

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The consolidated financial statements of the Straumann Group for the year ended 31 December 2007 were authorized for issue in accordance with a resolution of the Board of Directors on 1 February 2008.

Straumann Holding AG is a public company whose shares are traded on the Swiss Exchange (SWX).

Headquartered in Basel, Switzerland, the Straumann Group is a global leader in implant and restorative dentistry and oral tissue regeneration. In 2007, Straumann entered the fast-growing field of restorative dentistry through the acquisition of etkon, an emerging force in CAD/CAM based tooth replacement. This makes Straumann the only company in the dental sector that offers surgical, restorative and regenerative solutions – from bone augmentation and tissue regeneration, through implants and prosthetics, to individualized crowns and bridges.

In collaboration with leading clinics, research institutes and universities, Straumann researches and develops implants, instruments and tissue regeneration products for use in tooth replacement solutions or to prevent tooth loss. The Group manufactures implant system components and instruments in Switzerland and the US, and dental tissue regeneration products in Sweden. Straumann's restorative products are manufactured in Germany and the US.

Straumann also offers comprehensive training and services to the dental profession worldwide, including training and education, which is provided in collaboration with the International Team for Implantology (ITI).

Altogether, Straumann employs approximately 2000 people worldwide, and the Group's products and services are available in more than 60 countries through its own distribution subsidiaries and a broad network of distribution partners.

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) that 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).

BASIS OF CONSOLIDATION

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

Subsidiaries are fully consolidated from the date of acquisition, being the date 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 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 an impairment indicator of the asset transferred.

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 and within equity in the consolidated balance sheet, as non-controlling interests. Acquisitions of non-controlling interests are accounted for using the 'economic entity method', 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. Further details are provided in Note 2.2.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group adopted the following new and amended IFRS and IFRIC interpretations in 2007. Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures, including in some cases, revisions to accounting policies:

(A) STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2007

- IFRS 7 – Financial Instruments: Disclosure

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments as well as the nature and the extent of risks arising from those instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial positions or results, comparative information has been provided where needed.

- IAS 1 – Presentation of Financial Statements:

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 29.

- IFRIC 8 – Scope of IFRS 2:

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

- IFRIC 9 – Reassessment of Embedded Derivatives:

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

- IFRIC 10 – Interim Financial Reporting and Impairment:

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

(B) STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2007, BUT NOT RELEVANT

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC 7 – Applying the restatement approach under IAS 29, Financial Reporting in hyper-inflationary economies

(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 March 2007 or later periods, but the Group has not adopted them early:

- IAS 23 (amended) – Borrowing costs (effective from 1 January 2009):
IAS 23 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (amended) from 1 January 2009. No effect is expected as the Group does not hold qualifying assets.
- IAS 27 (revised) – Consolidated and separate financial statements (effective from 1 July 2009):
IAS 27 (revised) requires the effects of all transactions with non-controlling (minority) interests to be recorded in equity if there is no change in control. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognized in profit or loss.
- IFRS 3 (revised) (effective from 1 July 2009):
The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest. All transaction costs will be expensed.
- IFRS 8 – Operating segments (effective from 1 January 2009):
IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'Management approach', under which, segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by Management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require Management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- IFRIC 11 – Group and treasury share transactions (effective from 1 March 2007):
IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transaction in the stand-alone accounts of the parent and Group companies. Straumann will apply IFRIC 11 from financial year 2008, but it is not expected to have any significant impact on the Group's accounts.
- IFRIC 13 – Customer loyalty programs (effective from 1 July 2008):
IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not expected to have any material impact on the Group's accounts as the Group does not operate any financially significant customer loyalty programs.
- IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008):
IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any material impact on the Group's accounts.

(D) INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND NOT RELEVANT FOR THE GROUP'S OPERATIONS

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 12 – Service concession arrangements (effective from 1 January 2008):
IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of its supply to public sector services.

(E) CHANGE IN ACCOUNTING POLICY FOR NON-CONTROLLING INTERESTS

In cases where Straumann Holding AG directly or indirectly holds a majority of voting rights or otherwise exercises another form of direct or indirect control, the assets and liabilities, expenses and income of the companies concerned are included in full in the consolidated financial statements. Non-controlling interests in the profit and equity of subsidiaries are disclosed separately.

In prior years, Straumann applied a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Purchases from non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. In reviewing the accounting policies, Management noted that non-controlling interests are treated as part of the Group's equity and net profit. Management therefore decided that transactions with other holders of the Group's equity instruments should be treated as equity transactions to better reflect the economic substance in line with the 'economic entity model'. In 2007, the Group therefore changed from the 'parent company method' to the 'economic entity model'. Straumann now applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. When purchasing of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity and attributed to the owners of the parent.

This change in accounting policy has been applied retrospectively, which resulted in a reclass of CHF 3.2 million from goodwill to shareholders' equity in 2006. This change was reflected throughout the financial report.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 must 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. Further details are given in Notes 5, 6 and 7.

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 carrying value of recognized tax losses at 31 December 2007 was CHF 40.4 million (2006: CHF 39.4 million) and the unrecognized tax losses at 31 December 2007 was CHF 7.1 million (2006: CHF 5.9 million). Further details are provided in Note 18.

INCOME TAXES

Straumann is subject to income taxes in numerous jurisdictions. Significant 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. Where the final tax outcome differs from the amounts that were initially recorded, the difference impacts the income tax and deferred tax provisions in the period in which the estimate was made and recognized.

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 at 31 December 2007 was CHF 4.5 million (2006: CHF 4.5 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 2007, the best estimate of the carrying amount of capitalized development costs was CHF 17.7 million (2006: CHF 15.8 million).

CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The Group has recognized CHF 95.5 million of goodwill in conjunction with the acquisition of etkon AG. The value-in-use calculation for the cash-generating unit depends on the successful geographical roll-out of the etkon business model to markets outside Germany.

In order to substantiate the value-in-use calculation of the cash-generating unit, the average revenue growth rate over the next five years must exceed the growth rate of the dental industry.

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 equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity 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.

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 asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each financial year.

NON-CURRENT ASSETS HELD FOR SALE

When an asset or disposal Group's carrying value will be recovered principally through a sale transaction rather than through continuing use, it is classified as held for sale and stated at the lower of carrying value and fair value less costs to sell. No depreciation is charged in respect to non-current assets classified as held for sale. Any remaining difference between the fair value of the consideration received and the net carrying value at the time of disposal is charged to profit or loss in the year the asset is finally disposed.

BORROWING COSTS

Borrowing costs are capitalized as incurred on qualifying assets.

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 market 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 the income statement.

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 based on 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 capitalized 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 the 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

Research and development costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset if Straumann can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic profit, the availability of resources to complete the asset and 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. 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.

Computer software

Acquired computer 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	Computer software
Useful life	Finite	Finite	Finite	Finite	Finite
Amortization method used	Amortization on a straight-line basis over a period of usually 10 years	Amortization on a straight-line basis over a period of usually 10 years	Amortization on a straight-line basis over a period of usually 20 years	Amortization over the period of expected sales from the related project on a straight line basis but not exceeding 3 years	Amortization over estimated useful life but not exceeding 3 years
Internally generated or acquired	Acquired	Acquired	Acquired	Internally generated or acquired	Internally generated or acquired

INVESTMENTS IN ASSOCIATES

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, but no control. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortized. The income statement reflects the share of the results of operations of the associate. Where a change has been recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns which are different from those of other business segments. Straumann presents segment information by geographical segments. A geographical segment is engaged in providing products or services that are subject to risks and returns which differ from those in other geographical segments. As Straumann is organized into one business segment only, no secondary information is reported by business segments.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date 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 that 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 indicators 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

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each financial year. All 'regular way' purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets 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 or as a financial guarantee contract. Gains or losses on investments held for trading are recognized in profit or loss. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

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 techniques include 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.

Amortized cost

Held-to-maturity investments, loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried 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.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect to equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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. Provisions for impairments are set up in the case of slow-moving and 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 and 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 has expired, or
- the Group retains the right 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 retained substantially 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 expired.

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, and 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 all Straumann 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 employee and through the income generated by their capital investments, taking the recommendations of independent actuaries into account. Where, due to local conditions, a 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 the income statement 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 the income statement 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 the income statement 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 the income statement 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 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.

Other post-employment benefits

Certain subsidiaries provide healthcare and insurance benefits for a portion of their retired employees and their eligible dependents. The costs of these benefits are actuarially determined and included in the related function expenses over the employees' working lives. The related liability is also included in the position 'employee benefits.'

Cash remuneration

As part of the annual compensation, individual cash remuneration (cash bonus) is defined for each employee as well as for the Board of Directors. The multiplier for calculating the declared bonus is derived from the economic profit improvement per fiscal year.

For the Strategic Management, the available bonus is credited to a bonus bank and only paid out in part, with the balance being carried forward to the next year. The Group recognizes a liability and an expense for these cash remunerations, based on a formula that takes into consideration the economic profit improvement.

Share-based compensation

The Management of Straumann receives remuneration in the form of share-based payment transactions, whereby Management members render services as consideration for equity instruments ('equity-settled transactions').

In situations where equity instruments are issued and some or all goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at grant date.

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 an external valuer 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 as 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 as if the terms had not been modified. An additional expense is recognised for any modification, which 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 that it is granted, 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).

Employee shares

Employees have the right to buy between 10 and 100 shares as part of the employee equity compensation program. The employee is offered a discount of 25% based on the average share price over the seven trading days period following the ex-dividend day. The difference between the fair value at grant and the cash consideration paid by the employee is immediately recognized as personnel expenses. The shares are subject to a 2-year lock-up period.

The shareholders' General Meeting of the parent company has created conditional share capital for the share-based compensation as well as for the employee shares. 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 inception date of 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.

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 within the financial result.

Capitalized 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 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 bases as rental income.

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, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the Key Management Personnel of the entity (Board of Directors and Executive Management Board) and close members of which the family are also considered related parties, as well as post-employment benefit plans for the benefit of employees of the entity and the International Team for Implantology (ITI).

Transactions with related parties are conducted at arm's length.

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 that 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 the grants are recorded at nominal amounts and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments.

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 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; and
- in respect of 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 forward 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 the carry forward 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; and
- in respect of 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 asset 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 asset 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 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 as applicable, and
- 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 interest rate and foreign currency fluctuations. 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 recognised asset or liability or an unrecognized firm commitment (except for foreign currency risk); or
- 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; or
- 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 instruments' 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 equity, while any ineffective portion is recognized immediately in profit or loss.

Amounts taken to equity 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 equity 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 equity 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 equity remain in equity 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 way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit and loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity 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 the profit or loss.

DIVIDEND DISTRIBUTION

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

SHAREHOLDERS' EQUITY

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