the best of both worlds. While we have solid anchor shareholders, we feel pressure from other shareholders and have to strike a balance. We have never based our thinking on quarterly results. But it would be wrong to assume that our anchor shareholders are less demanding than long-term institutional investors.

Does the Dodd-Frank Act have any relevance for companies like Straumann?

It is just one of many initiatives in the world. Currently, the Minder initiative and Swiss Parliament's counter-initiative are the most relevant for Swiss-listed companies. Whether they or other regulations will really improve companies and yield better returns for shareholders remains to be seen. I believe that common sense, a solid set of values and staying humble would deliver better results.

Do shareholders have sufficient say on pay?
Is media/public scrutiny warranted here?

Shareholders have sufficient say provided they can vote on the compensation report. If the latter is approved by a majority, then the public and the media must respect the democratic outcome.

To what extent should compensation be determined by independent advisors?

Ultimately, compensation is determined by the labor market and shareholder interests. If it is too low, you lose key people; if it is too high, the shareholders won't approve the compensation report. While salary benchmarking is good practice, it is less important than values, culture and behavior.

What should a director's salary be based on?

The level of involvement and time spent are very important. In Switzerland, Board members are now expected to supervise, manage strategically, monitor, coach and support – which requires a new kind of profile. Responsible Board work is no longer a retirement role. It is very demanding, requires time, passion and courage, and has to be properly compensated.

Should Directors and Management be required to hold shares in the company?

Yes, all key personnel should have 'skin in the game'.

What do you see as key Board issues in the coming years?

Industry dynamics are changing, technology is shifting, and regulations are becoming more and more stringent. To cope with all this, companies need a clear vision and skilled people with the right values to navigate and implement good strategies. This is the most important task of the Board of Directors

TOOTH REPLACEMENT

SNAKES (SERPENTES)

Snakes do not chew; they swallow their food whole. Unlike mammals, their lower jaws consist of two separate halves, which can move independently. Some snakes can open their jaws so wide that they can swallow animals that appear considerably larger than their mouths. Snakes use their teeth to grip their prey and poisonous snakes inject venom through them. Snakes have up to six rows of teeth, which rest loosely on the jaw. If a tooth breaks, it is soon replaced by a new one.

Permanent human teeth remain anchored in the jaw and do not break easily. If fracture occurs, artificial replacements have to be used. The most frequent cause of tooth loss in people under 40 is decay, while in older people it is periodontal disease. Implants are often the most durable and esthetic solution.

>50
percent

of the population in developed countries are missing at least one tooth.

TOOTH REPLACEMENT



Dental implants are firmly anchored in the jawbone and act like natural tooth roots.



COMPENSATION REPORT

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'A COMPENSATION SYSTEM BASED ON VALUE CREATION ENCOURAGES SUSTAINABLE PERFORMANCE, LOYALTY AND ENTREPRENEURSHIP AND IS THUS IN THE INTEREST OF SHAREOWNERS AND OTHER STAKEHOLDERS.'

INTRODUCTION

This report provides an overview of Straumann's compensation philosophy and practices. It also explains the concept of economic profit, which is a key performance indicator used in our remuneration system. The report provides information on the overall compensation of the general staff, Management and Directors in 2011. It explains the share and stock option programs and discloses the equity participations in the company of the Executives and Directors. It also explains changes to the compensation system that will be implemented in 2012.

REPORTING STANDARDS

The Corporate Governance Guidelines of the SIX Swiss Exchange require listed companies to disclose certain information about the compensation of Directors and Executives as well as loans made to them, and their equity participations in the company. This report meets those requirements. The presentation of our corporate governance reflects the principles of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss Business Federation, *economiesuisse*. In accordance with the IFRS financial reporting standards and Swiss law, the compensation paid to Directors and Executives is also presented in our audited Financial Report on p. 217.

RESPONSIBILITY FOR COMPENSATION

The Board of Directors appoints the members of the Human Resources Committee (HRC), determines its responsibilities, and passes all resolutions on the company's compensation system. The HRC corresponds to the Compensation Committee in other companies and is entrusted with the design of the compensation system that applies to the Directors and the Executive Management. It also reviews the principles and programs for compensation, and thereby ensures that the compensation paid by the company is based on market and performance-related criteria. The HRC reports to the Board of Directors on compensation practices as well as on Executive compensation at least once a year

and, when necessary, proposes changes. The HRC has the authority to engage its own advisors. In 2011, the HRC engaged PricewaterhouseCoopers to provide analysis, advice and guidance with respect to the review of our compensation system. In addition, the HRC referenced various independent analyses, including the Ethos study, in order to have a comprehensive overview of compensation mechanisms and elements.

Further information on the charter of the Committee can be found on p. 104 of the chapter on Corporate Governance.

COMPENSATION PRINCIPLES AND ELEMENTS

DRIVING VALUE THROUGH COMPENSATION

We are convinced that a compensation system based on value creation encourages sustainable performance, loyalty and entrepreneurship and is thus in the interest of shareholders and other stakeholders. We are committed to compensating our general staff, Management and Directors in a way that is competitive and rewards sustainable, long-term achievement.

The success of a company depends largely on the quality of its people and their level of engagement. A modern compensation system is an important instrument for attracting, retaining and motivating talented people. A pleasant, stimulating work environment and the opportunity for personal and professional development are further aspects of leveraging employee engagement and development. Straumann conducts a global staff survey every two years which assesses employee engagement and includes questions related to compensation, working conditions, etc.

Straumann's compensation system takes the aforementioned factors into account in that it:

- links variable compensation to value generated by the company over the long term
- is based on shareholder expectations

- fosters a high-performance culture that differentiates and rewards excellent performance, both in the short and long term
- is benchmarked for competitiveness with other companies in the industry
- provides employees with benefits based on good practices and regulations in local markets
- is regularly reviewed and approved by the HRC of the Board of Directors.

We are committed to fair and equal treatment of all our employees and seek to be in full compliance with the International Labor Standards. Compensation is not influenced by gender or by non-performance-related criteria other than specific professional experience. Minimum wage regulations have no bearing on our compensation policy, as our compensation clearly surpasses them.

COMPREHENSIVE BENCHMARKING

An important aspect of our global compensation and benefits policy is to pay employees, executives and directors a base compensation that is close to the median of comparable companies in the respective (local) market. On the other hand, variable pay should have the potential to move overall compensation toward the upper quartile for outstanding performance.

Comprehensive benchmark reviews for the Board of Directors and the Executive Management Board were conducted for Straumann by external, independent specialists. In 2011, these included: AON Hewitt, Hostettler, Kramarsch & Partner, and Towers Watson. The benchmarks included a peer group of comparable companies in various industries selected according to the following criteria:

- Comparable scope and business complexity
- Common geographic footprint
- Competitive interest in business and for talent.

The peer group is reviewed annually by the HRC and Management. In 2011, the peer group included more than 20 companies from the Swiss Mid-Cap Index SMIM. In addition, regular individualized benchmarks for Members of the Executive Board and selected key employees are conducted.

TOTAL COMPENSATION (STAFF AND MANAGEMENT)

The total compensation of employees and managers comprises fixed and variable compensation components. The mix is defined by the role, profile, location and strategic impact of the role.

Overall, Straumann spent CHF 281 million on total compensation & benefits worldwide in 2011, which represents an average of CHF 115 000 per employee.

We emphasize compensation elements that reward performance against measures that correlate closely with value creation. Consequently, the existing pay-mix seeks to compensate Management with higher variable income at-risk. The CEO and members of the Executive Management Board have a higher percentage of at-risk compensation, corresponding to a compensation mix of approximately 40% fixed and 60% variable (see chart on p. 131). This results in a greater downside risk as well as upside potential. Total compensation and performance measures for the CEO and the Executive Management are reviewed and approved by the HRC.

FIXED COMPONENTS

Each Straumann employee receives a fixed compensation (salary), which is set to compensate for the expected contribution in a specific role. Salaries are based on:

- The job profile
- The employee's experience and skills
- Comparison with external benchmarks
- Location and local regulations
- Strategic impact of the role.

SUMMARY OF OVERALL COMPENSATION 2011

	Fixed	Variable		Stock options	Discounted shares
		Bonus			
		Cash	Discounted shares		
General staff	Yes	Determined by bonus multiplier	No	No	Up to 100 offered to CH staff at 25% discount, blocked for two years
Management	Yes	Determined by bonus multiplier and individual multiplier	No	No	Up to 150 offered to CH staff at 25% discount, blocked for two years
Senior management	Yes		50% of bonus exceeding individual bonus base in shares at 33% discount, blocked for five years	Yes	250–500 offered to CH staff at 25% discount, blocked for two years
Executive management	Yes			Yes	Up to 1000 offered to CH staff at 25% discount, blocked for two years
CEO	Yes			Yes	
Directors	Annual fee			No	No

All staff salaries are reviewed annually by Management and modified depending on the job profile and external benchmarks in comparable job markets. Modifications are subject to approval by Senior Management. Salaries for members of the Executive Management Board and selected key employees are reviewed regularly, based on individual external benchmark studies.

SALARY PROGRESSION 2011–2012

Despite the difficult economic environment and slower-than-expected demand for tooth replacement solutions, Straumann performed above the market and delivered solid growth in local currencies. The strength of the Swiss franc considerably reduced net revenue growth reported in Swiss francs and profits compared with 2010. In line with industry practice, the HRC approved moderate salary budget increases on a country-by-country basis.

VARIABLE COMPONENTS

Straumann uses a number of variable compensation components, the levels of which are determined by the following:

- Performance of the company
- Performance of the individual as determined by the achievement of personal objectives
- Internal equity
- Legal requirements, etc.

In 2011, the variable components included one or more of the following:

- Performance-related short-term incentives
- Stock options
- Discounted shares (blocked)

PERFORMANCE-RELATED SHORT-TERM INCENTIVES

COMPANY PERFORMANCE

The bonus program in 2011 extended to employees in Switzerland, Senior Management worldwide, the Executive

ECONOMIC PROFIT / VALUE ADDED

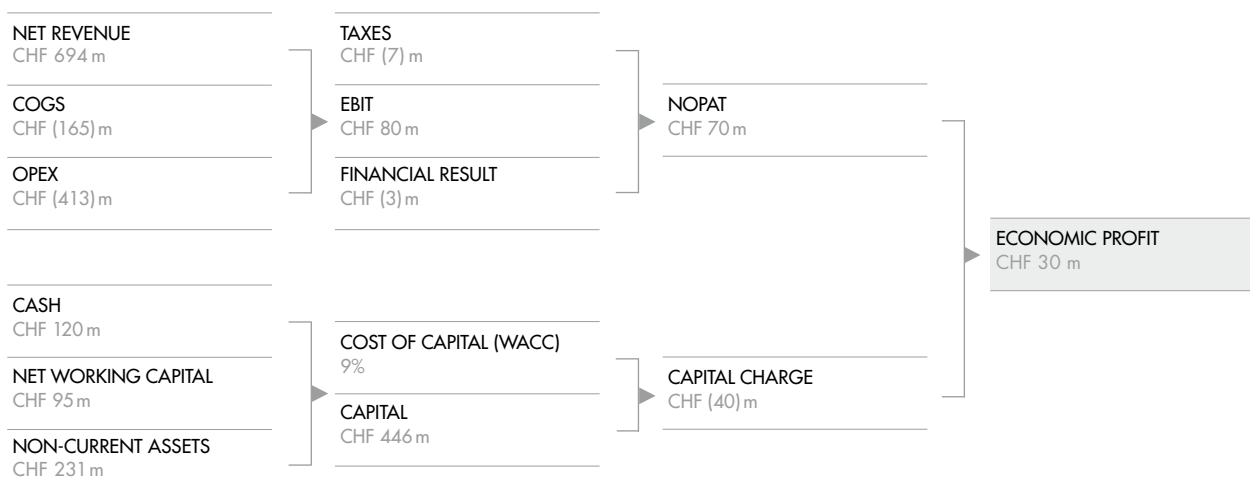


Chart showing the various components of economic profit (value added) in 2011.

NOPAT = net operating profit after taxes; COGS = cost of goods sold; OPEX = operating expenses; EBIT = earnings before interest and taxes.

Management Board and the Board of Directors. It was directly tied to the incremental improvement in economic profit generated by the company and thus to the value created for the shareholders. In the case of Management, bonuses are also tied to personal objectives. These are generally non-financial, qualitative goals, which may include behavioral, leadership, development and function-related factors. All other bonus plans for local entities are in line with local practices.

Members of the Board, Executive Management Board and Senior Management who participated in the bonus scheme received part of their bonus in the form of blocked shares. 50% of any bonus amount exceeding the individual bonus base is granted in the form of shares, which are blocked for five years, with a price discount of 33% of the average closing price of Straumann shares on the seven trading days

after the ex-dividend day. If the calculated bonus is below the individual bonus base, no shares will be granted.

VALUE-BASED MANAGEMENT

ECONOMIC PROFIT (VALUE ADDED)

The main advantage of the economic profit (EP) concept is that it goes beyond revenue growth and profitability increases and takes into account the resources used to achieve these increases and the resulting additional capital costs. Economic profit is thus calculated by deducting a capital charge from the net operating profit after taxes (NOPAT).

The capital charge represents the cost of capital calculated on the basis of an average return expected by investors (see illustration above). This scheme has been used to calculate Straumann's economic value added which builds the basis for our bonus calculation model.

BONUS CALCULATION MODEL

A significant factor in the calculation of bonuses is the increase in value per business year, which is manifested as 'delta economic profit' (ΔEP). The ΔEP targets were agreed between the Executive Management Board and the Board of Directors.

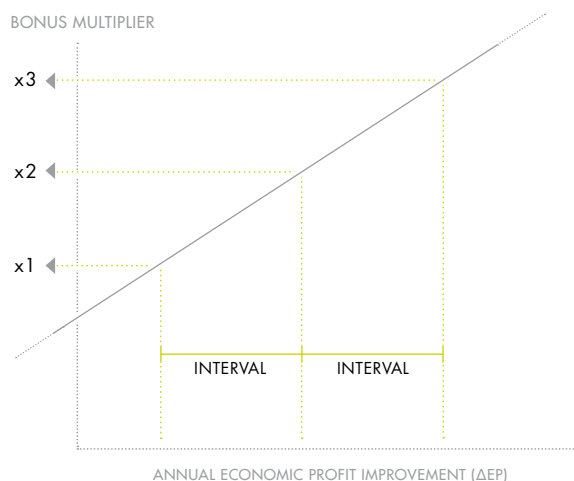
The bonus multiplier is a function of the difference between the actual EP and the Expected Improvement (EI) divided by the so called 'Interval'. The EI represents the expected annual EP improvement to reach the respective multiplier (see illustration right).

The compensation agreement in place in 2011 was struck in 2008 and set the bonus calculation multiplier at 2 for a performance on target. This was before the financial crisis hit our market and hence the growth expectations were based on optimistic assumptions. As a result, the Group was not able to achieve the set targets in 2011 and in the previous two years. Nevertheless, in 2011 the Group achieved a solid performance in difficult circumstances and again performed above the market average. A stream of new products was launched, efficiency improvements were achieved in operations, and our customer base was increased. In recognition of this and many other achievements, the Board decided to set the ΔEP multiplier at one for bonus plan participants. As the bonus plan is tailored to Switzerland, this decision has been extrapolated to the reward/incentive systems used in the country organizations. This is the third time in succession that the Board has had to overrule the bonus calculation model to ensure a bonus payout that adequately recognizes performance.

INDIVIDUAL PERFORMANCE

In the case of Management, variable compensation also depends on individual performance and the achievement of agreed individual objectives for the year. A global performance management system ensures that the objectives are defined and the achievement of these objectives is

BONUS CALCULATION MODEL (2011)



assessed during performance appraisals, which are conducted at least once a year.

STOCK OPTIONS

In 2011, options with a two-year vesting period were used as a compensation instrument with the intention of fostering and rewarding longer-term business decision making. Part of the compensation paid to the Executives and other members of Senior Management was in stock options.

Newly granted options had a term of six years and a vesting period of two years. The exercise price was equal to the share price on 31 December/1 January. The value of the options was determined at grant date and is expensed as a personnel expense from the service commencement to the end of the vesting period.

The fair value of the options granted has been determined using the Black-Scholes valuation model. The calculation

of the option value was performed by independent specialists, applying the following significant inputs to the model:

Black-Scholes based model parameters	2011	2010	2009
Dividend yield (%)	2.31	1.75	1.56
Expected volatility (%)	31.00	29.00	28.50
Risk-free interest rate (%)	0.78	1.64	1.96
Expected life of options (years)	6	6	6
Strike price as per 31 December (CHF)	162.10	214.00	292.50
Fair value of options granted (CHF)	38.00	53.50	77.00

Apart from the above, 20 057 non-tradable options were granted for the fiscal year 2011 for Management compensation schemes in certain countries. Including the above, the number of options outstanding under the stock option plan developed as follows:

	2011	2010	2009
As of 1 January	272 797	260 795	241 465
Granted options	64 585	63 933	74 295
Exercised options	(4 562)	0	(45 878)
Forfeited options	(7 820)	(5 970)	(9 087)
Expired options	0	(45 961)	0
As of 31 December	325 000	272 797	260 795
Options available for exercise	152 405	97 582	94 453

In 2011, 4562 options were exercised by recipients in the scheme.

	Options available for exercise	Options expiring at year-end
2011	152 405	0
2012	201 012	48 492
2013	211 923	48 709
2014	227 799	55 204
2015	172 595	48 607
2016	123 988	59 403
2017	64 585	64 585
Total		325 000

In 2011, Straumann had a separate non-tradable Stock Option Plan for a defined group of US participants. The plan was construed and determined in compliance with US federal and state securities laws. The terms of the Swiss plan applied to the extent possible. The plan awarded eligible US participants options exercisable for shares of Straumann's publicly traded common stock. Option grants to eligible participants, which were based strictly on performance criteria established by the company's local management, were approved by Straumann's Executive Management Board.

EMPLOYEE SHARE PARTICIPATION PLAN

Employees in Switzerland have the opportunity to purchase Straumann shares for 75% of the average share price over a period of seven trading days beginning on the 'ex-dividend' day (see p. 231). The employees had the right to buy a minimum of 10 and a maximum of 100 to 1000 shares in 2011, depending on hierarchical level (see table 119). The shares are subject to a two-year blocking period starting on the 13th trading day after the ex-dividend day, which is valid beyond the period of employment. They are dividend-bearing from the day of acquisition. The Board of Directors is not eligible for this program.

The employee share plans for 2009–2011 are summarized below:

	Employees participating	Shares issued	Discount share price at issue	End of lock-up period
2009	137	13 937	CHF 132	13.04.2011
2010	160	16 704	CHF 198	19.04.2012
2011	154	15 447	CHF 174	06.04.2013

OTHER BENEFITS

Straumann's benefits programs are an integral part of the total compensation and are designed to enable the company to compete effectively for talent. They are structured to support our overall business strategy, and are aligned

SUMMARY OF ALL VALID WARRANTS ISSUED IN THE STRAUMANN STOCK OPTION PLAN

Name/Symbol	Year	Security ID number	Market maker	Type/ratio	Number	Strike price	Expiry
STMCR* Wt 12.12 (STMN12)	2006	2882303	Credit Suisse Derivatives	American 50:1	2 184 250	295.00	12.2012
STMLG* Wt 12.13 (STMN13)	2007	3669084	Credit Suisse Derivatives	American 50:1	2 631 250	312.25	12.2013
STMKW* Wt 12.14 (STMN14)	2008	4935845	Credit Suisse Derivatives	American 50:1	2 314 700	185.50	12.2014
STMMA* Wt 12.15 (STMN15)	2009	10848946	Credit Suisse Derivatives	American 50:1	2 016 450	292.50	12.2015
STMNCC* Wt 12.16 (STMN16)	2010	12217893	Credit Suisse Derivatives	American 50:1	2 278 450	214.00	12.2016
STMNCS* Wt 12.17 (STMN17)	2011	14630069	Credit Suisse Derivatives	American 50:1	2 226 400	162.10	12.2017
Total valid warrants issued					13 651 500		

*Traded on the SIX Swiss Exchange.

with local legislation and practices. Pension plans and, where customary, medical plans are included.

PENSION PLANS

Further information on the pension plans is provided in Note 20 of the Audited Financial Statements on p. 194. Information on Pension Fund risks is provided in the Risk Analysis on p. 145.

In 2011, the HRC mandated an internal review of existing pension solutions Group-wide. The analysis showed that Straumann companies fulfill legal requirements and sometimes offer additional coverage in the framework of legal structures or on a voluntary basis. In most cases, pension obligations are funded. Where this is not the case (non-funded or partly funded) liabilities are reported in the Annual Report following the actuarial rules.

SWITZERLAND

Straumann administers two contribution-based pension funds in Switzerland, which together make up the occupational benefits at Straumann. The Basic Insurance Plan offers protection against the financial consequences of old age, death and disability to all employees of Institut Straumann AG and Straumann Villeret S.A. For selected Management with high variable compensation elements, an additional Bonus Insurance Plan exists.

EUROPE

In other European countries, Straumann offers retirement insurance according to local practices. According to IFRS, the vast majority of European pension plans are considered funded or unfunded defined contribution plans.

USA

A 401k retirement plan is provided to all employees of Straumann USA who are over 21 to enable them to save for their retirement. The 401k plan is a defined contribution plan whereby (a) the employee has the option of making deferral elections from his/her pay on a pre-tax basis and (b) Straumann USA may make matching contributions should the employee elect to make deferral elections. The plan is a tax-qualified plan under the Employee Retirement Income Security Act.

In addition to the 401k retirement plan, Straumann USA has a Supplemental Executive Retirement Plan (SERP) for a select management group. The purpose of this Plan is to provide eligible employees with defined employer contributions and the opportunity to elect to defer receipt of certain compensation that otherwise would be payable to them in cash. The Plan is intended to be a non-qualified unfunded deferred compensation arrangement for purposes of Title I of the Employee Retirement Income Security Act and is intended to comply with Section 409A of the Internal Revenue Code. According to IFRS, SERP is treated as a defined contribution plan.

REMUNERATION OF THE EXECUTIVE MANAGEMENT BOARD

The tables on p. 126 show the compensation paid to the Executive Management Board in 2011 in accordance with Articles 663bbis and 663c of the Swiss Code of Obligations.

As previously explained, an adjusted bonus multiplier of one was approved for all employees in the bonus program, including the Executive Management.

The variable compensation in the form of options comprised the number of options granted for the respective fiscal year, valued at the fair value, in line with the Group's policies regarding share-based payments.

Based on external benchmarks, the compensation of Beat Spalinger as CEO was adjusted in January 2011 (as indicated in the previous Annual Report). From 15 September 2010 until the end of October 2011, he also held the role of Chief Financial Officer ad interim without any additional compensation.

In November 2011, Thomas Dressendörfer joined the Straumann Executive Management Board as Chief Financial Officer.

Franz Maier, Head of Global Sales, decided to leave the company to pursue his career outside Straumann. With effect of 31 December 2011, he relinquished his position as Member of the Executive Management Board. In line with his employment agreement, the monthly salary and relevant social contributions will be paid until 31 December 2012. For 2011 and 2012, Mr Maier will receive a bonus in line with the Group Bonus Plan. A last option grant will be made on January 2012 to honor the contractual obligation of 2011. In line with the relevant regulations, he will not receive any options for 2012. Options vesting before or on 1 January 2013 may be exercised in line with the relevant option plan. Options vesting on 1 January 2014 may be exercised until

1 July 2014 if Mr Maier has not assumed a position (directly or indirectly) with a competitor organization until 1 January 2014.

From 1 April–30 September 2010, the position of CFO and Executive Vice President Finance & Operations was held by Wolf-Rüdiger Daetz, who also left the company to pursue his career interests outside Straumann. In line with his contractual agreement, his monthly salary including relevant social contributions was paid until 30 September 2011. For 2011, Mr. Daetz will receive a pro-rata bonus according to the Group Bonus Plan. According to the relevant option plan he did not receive and will not receive any stock options.

The compensation of other Executive Board Members was adjusted based on external benchmarks.

None of the members of the Executive Management Board received any compensation from the Straumann Group of companies other than what has been set out.

LOANS TO EXECUTIVE MANAGEMENT BOARD MEMBERS

In 2011, no loans, advances or credits were granted to any member of the Executive Management Board.

SHAREHOLDINGS OF THE EXECUTIVE MANAGEMENT BOARD

The shareholdings in Straumann shares and stock options of the members of the Executive Management Board who held office at the end of the year are shown on pp. 128/129. The shareholdings reflect private transactions, whereas the stock options reflect options received and held under the Group's compensation plans.

REMUNERATION OF THE BOARD OF DIRECTORS

There were no changes in the composition of the Board of Directors in 2011. The compensation policy for 2011 entitled Directors to fixed attendance fees, reflecting their roles, responsibilities and expected working time. In addition, they were eligible to a variable compensation component according to the Group Bonus Plan, part of which will be granted in the form of Straumann shares. The Directors were not entitled to any other benefits.

The Chairman of the Board of Directors, Gilbert Achermann, was appointed on 26 March 2010, when he relinquished his position as CEO. His compensation in the latter capacity was defined as follows: In line with the ordinary termination period of twelve months, he continued to receive his remuneration based on his CEO employment agreement and paid in monthly installments until 31 March 2011. From 1 April 2011, he received a fixed annual fee reflecting his role as Chairman of the Board. In line with the Compensation Policy for the Board of Directors, Gilbert Achermann will also be eligible for a variable compensation component according to the Group Bonus Plan, part of which may be granted in the form of Straumann restricted shares (see chart on p. 119).

The compensation of the Board of Directors is laid out in the tables on pp. 126–127 in accordance with Articles 663b^{bis} and 663c of the Swiss Code of Obligations. The number of working days compensated in 2011 is specified for each Director in the table on p. 103. None of the Board Members received any compensation from the Straumann Group of companies other than that presented in those tables.

COMPENSATION PAID TO FORMER DIRECTORS

In 2011, no payments to former members of the Board were made.

LOANS TO MEMBERS OF THE BOARD OF DIRECTORS

In 2011, no loans, advances or credits whatsoever were granted to any member of the Board of Directors.

2011
(in CHF 1 000)

	Fixed compensation	Performance bonus	Options	Other compensation	Total compensation
Board of Directors					
Gilbert Achermann (Chairman)	555	225	0	148	928
Dr. h.c. Thomas Straumann (Vice Chairman)	211	100	0	18	329
Dr. Sebastian Burckhardt	159	50	0	13	222
Dominik Ellenrieder	159	50	0	13	222
Roland Hess (Chairman Audit Committee)	212	50	0	16	278
Ulrich Looser (Chairman Strategy Committee)	212	50	0	16	278
Dr. Beat Lüthi	159	50	0	13	222
Stefan Meister (Chairman HR Committee)	226	50	0	4	280
Total	1 893	625	0	241	2 759
Executive Management Board					
Beat Spalinger (President & CEO) ¹	750	503 ²	380	241	1 874
Other members	1 028	455	288	369	2 140
Former members	305	150	0	84	539
Total	2 083	1 108	668	694	4 553
Total	3 976	1 733	668	935	7 312

¹ In addition, Beat Spalinger was CFO ad interim from 1 Jan to 31 Oct 2011.

² Of which CHF 102 500 belong to the 2010 service period.

2010

(in CHF 1 000)

	Fixed compensation	Performance bonus	Options	Other compensation	Total compensation
Current Board of Directors					
Gilbert Achermann (Chairman since 1.4.2010)	392	505	0	139	1 036
Dr. h.c. Thomas Straumann (Vice Chairman since 1.4.2010)	186	197	0	21	404
Dr. Sebastian Burckhardt	146	112	0	14	272
Dominik Ellenrieder	146	112	0	14	272
Roland Hess (since 1.4.2010; Chairman Audit Committee)	159	84	0	13	256
Ulrich Looser (since 1.4.2010; Chairman Strategy Committee)	159	84	0	13	256
Dr. Beat Lüthi (since 1.4.2010)	119	84	0	11	214
Stefan Meister (since 1.4.2010; Chairman HR Committee)	119	84	0	11	214
Former Board members (until 31.3.2010)					
Dr. h.c. Rudolf Maag (Chairman)	53	25	0	4	82
Oskar Ronner (Vice Chairman)	39	19	0	3	61
Jürg Morant	26	13	0	2	41
Total	1 544	1 319	0	245	3 108
Executive Management Board					
Beat Spalinger (President & CEO since 1.4.2010) ¹	489	576	288	205	1 558
Gilbert Achermann (President & CEO until 31.3.2010)	131	168	401	100	800
Other members	1 247	1 009	375	442	3 073
Total	1 867	1 753	1 064	747	5 431
Total	3 411	3 072	1 064	992	8 539

¹ In addition, Beat Spalinger was CFO ad interim from 1 Oct to 31 Dec 2010.

2011

	Shares	Options (End of vesting periods)			
		Vested	1 Jan 2012	1 Jan 2013	1 Jan 2014
Board of Directors					
Gilbert Achermann	15 464	0	6 000	7 500	0
Dr. h.c. Thomas Straumann	4 283 638	3 000	0	0	0
Dr. Sebastian Burckhardt	3 266	3 000	0	0	0
Dominik Ellenrieder	1 656	3 000	0	0	0
Roland Hess	620	0	0	0	0
Ulrich Looser	320	0	0	0	0
Dr. Beat Lüthi	120	0	0	0	0
Stefan Meister	120	0	0	0	0
Total	4 305 204	9 000	6 000	7 500	0
Executive Management Board					
Beat Spalinger	6 156	0	3 500	5 375	10 000
Thomas Dressendörfer	0	0	0	0	584
Dr. Sandro Matter	1 322	7 500	3 500	3 500	3 500
Franz Maier	5 529	0	3 500	3 500	3 500
Total	13 007	7 500	10 500	12 375	17 584
Total	4 318 211	16 500	16 500	19 875	17 584

2010

	Shares	Options (End of vesting periods)			
		Vested	1 Jan 2011	1 Jan 2012	1 Jan 2013
Board of Directors					
Gilbert Achermann	1 900	6 000	6 000	6 000	7 500
Dr. h.c. Thomas Straumann	4 327 630	2 000	1 000	0	0
Dr. Sebastian Burckhardt	3 105	2 000	1 000	0	0
Dominik Ellenrieder	1 495	2 000	1 000	0	0
Roland Hess	500	0	0	0	0
Ulrich Looser	200	0	0	0	0
Dr. Beat Lüthi	0	0	0	0	0
Stefan Meister	0	0	0	0	0
Total	4 334 830	12 000	9 000	6 000	7 500
Executive Management Board					
Beat Spalinger	2 000	0	1 459	3 500	5 375
Dr. Sandro Matter	600	4 000	3 500	3 500	3 500
Franz Maier	4 743	1 750	3 500	3 500	3 500
Total	7 343	5 750	8 459	10 500	12 375
Total	4 342 173	17 750	17 459	16 500	19 875

COMPENSATION SYSTEM CHANGES BEGINNING IN 2012

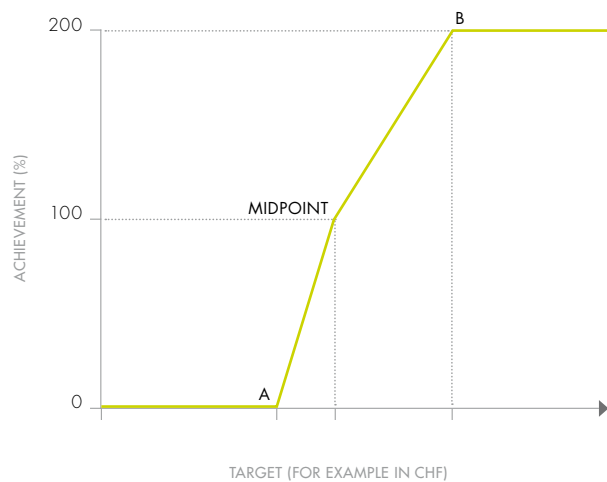
As mentioned above, the bonus calculation model applied in 2011 was calibrated in 2008, before the financial crisis hit our market. Since then, the Board deemed it necessary to override the bonus calculation model repeatedly, because it did not adequately recognize or reward the contributions and achievement of the staff. The present economic conditions do not allow for a growth rate which enables the Group to reach a multiplier of 2, which was the target set in 2008. The resulting salary reduction (of 40–60%) could not – in the view of the Board – constitute a fair compensation. It became clear that the model needed to be adjusted to market conditions and expected growth opportunities.

Consequently in 2011, the HRC reviewed both the bonus model and Straumann's overall approach to rewarding employees, including Board Compensation. The purpose of the project was to define a remuneration system that supports the company's vision and drives the relevant behavior and performance to deliver our strategy. This comprehensive review was supported by external consultants from the PricewaterhouseCoopers Human Resources Consulting Practice, which was selected by Straumann after several other specialists in the field had also been evaluated.

The design phase of the project was completed in December 2011 and the proposed changes approved by the Board. Group-wide implementation will be phased in over two years: the changes will apply to the Board of Directors, Executive and Senior Management as of January 2012. Further implementation Group-wide is targeted for 2013.

The key changes are as follows: The HRC determined further guidelines for reviewing Executive salaries and benchmarking principles for the Straumann Group. It agreed to a pay mix that puts a high emphasis on the long-term variable component and is thus in line with the

SHORT-TERM INCENTIVE TARGET ACHIEVEMENT (STI)



In the new short-term incentive model, the scale for financial target achievement extends from 0% to a maximum of 200% and is based on a line joining three points: 0% (point A), 100% (midpoint) and 200% (point B). The difference on the horizontal axis between the midpoint and point B must be equal to, or greater than, the difference between the midpoint and point A. The actual target achievement is measured by way of linear interpolation.

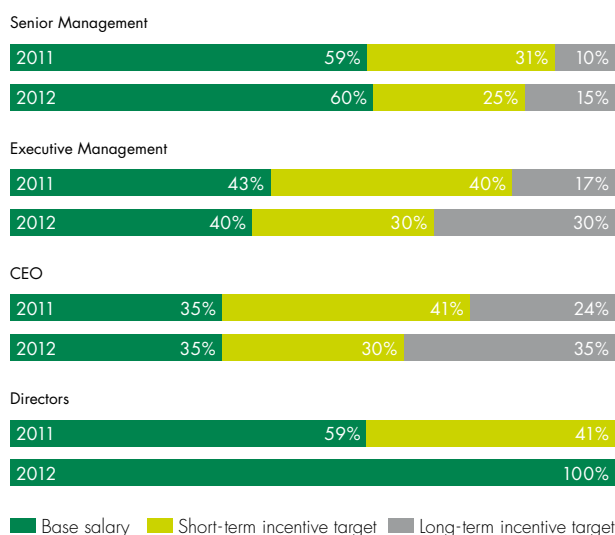
strategic goal of promoting 'ownership'. The shift from short to long-term variable compensation for the Executive and Senior Management will be phased in over two years starting in 2012.

SHORT-TERM INCENTIVE (BONUS) CALCULATION (STI)

Changes to the current bonus calculation were proposed in order to avoid further adjustments of the Group performance factor and to further emphasize the individual performance element.

While economic profit will remain a key performance indicator for Straumann, the EP target will be set prior to the respective performance cycle, in absolute terms, based on

LEADERSHIP TARGET COMPENSATION PAY MIX

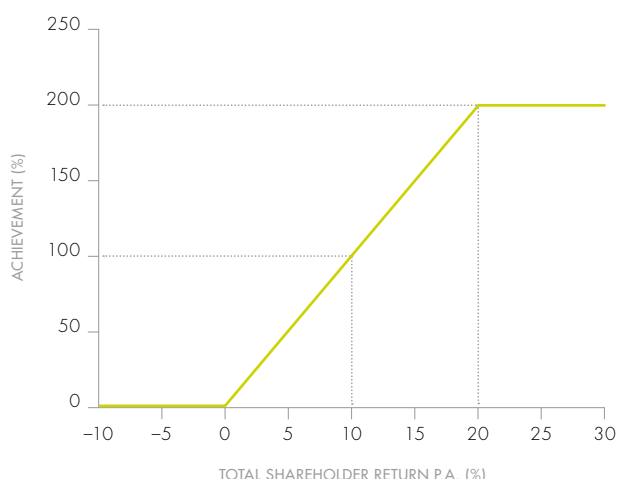


Starting in 2012, the compensation mix for Executive and Senior Management will shift further towards long-term variable remuneration, reflecting a greater emphasis on long-term decision making and sustainability. Directors will receive fixed attendance fees (partly allocated in shares) in line with good practice.

long-term business plans and the business strategy. The Board of Directors in consultation with Executive Management will set the absolute target for EP in Swiss francs annually. This will serve as a basis for the short-term incentive (bonus) calculation instead of the Δ EP target (see chart). This new approach will reduce the inherent volatility of the current system. Consequently, it should no longer be necessary to overrule the company performance factor once changes are implemented Group-wide.

In addition, a balanced mix of other financial targets (regional, local, business unit, etc.), functional and individual targets will be used to determine the individual's bonus. The individual targets are in general non-financial, quali-

SHARE ALLOCATION BASED ON PERFORMANCE SHARE UNITS AND TOTAL SHAREHOLDER RETURN (LTI)



Instead of options, the new compensation model awards shares according to the number of PSUs allocated and the total shareholder return achieved per annum over a three-year vesting period.

tative goals, which may include behavioral, leadership, development and function-related factors. The impact of the different targets will depend on the role and responsibilities of the individual's function. Overall, there will be a stronger focus on individual targets as determined by Management, making it possible to incentivize and reward high individual performance appropriately. The achievement factor for the bonus calculation is capped at 200% for financial targets including economic profit and at 150% for functional or individual targets.

NEW EQUITY INSTRUMENT (LTI)

The overall value progression of the options awarded over the past six years has been negative, which has a significant

INCENTIVE PAYOUT CALCULATION EXAMPLES

Target	Weight	Achievement	Weighted Achievement	Target incentive CHF 100 000 Payout
Performance on target				
Absolute EP target (company)	80%	100%	80%	80 000
Individual target	20%	100%	20%	20 000
Overall target achievement	100%		100%	100 000
Overperformance				
Absolute EP target (company)	80%	200%	160%	160 000
Individual target	20%	150%	30%	30 000
Overall target achievement	100%		190%	190 000
Underperformance				
Absolute EP target (company)	80%	0%	0%	0
Individual target	20%	50%	10%	10 000
Overall target achievement	100%		10%	10 000

For a member of the Executive Management Board, the EP target is weighted at 80%, individual targets at 20%. These examples show what level of the short-term incentive an Executive would expect to receive if the financial target (economic profit) was achieved, missed or exceeded. The target of CHF 100 000 in the examples is purely for illustration purposes.

impact on the overall compensation of the Executive and Senior Management and reflects the downside risk of our existing pay-mix. In fact, the options allocated over the past six years were worth on average only half of their initial value.

As of 2012, Straumann's existing option plan will be replaced by a new equity instrument with a different risk-payout profile. The instrument is designed to:

- Offer an attractive variable compensation element linked to total shareholder return
- Promote participation in the sustainable long-term value creation of the Company
- Increase shareholdings of key employees

- Align participant's interests with those of the shareholders.

It will be offered to the Executive Management Board, the Senior Management and other key employees depending on role, responsibility, location, strategic impact and market practice as determined by the Board beginning in April 2012. The Board of Directors is not eligible for this program.

The new instrument will be a performance-based share award plan with a three-year vesting period. Participants are granted a certain number of Performance Share Units (PSUs) entitling them to receive a certain number of shares after a three-year vesting period. The number of shares

allocated per PSU depends on the achievement of an absolute total shareholder return (TSR) target, which is determined by the Board of Directors and is currently 10% per annum for the three-year vesting period. The achievement factor is capped at 200%. Thus at the end of the period, no shares will be allocated for a TSR of 0% p.a. or less, one share will be granted per vested PSU if the TSR is 10% p.a. and two shares per vested PSU for a TSR of 20% p.a. or more. For a TSR between 0% and 10% per annum or between 10 and 20% p.a. the number of shares allocated is calculated on a linear basis. The entitlement is generally forfeited if the individual leaves the company.

Total Shareholder Return is the profit/loss realized by an investment at the end of a specified calendar year. It includes capital gains/losses from increases/decreases in the share price as well as dividends received. TSR thus reflects variations in the stock market and the market's perception of overall performance.

EMPLOYEE SHARE PARTICIPATION PLAN

The possibility of enabling employees in all geographies to participate in company share ownership programs will be further analyzed and implemented where possible and appropriate.

DIRECTORS COMPENSATION FURTHER ALIGNED TO CURRENT MARKET PRACTICES

In 2012, Directors will be entitled to fixed attendance fees reflecting their roles, responsibilities and expected working time. The variable compensation component will be integrated in the fixed attendance fees. 75% of the full attendance fee will be paid in cash, the remaining 25% will be provided in Straumann shares at the end of the relevant service period. The shares are allocated at market value, i.e. no discount is granted by the company, and the shares will be blocked for two years. For the yearly calculation of the number of shares the closing prices of the share on the Swiss Stock Exchange SIX over the seven trading days

calculated from the ex-dividend day (1st day) will be used (as for the Employee Share Purchase Plan).

SUMMARY

As a result of these proposed changes Straumann's compensation system will be balanced and sustainable, in line with best practices. It is designed to better align the interests of the Directors, Executives and Senior Management with shareholder interests. At the same time it will enhance Straumann's attractiveness as a global employer, helping us to engage and retain a talented team and to reward individuals according to clear targets. We believe that it will encourage entrepreneurship, above-market performance, ownership, and value creation – reflecting our core belief that 'achieving more is our future'.

APPROVAL OF THE COMPENSATION REPORT

This Compensation Report provides comprehensive transparency with regard to the company's general compensation principles and in particular to the compensation of the Executive Management Board and the Board of Directors. The Board of Directors will present this Report to the shareholders for a consultative vote at the Shareholders' General Meeting.



FALSE TEETH

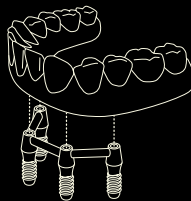
TURTLE (CHELONIA)

The animal kingdom has 'real' and 'false' teeth. Examples of the latter are found in the throat and oesophagus of turtles. They lack the enamel, dentine and cementum of real teeth. The jaws of the turtle have evolved into horny ridges, which serve as powerful cutting tools to reduce food to a size that can be swallowed. They are also helpful in dealing with slippery food such as jellyfish.

Until recently, humankind had no viable solution to tooth loss. Modern technology has made it possible to produce lasting replacements that are virtually indistinguishable from natural teeth.

FULL-ARCH REPLACEMENT

From single teeth up to full dentures anchored on implants, implant-based solutions restore function and esthetics and enhance the quality of life.



2–5
million

biting cycles: the regulatory test requirements for implants – corresponding to 10 years of chewing.

FINANCIAL REPORT 2011

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EXECUTIVE INTERVIEW
CHIEF FINANCIAL OFFICER

Thomas Dressendörfer
Chief Financial Officer,
Chief Risk Officer

2011 brought little change to accounting standards.

Were there any challenges for Straumann?

The IASB mandated little change. Straumann adopted the new IFRS 9 standard for financial instruments early but this was purely technical and had no bearing on our financials. By far the greatest challenge of 2011 was re-assessing our Japanese business after the natural disaster in Northern Japan. After careful and thorough consideration, we decided to write-off all the remaining intangible assets that were recognized during the acquisition of our Japanese distributor in 2007.

What was the accounting impact of this decision?

It reduced our reported operating profit by about CHF 40 million – however, I should add that this is a non-cash charge and does not impair our ability to invest for the future or to pay dividends. It also decreased our 2011 reported tax rate to about 10%, as the corresponding deferred tax liability recognized at the date of acquisition reversed at the same time. This again is a non-cash effect and does not mean that Straumann paid lower tax rates in the countries where we operate. Going forward, we expect the reported tax rate to be around 17%.

Apart from the impairment charge what has dented profitability?

The main impact was the devaluation of most major currencies against the Swiss franc, which cut net revenues by roughly CHF 70 million and cost us almost CHF 40 million at the operating profit level. When you take this and other unforeseeable factors into account, i.e. investments related to the reorganization, our overall performance is in line with the guidance given in our half-year report.

Looking at the balance sheet, almost half your assets are in cash and represent approximately 15% of your market capitalization. How are you managing your high cash position?

In August, we announced our intention to purchase Straumann shares on the open market for up to CHF 100 million, which will be held as Treasury shares. By the end of 2011, we had used CHF 24 million to buy 164,500 shares in this program. Obviously, our goal is not to be a bank. Straumann operates in a changing industry where attractive investment opportunities have recently arisen and will continue to do so in the years ahead. For some time we have mentioned our desire for financial flexibility to take advantage of such opportunities as they arise. Our cash position – together with our financial leverage of nearly zero – is an instrument for supporting and realizing our strategic goals.

MANAGEMENT SUMMARY

STRAUMANN CONTINUES TO GROW AHEAD OF THE MARKET

MARKET SHOWS GRADUAL IMPROVEMENT

As 2011 progressed, consumer sentiment in Europe declined amid economic uncertainty. Across the world, the fourth largest dental market, Japan, was disrupted by natural disaster. As a result, patients in these important markets postponed complex and elective tooth replacement procedures, dampening hopes of a near-term recovery in patient flow and treatment volumes at dental practices. Contrastingly, North America performed well, helping the global tooth restoration and replacement market to achieve low-single-digit growth.

With the overall market showing gradual improvement, Straumann achieved full-year growth of 4% in local currencies (l.c.), as Group net revenue reached CHF 694 million. This would have been CHF 71 million higher had it not been for the unprecedented negative currency effect of 10% points.

BUSINESS PERFORMANCE

Straumann's growth was entirely organic and driven by its core implant business, where volumes expanded and prices were defended. The Bone Level range and Roxolid were the principal contributors.

Digital solutions, which includes CAD/CAM prosthetics, computer-guided surgery and scanners, posted strong growth, especially iTero intra-oral scanners, for which Straumann gained non-exclusive distribution rights in North America (complementing its distribution exclusivity in Europe). Sales of CARES in-lab scanners were also pleasing as customers benefitted from an attractive exchange promotion to upgrade to the new model. These positive developments reflect Straumann's strategy to build up its scanner base in order to drive the prosthetic element business in the future.

The regenerative franchise benefitted from a strengthened sales team and achieved double-digit growth, lifted by the roll-out of MembraGel and sales of Straumann Allograft in North America.

REGIONAL GROWTH

All regions grew throughout the year. North America was the main driver, posting double-digit expansion and generating more than half of the Group's overall growth. The 'Rest of the World' was the fastest growing region and contributed about a quarter of total growth – even though it is

Straumann's smallest region. The remaining growth came from Asia/Pacific and, to a much smaller extent, Europe – the largest region.

EUROPE STABLE AMID CHALLENGING ECONOMIC CIRCUMSTANCES

As the European market contracted slightly, Straumann underpinned its leading position with very modest growth in local currencies. Regional net revenue amounted to CHF 404 million or 58% of the Group. The devaluation of the euro against the Swiss franc resulted in a negative currency effect of 9% points. Performances varied by country: Germany, the leading market, posted solid results. The next two largest markets, Italy and Iberia, declined – reflecting their struggling economies and weighing considerably on the regional market. Demand for implants was also soft in Sweden. France, on the other hand, grew strongly – as did the Czech Republic and Hungary, deepening Straumann's footprint in Eastern Europe.

DOUBLE-DIGIT GROWTH IN NORTH AMERICA

With strong growth in the US and Canada, North American revenues rose 10% (l.c.), although the currency headwind was even more pronounced than in Europe, cutting growth by 16% points. As a result, regional revenue was constrained to CHF 156 million, or 22% of the Group. The performance was fuelled by Bone Level implants and Roxolid, with further impetus coming from scanner sales, most notably iTero. After impressive expansion in 2010, the regenerative business again achieved double-digit growth, driven by Straumann Allograft, the launch of MembraGel and an increased sales force.

SOLID GROWTH MAINTAINED IN ASIA/PACIFIC

Asia/Pacific posted growth of 6% (l.c.), but unfavorable exchange rates kept revenues flat in Swiss francs at CHF 101 million, or 15% of total net revenue.

Straumann maintained its pole position in the fast-growing Chinese market, posting dynamic expansion. The Group benefited from a very successful national ITI congress, attended by almost 1000 Chinese dental professionals.

The decline in the Japanese dental market was exacerbated by the tsunami in March. In exceptionally difficult conditions, Straumann Japan successfully launched the long-awaited Bone Level implant range and returned to growth for the first time in more than two years.

DYNAMIC PERFORMANCE IN THE REST OF THE WORLD

The principal markets in the Rest of the World are Brazil, Mexico and Middle East. New customers in the former two and a solid performance in the latter contributed to full-year growth of 26% (l.c.). With net revenue reaching CHF 33 million, the region contributed 5% to the Group total.

OPERATIONS AND FINANCES

While Straumann managed to grow above the market average, its full-year operating performance was constrained by three main factors: the strength of the Swiss franc, the increasing contribution of lower-margin products, and a non-cash impairment charge of CHF 40 million, based on Management's assumption of how the Japanese economy will develop in the aftermath of the tsunami (see p. 185).

EBITDA IMPACTED BY CURRENCIES AND GROWTH OF LOWER-MARGIN PRODUCTS

At CHF 529 million, gross profit was CHF 58 million off the prior year level due mainly to currencies, changes in inventory, and the over-proportionate growth of scanners, which generate significantly lower margins than implants. Thus the gross margin slipped to 76%, despite cost management and efficiency improvements.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined by CHF 55 million to CHF 157 million. Adjusted for currencies, the decrease was only CHF 14 million. The EBITDA margin was 23%.

EBIT MARGIN REFLECTS INITIATIVES TO BUILD, REORGANIZE AND SPUR GROWTH

The top-line contraction in Swiss francs has not deterred Straumann from its long-term growth strategy and the Group has purposefully invested over-proportionately in innovation, marketing, sales, and initiatives to reorganize and build for the future.

The company also invested in new product rollouts (see p. 37) and people, adding sales experts for Regeneratives and intra-oral scanning equipment. As a result, the Marketing & Sales team increased by 50 to 1200.

The additional expenses were partly offset by a favorable foreign exchange effect, because most of Straumann's sales costs are in currencies that depreciated against the Swiss franc. Excluding the impairment charge and the currency effect, underlying SG & A expenses increased by 4%.

COMMITMENT TO INNOVATION WITH CLINICAL EXCELLENCE

At CHF 39 million (6% of sales), R & D investments remained stable, reflecting the Group's commitment to innovation and long-term clinical excellence.

The successful resolution of litigation issues with business partners led to the release of provisions, which added CHF 5 million to operating income.

After ordinary amortization and depreciation charges of CHF 37 million and the impairment charge, operating profit (EBIT) amounted to CHF 80 million. Excluding currency effects and the impairment, it would have decreased by just CHF 6 million, corresponding to an EBIT margin of 17%, in line with the guidance given in August.

NET PROFIT

The net financial result was a negative CHF 2 million, due mainly to transactional currency losses. Owing to a CHF 13 million reduction in deferred tax liabilities in connection with the impairment charge, income taxes were CHF 7 million (CHF 22 million less than in 2010). Going forward, the underlying tax rate is expected to be around 17%.

Taking all the aforementioned factors into account, net profit amounted to CHF 71 million with the underlying margin reaching 14%, corrected for exceptionals. Basic earnings per share came to CHF 4.54 or CHF 6.26 excluding exceptionals.

FREE CASH FLOW SQUEEZED BY LOWER PROFITABILITY

Net cash from operating activities decreased 20% to CHF 140 million, owing largely to the negative currency effect and the lower gross profit contribution. Net working capital improved by CHF 9 million by virtue of improved inventory management.

The Group invested CHF 3 million less in property, plant, equipment and intangibles because implant production was expanded in previous years and no major further investments were required. In total, cash of CHF 19 million was invested in capital expenditures. Free cash flow amounted to CHF 121 million and the respective margin was 18%.

The purchase consideration for a minority stake in Dental Wings (see p. 185) amounted to CHF 6 million. Net cash used for financing activities totaled CHF 90 million after the payment of CHF 59 million for the ordinary dividend.

KEY PERFORMANCE FIGURES

	2011		2010	
	Reported	Pre-exceptionals	Reported	Adjusted for currencies
Net revenue (CHF m)	693.6	693.6	737.6	666.5
Gross profit margin (%)	76.2	76.2	79.6	78.0
EBITDA margin (%)	22.7	22.7	28.7	25.7
EBIT margin (%)	11.5	17.3	22.3	18.9
Net profit margin (%)	10.2	14.1	17.8	

Consequently, cash and cash equivalents on 31 December amounted to CHF 377 million, which is approximately 15% of the Group's market capitalization.

SHARE PERFORMANCE AND PURCHASE PROGRAM

At the end of August, Straumann decided to purchase treasury shares for up to a maximum of CHF 100 million over an unspecified period. The purchase will reduce the Group's high cash position, without reducing its ability to take advantage of attractive strategic opportunities as they arise. By year-end, the company had bought 164 500 shares.

DIVIDEND MAINTAINED

The Board of Directors will propose a dividend for 2011 of CHF 3.75 per share to the General Meeting of the Shareholders. As in 2010, the Group will take advantage of the Swiss federal tax law that offers tax relief on dividends paid from reserved capital contributions by paying CHF 1.55 of the total dividend per share out of 'reserves for capital contributions'.

OUTLOOK (BARRING UNFORESEEN CIRCUMSTANCES)

VISION 2020

In the course of 2011, Straumann completed its Vision 2020 project, a long-term strategy review, analysing market trends, growth drivers and strategic direction. It concluded that the long-term growth drivers in its markets are valid and intact.

General economic uncertainty, exacerbated by the debt crisis, continues to depress consumer sentiment in many places, which in turn constrains the main markets. On the other hand, low penetration rates in implant dentistry, work flow improvements due to digitalization as well as demographic trends will drive a return to solid growth sooner or later.

MARKET OUTLOOK

The Group expects challenging developments especially in Europe. Elsewhere, e.g. in the US and emerging markets, the business outlook is slightly more optimistic. In 2012, Straumann's markets are expected to grow in the low-single digit percentage range on an aggregated/global basis.

Looking further ahead and assuming that the general economic environment will remain volatile for several years, the market is expected to grow in the high-single digits rather than at the double-digit rates seen prior to the recession. High single-digit market growth is still very attractive and provides ample opportunity for sustainable shareholder value creation.

OUTLOOK FOR STRAUMANN

On the basis of its differentiated solutions and services, its geographic presence, well-stocked innovation pipeline, and motivated staff, Straumann is well positioned to succeed in 2012 and beyond. Furthermore, it will benefit from its current reorganization, which aims to unlock further growth potential.

The Group is therefore confident that it can continue to grow ahead of the market in local currencies. Assuming that the Swiss National Bank continues to prevent the euro dropping below CHF 1.20, Straumann does not expect further major currency headwind in 2012. The Group will continue to invest in all its franchises, its pipeline, and its Marketing & Sales organization to create and drive superior treatment solutions and services. It will also continue to optimize efficiency and expects to achieve gross and EBIT margins at least in line with the prior year levels, barring unforeseen events and circumstances.

RISK MANAGEMENT

Straumann is committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value. We address risk assessment and management through a holistic, disciplined and deliberate approach, with the view that they must be embedded in a comprehensive internal control framework. For additional information see also Group Notes 29 (pp. 200–204) and 32 (p. 207) and Holding Note 6 (p. 219).

RESPONSIBILITIES

In accordance with Swiss corporate law and Straumann's Articles of Incorporation, the Board of Directors and the Executive Management bear the overall responsibility for assuring the viability and profitability of the company. The Board has delegated the task of risk management to the Chief Risk Officer (CRO), who is also the Chief Financial Officer.

For the first ten months of 2011, the CEO, Beat Spalinger, took over the responsibilities of the CFO and CRO on an ad-interim basis, until these roles were assumed in November by the incoming CFO, Thomas Dressendörfer.

An internal audit function is in place.

RISK MANAGEMENT

The monitoring and control of risks are management objectives. The risk-assessment process analyzes the implications and potential impact of external and internal factors on the achievement of the Group's objectives, and provides a basis for managing them. Risks are categorized as follows:

- Strategic
- Operative
- Financial
- Financial reporting risks
- Compliance

This matches the approach of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used. For identified risks that arise from accounting and financial reporting, relevant control measures which reduce the financial risk are defined throughout Straumann's Internal Control System (ICS) framework on financial reporting. Various tools and aids are used to assess and manage risk. For instance, foreign exchange risks are managed with an SAP treasury tool, while external consultants are used on a regular basis to assess insurance coverage risks.

RISK REPORTING

A comprehensive corporate assessment report is produced annually and serves as a working document for the coming year. The report includes all identified risks that are critical for Straumann's business. The risks are ranked and prioritized. Action plans are defined and the implementation of measures to reduce risk is monitored. The report is prepared by Internal Audit and the Chief Risk Officer and discussed with the Executive Management Board. The Audit Committee of the Board of Directors assesses and discusses the risks on the basis of that report in consultation with the Chief Risk Officer and/or the relevant members of Senior Management on a regular basis. Key findings are presented to the Board. Pressing risks that emerge very rapidly are discussed by the Board at short notice.

RISK ASSESSMENT

STRATEGIC RISK

DISRUPTIVE TECHNOLOGIES

While innovation will continue, the Group does not believe that disruptive technologies represent a fundamental risk to its businesses, mainly because it drives substitution technologies itself. Basic research into novel tooth replacement technologies such as growth factors or stem cells will continue to evolve. These might improve product performance and ultimately lead to combination devices – as in other medical device areas. Straumann's expertise in oral tissue regeneration puts it in a position to exploit potential synergies in this field.

HEALTH SYSTEM CHANGES AND REIMBURSEMENT

Reimbursement is rare in our markets and although implant materials make up only about a fifth to a sixth of the overall treatment costs, implant manufacturers can be affected by changes in healthcare regulations that affect the overall cost to the patient. No material changes in reimbursement are foreseen in 2012.

MARKET ENVIRONMENT

Straumann is active in specialty segments of the dental industry, the estimated overall value of which is CHF 5 billion. Based on the low level of penetration, the aging population, the increasing number of professionals trained in the procedures, and increasing awareness, there are today no discernible reasons why these markets should not continue to offer attractive prospects for growth in the long term (see discussion of markets and regions on pp. 22–32). However, the current economic uncertainties and low consumer confidence might continue for some time and dampen market growth.

CURRENCY CHART (DOLLAR, EURO, YEN)



One challenge facing Straumann is the need to expand its market reach and grow its organization in order to realize significant market potential. Straumann's future revenues also depend on its ability to defend and increase its business with existing customers, to enlarge its customer base, to develop innovative products and services that meet customers' needs and to bring them to market in a timely manner.

New market entrants and price pressure from discounters pose a threat to established companies like Straumann. However, the importance of clinical research and customers' concerns about medical liability and sales support limit such threats from Straumann's point of view.

OPERATIVE RISK

LEGAL AND INTELLECTUAL PROPERTY RISKS

Straumann operates in a competitive market, in which intellectual property rights are of significant importance. The Group therefore actively pursues a strategy of protecting its intellectual property, such as patents and trademarks. The Group is currently not involved in litigation which is considered to be material.

MANUFACTURING AND SUPPLIER RISK

Straumann has spread its manufacturing risk by establishing production centers for its key products on both sides of the Atlantic. Implant system components are produced in Villeret (CH) and Andover (US), while CAD/CAM prosthetics are made in Markkleeberg (D) and Arlington (US). With regard to suppliers, we pursue a 'second source' strategy, which offers a high degree of independence from single suppliers. We keep more than one year's stock of titanium, the key material for our implant system.

PRODUCT RISK AND TREATMENT OUTCOME

Straumann seeks to minimize all product risks by going well beyond the minimum statutory requirements and conducting thorough large-scale trials, under real-life conditions, followed by controlled selective introductions and long-term product surveillance, wherever appropriate. We also offer a comprehensive range of education courses at all levels in all countries where our products are sold.

FINANCIAL RISK (SEE ALSO PP. 200–204)

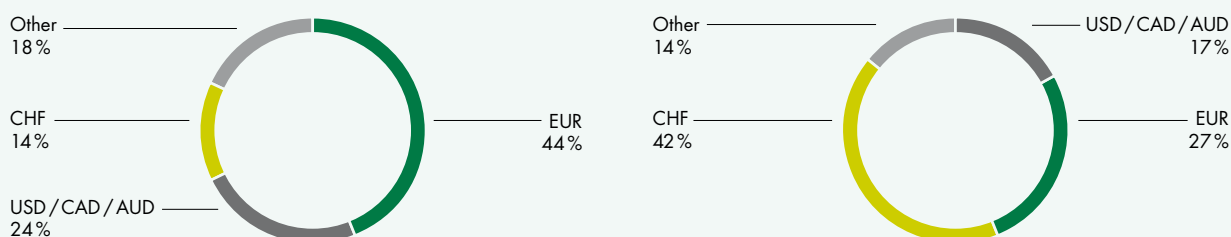
EXCHANGE RATE RISK

As the majority of our business is international and because we prepare our financial statements in Swiss francs, fluctuations in the exchange rates between the Swiss franc and other currencies affect both the Group's operating results and the reported values of its assets, liabilities, revenue and expenses in Swiss-franc terms.

Straumann's Corporate Treasury is responsible for managing the risks created by currency fluctuations within the Group and within the scope of the policy approved by the Executive Management Board and the Audit Committee of the Board of Directors.

The Group is exposed to transactional and translation risks. Hedging decisions are taken centrally by the Corporate Treasury with the subsidiaries being co-responsible for identifying currency exposures and informing Headquarters accordingly.

SALES AND COST BASE (CURRENCIES)



These distribution charts represent the total net revenues (left) and the total cost of goods sold, selling and administrative costs as well as R&D expenses (right) in the various currencies. All numbers are rounded approximations.

The key objective is to limit the foreign currency transactional exposure of the Group. Transactional risk arises when the currency structure of Straumann's costs and liabilities deviates to some extent from the currency structure of the sales proceeds and assets, as well as from imbalances in the payment streams between the various currencies. Straumann hedges these risks on a selective basis by means of options, spot transactions, and forward transactions. The limitation and management of the translation exposure is of secondary priority.

Major foreign currencies in Straumann's business are: the euro, the US dollar, the British pound and the Japanese yen. Straumann invoices its subsidiaries in local currencies and its distributors mainly in Swiss francs. International exchange rate fluctuations impact the company's assets and earnings, which are reported in Swiss francs. At the end of 2011, the Group's gross transactional booked exposure to its most important currency, the euro, was approximately 49%; the euro accounted for 44% of Group sales. The US dollar, the Canadian dollar, the Australian dollar, and the British pound collectively made up approximately 3%, while gross transactional booked exposure in Asian currencies, including the yen and the Korean won, amounted to around 55%. The charts above illustrate our sales and cost base in the different currencies.

In general, the target is to concentrate the currency risk mainly in Switzerland at the Swiss Group companies. Subsidiaries abroad are usually invoiced by the Swiss companies in the local currency of the subsidiaries. Each subsidiary invoices its local third-party customers in the local currency.

Production companies and sales subsidiaries outside Switzerland avoid foreign currency exposure wherever possible.

To reduce investment risk on cash and cash-like positions, Straumann manages liquid funds centrally. In 2011, Straumann set up a euro cash pool. Liquidity risk is minimized by ensuring that sufficient cash and cash equivalents are maintained to cover operational needs (see p. 203). For strategic acquisitions, Straumann may consider entering into additional loan agreements, with the goal of repaying loans with operating cash flow within a reasonable time frame. Straumann aims to maintain an equity ratio of at least 50%.

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. There are no significant concentrations of credit risk within the Group. Counterparty risk encompasses issuer risk on marketable securities, settlement risk on derivative and money market contracts, and credit risk on cash and time deposits. Exposure to these risks is closely monitored and kept within predetermined parameters.

Further information on financial risk management is provided in Note 29 of the Financial Risk Management Objectives and Policies (see p. 200), in Note 30 of the Financial Instruments, and in the section on Derivative Financial Instruments and Hedging on p. 204 of the Group's consolidated financial statements.

INSURANCE POLICIES

Straumann covers its inherent key business risks in the same way that it covers product or employer liability risks

and property loss, i.e. through corresponding insurance policies held with reputable insurance companies.

PENSION LIABILITY RISKS

The Group offers its staff competitive pensions. The pension funds are managed locally and invested by independent financial institutions. The investment strategy is determined by the Pension Fund Board and executed by the financial institution. Neither Straumann nor the trustees are allowed to influence the specific investment decisions. The pension funds publish regular reports for all members. The Swiss pension fund represents the largest pension plan of the Group.

FINANCIAL REPORTING RISK

Straumann's Internal Audit function acts as an 'independent' and 'objective' assurance and consulting body, which reports directly to the Chief Financial Officer and to the Audit Committee of the Board of Directors. Internal Audit does not confine itself to financial audits, but also monitors compliance with external and internal policies and guidelines. Acting in a consulting role, one of its main tasks is to assess internal processes and controls, propose improvements, and assist in their implementation. The objective is to safeguard the Group's tangible and intangible assets and to evaluate the effectiveness of the Group's risk management and governance processes.

COMPLIANCE RISK

LEGAL COMPLIANCE

It is very important for Straumann to ensure that the company in general and the individual employees conduct business in a legal, ethical and responsible manner. To this end, we implemented our Code of Conduct in 2006. All employees are invited to report any breach of this internal policy to the Compliance Officer by e-mail or telephone.

Like other leading manufacturers, Straumann is exposed to the risk of public perception of dental implants being damaged by third parties, for example as a result of poor implant placement, inferior implant designs and quality, or unethical business practices. In 2009, Straumann USA joined the Advanced Medical Technology Association (AdvaMed) as a full member. AdvaMed stands for the advancement and safe and effective use of medical technology.

In 2011, we continued to implement the Sales Compliance Program that was introduced in the major markets in 2010. This includes training sales force and staff members in the subsidiaries on the various aspects of Compliance. We also

conducted a self-assessment within the sales subsidiaries in Europe to further benchmark our progress with this initiative with the goal of achieving best practice.

REGULATORY COMPLIANCE

The medical device industry has come under increasing regulatory scrutiny around the world and the trend is expected to continue. This in turn makes it increasingly challenging for global players in the sector. In 2011, Straumann worked diligently to prepare for the future, by improving processes and creating documents to prove compliance – not just for new products but also for products that have been on the market for 10–15 years.

Our implementation of STED (Summary of Technical Documentation) will support compliance and will help us to serve customers around the world faster. The effects of this investment are expected during the next 2–5 years.

In Europe, Directive 2007/47/EC was implemented in March 2010, increasing requirements for clinical evidence. Issues such as breast implant failure have prompted calls for tighter regulations and documentation in the medical device sector in general. Because Straumann already has substantial clinical data and research capabilities, this is not perceived as a risk.

With a greater emphasis on documentation, it is expected that Notified Bodies will have to review large numbers of technical files. The extent to which reviews have improved varies widely among Notified Bodies, which is one reason why authorities are working on further enhancing regulations in Europe. In this respect, a draft of the so-called 'Re-cast' initiative is expected in 2012. Re-cast is expected to introduce a central body tasked with co-ordinating and monitoring the implementation of various aspects of medical device directives. This will most likely lead to greater control of Notified Bodies and a reduction in their number (currently more than 70).

In the US, enforcement has increased. The present Administration and new Commissioner of the FDA have raised the level of funding for inspections and controls. The 510(k) process for medical device regulation is under review, which has resulted in longer review times. One possible outcome is a requirement for manufacturers to submit more clinical evidence and validation documentation. Another emerging trend is the request for further documentation such as risk management and more substantiating documentation.

ISO CERTIFICATION AND AUDITS

Standard	Certification of	Institut Straumann AG (Basel, Gräfelfing, Chemnitz, Berlin)	Straumann Villeret SA	Biora AB (Malmö)	Straumann Manufacturing Inc. (Andover)	Straumann CAD/CAM GmbH, (Marktleeeberg, Gräfelfing, Arlington)
ISO 9001	Quality management system	Basel, Gräfelfing	No	No	No	No
ISO 13485	Medical device quality management system	Yes	Yes	Yes	Yes	Yes
ISO 14001	Environmental management system	Yes	Yes	Yes	Yes	No

All quality audits were successfully completed in 2011; n.c. = not certified.

In Asia/Pacific and the Rest of the World, regulatory authorities in Brazil, Japan, Korea and elsewhere have started to inspect manufacturers in foreign countries. Straumann is prepared for these challenges and has built up an experienced team of regulatory specialists at its headquarters in Basel, the US, and Japan.

A new regulation was introduced in Singapore in 2010 prohibiting companies from selling unlicensed products. New requirements are also expected elsewhere in Asia and the Middle East. China, one of the world's fastest growing markets, is considering the introduction of requirements for clinical trials of higher class products, which include dental implants and possibly prosthetic products also, which could affect costs and review times significantly. It is also likely that countries like Indonesia and Malaysia will introduce new regulations in 2012.

QUALITY COMPLIANCE

To avoid the risks associated with regulatory compliance, we further invested in our Quality Management System and the qualification of our personnel. Focused Quality Objectives, supported by key quality performance indicators and comprehensive internal as well as supplier-related Quality Audit programs, assured our status of substantial compliance and helped to identify opportunities for improvements. We extended our state-of-the-art IT solutions for Global Document Management, Complaint Handling and Product Life Cycle Management in 2011 to further strengthen our Quality Systems.

In 2011, we successfully passed all Notified Body audits, which are required to maintain the certification status of the Quality- and Environmental Management Systems at our manufacturing and design/development sites.

In May 2011, we successfully passed Quality-System-related inspections by the Brazilian authority ANVISA at the production sites in Malmö and Villeret. Overall, there were no critical issues with any authorities related to the status of the Quality- and Environmental Management Systems at any of our sites.

SELECTED FINANCIAL INFORMATION

OPERATING PERFORMANCE

(in CHF million)	2011	2010
Net revenue	693.6	737.6
Growth in %	(6.0)	0.2
Gross profit	528.5	587.0
Margin in %	76.2	79.6
Operating result before depreciation and amortization (EBITDA)	157.4	211.9
Margin in %	22.7	28.7
Growth in %	(25.7)	(2.9)
Operating result before amortization (EBITA)	131.9	185.0
Margin in %	19.0	25.1
Growth in %	(28.7)	(1.6)
Operating profit (EBIT)	79.9	164.3
Margin in %	11.5	22.3
Growth in %	(51.4)	(0.6)
Net profit	71.0	131.1
Margin in %	10.2	17.8
Growth in %	(45.9)	(10.4)
Basic earnings per share (in CHF)	4.54	8.37
Value added (economic profit)	29.7	88.4
Decrease in value added	(58.7)	(7.6)
Decrease in value added in %	(66.4)	(8.0)
in % of net revenue	4.3	12.0
Number of employees (year-end)	2 452	2 361
Number of employees (average)	2 415	2 287
Sales per employee (average) in CHF 1 000	287	323

FINANCIAL PERFORMANCE

(in CHF million)	2011	2010
Cash and cash equivalents	377.1	349.6
Net working capital (net of cash)	68.8	74.5
in % of net revenue	9.9	10.1
Inventories	67.0	73.1
Days of supplies	123	158
Trade receivables	94.1	92.3
Days of sales outstanding	48	45
Balance sheet total	811.3	853.9
Return on assets in % (ROA)	8.5	15.8
Equity	671.1	695.6
Equity ratio in %	82.7	81.5
Return on equity in % (ROE)	10.4	19.7
Capital employed	273.1	337.7
Return on capital employed in % (ROCE)	26.2	46.9
Net cash from operating activities	140.2	175.8
in % of net revenue	20.2	23.8
Investments	(25.9)	(22.9)
in % of net revenue	3.7	3.1
thereof capital expenditures	(19.4)	(22.1)
thereof business combinations related	(0.4)	(0.7)
thereof investments in associates	(6.1)	0.0
Free cash flow	121.1	154.2
in % of net revenue	17.5	20.9
Dividend (2011: subject to shareholders' approval)	58.0	58.8
Pay-out ratio in % ¹	59.4	44.8

¹ Before exceptional

SALES BY REGION

(in CHF million)	H1	H2	Total 2011	Total 2010
Europe	219.3	185.1	404.4	444.9
Growth in %	(9.2)	(9.0)	(9.1)	(3.8)
Growth in local currencies in %	1.3	(1.1)	0.2	3.2
in % of net revenue	59.7	56.7	58.3	60.3
North America	78.0	77.6	155.6	164.7
Growth in %	(8.5)	(2.3)	(5.5)	6.1
Growth in local currencies in %	8.8	11.6	10.2	8.7
in % of net revenue	21.2	23.8	22.4	22.3
Asia/Pacific	51.7	49.0	100.7	100.5
Growth in %	0.0	0.4	0.2	5.5
Growth in local currencies in %	5.5	5.5	5.5	2.1
in % of net revenue	14.1	15.0	14.5	13.6
Rest of the World	18.3	14.6	32.9	27.5
Growth in %	31.8	7.2	19.6	17.4
Growth in local currencies in %	37.2	14.4	26.0	12.3
in % of net revenue	5.0	4.5	4.7	3.7
Total	367.3	326.3	693.6	737.6
Growth in %	(6.4)	(5.5)	(6.0)	0.2
Growth in local currencies in %	4.8	3.3	4.1	4.6

QUARTERLY SALES BY REGION

(in CHF million)	Q1	Q2	Q3	Q4	Total 2011
Europe	113.9	105.4	84.4	100.7	404.4
Growth in %	(8.8)	(9.7)	(8.7)	(9.2)	(9.1)
Growth in local currencies in %	2.2	0.3	1.7	(3.4)	0.2
in % of net revenue	60.5	58.9	56.0	57.3	58.3
North America	40.1	37.9	35.2	42.4	155.6
Growth in %	(3.7)	(13.2)	(7.8)	2.8	(5.5)
Growth in local currencies in %	8.0	9.6	11.3	12.0	10.2
in % of net revenue	21.3	21.2	23.3	24.2	22.4
Asia / Pacific	25.5	26.2	24.0	25.0	100.7
Growth in %	(0.0)	0.0	(2.1)	3.0	0.2
Growth in local currencies in %	2.2	8.9	5.2	5.7	5.5
in % of net revenue	13.5	14.7	16.0	14.2	14.5
Rest of the World	8.9	9.4	7.1	7.5	32.9
Growth in %	24.8	39.2	9.8	4.7	19.6
Growth in local currencies in %	26.9	48.5	18.1	11.1	26.0
in % of net revenue	4.7	5.3	4.7	4.3	4.7
Total	188.4	178.9	150.7	175.6	693.6
Growth in %	(5.4)	(7.4)	(6.7)	(4.4)	(6.0)
Growth in local currencies in %	4.3	5.2	5.1	1.8	4.1

STRAUMANN GROUP

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in CHF 1 000)	Notes	31 Dec 2011	31 Dec 2010
Property, plant and equipment	5	110 588	123 384
Investment properties	6	7 500	7 800
Intangible assets	7	100 740	152 096
Investments in associates	8	6 624	0
Financial assets	9	857	1 532
Other receivables		2 534	2 356
Deferred income tax assets	18	26 410	27 954
Total non-current assets		255 253	315 122
Inventories	10	67 010	73 064
Trade and other receivables	11	109 898	111 114
Financial assets	9	982	4 226
Income tax receivables		1 069	763
Cash and cash equivalents	12	377 053	349 603
Total current assets		556 012	538 770
Total assets		811 265	853 892

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2011	31 Dec 2010
Share capital	13	1 568	1 568
Retained earnings and reserves		669 550	694 062
Total equity attributable to the shareholders of the parent company		671 118	695 630
Other liabilities	15	6 862	6 891
Financial liabilities	14	64	329
Provisions	16	8 817	13 833
Retirement benefit obligations	20	1 164	609
Deferred income tax liabilities	18	12 343	25 432
Total non-current liabilities		29 250	47 094
Trade and other payables	17	89 656	90 587
Financial liabilities	14	1 758	736
Income tax payables		18 449	15 301
Provisions	16	1 034	4 544
Total current liabilities		110 897	111 168
Total liabilities		140 147	158 262
Total equity and liabilities		811 265	853 892

The notes on pages 159–208 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in CHF 1 000)	Notes	2011	2010
Net revenue	4	693 581	737 648
Cost of goods sold		(165 044)	(150 628)
Gross profit		528 537	587 020
Other income	21	2 673	2 827
Selling and administrative costs		(412 274)	(385 071)
Research and development costs		(39 016)	(40 466)
Operating profit		79 920	164 310
Finance income	24	29 257	28 054
Finance expense	24	(31 570)	(32 670)
Profit before income tax		77 607	159 694
Income tax expense	18	(6 655)	(28 610)
Net profit		70 952	131 084
Attributable to:			
Shareholders of the parent company		70 952	131 084
Basic earnings per share (in CHF)	25	4.54	8.37
Diluted earnings per share (in CHF)	25	4.54	8.36

The notes on pages 159–208 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in CHF 1 000)	2011	2010
Net profit	70 952	131 084
Net foreign exchange loss on net investment loans	(2 200)	(17 320)
Income tax	547	1 295
Net	(1 653)	(16 025)
Exchange differences on translation of foreign operations	(7 342)	(8 176)
Net movement on cash flow hedges	(405)	408
Income tax	53	(53)
Net	(352)	355
Other comprehensive loss for the year, net of tax	(9 347)	(23 846)
Total comprehensive income for the year, net of tax	61 605	107 238
Attributable to:		
Shareholders of the parent company	61 605	107 238

The notes on pages 159–208 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in CHF 1 000)	Notes	2011	2010
Net profit		70 952	131 084
Adjustments for:			
Taxes charged	18	6 655	28 610
Interest and other financial result		(631)	(67)
Foreign exchange result		(4 286)	6 552
Fair value result		4 191	(3 193)
Share of profit in associates	8	(179)	0
Depreciation and amortization of:			
Property, plant and equipment	5; 22	25 198	26 655
Investment properties	6; 22	300	300
Intangible assets	7; 22	11 726	20 662
Impairment of intangible assets	7; 22	40 239	0
Change in provisions, retirement benefit obligations and other liabilities		(7 943)	(2 402)
Share-based payments expense	19; 23	3 706	6 160
Gains on disposals of property, plant and equipment		(96)	(329)
Working capital adjustments:			
Decrease/(increase) in inventories		5 042	(6 399)
Increase in trade and other receivables		(1 537)	(10 994)
(Decrease)/increase in trade and other payables		(5)	12 319
Interest paid		(592)	(1 029)
Interest received		1 696	1 123
Income tax paid		(14 220)	(33 211)
Net cash from operating activities		140 216	175 841
Purchase of property, plant and equipment		(13 795)	(17 773)
Purchase of intangible assets		(5 627)	(4 364)
Purchase of investments in associates		(6 092)	0
Contingent consideration paid	3	(431)	(713)
Net proceeds from sale of non-current assets		329	447
Net cash used in investing activities		(25 616)	(22 403)
Dividends paid	26	(58 762)	(58 691)
Proceeds of finance lease		783	217
Repayment of finance lease		(655)	(976)
Proceeds from exercise of options		846	0
Purchase of treasury shares		(34 741)	0
Sale of treasury shares		2 682	3 313
Net cash used in financing activities		(89 847)	(56 137)
Exchange rate differences on cash held		2 697	(9 273)
Net increase in cash and cash equivalents		27 450	88 028
Cash and cash equivalents at 1 January	12	349 603	261 575
Cash and cash equivalents at 31 December	12	377 053	349 603

The notes on pages 159–208 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2011

(in CHF 1 000)

	Attributable to the shareholders of the parent company							Total equity
	Notes	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	
Balance at 1 January 2011		1 568	68 070	(2 310)	355	(61 537)	689 484	695 630
Profit for the period							70 952	70 952
Other comprehensive income					(352)	(8 995)		(9 347)
Total comprehensive income		0	0	0	(352)	(8 995)	70 952	61 605
Reallocation required by Swiss Law			3 186				(3 186)	0
Exercise of options				1 252			(406)	846
Dividends paid	26		(28 989)				(29 773)	(58 762)
Share-based payment transactions							3 637	3 637
Purchase of treasury shares				(34 741)				(34 741)
Sale of treasury shares				5 538			(2 635)	2 903
Balance at 31 December 2011		1 568	42 267	(30 261)	3	(70 532)	728 073	671 118

2010

(in CHF 1 000)

	Attributable to the shareholders of the parent company							Total equity
	Notes	Share capital	Share premium	Treasury shares	Cash flow hedge reserve	Translation reserves	Retained earnings	
Balance at 1 January 2010		1 568	68 070	(6 896)	0	(37 336)	610 014	635 420
Profit for the period							131 084	131 084
Other comprehensive income					355	(24 201)		(23 846)
Total comprehensive income		0	0	0	355	(24 201)	131 084	107 238
Dividends paid	26						(58 691)	(58 691)
Share-based payment transactions							7 882	7 882
Sale of treasury shares				4 586			(805)	3 781
Balance at 31 December 2010		1 568	68 070	(2 310)	355	(61 537)	689 484	695 630

On 31 December 2011, the share capital is represented by 15 676 549 issued shares (2010: 15 676 549) of CHF 0.10 par value each, fully paid in. The number of treasury shares amounted to 201 259 (2010: 9 014).

The notes on pages 159–208 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, 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 2400 people worldwide. Straumann's products and services are available in more than 70 countries through its broad network of distribution subsidiaries and partners.

The consolidated financial statements of the Straumann Group for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 10 February 2012.

2.1 BASIS OF PREPARATION

The consolidated financial statements 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 carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest thousand except where otherwise indicated.

STATEMENT OF COMPLIANCE

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Straumann Holding AG and its subsidiaries as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which the Group obtains control, and continue to be consolidated until the date that such 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. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred.

Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investee after the date of acquisition.

Non-controlling interests represent the portion of profit or loss and net assets not held by the shareholders of the parent company and are presented separately in the income statement, in the statement of comprehensive income and within equity in the consolidated balance sheet, as non-controlling interests. Acquisitions of non-controlling interests are accounted for using the 'economic entity model', whereby the difference between the consideration paid and the book value of the share of the net assets is recorded in equity and attributed to the owners of the parent company.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except that the Group adopted the following new and amended IFRS and IFRIC interpretations in 2011. Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group.

(A) STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2011

- **IFRS 9, 'Financial Instruments'**: The Group has early adopted IFRS 9 (2010) with a date of initial application of 1 January 2011. The standard requires that an entity classify its financial assets as subsequently measured at either amortized cost or fair value, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These changes in accounting policy are applied from 1 January 2011 without restatement of prior periods.

As the Group does not have any financial liabilities designated at fair value through profit or loss, the adoption of IFRS 9 (2010) did not impact the Group's accounting policy for financial liabilities.

The corresponding accounting policies in Note 2.4 have been adapted accordingly.

In accordance with the transitional provisions of IFRS 9 (2010), the classification of financial assets that the Group held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date. The reallocation of the Group's financial assets to the measurement categories of IFRS 9 (2010) is summarized in the table below. The reallocation did not lead to any measurement adjustments.

(in CHF 1 000)	Original classification under IAS 39	New classification under IFRS 9 (2010)	Original carrying amount under IAS 39	New carrying amount under IFRS 9 (2010)
Loans and other receivables (long term)	Loans and receivables	Amortized cost	2 677	2 677
Foreign exchange forward contracts, non-hedge accounting	Fair value through profit or loss	Fair value through profit or loss	3 161	3 161
Foreign exchange forward contracts, hedge accounting	Hedging instrument	Hedging instrument	408	408
Trade and other receivables (short term)	Loans and receivables	Amortized cost	101 287	101 287
Cash and cash equivalents	Loans and receivables	Amortized cost	349 603	349 603

- **IAS 24 (Revised), 'Related party disclosures'**, (effective 1 January 2011): The revised standard modifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard did not have any impact on the Group's related party disclosures.

(B) STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2011, BUT NOT RELEVANT

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2011 but they are not relevant to the Group's operations:

- **IFRS 1 (Amendment), 'First-time adoption of International Financial Reporting Standard' – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters**
- **IAS 32 (Amendment), 'Financial instruments: Presentation' – Classification of Rights Issues**
- **IFRIC 14 (Amendment), 'Prepayments of a Minimum Funding Requirement'**
- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments'**

(C) STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, and the Group has not adopted them early:

- **IAS 19 (Revised)**, 'Employee benefits', (effective 1 January 2013): The revised standard eliminates the 'corridor approach' and thus requires that an entity recognize the actual deficit or surplus of its defined benefit plans in the statement of financial position. IAS 19R also introduces the net interest or income, calculated by applying the discount rate to the net defined benefit asset or liability. The defined benefit cost will be split into three categories, of which service cost and net interest cost will be presented in the income statement, whereas actuarial gains and losses (remeasurements) will be presented in the statement of comprehensive income. The revised standard will have a significant impact as the Group currently applies the 'corridor approach'. Actuarial gains and losses will no longer be deferred, mainly affecting the net defined benefit obligation in the Group's statement of financial position. The Group will apply the revised standard no later than 1 January 2013.
- **IAS 1 (Revised)**, 'Financial statement presentation', (effective 1 July 2012): The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' through the income statement, and those elements that will not. The Group will keep its current disclosure of two separate statements but will adapt the statement of comprehensive income presentation according to the new requirements.
- **IFRS 10**, 'Consolidated financial statements', (effective 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group will apply the revised standard no later than 1 January 2013.
- **IFRS 12**, 'Disclosures of interests in other entities', (effective 1 January 2013) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply the revised standard no later than 1 January 2013.
- **IFRS 13**, 'Fair value measurement', (effective 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group will apply the revised standard no later than 1 January 2013.

(D) INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND NOT RELEVANT FOR THE GROUP'S OPERATIONS

The following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods, but are not relevant for the Group's operations:

- **IFRS 1 (Amendment)**, 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' (effective 1 July 2011)
- **IFRS 7 (Amendment)**, 'Financial Instruments: Disclosures' – Disclosures – Transfers of Financial Assets (effective 1 July 2011)
- **IAS 12 (Amendment)**, 'Income taxes' – Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)
- **IAS 28 (Amendment)**, 'Investments in Associates' – Reissued as IAS 28 'Investments in Associates and Joint Ventures'
- **IFRS 11**, 'Joint arrangements' (effective 1 January 2013)

- IAS 27 (Amendment), 'Consolidated and Separate Financial Statements' – Reissued as IAS 27 'Separate Financial Statements' (effective 1 January 2013)
- IFRIC 20, 'Stripping Costs in the Production - Phase of a Surface Mine' (effective 1 January 2013)

2.3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of Straumann'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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets with indefinite life and assets not yet in use are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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.

The following table shows the sensitivity of the value-in-use of the most critical assumption for cash-generating units containing material goodwill positions:

(in CHF million)	Base Points	Global Implant Business	Global Regenerative Business
Growth rate for first 5 years	+ 100	150.7	5.7
	- 100	(145.6)	(5.5)
Terminal growth rate	+ 100	483.7	9.6
	- 100	(362.2)	(7.6)
Gross profit margin of the CGU	+ 100	65.5	4.9
	- 100	(65.5)	(4.9)
Weighted average cost of capital (WACC)	+ 100	(469.1)	(9.1)
	- 100	627.5	11.5

None of these changes in assumptions individually would lead to a recognition of an impairment charge for these cash-generating units.

SHARE-BASED PAYMENTS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and making assumptions about them. The assumptions and models used are disclosed in Note 19.

DEFERRED INCOME TAX ASSETS

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available, against which the losses can be utilized. Significant management judgment is required to determine the amount of

deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of recognized tax losses at 31 December 2011 was CHF 36.7 million (2010: CHF 36.3 million) and the unrecognized tax losses at 31 December 2011 were CHF 32.1 million (2010: CHF 19.8 million). Further details are provided in Note 18.

INCOME TAXES

Straumann is subject to income taxes in numerous jurisdictions. Significant management judgment is required in determining the worldwide provision 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.

PENSION AND OTHER POST-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, expected rates of return on assets, 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 2011 was CHF 1.2 million (2010: CHF 0.6 million). Further details are given in Note 20.

DEVELOPMENT COSTS

Development costs are capitalized in accordance with the accounting policy in Note 2.4. Initial capitalization of costs is based on Management's judgment that technological and economic feasibility is confirmed – usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, Management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2011, the best estimate of the carrying amount of capitalized development costs was CHF 2.4 million (2010: CHF 1.7 million).

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 ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling 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. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognized within equity. 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 rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted 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, if the recognition criteria are met. 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 through 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'. Prior to classification as 'held for sale', any excess of the net carrying value of the asset over the fair value less costs to sell are charged to profit or loss in the year the asset is reclassified. 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.

INVESTMENT PROPERTIES

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the investment properties. The useful lives applied for such properties are 20–30 years. Land is not depreciated as it is deemed to have an indefinite life. The carrying value of investment properties is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If this occurs, the market value is determined by external appraisers. If the market value is less than the carrying amount of the asset, an impairment loss is recognized in the amount by which the asset's book value exceeds its fair value.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property, plant and equipment up to the date of change in use. No assets held under operating lease have been classified as investment properties.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. Goodwill is initially measured at cost being the excess of the costs of the business combination above the Group's share in the net fair value of the acquiree's identifiable assets,

liabilities and contingent liabilities. 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. 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.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill arising from the purchase of non-controlling interests is taken to equity under the 'economic entity model' (Note 2.1).

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value on 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.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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 each financial year end. 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 tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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.

CUSTOMER RELATIONSHIPS, TECHNOLOGY AND TRADEMARKS

Intangible assets acquired in a business combination are identified separately and recognized at fair value at the date of acquisition. Customer relationships, technology and trademarks have finite useful lives and are amortized using the straight-line method over their useful lives, usually over a period of 10–20 years.

SOFTWARE

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortized over their estimated useful lives, usually two to three years.

A summary of the amortization methods applied to the Group's intangible assets is as follows:

	Customer relationships	Technology	Trademarks	Development costs	Software
Useful life	Finite	Finite	Finite	Finite	Finite
Amortization method	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis	Straight-line basis
Time period	Usually 10 years	Usually 10 years	Usually 20 years	Over period of expected sales from the related project but not exceeding 3 years	Over estimated useful life but not exceeding 3 years
Internally generated or acquired	Acquired	Acquired	Acquired	Internally generated	Acquired

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 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.

The following criteria are also applied in assessing impairment of specific assets:

GOODWILL

The Group assesses whether there are any indications that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill 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.

OTHER FINANCIAL ASSETS

The Group initially recognizes financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset acquisition. 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

The fair value of investments 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 investments, for which there is no active market, fair value is determined using valuation techniques, such as using recent arm's-length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

IMPAIRMENT OF FINANCIAL ASSETS

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

ASSETS MEASURED AT AMORTIZED COST

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 (e.g. 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. Costs incurred in bringing each product to its present location and condition are accounted as follows:

RAW MATERIALS

- Purchase cost on a weighted average basis.

FINISHED GOODS AND WORK IN PROGRESS

- Cost of direct materials and labor and a proportion of manufacturing overhead, based on normal operating capacity but excluding borrowing costs.

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 costs, including the cost of materials, labor and production overheads. Inventory write-downs are recorded in the case of slow-moving or obsolete stock.

TREASURY SHARES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet 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.

TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

FINANCIAL LIABILITIES

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated as 'at fair value through profit or loss'. After initial recognition, interest-bearing loans and borrowings are 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.

Financial liabilities are classified as 'held for trading' if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as 'effective hedging instruments'. Gains or losses on liabilities held for trading are recognized in profit or loss.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES**FINANCIAL ASSETS**

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor substantially retained all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, unless – in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value – the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. 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 employees of Group companies are eligible for retirement benefits under defined benefit and defined contribution plans provided through separate funds, insurance plans, or unfunded arrangements. The pension plans are generally funded through regular contributions made by the employer and the employees and through the income generated by their capital investments, taking the recommendations of independent actuaries into account. Where, due to local conditions, a defined benefit plan is not funded, a liability is recognized in the financial statements. In the case of defined contribution plans, the net periodic pension cost to be recognized in profit or loss equals the contributions made by the employer. The liabilities of the Group arising from defined benefit obligations and the related current service costs are determined on an actuarial basis using the projected unit credit method.

Actuarial gains and losses are recognized in profit or loss over the remaining working lives of the employees to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation and of the fair value of plan assets. For defined benefit plans, the actuarial costs charged to profit or loss consist of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent they are recognized. The past service cost for the enhancement of pension benefits is accounted for over the period that such benefits vest.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to profit or loss as incurred.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to: either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits due more than 12 months after the balance sheet date are discounted to their present value.

SHORT-TERM EMPLOYEE BENEFITS-BONUSES

As part of the annual compensation most employees as well as the Board of Directors receive a bonus which depends on the course of business. The individual bonus is calculated based on an individual bonus base and a multiplier derived from the economic profit improvement per fiscal year. The bonus is usually settled in cash during the first quarter of the subsequent year. For Members of the Board of Directors, Executive Management and Senior Management a part of this bonus is settled in shares, which are subject to a 5-year blocking period. These shares are offered with a 33% discount.

The Group recognizes a liability and an expense for these bonuses (including the discount offered on the shares) based on a formula that takes into consideration the individual bonus basis, the economic profit improvement and the qualifying bonus amount to be converted into blocked shares.

OTHER SHARE-BASED COMPENSATION

Executive Management 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 with employees is measured with reference to the fair value at the date on which they are granted. The fair value is determined 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 relevant employees 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 options is reflected as additional share dilution in the computation of earnings per share (Note 25).

Employees have the right to buy between 10 and 1000 shares (depending on hierarchical level). The employees are offered a discount of 25% based on the average share price over the 7 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 2-year blocking period.

A conditional share capital was approved for an unlimited period at an extraordinary Shareholders' General Meeting in 1998 for share-based compensation. 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

Revenue 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).

ROYALTY INCOME

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

DIVIDENDS

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

RENTAL INCOME

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

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transactional requirements of IFRIC 4.

GROUP AS A LESSEE

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss as finance cost.

Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in profit or loss, usually on a straight-line basis over the lease term.

GROUP AS A LESSOR

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

When the Group enters in a manufacturer lessor transaction, the present value of the future lease payments is recognized as net revenue at the date of transaction. The difference between the cash consideration received and the settlement of the receivable is recognized as finance income over the term of the lease and is reflected within the financial result.

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.

GOVERNMENT GRANTS

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the assets and grants are recorded at nominal amounts and released to profit or loss over the expected useful life of the relevant assets by equal annual installments.

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 provided 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, 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 sufficient taxable profit will be available to allow all or part of the deferred income tax assets to 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 to the year when 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 off current income tax assets 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 balance sheet.

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.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly into profit or loss.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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 the Group 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.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

FAIR VALUE HEDGES

The change in the fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in profit or loss. For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying value is amortized through the profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument, for which the effective interest rate method is used, is amortized through profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss.

CASH FLOW HEDGES

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

HEDGES OF A NET INVESTMENT

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in other comprehensive income, while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in other comprehensive income is transferred to profit or loss.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

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.

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.

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.

3 BUSINESS COMBINATIONS

IVS SOLUTIONS AG, GERMANY

On 4 May 2009, the Group acquired the dental business of IVS Solutions AG ('IVS'), an unlisted company based in Chemnitz, Germany. IVS develops and sells proprietary software applications used for computer-guided implant surgery and for the design and manufacturing of surgical templates. In 2010, the company was merged into Straumann CAD/CAM GmbH.

To fulfill its contractual obligations, the Group paid a contingent consideration component ('earn-out') in 2011 of CHF 0.4 million to the sellers of IVS. The earn-out payment did not lead to the recognition of an expense, as this component was already fully recognized as part of the purchase price allocation in the year of acquisition.

4 OPERATING SEGMENTS

For management purposes, the Group is organized into profit centers based on their organizational responsibility. This profit center structure forms the basis for the segment disclosure under IFRS 8. The 'chief operating decision-maker' (which has been identified as the Executive Management Board) uses the Group's internal reporting in order to assess performance and allocate resources. Management has identified nine reportable operating segments based on the guidelines of IFRS 8. These operating segments are defined as follows:

CENTRAL EUROPE (FORMERLY NAMED EUROPE 1): 'Central Europe' comprises the Group's distribution businesses in Germany, Switzerland, Austria, Hungary and the Czech Republic, as well as the business with most European, African and Middle Eastern distributors. The segment includes segment-related management functions located inside and outside Switzerland.

WESTERN EUROPE (FORMERLY NAMED EUROPE 2): 'Western Europe' comprises the Group's distribution businesses in Scandinavia, the UK, France, the Benelux countries, Iberia and Italy. The segment includes segment-related management functions located inside and outside Switzerland.

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

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

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

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

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

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

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

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

INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

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
Revenue third party	231 133	186 350	155 592	101 913	18 593	0	0	0	0	0	693 581
Revenue inter-segment	31	2	0	0	0	36	0	375 718	0	(375 787)	0
Total net revenue	231 164	186 352	155 592	101 913	18 593	36	0	375 718	0	(375 787)	693 581
Depreciation & amortization	(1 845)	(2 286)	(1 340)	(3 683)	(159)	(709)	(3 972)	(22 047)	(1 183)	0	(37 224)
Impairment	0	0	0	(40 239)	0	0	0	0	0	0	(40 239)
Other expenses/income	(219 840)	(181 315)	(151 784)	(95 125)	(16 815)	(20 994)	(43 385)	(194 116)	11 960	375 216	(536 198)
Operating profit	9 479	2 751	2 468	(37 134)	1 619	(21 667)	(47 357)	159 555	10 777	(571)	79 920
Financial result											(2 313)
Income tax expenses											(6 655)
Net profit											70 952
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, thereof:											
Cash and cash equivalents											377 053
Deferred income tax assets											26 410
Other financial assets											1 839
Investments in associates											6 624
Income tax receivables											1 069
Group											811 265
Segment liabilities	17 158	32 320	15 695	5 065	2 252	1 060	5 792	54 931	3 194	(29 934)	107 533
Unallocated liabilities, thereof:											
Deferred income tax liabilities											12 343
Financial liabilities measured at amortized costs											1 822
Income tax payables											18 449
Group											140 147
Addition in non-current assets	1 301	1 620	1 236	880	345	2 417	2 538	9 574	845	0	20 756

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, intangible assets including assets recognized as part of business combinations.

2010 (in CHF 1 000)	Central Europe	Western Europe	North America	Asia/Pacific	Rest of World	Global Sales	Products	Finance Operations	Corp. Mgmt	Eliminations	Group
Revenue third party	245 248	211 573	164 720	101 048	14 840	219	0	0	0	0	737 648
Revenue inter-segment	0	5	543	0	0	36	0	418 071	0	(418 655)	0
Total net revenue	245 248	211 578	165 263	101 048	14 840	255	0	418 071	0	(418 655)	737 648
Depreciation & amortization	(1 813)	(2 228)	(1 795)	(8 775)	(160)	(1 014)	(8 165)	(22 995)	(672)	0	(47 617)
Other expenses/income	(233 079)	(204 153)	(161 133)	(93 672)	(15 109)	(20 343)	(44 555)	(193 540)	18 045	421 818	(525 721)
Operating profit	10 356	5 197	2 335	(1 399)	(429)	(21 102)	(52 720)	201 536	17 373	3 163	164 310
Financial result											(4 616)
Income tax expenses											(28 610)
Net profit											131 084
Segment assets	37 601	54 191	29 941	74 588	8 877	935	855	307 967	12 057	(57 198)	469 814
Unallocated assets, thereof:											
Cash and cash equivalents											349 603
Deferred income tax assets											27 954
Other financial assets											5 758
Income tax receivables											763
Group											853 892
Segment liabilities	18 468	30 315	20 368	7 494	2 865	300	5 429	62 066	2 542	(33 383)	116 464
Unallocated liabilities, thereof:											
Deferred income tax liabilities											25 432
Financial liabilities											1 065
Income tax payables											15 301
Group											158 262
Addition in non-current assets	1 854	2 464	1 720	313	113	386	4 504	10 940	1 265	0	23 559

NON-CURRENT ASSETS PER LOCATION

(in CHF 1 000)	2011	2010
Switzerland	87 866	98 990
United States of America	27 468	31 234
Germany	15 992	18 224
Other	87 502	134 832
Group	218 828	283 280

Non-current assets include property, plant and equipment, investment property and intangible assets.

REVENUES WITH EXTERNAL PARTIES

(in CHF 1 000)	2011	2010
Per Business Franchise		
Implant Solutions and Regenerative	424 822	450 167
Restorative Solutions and CARES Digital Solutions	257 142	272 609
Other	11 617	14 872
Group	693 581	737 648
Per location of customer		
Switzerland	36 352	37 321
Germany	151 084	164 868
United States of America	132 898	141 910
Other	373 247	393 549
Group	693 581	737 648

- The Business Franchise 'Implant Solutions' comprises primarily implants and related instruments
- The Business Franchise 'Regenerative' comprises regenerative products
- The Business Franchise 'Restorative Solutions' comprises abutments and related parts
- The Business Franchise 'CARES Digital Solutions' comprises CAD/CAM scanners, interoral scanners and elements
- 'Other' comprises 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

2011 (in CHF 1 000)	Land	Buildings	Plant and machinery	Other equipment	Total
Cost					
At 1 January	799	98 100	136 610	81 249	316 758
Additions	0	1 442	4 820	7 533	13 795
Disposals	0	(60)	(1 900)	(6 093)	(8 053)
Reclassifications	0	(65)	(202)	245	(22)
Currency translation adjustments	0	(255)	(760)	(802)	(1 817)
At 31 December	799	99 162	138 568	82 132	320 661
Accumulated depreciation					
At 1 January	0	(54 900)	(75 978)	(62 496)	(193 374)
Depreciation charge (Note 22)	0	(5 265)	(11 915)	(8 018)	(25 198)
Disposals	0	52	1 895	5 878	7 825
Reclassifications	0	0	0	6	6
Currency translation adjustments	0	78	98	492	668
At 31 December	0	(60 035)	(85 900)	(64 138)	(210 073)
Net book value	799	39 127	52 668	17 994	110 588
2010 (in CHF 1 000)					
	Land	Buildings	Plant and machinery	Other equipment	Total
Cost					
At 1 January	799	97 454	139 077	84 838	322 168
Additions	0	2 159	6 508	9 169	17 836
Disposals	0	(148)	(3 337)	(7 811)	(11 296)
Reclassifications	0	486	(358)	(260)	(132)
Currency translation adjustments	0	(1 851)	(5 280)	(4 687)	(11 818)
At 31 December	799	98 100	136 610	81 249	316 758
Accumulated depreciation					
At 1 January	0	(50 105)	(69 545)	(64 893)	(184 543)
Depreciation charge (Note 22)	0	(5 666)	(11 938)	(9 051)	(26 655)
Disposals	0	143	3 248	7 786	11 177
Reclassifications	0	0	0	(25)	(25)
Currency translation adjustments	0	728	2 257	3 687	6 672
At 31 December	0	(54 900)	(75 978)	(62 496)	(193 374)
Net book value	799	43 200	60 632	18 753	123 384

The net book value of assets under finance lease – included in property, plant and equipment – amounted to CHF 1.7 million (2010: CHF 2.4 million). Repair and maintenance expenses for property, plant and equipment for the business year 2011 amounted to CHF 3.9 million (2010: CHF 3.9 million).

6 INVESTMENT PROPERTIES

(in CHF 1 000)	2011	2010
Cost		
At 1 January	13 931	13 931
At 31 December	13 931	13 931
Accumulated depreciation		
At 1 January	(6 131)	(5 831)
Depreciation charge (Note 22)	(300)	(300)
At 31 December	(6 431)	(6 131)
Net book value	7 500	7 800
Fair value	9 000	9 000

Investment properties are treated as non-current investments and are carried at cost, less accumulated depreciation and any impairment in value. Straumann's investment properties refer to the former headquarters in Waldenburg comprising two buildings.

The fair value is based on an independent valuation which was obtained in 2006. A recent internal reassessment of the valuation did not lead to a change in fair value.

AMOUNTS RECOGNIZED IN PROFIT OR LOSS FROM INVESTMENT PROPERTIES

(in CHF 1 000)	2011	2010
Rental income	803	814
Direct operating expenses arising from investment properties that generate rental income	(62)	(88)
Direct operating expenses that did not generate rental income	(374)	(374)

7 INTANGIBLE ASSETS

2011

(in CHF 1 000)

	Goodwill	Development costs	Software	Other intangibles	Total
Cost					
At 1 January	197 573	31 055	39 283	132 559	400 470
Additions	0	1 334	5 627	0	6 961
Disposals	0	(3 182)	(1 028)	(290)	(4 500)
Reclassifications	0	0	77	0	77
Currency translation adjustments	(3 843)	(30)	(67)	2 387	(1 553)
At 31 December	193 730	29 177	43 892	134 656	401 455
Accumulated amortization					
At 1 January	(110 762)	(29 331)	(30 055)	(78 226)	(248 374)
Amortization charge (Note 22)	0	(656)	(5 148)	(5 922)	(11 726)
Impairment (Note 22)	0	0	0	(40 239)	(40 239)
Disposals	0	3 182	1 023	290	4 495
Reclassifications	0	0	(6)	0	(6)
Currency translation adjustments	2 312	30	44	(7 251)	(4 865)
At 31 December	(108 450)	(26 775)	(34 142)	(131 348)	(300 715)
Net book value	85 280	2 402	9 750	3 308	100 740

2010

(in CHF 1 000)

	Goodwill	Development costs	Software	Other intangibles	Total
Cost					
At 1 January	224 648	29 767	37 509	145 944	437 868
Additions	0	1 359	3 949	415	5 723
Disposals	0	0	(1 624)	(9 256)	(10 880)
Reclassifications	0	0	68	(276)	(208)
Currency translation adjustments	(27 075)	(71)	(619)	(4 268)	(32 033)
At 31 December	197 573	31 055	39 283	132 559	400 470
Accumulated amortization					
At 1 January	(126 166)	(24 449)	(26 779)	(82 812)	(260 206)
Amortization charge (Note 22)	0	(4 953)	(5 434)	(10 275)	(20 662)
Disposals	0	0	1 624	9 256	10 880
Reclassifications	0	0	25	59	84
Currency translation adjustments	15 404	71	509	5 546	21 530
At 31 December	(110 762)	(29 331)	(30 055)	(78 226)	(248 374)
Net book value	86 811	1 724	9 228	54 333	152 096

DEVELOPMENT COSTS

(in CHF 1 000)	2011	2010
Development projects	0	756
Projects in commercial use	2 402	968
At cost	29 177	30 299
Accumulated amortization	(26 775)	(29 331)
Net book value at 31 December	2 402	1 724

In 2011, development costs of CHF 1.3 million were capitalized (2010: CHF 1.4 million). Existing development costs include costs relating to the design and testing of new product lines.

OTHER INTANGIBLE ASSETS

'Other intangibles' include customer relationships, brands, trademarks and proprietary technology recognized during a business combination, as well as patents.

IMPAIRMENT TEST FOR GOODWILL

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The Group distinguishes the subsequent CGUs for goodwill impairment testing purposes:

GLOBAL IMPLANT BUSINESS:

The CGU 'Global Implant Business' (which is part of the operating segment 'Finance & Operations') is the principal towards all distribution businesses of the Group for implant solutions (implants and related instruments) and restorative solutions (abutments and related parts).

The CGU contains the goodwill allocated to the principal recognized as part of the following acquisitions:

- Straumann Italia srl, Milan, Italy
- Straumann Japan K.K., Tokyo, Japan
- Straumann SA, Madrid, Spain
- Straumann Danmark ApS, Brøndby, Denmark.

GLOBAL REGENERATIVE BUSINESS:

The CGU 'Global Regenerative Business' (which is part of the operating segment 'Finance & Operations') is the principal towards all distribution businesses of the Group for regenerative products (including bone augmentation and tissue regeneration) based on technology acquired with Biora AB, Malmö, Sweden. The CGU contains goodwill recognized as part of the acquisition of Biora AB, Malmö, Sweden.

IMPLANT BUSINESS CZECH REPUBLIC:

The CGU 'Implant Business Czech Republic' comprises the business with implant solutions (implants and related instruments) and restorative solutions (abutments and related parts) in the Czech Republic conducted by Straumann sro, Prague, Czech Republic. The CGU contains goodwill and customer relationships recognized as part of the acquisition of Straumann sro, Prague, Czech Republic.

IMPLANT BUSINESS AUSTRALIA:

The CGU 'Implant Business Australia' comprises the business with implant solutions (implants and related instruments) and restorative solutions (abutments and related parts) in Australia and New Zealand conducted by Straumann Pty Ltd, Victoria, Australia. The CGU contains goodwill recognized as part of the acquisition of Straumann Pty Ltd, Victoria, Australia.

IMPLANT BUSINESS SPAIN:

The CGU 'Implant Business Spain' comprises the distribution business of implant solutions (implants and related instruments) and restorative solutions (abutments and related parts) in Spain conducted by Straumann SA, Madrid, Spain. The CGU contains goodwill relating to the Spanish distribution business recognized during the acquisition of Straumann SA, Madrid, Spain.

IMPLANT BUSINESS DENMARK:

The CGU 'Implant Business Denmark' comprises the distribution business of implant solutions (implants and related instruments) and restorative solutions (abutments and related parts) in Denmark conducted by Straumann Danmark ApS, Brøndby, Denmark. The CGU contains goodwill relating to the Danish distribution business recognized during the acquisition of Straumann Danmark ApS.

The goodwill has 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:

2011

(in %)

	Global Implant Business	Global Regenerative Business
Gross profit margin of the CGU ¹	70.0	62.5
Terminal growth rate ²	1.4	1.4
Weighted average cost of capital (WACC) ³	9.7	11.5

2010

(in %)

	Global Implant Business	Global Regenerative Business
Gross profit margin of the CGU ¹	71.3	57.8
Terminal growth rate ²	1.5	1.5
Weighted average cost of capital (WACC) ³	9.7	11.3

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 are consistent with the forecasts included in industry reports. The WACCs used are pre-tax and reflect specific risks relating to the relevant cash-generating units.

Based on the impairment tests conducted no impairments were recognized during the periods under review.

A summary of the goodwill allocation per cash-generating unit is presented below:

(in CHF 1 000)	2011	2010
Global Implant Business	61 897	63 149
Global Regenerative Business	21 521	21 743
Implant Business Czech Republic	638	668
Implant Business Australia	591	601
Implant Business Spain	332	340
Implant Business Denmark	301	310
Total goodwill	85 280	86 811

IMPAIRMENT TEST FOR OTHER INTANGIBLE ASSETS

In June 2011, the Group conducted a formal value-in-use calculation for its cash generating unit (CGU) 'Implant Business Japan', after having concluded that the natural disaster in northern Japan and its immediate impact on the overall Japanese economy constitute a 'trigger event' as defined by IAS 36. As a result of this assessment the management concluded that the customer relationship assets recognized as part of the purchase price allocation during the acquisition of Daishin Implant System, Co. Ltd., Japan are fully impaired. The Group has therefore recognized an impairment charge of CHF 40.2 million in its financial statements 2011.

The impairment charge is mainly due to a material downward reassessment of the market growth perspectives over the coming 5 to 10 years, as a consequence of reduced consumer confidence and hampered economic development following the natural disaster in northern Japan. Nevertheless Straumann expects to maintain – and where necessary increase – its investment level in the Japanese market as this is still the biggest market in Asia/Pacific. This has been factored into the calculation. The value-in-use has been calculated using a discount rate of 9.8% (pre-tax). The impairment relates to the primary reporting segment 'Asia/Pacific' and is disclosed under 'selling and administrative costs'.

8 INVESTMENTS IN ASSOCIATES

On 28 June 2011, the Group acquired 30% of the capital and voting rights of the non-listed companies Dental Wings Inc., Canada, and Open Digital Dentistry AG, Switzerland ('Dental Wings'). Dental Wings is a leading provider of open dental CAD/CAM solutions and is specialized in the development of CAD software dedicated to different dental market segments. The Group is applying equity accounting as it concludes to have 'significant influence'.

The following table illustrates summarized, standalone financial information of the Group's associated companies on a full year basis:

2011 (in LCU 1 000)	Assets	Liabilities	Net Revenue	Net profit/(loss)
Dental Wings Inc, Canada (CAD)	6 002	2 191	8 392	1 775
Open Digital Dentistry, Switzerland (CHF)	272	184	305	(12)

The net book value of the investments in associates (including the effect of the purchase price allocation) developed as follows:

(in CHF 1 000)	2011
At 1 January	0
Additions	6 092
Share of profit	179
Currency translation adjustments	353
Net book value at 31 December	6 624

9 FINANCIAL ASSETS

(in CHF 1 000)	2011	2010
Loans and other receivables	180	283
Financial lease receivables	677	1 211
Other	0	38
Total non-current financial assets	857	1 532
Financial assets at fair value through profit or loss (Note 30)	403	3 569
Finance lease receivables	529	657
Loans and other receivables	50	0
Total current financial assets	982	4 226

FINANCE LEASE RECEIVABLES

(in CHF 1 000)

	2011			2010		
	Total future payments	Unearned finance income	Present value	Total future payments	Unearned finance income	Present value
Maturity:						
Within 1 year	583	54	529	712	55	657
After 1 year but not more than 5 years	803	126	677	1 489	278	1 211
More than 5 years	0	0	0	0	0	0
Total	1 386	180	1 206	2 201	333	1 868

For selected customers, the Group acts as a manufacturer lessor for its CAD/CAM scanner equipment. These contracts usually have a lease term of four years. The Group has not recognized any allowance for uncollectible minimum lease payment receivables. None of these lease contracts were cancelled for the periods under review.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Current financial assets classified as 'fair value through profit or loss' contain mainly derivative financial instruments used by the Group to hedge its foreign currency risk.

10 INVENTORIES

(in CHF 1 000)	2011	2010
Raw materials	11 388	11 633
Work in progress	19 753	24 290
Finished goods	35 869	37 141
Total inventories	67 010	73 064
Inventories recognized as an expense in 'Cost of goods sold'	(134 664)	(119 301)
Obsolete inventories written down and recognized as an expense	(721)	(1 429)

11 TRADE AND OTHER RECEIVABLES

(in CHF 1 000)	2011	2010
Trade receivables, net	94 082	92 259
Other receivables, thereof:	15 816	18 855
Sales related	5 795	5 336
VAT and other non-income taxes	5 753	5 953
Prepaid rent	1 424	2 537
Salary and social security prepayments	1 258	2 973
Cash deposits	501	416
Other	1 085	1 640
Total trade and other receivables, thereof:	109 898	111 114
CHF	31 873	30 370
EUR	34 043	35 978
USD	15 849	15 781
Other	28 133	28 985

Trade receivables are non-interest bearing and are generally on 30–90 days' term.

There is no concentration of credit risk with respect to trade receivables, as Straumann has a large number of customers who are dispersed internationally.

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

(in CHF 1 000)	2011	2010
At 1 January	(4 532)	(5 458)
Charge for the year	(992)	(1 340)
Utilized	564	611
Unused amounts reversed	255	1 246
Currency translation adjustments	102	409
At 31 December	(4 603)	(4 532)

The changes of provisions for impaired trade receivables are booked against net revenue in the profit or loss. The overdue analysis of the trade receivables is as follows:

(in CHF 1 000)	2011	2011	2010	2010
	Gross	Allowance	Gross	Allowance
Not past due	70 217	(420)	68 923	(694)
Past due, thereof:	28 468	(4 183)	27 868	(3 838)
< 30 days	12 462	(60)	12 601	(206)
31 – 60 days	4 508	(31)	5 690	(96)
61 – 90 days	2 332	(61)	3 272	(102)
91 – 120 days	1 871	(443)	1 277	(72)
> 120 days	7 295	(3 588)	5 028	(3 362)
Total	98 685	(4 603)	96 791	(4 532)

12 CASH AND CASH EQUIVALENTS

(in CHF 1 000)	2011	2010
Cash at banks and on hand, thereof:	344 946	159 116
CHF	309 898	127 958
EUR	24 286	19 524
USD	3 948	1 921
SEK	1 473	3 206
other	5 341	6 507
Short-term bank deposits, thereof:	32 107	190 487
CHF	0	140 000
EUR	12 183	28 634
SEK	19 651	21 483
other	273	370
Total cash and cash equivalents	377 053	349 603

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

13 SHARE CAPITAL

The share capital is represented by 15 676 549 issued shares (2010: 15 676 549) of CHF 0.10 par value, fully paid in. In 2011 and 2010, the total share capital remained unchanged.

Treasury shares are valued at weighted average cost and have been deducted from equity. The fair value of the treasury shares at 31 December 2011 amounted to CHF 32.6 million (2010: CHF 1.9 million). At 31 December 2011, the number of outstanding shares amounted to 15 475 290 (2010: 15 667 535) and the number of treasury shares to 201 259 (2010: 9 014).

The number of shares outstanding developed as follows:

	2011	2010
At 1 January	15 667 535	15 650 831
Treasury shares		
Purchased	(221 173)	0
Used	28 928	16 704
At 31 December	15 475 290	15 667 535

Conditional share capital was approved for an unlimited period at an extraordinary Shareholders' General Meeting in 1998 for share-based compensation. Non-employee shareholders are excluded from subscribing for these shares.

At 31 December 2011 and 2010, the conditional share capital amounted to CHF 32 345.10 and the number of conditional shares was 323 451. In both years, the conditional share capital remained unchanged, as the share-based payment plans (Note 19) were settled using treasury shares.

14 FINANCIAL LIABILITIES

(in CHF 1 000)	2011	2010
Finance lease payables	64	329
Total non-current financial liabilities	64	329

(in CHF 1 000)	2011	2010
Finance lease payables	236	645
Financial liabilities at fair value through profit or loss (Note 30)	1 522	91
Total current financial liabilities	1 758	736

Finance leases mainly consist of financial lease contracts held by Straumann CAD/CAM GmbH.

15 OTHER LIABILITIES (NON-CURRENT)

(in CHF 1 000)	2011	2010
Other long-term employee benefits	2 052	1 952
Government grants	1 926	1 777
Rent payable	1 156	1 054
Unpaid purchase price consideration	244	950
Other	1 484	1 158
Total other liabilities	6 862	6 891

Government grants relate to grants recognized in Germany in connection with investments in the manufacturing facilities of Straumann CAD/CAM GmbH.

16 PROVISIONS

(in CHF 1 000)	Sales related	Tax related	Other	Total 2011	Total 2010
At 1 January	929	10 167	7 281	18 377	16 979
Utilization	(3)	(3 064)	(234)	(3 301)	(212)
Reversal	(18)	0	(5 040)	(5 058)	(3 295)
Additions	14	108	3	125	5 209
Reclassification	0	0	0	0	(17)
Currency translation adjustment	(19)	(255)	(18)	(292)	(287)
At 31 December	903	6 956	1 992	9 851	18 377
Non-current 2011	869	5 956	1 992	8 817	
Current 2011	34	1 000	0	1 034	
Total provisions 2011	903	6 956	1 992	9 851	
Non-current 2010	891	5 848	7 094		13 833
Current 2010	38	4 319	187		4 544
Total provisions 2010	929	10 167	7 281		18 377

The position 'Tax related' contains provisions related to income taxes as well as VAT and other non-income tax cases in a number of jurisdictions.

Following the successful resolution of litigation issues with business partners, the Group was able to reverse non-current provisions of CHF 5.0 million.

17 TRADE AND OTHER PAYABLES

(in CHF 1 000)	2011	2010
Trade payables	27 006	25 527
Other payables, thereof:	62 650	65 060
Salary and social security	38 942	41 224
Sales related	17 898	17 549
VAT and other non-income taxes	3 866	4 149
Unpaid purchase price consideration	700	812
Rent payable	599	326
Other	645	1 000
Total trade and other payables	89 656	90 587

18 INCOME TAX

INCOME TAX EXPENSE (in CHF 1 000)	2011	2010
Current	(17 181)	(21 526)
Deferred	10 526	(7 084)
Total income tax expense	(6 655)	(28 610)
Effective income tax rate (in %)	8.6	17.9

For 2011 the applicable Group tax rate is 10.9% (2010: 17.4%), which represents the weighted tax rate, calculated by multiplying the accounting profits (or losses) of each Group company with the respective statutory tax rate over the total pre-tax profit of the Group. The reduction compared to prior year is mainly due to the reversal of deferred liabilities in connection with the impairment recognized within the CGU 'Implant Business Japan'. Going forward this rate is expected to return to about 17%.

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)	2011	2010
Income tax at the applicable Group tax rate	(8 486)	(27 711)
Non-taxable / non-tax deductible positions	5 470	7 573
Changes in recognition of tax assets from losses or tax credits (and their expiry)	(2 807)	(3 033)
Utilization of previously unrecognized tax losses or tax credits used to offset current taxes	653	7
Tax losses or tax credits from current year that are not recognized	(3 450)	(3 316)
Effect of changes in tax rates or imposition of new taxes	0	3
Current taxes from previous year	2 216	(1 745)
Other	(251)	(388)
Effective income tax expense	(6 655)	(28 610)

TAX LOSS CARRY-FORWARDS

(in CHF 1 000)	2011	2010
Available tax loss carry-forwards at 1 January	56 175	51 382
Exchange differences	2 221	(975)
Tax loss carry-forwards adjustments to beginning balance	115	(690)
Tax losses and credits arising from current year	16 997	13 930
Tax losses and credits expired (not used) during current year	(802)	(516)
Tax losses and credits utilized against current year profits	(5 944)	(6 956)
Available tax loss carry-forwards at 31 December	68 762	56 175

Deferred income tax assets of CHF 12.2 million (2010: 13.3 million) were recorded in respect to available tax loss carry-forwards and tax credits of CHF 36.7 million (2010: CHF 36.3 million). Deferred income tax assets for unused tax losses are recognized to the extent that it is probable that future taxable profits will be available, against which the unused tax losses can be utilized in the respective countries, or to the extent that the individual companies have sufficient taxable temporary differences.

Deferred tax assets recognized for tax loss carry-forwards contain CHF 8.1 million (2010: CHF 8.6 million) relating to Straumann Japan K.K., Tokyo, Japan.

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

(in CHF 1 000)	2011	2010
Expiry in next business year (current year + 1)	0	535
Expiry current year + 2	0	0
Expiry current year + 3	0	0
Expiry current year + 4	0	0
Expiry current year + 5 and later	32 103	19 313
Unused tax loss carry-forwards at 31 December	32 103	19 848

DEFERRED INCOME TAXES

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

2011

(in CHF 1 000)

	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards	Other	Total
Deferred tax assets at 1 January	670	592	5 498	13 256	7 938	27 954
Deferred tax liabilities at 1 January	(5 218)	(12 217)	(3 310)	–	(4 687)	(25 432)
Net deferred tax balance at 1 January	(4 548)	(11 625)	2 188	13 256	3 251	2 522
(Charged)/credited to income statement	(326)	13 610	1 358	(1 448)	(2 668)	10 526
(Charged)/credited to statement of comprehensive income	–	–	–	–	600	600
(Charged)/credited to statement of changes in equity	–	–	–	–	833	833
Currency translation adjustments	46	(506)	(10)	420	(364)	(414)
Net deferred tax balance at 31 December	(4 828)	1 479	3 536	12 228	1 652	14 067
Deferred tax assets at 31 December	589	2 148	6 077	12 228	5 368	26 410
Deferred tax liabilities at 31 December	(5 417)	(669)	(2 541)	–	(3 716)	(12 343)

2010

(in CHF 1 000)

	Property, plant and equipment	Intangible assets	Inventory valuation	Tax loss carry-forwards	Other	Total
Deferred tax assets at 1 January	456	1 339	6 190	16 505	6 411	30 901
Deferred tax liabilities at 1 January	(4 341)	(9 955)	(3 434)	–	(7 095)	(24 825)
Net deferred tax balance at 1 January	(3 885)	(8 616)	2 756	16 505	(684)	6 076
(Charged)/credited to income statement	(394)	(2 983)	(641)	(3 211)	145	(7 084)
(Charged)/credited to statement of comprehensive income	–	–	–	–	1 242	1 242
(Charged)/credited to statement of changes in equity	–	–	–	–	2 189	2 189
Currency translation adjustments	(269)	(26)	73	(38)	359	99
Net deferred tax balance at 31 December	(4 548)	(11 625)	2 188	13 256	3 251	2 522
Deferred tax assets at 31 December	670	592	5 498	13 256	7 938	27 954
Deferred tax liabilities at 31 December	(5 218)	(12 217)	(3 310)	–	(4 687)	(25 432)

At 31 December 2011, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was CHF 30.5 million (2010: CHF 33.3 million). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19 SHARE-BASED PAYMENTS

The Group uses three different compensation plans involving share-based payment components:

- Option plan
- Employee share plan
- Management bonus plan

Expenses relating to these share-based payment plans for Executive Management and Senior Management are shown under personnel expense. The overall cost of share-based payments is as follows:

(in CHF 1 000)	2011	2010
Option plan	3 046	3 427
Management bonus plan	0	2 113
Employee share plan	660	620
Total share-based payments (Note 23)	3 706	6 160

OPTION PLAN

Executive Management and Senior Management receive a part of their compensation in the form of stock options. The newly granted options have a term of six years and a vesting period of two years. Unvested options are forfeited when an employee leaves the company. The options are structured as a private placement. The options, which are issued in the form of warrants (one option = 50 warrants), can be exercised 1:1 into shares. A Swiss bank functions as market maker for the quoted and private placement warrants.

The fair value of the options granted is determined using the Black-Scholes valuation model. The calculation of the option value was performed by independent specialists, applying the following significant inputs into the model:

BLACK-SCHOLES BASED MODEL PARAMETERS

	2011	2010
Dividend yield (in %)	2.31	1.75
Expected volatility (in %)	31.00	29.00
Risk-free interest rate (in %)	0.78	1.64
Expected life of options (years)	6	6
Strike price as per 31 December (in CHF)	162.10	214.00
Fair value of options granted (in CHF)	38.00	53.50

The options granted are recognized as personnel expense from service commencement to the end of the vesting period. In 2011, 64 585 options (2010: 63 933) were granted. 4 562 options were exercised during 2011 (2010: none).

The option program developed as follows:

EQUITY COMPENSATION PLAN – OUTSTANDING OPTIONS

	2011	2010
At 1 January	272 797	260 795
Granted options	64 585	63 933
Exercised options	(4 562)	0
Forfeited options	(7 820)	(5 970)
Expired options	0	(45 961)
Total at 31 December	325 000	272 797
Options available for exercise at period-end	152 405	97 582

The range of exercise prices of the options outstanding at period-end is between CHF 162.10 and CHF 312.25. The exercise period and the expiry date of the outstanding options are as follows:

	Options available for exercise	Options expiring at year-end
2011	152 405	0
2012	201 012	48 492
2013	211 923	48 709
2014	227 799	55 204
2015	172 595	48 607
2016	123 988	59 403
2017	64 585	64 585
Total		325 000

EMPLOYEE SHARE PLAN

Employees had the right to buy between 10 and 1000 shares (depending on hierarchical level) in 2011. 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 15 447 (2010: 16 704) of those shares.

MANAGEMENT BONUS PLAN

Members of the Board of Directors, Executive Management and Senior Management receive part of their bonus in the form of restricted shares which are blocked for five years, with a price discount of 33% based on the average share price over the seven trading day period following the ex-dividend day. If the calculated bonus is below their individual bonus base, no shares will be granted. In 2011, no expenses were recognized in profit or loss for the management bonus plan (2010: CHF 2.1 million).

20 RETIREMENT BENEFIT OBLIGATIONS

Apart from the legally required social security schemes, the Group has several independent pension plans, principally in Switzerland, the US and Italy. The assets are principally held externally. For certain Group companies, however, no independent assets exist for the pension plan or other long-term employee benefit obligations. In these cases, the related liability is included in the balance sheet.

The amounts recognized in the balance sheet are as follows:

MOVEMENTS OF NET LIABILITIES RECOGNIZED IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in CHF 1 000)	2011	2010
Net liabilities at 1 January	(609)	(2 831)
Exchange differences	37	320
Expense recognized in consolidated income statement (Note 23)	(9 408)	(6 357)
Employer's contributions	8 816	8 259
Net liabilities at 31 December	(1 164)	(609)

BALANCE SHEET

(in CHF 1 000)

	2011	2010
Fair value of plan assets	108 422	103 812
Present value of funded benefit obligations	(141 243)	(126 867)
Deficit in the plan	(32 821)	(23 055)
Present value of unfunded benefit obligations	(2 717)	(3 161)
Unrecognized actuarial losses	34 374	25 607
Total retirement benefit obligations	(1 164)	(609)

The amounts recognized in the income statement are as follows:

(in CHF 1 000)	2011	2010
Current service cost	(13 217)	(12 004)
Interest cost	(3 446)	(3 686)
Expected return on plan assets	3 640	3 452
Actuarial losses outside corridor recognized in year	(1 212)	(515)
Gains on curtailment	30	1 820
Periodic pension cost	(14 205)	(10 933)
Employee contributions	4 797	4 576
Expense recognized in the consolidated income statement	(9 408)	(6 357)

The movement in the defined benefit obligation over the year is as follows:

(in CHF 1 000)	2011	2010
Present value of benefit obligation at 1 January	(130 028)	(104 405)
Service cost	(13 217)	(12 004)
Interest cost	(3 446)	(3 686)
Gains on curtailment	30	1 820
Benefits paid	6 716	7
Actuarial losses	(4 096)	(12 138)
Exchange differences	81	378
Present value of benefit obligation at 31 December	(143 960)	(130 028)

The movement in the fair value of plan assets of the year is as follows:

(in CHF 1 000)	2011	2010
Fair value of plan assets at 1 January	103 812	86 152
Expected return on plan assets	3 640	3 452
Employer's contributions	8 816	8 259
Employee contributions	4 797	4 576
Benefits paid	(6 716)	(7)
Actuarial (losses)/gains	(5 894)	1 411
Exchange differences	(33)	(31)
Fair value of plan assets at 31 December	108 422	103 812

The actual return on plan assets in 2011 was CHF –2.3 million (2010: CHF 4.9 million).

Plan assets are comprised as follows:

(in CHF 1 000)	2011		2010	
Cash	21 034	19.4 %	17 752	17.1 %
Bonds	30 900	28.5 %	31 040	29.9 %
Equity	18 540	17.1 %	18 790	18.1 %
Properties	32 093	29.6 %	28 548	27.5 %
Other	5 855	5.4 %	7 682	7.4 %
Total plan assets	108 422	100.0 %	103 812	100.0 %

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The expected amount of contribution to post-employment benefit plans for 2012 is CHF 9.0 million (2011: CHF 8.4 million).

DEFINED BENEFIT PENSION PLANS

(in CHF 1 000)	2011	2010	2009	2008	2007
Present value of funded benefit obligations	(141 243)	(126 867)	(101 017)	(90 549)	(81 777)
Fair value of plan assets	108 422	103 812	86 152	71 130	73 445
Deficit in the plan	(32 821)	(23 055)	(14 865)	(19 419)	(8 332)
Present value of unfunded benefit obligations	(2 717)	(3 161)	(3 338)	(3 435)	(3 902)
Experience adjustment on plan liabilities	(2 337)	(2 774)	2 803	760	(1)
Change in assumption adjustment on plan liabilities	(1 758)	(9 364)	(4)	1 681	4 090
Experience adjustment on plan assets	(5 894)	1 411	933	(14 955)	(1 085)

The principal actuarial assumptions for the plans in Switzerland, Italy and France, which are determined with respect to local conditions, were as follows:

	2011			2010		
	Switzerland	Italy	France	Switzerland	Italy	France
Discount rate	2.25 %	4.50 %	5.10 %	2.60 %	4.50 %	4.00 %
Inflation rate	1.00 %	2.00 %	2.30 %	1.00 %	2.00 %	2.00 %
Expected return on plan assets	3.00 %	n/a	7.52 %	3.50 %	n/a	6.08 %
Future salary increases	2.00 %	3.00 %	5.10 %	2.00 %	3.00 %	4.00 %
Future pension increases	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Mortality table used	BVG2010	RG-48	INSEE 2010	EVK2000	RG-48	INSEE 2009

21 OTHER INCOME

(in CHF 1 000)	2011	2010
Rental income	1 041	1 057
Gain on disposal of property, plant and equipment	96	329
Royalty income	58	50
Other	1 478	1 391
Total other income	2 673	2 827

22 DEPRECIATION AND AMORTIZATION

(in CHF 1 000)	Notes	2011	2010
Depreciation of property, plant and equipment	5	(25 198)	(26 655)
Depreciation of investment properties	6	(300)	(300)
Amortization of intangible assets	7	(11 726)	(20 662)
Impairment of intangible assets	7	(40 239)	0
Total depreciation and amortization		(77 463)	(47 617)

23 EMPLOYEE BENEFITS EXPENSE

(in CHF 1 000)	2011	2010
Wages and salaries	(223 570)	(221 186)
Share-based payments (Note 19)	(3 706)	(6 160)
Social security cost	(29 338)	(30 410)
Pension costs – defined benefit plan (Note 20)	(9 408)	(6 357)
Pension costs – defined contribution plan	(3 684)	(3 466)
Other personnel expense	(11 815)	(14 376)
Total employee benefit expense	(281 521)	(281 955)

24 FINANCE INCOME AND EXPENSE

(in CHF 1 000)	2011	2010
Finance income	29 257	28 054
Interest income	1 638	1 147
Fair value & other financial income	642	3 247
Foreign exchange gains	26 798	23 660
Share of profit from associates	179	0
Finance expense	(31 570)	(32 670)
Interest expense	(592)	(1 029)
Fair value & other financial expense	(5 247)	(105)
Foreign exchange losses	(25 731)	(31 536)
Total finance expense net	(2 313)	(4 616)

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 (see Note 13).

	2011	2010
Net profit attributable to shareholders (in CHF 1 000)	70 952	131 084
Weighted average number of ordinary shares	15 619 500	15 662 477
Basic earnings per share (in CHF)	4.54	8.37

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 options 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 share options.

	2011	2010
Net profit used to determine diluted earnings per share (in CHF 1 000)	70 952	131 084
Weighted average number of ordinary shares outstanding	15 619 500	15 662 477
Adjustments for share option program	1 917	19 715
Weighted average number of ordinary shares for diluted earnings per share	15 621 417	15 682 192
Diluted earnings per share (in CHF)	4.54	8.36

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 2011 and 2010 was CHF 58.8 million (CHF 3.75 per share) and CHF 58.7 million (CHF 3.75 per share) respectively. A dividend for the year ended 31 December 2011 of CHF 3.75 per share, amounting to a total dividend of CHF 58.0 million, is to be proposed at the Shareholders' General Meeting on 4 April 2012. These financial statements do not reflect this payable dividend.

27 CONTINGENCIES AND COMMITMENTS**OPERATING LEASE COMMITMENTS**

(in CHF 1 000)	2011	2010
Maturity:		
Within 1 year	12 405	18 915
After 1 year but not more than 5 years	26 049	33 641
More than 5 years	14 682	23 479
Total operating lease commitments	53 136	76 035
Total rental and operating lease expenses	22 355	22 925

The majority of the operating lease commitments are in connection with non-cancellable operating lease agreements for office buildings in Switzerland, the US and the UK as well as for a manufacturing site in Germany. The non-cancellable leases mainly have remaining terms of between four and 12 years. In addition, the Group entered into various cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

FINANCE LEASE COMMITMENTS

(in CHF 1 000)	2011	2010
Plant and machinery	219	857
Other equipment	81	117
Total carrying amount of finance lease commitments	300	974

Finance lease commitments mainly consist of financial lease contracts acquired through the acquisition in 2007 of Straumann CAD/CAM GmbH.

RECONCILIATION BETWEEN TOTAL OF MINIMUM LEASE PAYMENTS AND THEIR PRESENT VALUE

(in CHF 1 000)	2011			2010		
	Total future payments	Unpaid finance costs	Present value	Total future payments	Unpaid finance costs	Present value
Maturity:						
Within 1 year	237	1	236	664	19	645
After 1 year but not more than 5 years	73	9	64	360	31	329
More than 5 years	0	0	0	0	0	0
Total	310	10	300	1 024	50	974

CONTINGENT LIABILITIES

(in CHF 1 000)	2011	2010
Letter of credit facilities	4 332	4 288
Purchase commitments	520	654
Others	576	172
Total	5 428	5 114

CONTINGENT ASSETS AND LIABILITIES

The Group secures guarantee lines of max. CHF 4.3 million (2010: CHF 4.3 million). Some Group companies are involved in litigation arising from the normal course of their business and might be liable to pay compensation. 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 litigation will not significantly affect the Group's financial position over and above the provisions already recognized in the statement of financial position. Straumann is subject to taxes in numerous jurisdictions and is hence subject to regular tax audits. The tax liability assessed by the authorities may ultimately differ from the expenses recognized in profit and loss for the respective periods. In this case, additional expenses would have to be recognized in profit or loss.

28 RELATED-PARTY DISCLOSURE

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

(in CHF 1 000)		2011	2010
Related Party	Nature		
International Team for Implantology Foundation	Collaboration agreement	13 793	12 438
Pension Fund	Employer's contribution	8 183	5 766
Vischer Attorneys-at-law	Purchase of services	55	102
Dr. h.c. Thomas Straumann	Purchase of treasury shares	5 000	0
Associates	–	0	0
Total		27 031	18 306

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

(in CHF 1 000)	2011	2010
International Team for Implantology Foundation	3 692	2 753
Pension fund	0	50
Vischer Attorneys-at-law	2	7
Dr. h.c. Thomas Straumann	0	0
Associates	0	0
Total	3 694	2 810

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 consists of the Board of Directors and the Executive Management Board.

The compensation of the Board of Directors consists of a fixed portion and a variable portion, which depends on the course of business. Additionally, members of the Board of Directors participate in the 'Management bonus' plan described in Note 19.

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. Additionally, Executive Management Board members participate in the following share-based payment schemes (which are described in Note 19):

- Option plan with a fixed number of options
- Employee share plan
- Management bonus 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)	2011	2010
Salaries and other short-term employee benefits	5 755	5 580
Termination benefits ¹	994	0
Post-employment benefits	813	830
Share-based payments	1 230	2 268
Total Key Management Personnel compensation recognized in profit or loss	8 792	8 678

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, 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 management 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 2011 and 2010, the Group's policy not to use derivatives without an underlying operational transaction, or 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, available-for-sale investments and derivative financial instruments. The sensitivity analysis in the following sections relates to the position as at 31 December 2011 and 2010. 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 at 31 December 2011. 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 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 2011 and 2010 including the effect of hedge accounting in 2011 and 2010.

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 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 rate on interest-bearing assets and borrowings). There is no material impact on the Group's equity.

(in CHF 1 000)	2011		2010	
	Increase / decrease (in base points)	Effect on profit before tax	Increase / decrease (in base points)	Effect on profit before tax
Currency				
CHF	30	929	30	803
EUR	50	182	50	241
SEK	40	85	40	99
USD	50	20	50	10
KRW	50	9	50	5
CHF	(30)	(929)	(30)	(803)
EUR	(50)	(182)	(50)	(241)
SEK	(40)	(85)	(40)	(99)
USD	(50)	(20)	(50)	(10)
KRW	(50)	(9)	(50)	(5)

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. Straumann operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, the USD, the Swedish krona and the Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and 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 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.

Straumann'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 2011, the Group had hedged foreign currency sales in euros, Australian dollars, Canadian dollars, Czech koruna, British pounds, Japanese yen, Mexican pesos, Norwegian krona and Swedish krona, for which firm commitments existed at the balance sheet date, and also for anticipated transactions and short- and long-term loans in Australian dollars, Canadian dollars, British pounds, Norwegian krona, Japanese yen and Mexican pesos.

At 31 December 2011 the Group had hedged 84% of its foreign currency exposure (2010: 75%) for which firm commitments existed at the reporting date.

Straumann has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of Straumann'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 USD, euro, Brazilian real, Japanese yen and Swedish krona against the Swiss franc, with all other variables held constant, of 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)	2011			2010		
	Increase/ decrease (in %)	Effect on profit before tax	Effect on equity	Increase/ decrease (in %)	Effect on profit before tax	Effect on equity
USD/CHF	5	36	0	5	(109)	0
EUR/CHF	3	(391)	0	3	(687)	0
BRL/CHF	5	(63)	0	5	(85)	0
JPY/CHF	5	(33)	0	5	(9)	0
SEK/CHF	3	94	0	3	180	0
USD/CHF	(5)	(36)	0	(5)	109	0
EUR/CHF	(3)	391	0	(3)	687	0
BRL/CHF	(5)	63	0	(5)	85	0
JPY/CHF	(5)	33	0	(5)	9	0
SEK/CHF	(3)	(94)	0	(3)	(180)	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 11. 91% of the transactions occur in the country of the relevant operating unit (2010: 92%). 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)	2011		2010	
	Rating	Balance	Rating	Balance
Bank A	A	87 719	A+	119 366
Bank B	AAA	72 489	AAA	32 522
Bank C	AAA	70 355	AAA	20 952
Bank D	AA+	69 158	AA+	99 258
Bank E	AAA	49 774	AAA	49 676
Bank F	A+	11 146	A+	141
Total		360 641		321 915

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, 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 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 million and available liquidity including credit lines of more than CHF 100 million.

The following tables summarize the maturity profile of the Group's financial liabilities at 31 December 2011 and 31 December 2010, based on contractual payments.

(in CHF 1 000)	2011			2010		
	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Trade and other payables (Note 17)	89 656	0	0	90 587	0	0
Financial liabilities at fair value through profit or loss	1 522	0	0	91	0	0
Financial liabilities measured at amortized costs	236	64	0	645	329	0
Total	91 414	64	0	91 323	329	0

(in CHF 1 000)	2011			2010		
	on demand	< 3 months	3–12 months	on demand	< 3 months	3–12 months
Trade and other payables (Note 17)	2 739	54 409	32 508	3 959	76 242	10 386
Financial liabilities at fair value through profit or loss	0	1 522	0	0	91	0
Financial liabilities measured at amortized costs	1	3	232	1	3	641
Total	2 740	55 934	32 740	3 960	76 336	11 027

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 to 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 by the means of share buy-backs or issue new shares. No changes were made in the objectives, policies or processes during 2011 and 2010.

As the Group operates in a high growth, 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 including non-controlling interest 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)	2011	2010
Total assets	811 265	853 892
Equity	671 118	695 630
Equity ratio	82.7%	81.5%

30 FINANCIAL INSTRUMENTS

FAIR VALUES

The following table presents a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

(in CHF 1 000)	Carrying amount		Fair value	
	2011	2010	2011	2010
Cash at banks and on hand (Note 12)	344 946	159 116	344 946	159 116
Short-term bank deposits (Note 12)	32 107	190 487	32 107	190 487
Trade receivables and other	102 970	101 287	102 970	101 287
Financial assets at fair value through profit or loss (Note 9)	403	3 569	403	3 569
Finance lease receivables (Note 9)	1 206	1 868	1 206	1 868
Other	2 764	2 677	2 764	2 677
Total financial assets	484 396	459 004	484 396	459 004
Trade and other payables (Note 17)	89 656	90 587	89 656	90 587
Financial liabilities at fair value through profit or loss	1 522	91	1 522	91
Finance lease payables (Note 14; 27)	300	974	300	974
Total financial liabilities	91 478	91 652	91 478	91 652

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The above mentioned financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts, NDF and plain vanilla options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

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 use inputs that have a significant effect on the recorded fair value and which are not based on observable market data.

At 31 December 2011 and 2010, the Group held the following financial instruments measured at fair value:

(in CHF 1 000)	2011	2010
Assets measured at fair value	Level 2	Level 2
Foreign exchange forward contracts – hedge accounting	3	408
Foreign exchange forward contracts – non-hedge accounting	363	3 161
Non Deliverable Forward (NDF) non-hedge accounting	37	0
Financial assets at fair value through profit or loss	403	3 569
Liabilities measured at fair value	Level 2	Level 2
Foreign exchange forward contracts – hedge accounting	35	0
Foreign exchange forward contracts – non-hedge accounting	1 487	91
Non Deliverable Forward (NDF) – non-hedge accounting	0	0
Financial liabilities at fair value through profit or loss	1 522	91

For the periods under review the Group did not hold any financial assets or liabilities classified in Level 1 or Level 3.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit or loss. Amounts recognized in equity are transferred to the profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously recognized in equity are transferred from equity and are included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in equity is transferred to the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognized in equity is immediately transferred to the profit or loss.

At 31 December 2011, the Group had option contracts for CHF 7.3 million (2010: forward exchange contracts of CHF 4.2 million) designated as hedges of expected future sales to customers for which the Group had no firm commitments from customers.

Forward exchange contracts, NDF and options were used during 2011 and 2010 to hedge the Group's foreign currency risk of the firm commitments. The cash flow hedges of the expected future sales during 2011 and 2010 were assessed to be highly effective.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the profit or loss.

At the end of December 2010, the cash flow hedges of the expected future sales in 2011 were assessed to be highly effective and an unrealized gain of CHF 0.4 million, with a deferred tax liability of CHF 0.1 million was included in other comprehensive income in respect of these contracts. As per 31 December 2011, the amount of unrealized gains resulting from cash flow hedges is not material.

FAIR VALUE HEDGES

Changes in the fair value of derivatives that do not qualify as hedge accounting are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. At 31 December 2011, the Group had forward exchange contracts not qualifying for hedge accounting of CHF 59.9 million (2010: CHF 63.2 million) and one zero option contract, with a total nominal amount of CHF 2.4 million and strike price of JPY / CHF 1.19 and barrier levels between JPY / CHF 1.19 and 1.26 (2010: forward exchange contracts of CHF 63.2 million and zero option contracts with a total nominal amount of CHF 4.1 million, and strike price of JPY / CHF 1.195 and barrier levels between JPY / CHF 1.195 and 1.36). In the period under review the Group used non-deliverable foreign exchange forwards (NDF), which however do not qualify for hedge accounting. At the end of December 2011 the Group held two of these instruments for the amount of CHF 6.0 million (end of December 2010: none).

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

The Group does not use any derivative financial instruments to hedge net investments in foreign operations. It is the Group's policy to use natural hedges and foreign currency financing to hedge net investments in foreign operations as much as possible. Monetary items that form part of net investment in foreign operations are accounted for similarly to cash flow hedges. Any foreign currency gain or loss on the monetary instrument is recognized in equity. Gains and losses accumulated in equity are included in the profit or loss when the foreign operation is disposed of. At 31 December 2011, the Group recognized CHF 30.9 million of foreign currency losses in equity (2010: losses of CHF 29.0 million).

31 PRINCIPAL CURRENCY TRANSLATION RATES

Currency	Unit	31 Dec 2011	Average 2011	31 Dec 2010	Average 2010
AUD	1	0.95	0.92	0.97	0.96
BRL	100	50.26	52.92	56.29	58.76
CAD	1	0.92	0.90	0.95	1.01
CNY	100	14.90	13.70	14.37	15.37
CZK	100	4.72	4.99	4.94	5.44
DKK	100	16.34	16.50	16.77	18.52
EUR	1	1.22	1.23	1.25	1.38
GBP	1	1.45	1.42	1.47	1.61
HUF	100	0.39	0.44	0.45	0.50
INR	100	1.77	1.90		
JPY	100	1.21	1.11	1.16	1.19
KRW	100	0.08	0.08	0.08	0.09
MXN	100	6.74	7.13	7.71	8.23
NOK	100	15.62	15.79	15.98	17.18
NZD	1	0.72	0.70	0.73	0.75
SEK	100	13.65	13.64	13.86	14.42
SGD	1	0.72	0.70	0.74	0.76
USD	1	0.94	0.89	0.95	1.04

32 RISK ASSESSMENT

COMPREHENSIVE RISK MANAGEMENT

Straumann is committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value. The Group addresses risk assessment and management through a holistic, disciplined and deliberate approach, with the view that they must be embedded in a comprehensive internal control framework.

RESPONSIBILITIES

In accordance with Swiss Corporate law and Straumann's Articles of Incorporation, the Board of Directors and the Executive Management bear the overall responsibility for assuring the viability and profitability of the company. The Board has delegated the task of risk management to the Chief Risk Officer, who is also the Chief Financial Officer. An Internal Audit function is in place.

RISK MANAGEMENT

The monitoring and control of risks are management objectives. The risk-assessment process analyzes the implications and potential impact of external and internal factors on the achievement of the Group's objectives, and provides a basis for managing them. Risks are categorized as follows:

- Strategic
- Operative
- Financial
- Financial reporting risks
- Compliance.

This matches the approach of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used.

For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout Straumann's Internal Control System (ICS) framework on financial reporting, which reduces the financial risk.

FINANCIAL REPORTING

Straumann's Internal Audit function acts as an 'independent' and 'objective' assurance and consulting body, which reports directly to the Chief Finance Officer and to the Audit Committee of the Board of Directors. Internal Audit does not confine itself to financial audits, but also monitors compliance with external and internal policies and guidelines. Acting in a consulting role, one of its main tasks is to assess internal processes and controls, propose improvements and assist in their implementation. The objective is to safeguard the Group's tangible and intangible assets and to evaluate the effectiveness of the Group's risk management and governance processes.

For details on financial risks see also Note 29.

33 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

34 GROUP SUBSIDIARIES

The consolidated financial statements of Straumann include the financial statements of Straumann Holding AG and the subsidiaries listed in the following table:

	Purpose	Currency	Share capital (in Lc 1 000)	Interest and voting rights 2011 (in %)	Interest and voting rights 2010 (in %)
Institut Straumann AG, Basel, Switzerland	Sales	CHF	100	100	100
Straumann Villeret SA, Villeret, Switzerland	Production	CHF	9 000	100	100
Straumann GmbH, Freiburg, Germany	Sales	EUR	200	100	100
Straumann USA LLC, Andover, USA	Sales	USD	0	100	100
Straumann Ltd, Crawley, UK	Sales	GBP	300	100	100
Straumann BV, Ijsselstein, Netherlands	Sales	EUR	18	100	100
Straumann SARL, Marne-la-Vallée, France	Sales	EUR	192	100	100
Straumann AB, Gothenburg, Sweden	Sales	SEK	100	100	100
Straumann AS, Oslo, Norway	Sales	NOK	1 000	100	100
Straumann Oy, Helsinki, Finland	Sales	EUR	32	100	100
Straumann SA, Madrid, Spain	Sales	EUR	60	100	100
Straumann Canada Ltd, Burlington, Canada	Sales	CAD	100	100	100
Straumann GmbH, Vienna, Austria	Sales	EUR	40	100	100
Straumann Brasil Ltda, São Paulo, Brazil	Sales	BRL	3 406	100	100
Straumann SA/NV, Zaventem, Belgium	Sales	EUR	2 082	100	100
Straumann Italia srl, Milan, Italy	Sales	EUR	270	100	100
Straumann Manufacturing Inc, Andover, USA	Production/ Holding	USD	0	100	100
Straumann Pty Ltd, Victoria, Australia	Sales	AUD	0	100	100
Straumann Mexico SA de CV, Mexico DF, Mexico	Sales	MXN	19 407	100	100
Straumann Danmark ApS, Brøndby, Denmark	Sales	DKK	125	100	100
Biora AB, Malmö, Sweden	Production	SEK	950	100	100
Straumann Holding Deutschland GmbH, Freiburg, Germany	Holding	EUR	25	100	100
Straumann CADCAM GmbH, Gräfelfing, Germany	Production	EUR	326	100	100
Straumann Japan KK, Toyko, Japan	Sales	JPY	10 000	100	100
Straumann Dental Korea Inc, Seoul, Republic of Korea	Sales	KRW	2 300 000	100	100
Straumann Singapore Pte Ltd, Singapore, Singapore	Management	SGD	0	100	100
Straumann sro, Prague, Czech Republic	Sales	CZK	200	100	100
Straumann (Beijing) Medical Device Trading Co Ltd, Beijing, China	Sales	CNY	39 312	100	100
Straumann Dental India Pvt Ltd, Gurgaon, India	Sales	INR	6 000	100	0

AUDIT REPORT – CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF STRAUMANN HOLDING AG, BASEL

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Straumann Holding AG, which comprise the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 154 to 208), for the year ended 31 December 2011.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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 paragraph 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin
Audit expert
Auditor in charge



Christian Hirt
Audit expert

Basel, 10 February 2012

STRAUMANN HOLDING

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BALANCE SHEET

ASSETS

(in CHF 1 000)	Notes	31 Dec 2011	31 Dec 2010
Intangible assets		1 013	1 373
Investments	2	274 455	269 985
Intercompany receivables		8 689	14 551
Intercompany loans		279 888	250 772
Total non-current assets		564 045	536 681
Treasury shares		7 396	1 672
Intercompany receivables		437	614
Other receivables		416	81
Cash and cash equivalents		310 666	255 266
Total current assets		318 915	257 633
Total assets		882 960	794 314

EQUITY AND LIABILITIES

(in CHF 1 000)	Notes	31 Dec 2011	31 Dec 2010
Share capital	3	1 568	1 568
General reserve		1 540	1 540
Reserves from capital contributions ¹		35 072	60 612
Special reserve		2 000	2 000
Reserve for treasury shares	4	30 425	2 475
Available earnings		778 891	716 136
Total equity		849 496	784 331
Other provisions		3 000	6 634
Total non-current liabilities		3 000	6 634
Income tax liabilities		3 739	2 049
Accrued expenses		0	81
Intercompany payables		25 155	0
Other liabilities		1 570	1 219
Total current liabilities		30 464	3 349
Total liabilities		33 464	9 983
Total equity and liabilities		882 960	794 314

¹ Thereof CHF 10 450 526 not accepted by the Swiss Federal Tax Administration

INCOME STATEMENT

(in CHF 1 000)	2011	2010
Income from investments	84 135	107 809
Financial income	15 619	15 468
License income	45 235	48 645
Total income	144 989	171 922
Administration expense	(12 728)	(12 139)
Depreciation and amortization	(360)	(9 267)
Financial expense	(4 890)	(21 383)
Total expenses	(17 978)	(42 789)
Profit before taxes	127 011	129 133
Income and capital tax expense	(3 348)	(2 001)
Net profit	123 663	127 132

NOTES TO THE FINANCIAL STATEMENTS

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 and manage investments in the field of dental and medical technology. These financial statements were drawn up in accordance with the regulations of the Swiss Code of Obligations.

1 GUARANTEES

The Company secures guarantee lines of max. CHF 4.3 million (2010: CHF 4.3 million).

Straumann Holding AG together with its subsidiaries Institut Straumann AG and Straumann Villeret SA are treated as a VAT Group by the Swiss Federal Tax Administration. Owing to this Group taxation, Straumann Holding AG is liable to the Swiss Federal Tax Administration jointly and severally with all Group members for any VAT.

2 INVESTMENTS

Straumann Holding AG directly holds the following investments:

(in CHF 1 000)

	Interest and voting rights (in %) 2011	Investment value 2011	Interest and voting rights (in %) 2010	Investment value 2010
Institut Straumann AG, Basel, Switzerland	100	2 100	100	2 100
Straumann Villeret SA, Villeret, Switzerland	100	7 000	100	7 000
Straumann Ltd, Crawley, UK	100	4 812	100	4 812
Straumann BV, IJsselstein, Netherlands	100	58	100	58
Straumann SARL, Marne-la-Vallée, France	100	301	100	301
Straumann AB, Gothenburg, Sweden	100	26	100	26
Straumann AS, Oslo, Norway	100	4 183	100	4 183
Straumann Oy, Helsinki, Finland	100	633	100	633
Straumann SA, Madrid, Spain	100	6 726	100	6 726
Straumann Canada Ltd, Burlington, Canada	100	947	100	947
Straumann GmbH, Vienna, Austria	100	730	100	730
Straumann Brasil Ltda, São Paulo, Brazil	100	4 279	100	3 464
Straumann SA/NV, Zaventem, Belgium	100	3 302	100	3 302
Straumann Manufacturing Inc., Andover, USA	100	17 692	100	17 692
Straumann Pty Ltd, Victoria, Australia	100	0	100	0
Straumann Mexico SA de CV, Mexico DF, Mexico	100	2 143	100	2 143
Straumann Danmark ApS, Brøndby, Denmark	100	3 535	100	3 535
Biora AB, Malmö, Sweden	100	48 750	100	48 750
Straumann Holding Deutschland GmbH, Freiburg, Germany	100	117 912	100	125 706
Straumann Japan KK, Tokyo, Japan	100	20 254	100	20 254
Straumann Dental Korea Inc., Seoul, Republic of Korea	100	13 663	100	13 663
Straumann Singapore Pte Ltd, Singapore, Singapore	100	0	100	0
Straumann sro, Prague, Czech Republic	100	3 509	100	3 509
Straumann (Beijing) Medical Device Trading Co Ltd, Beijing, China	100	5 699	100	451
Straumann Dental India Pvt Ltd, Gurgaon, India	99	109	0	0
Dental Wings Inc, Montreal, Canada	30	6 092	0	0
Open Digital Dentistry AG, Zug, Switzerland	30	0	0	0
Total investments		274 455		269 985

Investments are stated at cost less any impairment.

(in ICU 1 000)	Purpose	Currency	Share capital
Details on the investments			
Institut Straumann AG, Basel, Switzerland	Sales	CHF	100
This company holds:			
– Straumann Italia srl, Milan, Italy	Sales	EUR	270
Straumann Villeret SA, Villeret, Switzerland	Production	CHF	9 000
Straumann Ltd, Crawley, UK	Sales	GBP	300
Straumann BV, IJsselstein, Netherlands	Sales	EUR	18
Straumann SARL, Marne-la-Vallée, France	Sales	EUR	192
Straumann AB, Gothenburg, Sweden	Sales	SEK	100
Straumann AS, Oslo, Norway	Sales	NOK	1 000
Straumann Oy, Helsinki, Finland	Sales	EUR	32
Straumann SA, Madrid, Spain	Sales	EUR	60
Straumann Canada Ltd, Burlington, Canada	Sales	CAD	100
Straumann GmbH, Vienna, Austria	Sales	EUR	40
Straumann Brasil Ltda., São Paulo, Brazil	Sales	BRL	3 406
Straumann SA/NV, Zaventem, Belgium	Sales	EUR	2 082
Biora AB, Malmö, Sweden	Production	SEK	950
Straumann Manufacturing Inc., Andover, USA	Production/ Holding	USD	0
This company holds:			
– Straumann USA LLC, Andover, USA	Sales	USD	0
Straumann Pty Ltd, Victoria, Australia	Sales	AUD	0
Straumann Mexico SA de CV, Mexico DF, Mexico	Sales	MXN	19 407
Straumann Danmark ApS, Brøndby, Denmark	Sales	DKK	125
Straumann Holding Deutschland GmbH, Freiburg, Germany	Holding	EUR	25
This company holds:			
– Straumann GmbH, Freiburg, Germany	Sales	EUR	200
– Straumann CAD/CAM GmbH, Gräfelfing, Germany	Production	EUR	326
Straumann Japan KK, Tokyo, Japan	Sales	JPY	10 000
Straumann Dental Korea Inc, Seoul, Republic of Korea	Sales	KRW	2 300 000
Straumann Singapore Pte Ltd, Singapore, Singapore	Management	SGD	0
Straumann sro, Prague, Czech Republic	Sales	CZK	200
Straumann (Beijing) Medical Device Trading Co Ltd, Beijing, China	Sales	CNY	39 312
Straumann Dental India Pvt Ltd, Gurgaon, India	Sales	INR	6 000
Dental Wings Inc, Montreal, Canada	Sales	CAD	649
Open Digital Dentistry AG, Zug, Switzerland	Sales	CHF	100

3 EQUITY

The share capital of CHF 1.568 million (2010: CHF 1.568 million) consists of 15 676 549 (2010: 15 676 549) registered shares with a par value of CHF 0.10 each.

(in %)	31 Dec 2011	31 Dec 2010
Major shareholders		
Dr. h.c. Thomas Straumann (Vice Chairman of the Board)	27.3	27.6
Dr. h.c. Rudolf Maag	12.2	12.2
Simone Maag de Moura Cunha	5.9	6.0
Gabriella Straumann	3.4	4.0
Total major shareholders	48.8	49.8

There are no shareholder commitment contracts or other material agreements between shareholders.

CONDITIONAL SHARE CAPITAL

In 2011 and 2010, the total share capital remained unchanged. The effective amount of registered conditional share capital on 31 December 2011 was CHF 32 345.10 (323 451 shares with a par value of CHF 0.10 each).

4 TREASURY SHARES

The reserve for treasury shares was valued using the weighted average purchase price method. On the balance sheet of Straumann Holding AG, it amounted to CHF 30.425 million on 31 December 2011 (2010: CHF 2.475 million).

The number of treasury shares held by Straumann Holding AG and Institut Straumann AG changed as shown in the table below:

Shares held by:	2011	2010
Straumann Holding AG		
At 1 January	9 014	25 718
Purchased	43 000	0
Used	(4 562)	(16 704)
At 31 December	47 452	9 014
Institut Straumann AG		
At 1 January	0	0
Purchased	178 173	0
Used	(24 366)	0
At 31 December	153 807	0

5 COMPENSATION

The following table shows the compensation of the Board of Directors and Executive Management Board in line with articles 663b^{bis} and 663c of the Swiss Code of Obligations. The variable compensation in the form of options comprises the amount of options granted for the respective fiscal year valued at the fair value consistent with the Group's policies regarding share-based payments.

2011

(in CHF 1 000)

	Fixed compensation	Performance bonus	Options	Other compensation	Total compensation
Board of Directors					
Gilbert Achermann (Chairman)	555	225	0	148	928
Dr. h.c. Thomas Straumann (Vice Chairman)	211	100	0	18	329
Dr. Sebastian Burckhardt	159	50	0	13	222
Dominik Ellenrieder	159	50	0	13	222
Roland Hess (Chairman Audit Committee)	212	50	0	16	278
Ulrich Looser (Chairman Strategy Committee)	212	50	0	16	278
Dr. Beat Lüthi	159	50	0	13	222
Stefan Meister (Chairman HR Committee)	226	50	0	4	280
Total	1 893	625	0	241	2 759
Executive Management Board					
Beat Spalinger (President & CEO) ¹	750	503 ²	380	241	1 874
Other members	1 028	455	288	369	2 140
Former members	305	150	0	84	539
Total	2 083	1 108	668	694	4 553
Total	3 976	1 733	668	935	7 312

¹ In addition, Beat Spalinger was CFO ad interim from 1 Jan to 31 Oct 2011

² Of which CHF 102 500 belong to the 2010 service period

2010

(in CHF 1 000)

	Fixed compensation	Performance bonus	Options	Other compensation	Total compensation
Current Board of Directors					
Gilbert Achermann (Chairman since 1.4.2010)	392	505	0	139	1 036
Dr. h.c. Thomas Straumann (Vice Chairman since 1.4. 2010)	186	197	0	21	404
Dr. Sebastian Burckhardt	146	112	0	14	272
Dominik Ellenrieder	146	112	0	14	272
Roland Hess (since 1.4.2010; Chairman Audit Committee)	159	84	0	13	256
Ulrich Looser (since 1.4.2010; Chairman Strategy Committee)	159	84	0	13	256
Dr. Beat Lüthi (since 1.4.2010)	119	84	0	11	214
Stefan Meister (since 1.4.2010; Chairman HR Committee)	119	84	0	11	214
Former Board members (until 31.3.2010)					
Dr. h.c. Rudolf Maag (Chairman)	53	25	0	4	82
Oskar Ronner (Vice Chairman)	39	19	0	3	61
Jürg Morant	26	13	0	2	41
Total	1 544	1 319	0	245	3 108
Executive Management Board					
Beat Spalinger (President & CEO since 1.4.2010) ¹	489	576	288	205	1 558
Gilbert Achermann (President & CEO until 31.3.2010)	131	168	401	100	800
Other members	1 247	1 009	375	442	3 073
Total	1 867	1 753	1 064	747	5 431
Total	3 411	3 072	1 064	992	8 539

¹ In addition, Beat Spalinger was CFO ad interim from 1 Oct to 31 Dec 2010

The following table shows the equity holdings in Straumann Holding AG of the Board of Directors and Executive Management Board and their related parties in line with articles 663b^{bis} and 663c of the Swiss Code of Obligations.

2011

	Shares	Options (End of vesting periods)			
		Vested	01 Jan 2012	01 Jan 2013	01 Jan 2014
Board of Directors					
Gilbert Achermann	15 464	0	6 000	7 500	0
Dr. h.c. Thomas Straumann	4 283 638	3 000	0	0	0
Dr. Sebastian Burckhardt	3 266	3 000	0	0	0
Dominik Ellenrieder	1 656	3 000	0	0	0
Roland Hess	620	0	0	0	0
Ulrich Looser	320	0	0	0	0
Dr. Beat Lüthi	120	0	0	0	0
Stefan Meister	120	0	0	0	0
Total	4 305 204	9 000	6 000	7 500	0
Executive Management Board					
Beat Spalinger	6 156	0	3 500	5 375	10 000
Thomas Dressendörfer	0	0	0	0	584
Dr. Sandro Matter	1 322	7 500	3 500	3 500	3 500
Franz Maier	5 529	0	3 500	3 500	3 500
Total	13 007	7 500	10 500	12 375	17 584
Total	4 318 211	16 500	16 500	19 875	17 584

2010

	Shares	Options (End of vesting periods)			
		Vested	01 Jan 2011	01 Jan 2012	01 Jan 2013
Board of Directors					
Gilbert Achermann	1 900	6 000	6 000	6 000	7 500
Dr. h.c. Thomas Straumann	4 327 630	2 000	1 000	0	0
Dr. Sebastian Burckhardt	3 105	2 000	1 000	0	0
Dominik Ellenrieder	1 495	2 000	1 000	0	0
Roland Hess	500	0	0	0	0
Ulrich Looser	200	0	0	0	0
Dr. Beat Lüthi	0	0	0	0	0
Stefan Meister	0	0	0	0	0
Total	4 334 830	12 000	9 000	6 000	7 500
Executive Management Board					
Beat Spalinger	2 000	0	1 459	3 500	5 375
Dr. Sandro Matter	600	4 000	3 500	3 500	3 500
Franz Maier	4 743	1 750	3 500	3 500	3 500
Total	7 343	5 750	8 459	10 500	12 375
Total	4 342 173	17 750	17 459	16 500	19 875

6 RISK ASSESSMENT

COMPREHENSIVE RISK MANAGEMENT

Straumann is committed to implementing appropriate controls, processes and strategies to identify, assess and manage risks associated with our activities in order to prevent or minimize the impact of unexpected events on our business and our ability to create value. The Group addresses risk assessment and management through a holistic, disciplined and deliberate approach, with the view that they must be embedded in a comprehensive internal control framework.

RESPONSIBILITIES

In accordance with Swiss Corporate law and Straumann's Articles of Incorporation, the Board of Directors and the Executive Management bear the overall responsibility for assuring the viability and profitability of the company. The Board has delegated the task of risk management to the Chief Risk Officer, who is also the Chief Financial Officer. An Internal Audit is in place.

RISK MANAGEMENT

The monitoring and control of risks are management objectives. The risk-assessment process analyzes the implications and potential impact of external and internal factors on the achievement of the Group's objectives, and provides a basis for managing them. Risks are categorized as follows:

- Strategic
- Operative
- Financial
- Financial reporting risks
- Compliance.

This matches the approach of the COSO (Committee of Sponsoring Organizations of the Treadway Commission), whose integrated internal control framework is one of the most widely used.

For identified risks that arise from accounting and financial reporting, relevant control measures are defined throughout Straumann's Internal Control System (ICS) framework on financial reporting, which reduces the financial risk.

FINANCIAL REPORTING

Straumann's Internal Audit function acts as an 'independent' and 'objective' assurance and consulting body, which reports directly to the Chief Financial Officer and to the Audit Committee of the Board of Directors. Internal Audit does not confine itself to financial audits, but also monitors compliance with external and internal policies and guidelines. Acting in a consulting role, one of its main tasks is to assess internal processes and controls, propose improvements and assist in their implementation. The objective is to safeguard the Group's tangible and intangible assets and to evaluate the effectiveness of the Group's risk management and governance processes.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF THE AVAILABLE EARNINGS

(in CHF 1 000)	2011	2010
Net profit	123 663	127 132
Carried forward from previous year	683 178	584 418
Change in reserve of treasury shares	(27 950)	4 586
Profit available to the Annual General Meeting	778 891	716 136
Dividend paid out of the available earnings (CHF 1.90 per share)		(29 772)
Allocation to the 'reserves from capital contribution'		(3 186)
Balance carried forward		683 178
Dividend paid out of the 'reserves from capital contribution' (CHF 1.85 per share)		(28 989)

The Board of Directors proposes to the Shareholders' General Meeting that a total dividend of CHF 3.75 per share be distributed, payable as of 13 April 2012. A gross dividend of CHF 2.20 is to be distributed from available earnings while CHF 1.55 is to be distributed out of 'Reserves from capital contributions'. Calculated on the total number of outstanding shares of 15 475 290, this corresponds to a total amount of CHF 34.0 million and CHF 24.0 million respectively. 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.

Until the time of the Shareholders' General Meeting, 201 012 free options could be exercised and converted into shares. The maximum dividends related to such options if exercised would be CHF 0.4 million and CHF 0.3 million respectively.

The remaining amount of the available earnings is to be carried forward.

AUDIT REPORT – FINANCIAL STATEMENTS STRAUMANN HOLDING AG

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF STRAUMANN HOLDING AG, BASEL

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Straumann Holding AG, which comprise the balance sheet, income statement and notes (pages 212 to 220), for the year ended 31 December 2011.

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 2011 comply with Swiss law and the company's articles of incorporation.

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 paragraph 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.

PricewaterhouseCoopers AG



Thomas Brüderlin
Audit expert
Auditor in charge



Christian Hirt
Audit expert

Basel, 10 February 2012

INFORMATION FOR INVESTORS

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FIVE-YEAR OVERVIEW

OPERATING PERFORMANCE

(in CHF million)	2007	2008	2009	2010	2011
Net revenue	713.7	778.7	736.4	737.6	693.6
Growth in %	19.1	9.1	(5.4)	0.2	(6.0)
Gross profit	582.3	631.5	586.8	587.0	528.5
Margin in %	81.6	81.1	79.7	79.6	76.2
Operating result before depreciation and amortization (EBITDA)	244.1	274.1	218.3	211.9	157.4
Margin in %	34.2	35.2	29.6	28.7	22.7
Growth in %	12.1	12.3	(20.3)	(2.9)	(25.7)
Operating result before amortization (EBITA)	218.5	240.6	187.9	185.0	131.9
Margin in %	30.6	30.9	25.5	25.1	19.0
Growth in %	18.0	10.1	(21.9)	(1.6)	(28.7)
Operating profit (EBIT)	201.5	40.4	165.3	164.3	79.9
Margin in %	28.2	5.2	22.5	22.3	11.5
Growth in %	14.9	(80.0)	309.2	(0.6)	(51.4)
Net profit	177.3	8.2	146.4	131.1	71.0
Margin in %	24.8	1.1	19.9	17.8	10.2
Growth in %	24.9	(95.4)	1 693.2	(10.4)	(45.9)
Basic earnings per share (in CHF)	11.29	0.52	9.38	8.37	4.54
Value added (economic profit)	129.4	(48.0)	96.1	88.4	29.7
Increase in value added	31.0	(177.4)	144.1	(7.6)	(58.7)
Increase in value added in %	31.5	(137.1)	300.2	(8.0)	(66.4)
in % of net revenue	18.1	(6.2)	13.0	12.0	4.3
Number of employees (year-end)	1 955	2 201	2 170	2 361	2 452
Number of employees (average)	1 736	2 141	2 162	2 287	2 415
Sales per employee (average) in CHF 1 000	411	364	341	323	287

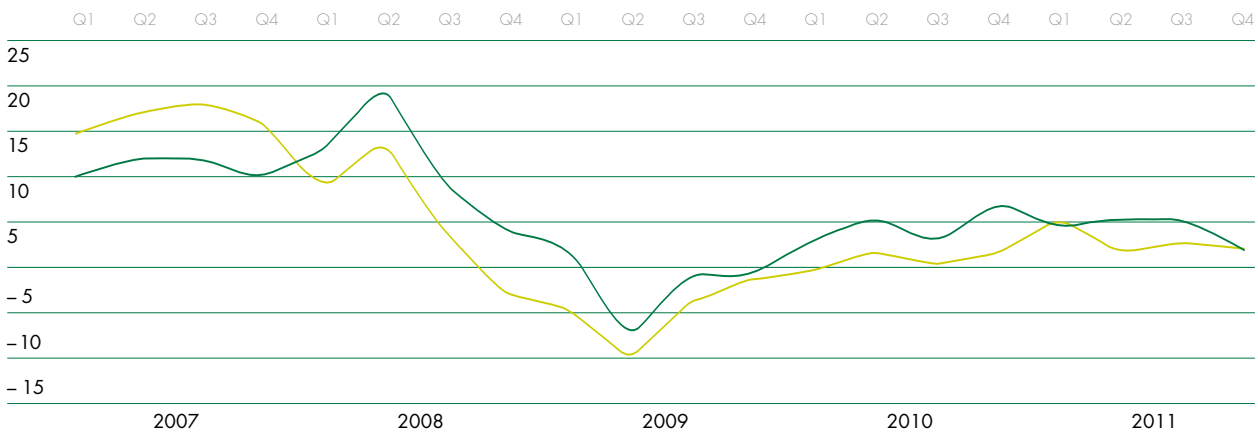
FINANCIAL PERFORMANCE

(in CHF million)	2007	2008	2009	2010	2011
Cash and cash equivalents	190.2	147.9	261.6	349.6	377.1
Net working capital (net of cash)	40.8	88.8	60.8	74.5	68.8
in % of net revenue	5.7	11.4	8.2	10.1	9.9
Inventories	79.6	84.0	71.5	73.1	67.0
Days of supplies	208	237	159	158	123
Trade receivables	94.6	96.6	95.4	92.3	94.1
Days of sales outstanding	44	46	47	45	48
Balance sheet total	946.5	728.2	802.9	853.9	811.3
Return on assets in % (ROA)	22.2	1.0	19.1	15.8	8.5
Equity	623.5	537.7	635.4	695.6	671.1
Equity ratio in %	65.9	73.8	79.1	81.5	82.7
Return on equity in % (ROE)	31.5	1.4	25.0	19.7	10.4
Capital employed	560.7	417.8	363.7	337.7	273.1
Return on capital employed in % (ROCE)	35.9	9.7	42.5	46.9	26.2
Cash generated from operating activities	227.2	198.8	245.1	175.8	140.2
in % of net revenue	31.8	25.5	33.2	23.8	20.2
Investments	(251.1)	(73.2)	(38.2)	(22.9)	(25.9)
in % of net revenue	35.2	9.4	5.2	3.1	3.7
thereof capital expenditures	(42.5)	(55.4)	(31.4)	(22.1)	(19.4)
thereof business combinations related	(208.6)	(17.8)	(6.9)	(0.7)	(0.4)
thereof investments in associates					(6.1)
Free cash flow	186.3	144.4	214.7	154.2	121.1
in % of net revenue	26.1	18.5	29.1	20.9	17.5
Dividend (2011: subject to shareholders' approval)	58.4	58.4	58.7	58.8	58.0
Pay-out ratio in % (excluding exceptionals)	33.0	32.6	40.1	44.8	59.4

TREND ANALYSIS

STRAUMANN HAS OUTPERFORMED IN DIFFICULT MARKETS

Top-line growth 2007–2011 (in %)



■ Straumann ■ Other leading implant companies*

* Market share weighted growth rates (in l. c.) of Zimmer, Nobel Biocare, Dentsply und Biomet / 3i. Source: Published company data and comments.

MARKET AND INDUSTRY

Over the past five years the market for replacement dentistry has grown in the upper single-digit range driven by the reliability of dental implants, growing patient awareness, and increased endorsement by dental professionals.

The strong growth trend in the years prior to 2008 was interrupted by the global economic crisis, forcing the market into its first ever contraction in 2009. After a return to very modest growth in 2010, there was a slight further improvement to low single-digit growth in 2011. Post-recession growth has been constrained by several factors: the dental markets, which previously were fairly insensitive to economic developments, have been constrained by a tendency to save on dental services. Patients have had to bear a greater share of healthcare costs, which – together with increased taxation and tighter conditions for credit – have made it more difficult for many to afford non-reimbursed complex dental treatment. As a result, patient flow at dental practices has slowed. Furthermore, surveys show that a considerable proportion of patients have postponed treatment.

COMPETITION AND PRICING

Historically attractive margins and double-digit growth

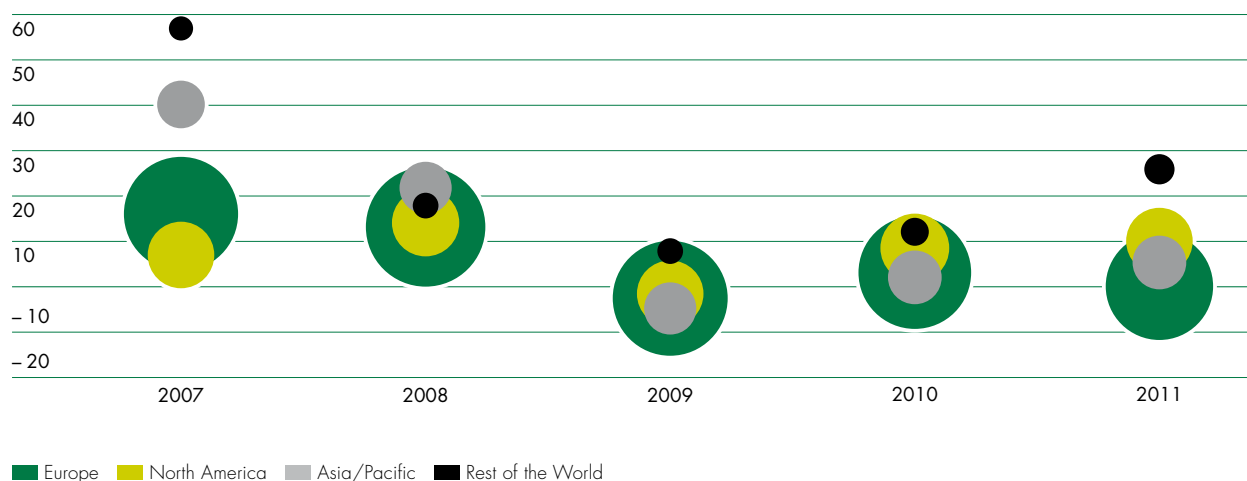
rates led to a considerable increase in competitors, illustrated, for example, in the number of implant exhibitors at Europe's largest dental trade show, the IDS, which rose from 240 in 2007 to almost 420 in 2011. Over the same period, the number of CAD/CAM companies at the same event increased from 25 to more than 200. Many newcomers are not innovators and endeavor to compete on price. Few are able to offer the level of research, service and customer support that distinguishes Straumann worldwide.

For several years, the subdued economic environment and the increasingly crowded marketplace have prompted some observers to forecast a trend in implant price erosion. But the low-price players failed to make the predicted dramatic impact on the premium segment in 2011. On the contrary, the economic environment that was supposed to help them has put many under pressure to survive. At the same time, the premium companies seem to have maintained their prices, and in some cases raised them.

The CAD/CAM market has become increasingly competitive in the past two years with regard to both price and quality. This trend is expected to continue as the market develops.

STRAUMANN NET REVENUE DEVELOPMENT BY REGION

Local currency growth (%)



In each case, the size of the bubble illustrates the comparative size of the regional sales, while its center marks the local growth on the vertical axis.

TECHNOLOGY

The most prominent recent trend in replacement and restorative dentistry is digitalization. Straumann has made significant steps in this area through acquisitions and investments, e.g. etkon (2007, CAD/CAM), IVS (2009, guided surgery), and Dental Wings (2011, software and scanners) see table on p. 228.

As companies have introduced computer-assisted workflows, they have kept their systems closed in order to retain customers, resulting in numerous incompatible systems and gridlock, with labs reluctant to invest for fear of obsolescence. In 2011, Straumann joined forces with Dental Wings and 3M ESPE to establish a standard open software platform that will break this trend and unlock growth potential.

The development of new materials has influenced our industry more profoundly than other trends. The past five years have seen the introduction of high-performance alloys for implants, high-end ceramics and nano materials for prosthetics, and resorbable hydrogel membranes for tissue regeneration. This trend will continue as new materials are being developed, e.g. for metal-free implants, improved bone grafting and prosthetics that are even more tooth-like.

Apart from the above, observers of the CAD/CAM segment predicted a trend away from centrally-milled prosthetic elements to chairside and lab-based milling. However, the trend is slowly reversing and a growing demand for the advantages of the central milling services offered in our product range suggests that many have realized the limitations of small-scale alternatives.

CONSOLIDATION

During the past two years, the trend towards industry consolidation was propelled by two significant acquisitions: Implant Direct was taken over by Danaher, while Dentsply acquired Astra Tech to create the world's third-largest dental implant company. The top three companies collectively now hold more than 50% of the global market. Apart from this, several partnerships and collaborations were formed, predominantly in the field of digital dentistry. The main reasons for this are the significant resources needed to develop digital software and equipment, complexity, and the desire for standardization.

Straumann's acquisitions over the past five years are summarized in the table on the next page and their contributions are presented in this and/or previous annual reports.

STRAUMANN'S MAJOR ACQUISITIONS

Year	Company	Business rationale
2007	etkon AG	CADCAM tooth restoration
2007	Daishin Implant System, Co. Ltd.	Japanese distributor
2007	B.I. Trading	Korean distributor
2008	Ormedent spol sro	Czech distributor
2009	IVS Solutions AG	Computer-guided surgery
2011	Dental Wings Inc. (30% stake)	Software standardization

CURRENCIES

The strengthening of the Swiss franc against major currencies has been a major trend in recent years. The average translation rates for the US dollar and the euro against the Swiss franc went down from USD 1.20 and EUR 1.64 in 2007 to USD 0.86 and EUR 1.23 in 2011, respectively. The continuing downward trend of the euro was broken by the intervention of the Swiss National Bank, to sustain it above CHF 1.20. The currency trend is the main factor for the negative medium-term margin trend during the past five years.

STRAUMANN

For four out of the past five years, Straumann has outperformed the market trend (see chart), achieving a five-year growth average of 8% (l.c.). This was predominantly organic. Over the past three years, sales and profits have been impacted by the sluggish market and the strong negative currency effect. In addition, in 2008 and 2011 market changes resulted in one-time asset impairments, reducing reported operating and net profits. Our intention during the extended market recovery period has not been to maintain margins at any cost. In fact, efficiency gains and our strong free cash flow have enabled us to invest anti-cyclically in our product pipeline, our Sales & Marketing organization, and our regenerative and digital dentistry franchises. This will position us for future growth in a fully recovered market.

INVESTMENTS**PRODUCTION**

Up to the reversal of the market growth trend in 2008, Straumann went through a phase of high investment to keep pace with growing demand. High capital expenditure was allocated in particular to: production upgrades and expansion, quality system improvements, manufacturing technology for new products, and IT systems. As a result, capital expenditure (in property, plant, equipment, and intangibles) dipped from 6% from 2007–2009 to 3% in 2010–2011 as the Group adapted to the market trends while at the same time optimizing production processes. These changes enabled us to increase throughput and machinery utilization.

SALES

In the course of the past five years, Straumann acquired several of its distributors in order to control the distribution channel and to get closer to customers. More than CHF 100 million were invested to gain direct market access. The proportion of direct sales has risen from 89% five years ago to 91% in 2011. This reflects the dynamic expansion in prospering emerging markets, which Straumann entered through distributors and where implant penetration rates are low.

INNOVATION AND RESEARCH

Against the general trend of short-term saving on research and innovation, Straumann has continued to invest around 5% of net revenue annually in R & D and has launched on average one significant innovation per year. At the same time, we have maintained our commitment to customer service and education. Moving forward, we expect to maintain our levels of investment, using science and education as a premium differentiators.

PEOPLE

We have continued to invest in people and, with the exception of 2009, our workforce has grown continuously. While our staff in Switzerland has increased over the past five years, it has done so less rapidly than elsewhere, with the result that 35% of our global team is currently Swiss-based compared with 45% five years ago. The main shifts have been to Asia and Europe, primarily due to acquisitions and our strategy to expand internationally. Operationally, the trend has been toward Sales, R & D, and Administration, away from Production, which now makes up a quarter of our staff compared with a third in 2006. This also reflects our progress in manufacturing efficiency and operational excellence.

OUTLOOK

In the aftermath of the economic crisis, we have seen little improvement in the trends in unemployment and consumer sentiment in the largest region, Europe. As mentioned in the Group's outlook for the global market (see p. 141), trends in demographics, awareness, and education will drive future growth in our industry, which we estimate will be in the low single-digit range in 2012. In 2011, our cost management strategy was to ensure that our competitive ability to innovate, launch, produce, and sell was not compromised.

In our Vision 2020 project, we have sought to identify future trends in dentistry through the current decade and beyond. The outcome of this project will be communicated in 2012 and provides Straumann with a valuable roadmap for the future.

CAPITAL STRUCTURE

(in CHF 1 000)	31 Dec 2011	31 Dec 2010
Equity	671 118	695 630
Reserves	(58 523)	4 578
Retained earnings	728 073	689 484
Ordinary share capital	1 568	1 568
Conditional share capital	32	32
Authorized share capital	None	None
Number of registered shares	15 676 549	15 676 549
Nominal value per share (in CHF)	0.10	0.10
Registration restrictions	None	None
Voting restrictions	None	None
Opting-out, opting-up	None	None

SHAREHOLDER BASE

NUMBER OF SHAREHOLDERS

Shares	31 Dec 2011	31 Dec 2010
1–100	7 214	7 540
101–1 000	3 368	3 484
1 001–10 000	305	324
10 001–100 000	37	40
100 001–1 000 000	12	10
1 000 001 and more	2	2
Total	10 938	11 400

SHAREHOLDERS BY CATEGORY

(in %)	31 Dec 2011	31 Dec 2010
Major shareholders	48.8	49.8
Institutional shareholders	25.8	25.0
Private individuals	11	11.5
Non-registered shareholders	14.4	13.7

MAJOR SHAREHOLDERS

(in %)	31 Dec 2011	31 Dec 2010
Dr h.c. Thomas Straumann (Vice Chairman of the Board)	27.3	27.6
Dr h.c. Rudolf Maag	12.2	12.2
Simone Maag de Moura Cunha	5.9	6.0
Gabriella Straumann	3.4	4.0
Total	48.8	49.8

SHARE PERFORMANCE

The Swiss equity market began the year with optimism, driven by positive macroeconomic impulses, and reached its peak in spring, before the natural disaster in Japan created widespread uncertainty. This was exacerbated by the latent sovereign debt crisis, which became a major focus of politicians, the media and investors. Market sentiment turned in mid-year. From July on, discussions on the sustainability of the euro and the unhealthy debt of certain EU states were ubiquitous. Stock market performance was constrained by fears of the negative impacts these could have on financial systems, business confidence and the economy. The 'wildfire' spread to almost all asset classes, including those that are traditionally considered low risk.

Shares of those Swiss companies, which are viewed as being susceptible to economic trends, generate much of their sales in the euro-zone and the bulk of their productive added value in Switzerland, fell more sharply than average. This explains why the mid-sized companies of the SMIM (-22%) performed considerably worse than the international blue-chip companies of the SMI (-8%). The latter was helped by respectable performances of defensive index heavyweights like Nestlé, Novartis and Roche, and benefited from a takeover premium for Synthes. As in 2010, volatility among the 30 SMIM stocks was high. The best-performing share in 2011 rose 22%, while the worst slumped 60%.

Straumann is part of this mid-cap segment. Despite another solid operating performance, our absolute share price performance was a sobering -24% (or -22% taking into account the dividend of CHF 3.75). However, this was within the SMIM average. In fact, our share price actually outperformed in the first half of 2011 but fell more sharply in the second – in a generally negative stock-market environment. Although we gained further market share in 2011 'artificial' strength of the franc reduced operating profit, reflecting the fact that more than 60% of our products are made in Switzerland and more than 90% are sold abroad.

With patient flow in European dental practices stagnating because of the persistent economic situation, the global dental implant market only managed to achieve low single-digit growth, significantly lower than historic growth rates. In the economic gloom, investors were reluctant to hold shares in dental implant companies, as their products are not generally reimbursed and because of their greater susceptibility to economic trends than companies offering treatments for

immunological disorders, degenerative diseases, orthopedic trauma etc. In light of this, the MSCI World Healthcare Equipment & Supply CHF sector index closed 1% down year-on-year. Our share price further suffered from a general dampening of investment appetite for European stocks in light of Europe's economic problems.

The share price development presented an opportunity, and at the end of August, the Group decided to purchase Treasury shares on the open market for a maximum of CHF 100 million over an unspecified period, depending on the share price development (see p. 95).

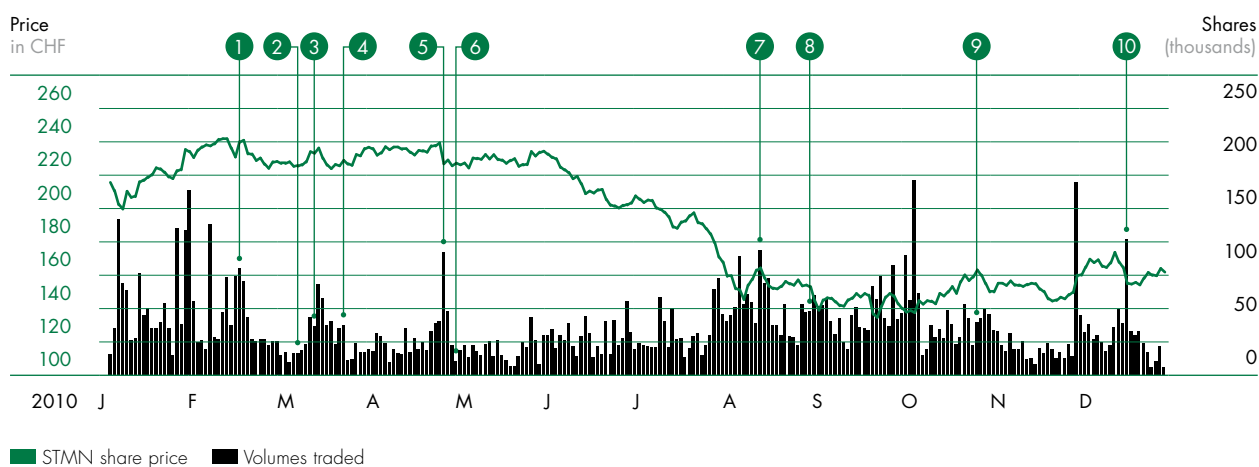
The average daily closing price of the Straumann share ranged between CHF 135 and CHF 242. Total shareholder return for 2011 was negative and the average daily trading volume was around 47 000 shares.

SHARE PRICE DATA

(in CHF)	2011		2010	
	Price	Date	Price	Date
First trading day	215.70	3.01.	292.25	4.01.
Lowest*	134.80	23.09.	198.50	25.10.
Highest*	242.00	9.02.	305.00	21.01.
Last trading day	162.10	30.12.	214.00	30.12.
Average	192.86		240.83	
Tax value	162.10		214.00	
Total shareholder return, gross of tax (in %)	(23.1)		(25.5)	
Market capitalization 31 Dec (in CHF million)	2 541		3 355	

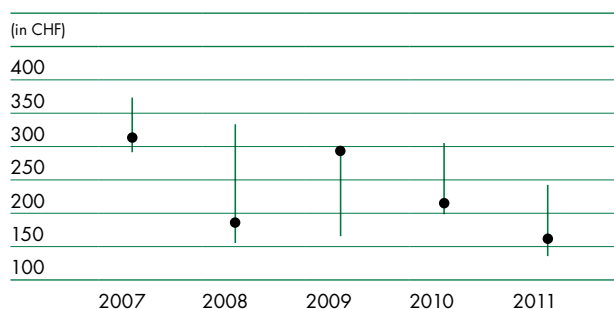
* Value reflects closing price.

SHARE PRICE DEVELOPMENT



- 1. 15.02.2011 2010 Full-year results
- 2. 07.03.2011 Bone level approval in Japan
- 3. 11.03.2011 Tsunami in Japan
- 4. 22.03.2011 Ex-dividend
- 5. 27.04.2011 Q1 results
- 6. 02.05.2011 Thomas Dressendorfer appointed CFO
- 7. 16.08.2011 First-half results
- 8. 01.09.2011 Purchase of own shares* started
- 9. 27.10.2011 Q3 results
- 10. 16.12.2011 Industry consolidation rumors

HIGHEST/LOWEST VALUES



● At last day of trading

STOCK EXCHANGE INFORMATION

Listing	SIX Swiss Exchange (STMN)
Bloomberg	STMN SW
Reuters	STMN.S
Investdata	STMN
Ex date	10 April 2012
Payment date	13 April 2012
Security ID	001228 007
ISIN	CH 0012 280 076

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CALENDAR

KEY REPORTING DATES IN 2012

22 February	2011 Full-year results
4 April	Annual General Meeting
26 April	Q1 sales
21 August	Q2 sales and H1 results
30 October	Q3 and 9M sales

PLANNED INVESTOR RELATIONS EVENTS AND CONFERENCES IN 2012

Members of Straumann's Executive Management and/or Investor Relations team plan to take part in the following events, subject to availability.

ROADSHOWS & CONFERENCES

24 February	Chicago Roadshow
27 February	Citigroup Healthcare Conference (New York)
28 February	Denver Roadshow
29 February	San Francisco Roadshow
1 March	Los Angeles Roadshow
13 March	Frankfurt Roadshow
14 March	Morgan Stanley EU MedTech Conference (London)
15 March	Amsterdam Roadshow
15 March	Edinburgh Roadshow
16 May	Straumann 2012 Capital Markets Day (Amsterdam)
1 June	Tokyo Roadshow
26 June	Paris Roadshow
27 June	Geneva Roadshow
12 September	Boston Roadshow
13 September	New York Roadshow
14 September	Toronto Roadshow
20 September	Best of Switzerland UBS Conference (Wolfsberg)
28 September	Los Angeles Roadshow
10 October	Stockholm Roadshow
11 October	Copenhagen Roadshow
30 November	Credit Suisse MidCap Conference (Zurich)
6 December	Berenberg Conference (London)
7 December	London Roadshow

If you are interested in meeting Straumann's top management at one of the above, please contact investor.relations@straumann.com.

CONTACTS & PUBLICATIONS

SELECTED DENTAL MEETINGS IN 2012

12–14 January	Southwest Dental Conference (Dallas)
28–31 January	30. Congresso Internacional de Odontologia de São Paulo (São Paulo)
25–29 January	37th Yankee Dental Congress (Boston)
31 January	16th UAE International Dental
–2 February	Conference & Arab Dental Exhibition (Dubai)
23–25 February	Expodental 2012 (Madrid)
23–25 February	147th Chicago Midwinter Dental Meeting (Chicago)
1–3 March	Academy of Osseointegration's 27th Annual Meeting (Phoenix)
8–10 March	Pacific Dental Conference (Vancouver)
15–17 March	Dental Expo 2012 (Amsterdam)
20–21 April	Technorama (Toronto)
20–23 April	10th China (West Region) International Exhibition & Symposium on Dental Equipment & Products (Chengdu)
26–28 April	Scandinavian Dental Fair (Copenhagen)
3–5 May	California Dental Association (Anaheim)
10–12 May	Ontario Dental Associations' Annual Spring Meeting 2012 (Toronto)
24–26 May	Fiera Amici di Brugg (Rimini)
25–29 May	Journées dentaires internationales du Québec (Montréal)
6–9 June	Europerio 7 (Vienna)
9–12 June	China International Dental Exhibition & Scientific Conference (Beijing)
20–23 June	International Association for Dental Research General Session (Iguaçu Falls)
29 August	Annual Congress of the FDI World Dental
–1 September	Federation (Hong Kong)
4–6 October	British Dental Trade Association Dental Showcase (London)
18–20 October	American Dental Association Annual Session (San Francisco)
18–20 October	Dentex 2012 (Brussels)
18–20 October	Expodental – Fiera (Rome)
9–11 November	Japan Dental Show 2012 (Osaka)
23–28 November	The 2012 Greater New York Dental Meeting (New York)
27 November	Congrès de l'Association Dentaire
–1 December	Française (Paris)

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PUBLICATIONS AND FURTHER INFORMATION

The Straumann Annual Report is published in February and presented at the analysts' and press conference. It is also available online at www.straumann.com. The half-year interim report is published in the form of a media release in August. Other media releases include the quarterly sales reports published in April for the first quarter and in October for the third quarter. Where necessary or appropriate, Straumann also publishes additional information on key significant events. Press releases and presentations can be downloaded from the Straumann homepage at www.straumann.com. Please see Information Policy on p. 111.

APPENDIX

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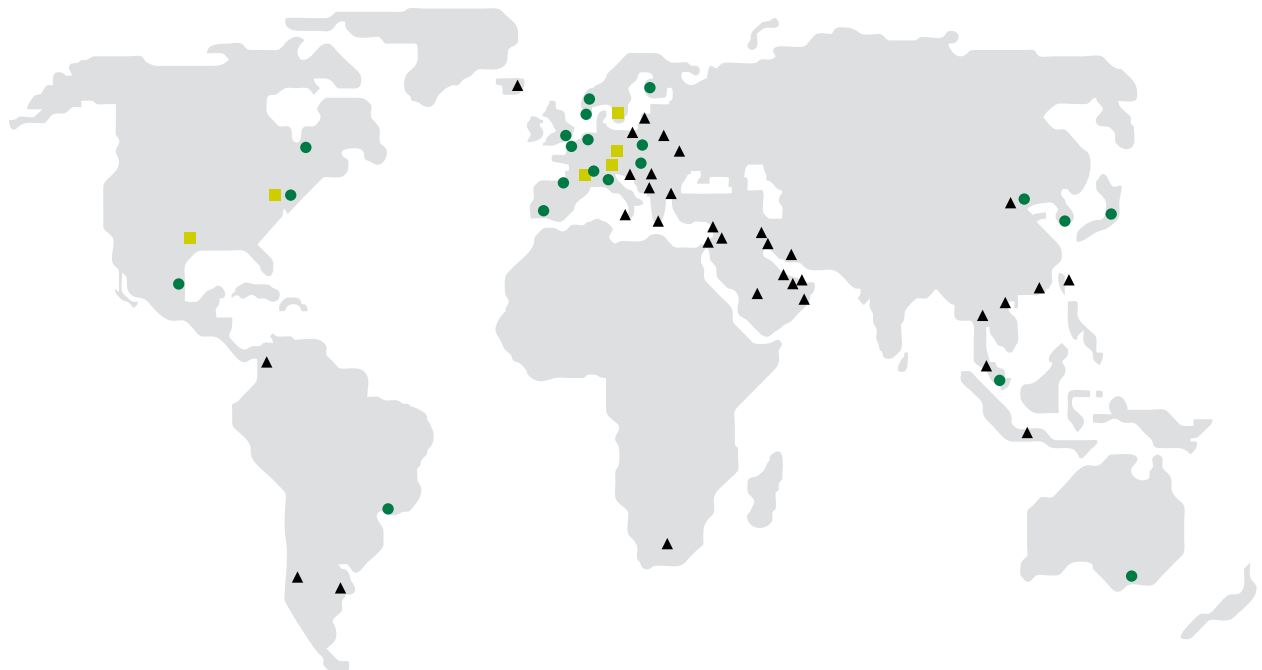
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- Straumann locations
- Production facilities
- ▲ Distributors

Straumann's products and services are available in more than 70 countries through our subsidiaries and broad network of distributors.

GLOBAL REPORTING INITIATIVE (GRI)

Straumann believes that sustainability is an integral part of business success, and that it is important to integrate sustainability topics in our annual reporting because they provide the context to what we have or have not been able to achieve. To achieve high transparency in this regard for various stakeholders – including shareholders, customers, employees, and members of the communities in which we operate – we have for the sixth year running based our sustainability reporting on GRI guidelines. The GRI is a non-profit, multi-stakeholder organization that strives to provide companies with a systematic basis for disclosure regarding sustainability performance. The aim is to give stakeholders a framework that facilitates comparison and understanding of disclosed information.

Straumann's 2011 Annual Report, together with the 'GRI-Sustainability Reporting Addendum', fulfills the requirements of the GRI-G3 reporting guidelines at Application Level B. This was checked and confirmed by the GRI on 13 February 2012. To help readers locate specific GRI-related information, the Addendum is published on www.straumann.com under 'Sustainability' and provides an overview of the GRI elements discussed in this report, including: Profile Disclosures, Economic (EC), Environmental (EN), Human Rights (HR), Labor (LA), Society (SO), and Product Responsibility (PR) performance indicators, as well as Disclosures on Management Approach (DMA) to these topics.

It has not been possible to incorporate every GRI performance indicator in the format of this Annual Report. To focus our sustainability reporting on the most pertinent issues, we have conducted a systematic assessment of the relevance or 'materiality' of all indicators in the GRI framework to our reporting. To achieve this, all GRI performance topics were assigned as possible content points for one of the chapters in our sustainability report section. An external specialist supported us in assessing the importance of each topic (from external and internal stakeholder perspectives) in dedicated workshops based on the test questions laid out in the 'defining materiality' section of the GRI sustainability reporting guidelines. Topics that were found to be relevant both from an external and internal viewpoint form the core of our Report's sustainability section. Topics that were found to be relevant mainly from one of the two perspectives are discussed in less detail. The indicators reported are discussed to the extent that data were available.

This Annual Report reviews the year 2011 and draws certain comparisons with previous years. It aims to provide sufficient detail to give shareholders a clear overview of developments in 2011, as well as to address main points of concern for other stakeholder groups. The information given pertains to the whole Straumann Group unless stated otherwise. There were no major changes in subsidiaries, leased facilities or outsourced operations in the year under review that significantly affect comparability with the previous Annual Report unless stated. We have not sought external assurance of the GRI information given, but have used the standards for our internal auditing wherever practical. The data measurements for reported GRI indicators follow GRI guidelines as far as data availability has allowed. No relevant reporting change occurred in that regard compared with the previous year.



Statement GRI Application Level Check

GRI hereby states that **Straumann Holding AG** has presented its report "Annual Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13th of February 2012

A handwritten signature in black ink, appearing to read "Nelmara Arbex", is written over a light grey circular background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 6th 2012, GRI explicitly excludes the statement being applied to any later changes to such material.

GLOSSARY OF SELECTED TERMS AND ABBREVIATIONS USED IN THIS REPORT

DENTAL/MEDICAL TERMS

ABUTMENT

A component that connects the implant with the prosthesis and protrudes into the oral cavity

BONECERAMIC

Straumann's fully synthetic bone substitute for bone augmentation procedures

BONE LEVEL IMPLANT

Implant where the connection between the implant and the abutment is placed at the level of the bone crest

BRIDGE

An appliance used literally to bridge the gap left by missing teeth by using one or more false teeth fixed to crowns anchored to tooth stumps or implants

CADCAM

Computer-Aided Design/Computer-Aided Manufacturing: a computer system is used both for designing a product and for controlling manufacturing processes

CARES

Computer-Aided Restoration Service

COPING

A covering or cap that fits on an abutment and is usually made of metal, ceramic or plastic

CROSSFIT

Straumann's self-guiding internal implant-abutment connection, featuring four internal grooves that prevent rotation and ensure precise fit and a conical interface for lasting mechanical stability

CROWN

A tooth-shaped cap attached to a tooth stump or implant abutment

DENTAL TECHNICIAN

Dental professional who manufactures patient-specific crowns, bridges, dentures and other dental prosthetics according to the dentist's specifications

DWOS

Dental Wings Open Software, an open software platform that allows prosthetics to be designed using data from multiple sources

EDENTULOUS

Having no teeth (can refer to upper and/or lower jaw)

ENAMEL MATRIX DERIVATIVE (EMDOGAIN)

An extract of enamel matrix proteins, which are involved in the development of cementum, periodontal ligament and bone

GBR

Guided Bone Regeneration

GLASS CERAMICS

Ceramic of lithium disilicate or similar high-performance materials that combines strength with translucence

GUIDED SURGERY

Surgery in which 3D imaging technologies are used to plan the position, depth and angle of an implant

HYDROPHILIC

Readily absorbing or attracting water, or having chemical groups that interact with water

INLAYS AND ONLAYS

An inlay is an individualized solid filling cemented into a tooth cavity that can also carry a bridge. An onlay is the same but extends to replace a cusp or cover the whole tooth.

INTRA-ORAL SCANNING

Digital scanning to create a three-dimensional image of the patient's teeth that avoids the conventional process of impression-taking followed by model casting

ITI

International Team for Implantology

LOADING

Subjecting an implant to biting pressure by fitting a temporary/permanent crown

MEMBRANE

A barrier used e.g. in GBR to prevent rapidly growing tissue from occupying space into which new bone should form, and to stabilize bone augmentation materials

NANO CERAMIC

Tooth restoration material combining nanoceramic components with cross-linked resin matrix

NARROW NECK IMPLANT

Small diameter implant for limited interdental spaces or narrow bone ridges

NIS

Non-interventional study, designed to evaluate products in everyday clinical settings, where the clinician can use the product as deemed suitable, within treatment guidelines

ONE-STAGE PROCEDURE

Surgical procedure whereby the implant is placed but not covered by the gum tissue during healing, so no second surgical procedure is necessary to uncover the implant

ORTHODONTICS

Branch of dentistry concerned with the correction of misaligned teeth using appliances designed to move the teeth into a more favorable position over a period of time

OSSEOINTEGRATION

The integration of an implant with the surrounding bone

OSTEOCONDUCTIVE

An osteoconductive substance has the ability to act as a scaffold to which bone cells can attach, initiating bone growth

OSTEOINDUCTIVE

A substance with the ability to induce bone growth

PERI-IMPLANTITIS

Inflammatory tissue pathology and progressive bone loss at implant site, resulting from plaque accumulation and bacterial infiltration around dental implants

PERIODONTICS

Branch of dentistry concerned with the care and treatment of the supporting tissues of the teeth from the gingiva to the adjacent alveolar bone and ligament

PERIODONTIST

Dental professional specialized in the tissue and bone surrounding the teeth and in treating diseases that affect them

PERIODONTITIS

Progressive disease of the periodontal tissues, resulting in the gradual loss of the tooth and supporting structures

POLYETHYLENE GLYCOL (PEG)

A hydrophilic polymer (macromolecule of repeating units) that interacts with cell membranes and promotes the fusion of cells

PROSTHODONTIST

A dental professional who carries out prosthetic restorations on natural teeth and implants

RCT

Randomized Controlled Trial

RESTORATIVE DENTISTRY

Branch of dentistry concerned with the replacement or reconstruction of a tooth or teeth

ROXOLID

Straumann's alloy of titanium and zirconium, designed specifically for dental implants in sites with limited available space and where greater strength is required

SCREW-RETAINED BARS AND BRIDGES

Bars and bridges that are used to connect two or more dental implants; bars are commonly used to support partial or full dentures

SLA

Sandblasted with large grit and acid etched, SLA refers to Straumann's second-generation implant surface technology introduced in 1998

SLACTIVE

Straumann's third-generation implant surface technology. By virtue of its hydrophilic properties, healing time is cut in half

SOFT TISSUE LEVEL IMPLANT

Implant where the connection between the implant and the abutment is placed at the level of the soft tissue, so that the soft tissue surrounds the polished collar of the implant

TITANIUM

Metallic element isolated from minerals as an iron-gray powder; available in many forms and used in many dental and orthopedic applications

TWO-STAGE PROCEDURE

Surgical procedure whereby the implant is inserted and a healing cap placed, which is covered by the gum tissue during healing; a second surgical procedure is performed later, where the healing cap is removed and an abutment and provisional prosthesis placed

VENEER

Thin layer of restorative material covering a tooth surface in order to protect damaged surfaces or improve esthetics

ZIRCONIA

ZrO₂ – the white oxide of zirconium used on account of its infusibility and luminosity in dental prosthetics, enamels and glazes

ZIRCONIUM

A grayish-white, strong, ductile metallic element obtained from zircon and used in ceramic and refractory compounds as an alloying agent

FINANCIAL TERMS**AMORTIZATION**

Systematic allocation of the depreciable amount of an intangible asset over its useful life

CAGR

Compound Annual Growth Rate, annualized growth rate over a multiple-year period

DEPRECIATION

Systematic allocation of the depreciable amount of a tangible asset

EARNINGS PER SHARE (EPS)

Net profit divided by the number of shares

EBIT

Earnings before interest and taxes; also referred to here as operating profit

EBITDA

Earnings before interest, taxes, depreciation and amortization

EBIT MARGIN

Operating profit (EBIT) divided by group net revenue in %

ECONOMIC PROFIT (EP)

See compensation report (p. 120)

EQUITY RATIO

Shareholder equity divided by total assets in %

ERP

Enterprise Resource Planning

FREE CASH FLOW

Net cash from operating activities less capital expenditures plus net proceeds from property, plant and equipment

FREE CASH FLOW MARGIN

Free cash flow divided by Group net revenue in %

GOODWILL

Future economic benefits arising from assets that are not capable of being individually identified and separately recognized

IFRS

International Financial Reporting Standards

IMPAIRMENT LOSS

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable value

NET PROFIT MARGIN

Net profit divided by Group net revenue in %

OPEX

Operating expenses, also called non-manufacturing expenses. These expenses include R&D, SG&A and other general expenses.

ORGANIC GROWTH

Organic growth is the growth excluding the effect from business combination and currency effects

PAY-OUT RATIO

Dividend paid divided by net profit over the same period in %

REVENUES

Sales, see p. 171

ROA

Return on assets; net profit divided by average assets in %

ROCE

Return on capital employed; earnings before interest and taxes divided by average capital employed in %

ROE

Return on equity; net profit divided by average equity in %

SALES

See 'sale of goods' on p. 171

TOTAL SHAREHOLDER RETURN (TSR)

Profit or loss realized by an investment at the end of a specified calendar year. TSR includes capital gains/losses from increases/decreases in stock price as well as received dividends.

WACC

Weighted average cost of capital

WRITE-DOWN

See impairment loss

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CONCERNING FORWARD-LOOKING STATEMENTS

This report contains certain 'forward-looking statements', which can be identified by the use of terminology such as 'expect', 'continue', 'will', 'ensure', 'confident', 'deliver', 'at least', 'outlook', 'guidance', 'goal', 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 realization of proposed/planned education courses/offers, 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.

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