

## Straumann Group: Strong momentum continues as first-half organic revenue climbs 16% and core EBIT margin reaches 28%

- First-half revenue climbs 15% in Swiss francs (16% organic) to CHF 780 million, driven by double-digit increases in all regions
- In Q2, organic growth was just short of 16%, led by North America (+19%) and LATAM (+18%)
- Strong volume growth offsets adverse (70 bps) currency effect as core<sup>1,2</sup> and pre-exceptional EBIT margins reach 28% and 26%, respectively
- Core net profit improves 11% to CHF 170 million (margin: 22%)
- BLX, Straumann's next-generation implant, launched in EMEA adding to strong implant sales; further dynamic growth in clear aligners, as intra-oral-scanner range expands
- Group raises guidance for FY organic revenue growth to low-to-mid-teen percent

in CHF million / margin changes rounded	H1 2019 <sup>1</sup>			H1 2018		
	IFRS	Before excep. <sup>2</sup>	CORE <sup>2</sup>	IFRS	Before excep. <sup>2</sup>	CORE <sup>2</sup>
<b>Revenue</b>	<b>780.0</b>	<b>780.0</b>	<b>780.0</b>	<b>681.5</b>	<b>681.5</b>	<b>681.5</b>
Change CHF			14.5%			
Change w/out FX			17.2%			
Change organic			16.3%			
<b>Gross profit</b>	<b>595.1</b>	<b>601.9</b>	<b>602.5</b>	<b>512.9</b>	<b>521.7</b>	<b>521.7</b>
Margin	76.3%	77.2%	77.2%	75.3%	76.6%	76.6%
Margin change CHF			60 bps			
Margin change w/out FX			100 bps			
<b>EBITDA</b>	<b>223.2</b>	<b>245.9</b>	<b>246.5</b>	<b>194.3</b>	<b>203.1</b>	<b>203.1</b>
Margin	28.6%	31.5%	31.6%	28.5%	29.8%	29.8%
Margin change CHF			180 bps			
Margin change w/out FX			250 bps			
<b>EBIT</b>	<b>179.3</b>	<b>205.2</b>	<b>214.1</b>	<b>169.8</b>	<b>178.6</b>	<b>186.5</b>
Margin	23.0%	26.3%	27.5%	24.9%	26.2%	27.4%
Margin change CHF			10 bps			
Margin change w/out FX			80 Bps			
<b>Net profit</b>	<b>146.5</b>	<b>163.1</b>	<b>169.6</b>	<b>132.9</b>	<b>139.8</b>	<b>153.0</b>
Margin	18.8%	20.9%	21.7%	19.5%	20.5%	22.5%
Margin change CHF			(80 bps)			
<b>Basic EPS (in CHF)</b>	<b>9.21</b>	<b>10.26</b>	<b>10.64</b>	<b>8.20</b>	<b>8.63</b>	<b>9.45</b>
<b>Free cash flow<sup>3</sup></b>	<b>57.9</b>			<b>62.3</b>		
Margin	7.4%			9.1%		
<b>Headcount</b> (end of June)	<b>6682</b>			<b>5474</b>		

<sup>1</sup> The adoption of the new leasing standard IFRS16 led to a change of the H1 2019 EBITDA, EBIT and net profit margin of +160bps (CHF +12.8m), +20bps (CHF +1.9m), and -20bps (-1.3m), respectively. The prior-year basis was not restated.

<sup>2</sup> The Group has started to implement the reporting of alternative performance measures (APM) in accordance with the new directive of the Swiss Stock Exchange, which facilitates the assessment of the underlying business performance but may differ from IFRS reported figures. The 'core' figures used in this document exclude one-time M&A effects, exceptional pension-plan items, restructuring expenses, amortization and impairment of goodwill and acquisition related intangible assets. 'Before-exceptional results', which were used historically, excluded the same non-recurring items but not acquisition-related asset amortizations. A reconciliation table of the reported and core income statement with additional descriptions is provided in the appendix on page 12 of this document.

<sup>3</sup> i.e. net cash from operating activities, less capital expenditures, plus net proceeds from property, plant and equipment.

**Basel, 14 August 2019:** In its first-half results published today, the Straumann Group reported continued double-digit growth as revenue climbed 15% in Swiss francs to CHF 780 million. Currency movements squeezed the increase by 3%-points while newly acquired businesses (mainly Anthogyr) added 1%-point. Organic growth was distributed fairly evenly between the two quarters, with a slightly lower increase in Q2 reflecting the late Easter this year. All regions posted double-digit organic increases throughout, with Asia Pacific, North America and LATAM reporting first-half organic growth of more than 18%.

The topline growth spurred further improvements in underlying profitability, despite unfavorable currency effects and sustained investments in geographic expansion, innovative technologies, and production capacity. Core Gross Profit and EBIT both rose 15% from the prior year, with the respective margins reaching 77% and 28%. Like-for-like core net profit reached CHF 170 million, up CHF 17 million or 11%. Core basic earnings per share amounted to CHF 10.64 (reported CHF 9.21) compared with CHF 9.45 in the same period of last year.

**Marco Gadola, Chief Executive Officer,** commented: “We have delivered strong organic growth throughout the first half, driven by our premium and non-premium implant solutions as well as the exciting development of our clear-aligner business. The launch of innovative products, like our next-generation implant system BLX, as well as portfolio and geographic expansions provided additional lift and helped us to achieve more customer gains. With revenue rising above our expectations, we are raising our outlook for full-year organic growth. With regard to profitability, we have benefitted from strong volume increases, a higher-margin product mix, and a one-time benefit related to the adoption of IFRS 16. As a result, our EBITDA, EBIT and net profit all increased, despite currency headwind and further investments in new products, technologies, partnerships, people, production and other initiatives to support growth in the coming years.”

## **STRATEGIC PROGRESS / NEWS HIGHLIGHTS IN Q2**

### **Business expansion**

#### **Korean partnership to penetrate lower value implant segment**

In support of its strategy to penetrate the non-premium implant segment and to compete more effectively in markets where Korean brands are successful, the Group is investing in Warantec, an established implant company in Korea. In return for a capital increase, the Group will obtain a 34% stake in Warantec, in addition to exclusive distribution rights to its products in China and other countries outside Korea. The agreement was signed in July and the transaction is expected to close before year-end.

#### **New subsidiaries in Croatia and Taiwan**

To create further growth opportunities in the Balkan region, the Group has acquired the business and sales team of its former distributor in Croatia and is establishing a hub there to serve the local market as well as the distribution network in Albania, Bosnia, Kosovo and Montenegro. More than 130 000 dental implants are placed annually in this Adriatic sub-region. The business will be consolidated as of 1 July 2019.

The Group also opened a new subsidiary in Taiwan and combined the inauguration event with a scientific forum attended by 500 key opinion leaders and dental professionals. Previously,

the company was represented locally through domestic distributors and T-Plus, in which it holds a controlling stake.

**Long-term partnership agreement with leading dental implant network renewed**

The Group has renewed its long-standing agreement with ClearChoice Dental Implant Centers, North America's leading network of full-arch tooth replacement treatment centers. As the ClearChoice network's preferred dental implant supplier for a further five years, the Group will supply implant systems, digital solutions, biomaterials and tailored services to the growing network of 56 centers, enabling doctors to continue offering innovative and high-level dental implant care to their patients.

**Further collaboration with leading scanner manufacturers**

Throughout the first half, the Group worked diligently to enhance its digital portfolio. In addition to introducing the highly competitive Virtuo Vivo™ intra-oral scanner, it collaborated with leading scanner manufacturers to promote its software, prosthetics, guided surgery and clear aligner businesses and to accelerate its entry into emerging markets.

In Q1, the Group signed an agreement with Medit, the Korean scanner manufacturer, to integrate Straumann's DWOS® platform as a Medit's preferred CAD software. The agreement also provides Straumann with distribution and cobranding rights for Medit's lab scanners, which it expects to start selling in Q3/4.

**Expanding collaboration with 3Shape**

In Q2, the Group signed an agreement with 3Shape to strengthen their existing collaboration by directly linking 3Shape's TRIOS intra-oral scanners to Straumann's software platforms. This will offer a best-in-class intra-oral scanning solution, seamlessly integrated into Straumann's powerful digital workflow for orthodontic, prosthetic and guided surgery applications. The partnership supports Straumann's goal of unleashing the full potential of its fast-growing clear-aligner business. The two companies are developing a seamless workflow for TRIOS users to plan and order ClearCorrect clear aligners (in markets where they are available) through a convenient application that will be included in future software updates. The digital workflows will be available on all TRIOS scanners sold by Straumann and on other TRIOS scanners, depending on the respective distributor.

**Fast access to rapidly-growing Chinese digital dentistry market**

To seize opportunities in the Chinese digital market, the Group has entered a distribution agreement with Carestream, another renowned provider of imaging equipment and intra-oral scanners. The Chinese intra-oral scanner market is underpenetrated but is emerging rapidly, driven by accessibility, ease of use and increased functionality. With regulatory approvals for its own Dental Wings scanner still pending, the Group has entered an agreement with Carestream to sell a co-branded version of their CS3600, which has already been approved by the Chinese regulators. The CS3600 is certified for the Group's DWOS®, DWOS® Chairside Design and coDiagnostiX® software, in addition to being compatible with the Group's Smyletec clear-aligner solution, which is due to launch in Q4. The scanners are produced in Shanghai, where Carestream also operates R&D and service centers.

All of the above solutions complement the Group's Dental Wings range and enable Straumann to address the full spectrum of customer requirements expediently in all relevant dental markets.

### **Further acquisitions to support digital business**

To complement the Group's business with increasingly popular 3D printers and to generate recurring revenues with consumables, Neodent signed an agreement in July to acquire Yller Biomateriais S.A., a Brazilian company specialized in developing and manufacturing high-tech materials for 3D-printing. The transaction is expected to close by the end of August. Also in July, the Group took over the aligner treatment planning and diagnostic company Digital Planning Service Private Limited in Pakistan, which handles case-planning for ClearCorrect.

## **BUSINESS PERFORMANCE**

By business, **implants** and **restoratives** continued to grow at a solid double-digit rate and contributed the largest portion of growth. Straumann's Bone Level Tapered (BLT) implant again posted strong growth, complemented by initial sales of BLX, which entered a full market release in Europe in April. BLX is an innovative, next-generation implant, which is priced at a premium to the popular BLT. Despite competitor discounting, the uptake of BLX has been good, with more than 30 000 sold since launch. Sales would have been even higher had there not been an unexpected shortage of surgical kits.

The Group's non-premium implant franchise continued to outpace the premium business, driven in particular by the international roll-out of the Neodent, Anthogyr and Medentika brands, which helped to gain share in Brazil, China, Mexico, Turkey, the US, and distributor markets. Subsequent to its consolidation on 1 June, Anthogyr added CHF 4 million to the Group's first-half sales.

Sales in the **digital business** also expanded strongly, fueled by clear aligners. There was a 60% rise in the global number of cases started, despite the fact that the international expansion is still in its infancy. Scanner sales were comparatively soft in Q2, as customers waited for various new models that were presented at the IDS and have only just become available. In addition, Dental Wings' headquarters and main scanner production center in Montreal, Canada, were damaged by a fire in May. This interrupted supplies but the local team reacted swiftly and, thanks to their initiative and determination, supply delays have been minimized. Dental Wings has found, and is relocating to, a new permanent facility, which will be operational in October.

**Biomaterials** reported the strongest growth of all segments, reflecting the rebound of Emdogain in the US, continuing robust sales of bone-graft and membrane products, and the roll-out of botiss and Nibec products in certain markets.

## **REGIONAL PERFORMANCES**

### **EMEA boosted by product launches and emerging markets**

Despite the very strong comparative period of last year, EMEA achieved double-digit growth throughout the first half of 2019, as organic growth reached 14%. Acquisition and currency effects cut the increase in Swiss francs to 10%, bringing regional revenue to CHF 335 million. Notwithstanding, EMEA remained the Group's largest organic growth contributor (37%).

In Q2, organic growth eased to 13%, reflecting the early Easter in the prior year. The performance was driven by the continuing success of BLT implants with additional lift from

BLX. The rollout of Neodent and Zinedent implants, Medentika's multiplatform prosthetics and botiss biomaterials also contributed to growth. By market, France, Russia and the Middle East were the main drivers, complemented by strong performances in Austria, Belgium, Hungary, Norway, South Africa and distributor markets.

#### **Further customer gains in North America**

North America, reported another strong first half with organic revenue again climbing 18%. Revenue amounted to CHF 230 million or 30% of the Group total.

In Q2, organic growth edged up to 19%, driven by the US implant business and ClearCorrect, which continues to grow dynamically in its home market. Further customer gains contributed to the strong growth in implants, which was driven by Straumann BLT and Neodent GM, with an additional contribution from pre-launch sales of Straumann BLX ahead of the full market release. Emdogain and the introduction of botiss' Jason Membrane fueled strong growth in biomaterials. The Group made further gains in the DSO segment, which already accounts for 10% of the region's sales.

#### **Continued outperformance as APAC tops exceptional Q2 in prior year**

With an organic increase of 19%, APAC continued to be the fastest-growing region in the first half. Including acquisition and FX effects, growth amounted to 18% in Swiss-francs, as revenue reached CHF 147 million.

All major countries continued to perform well in Q2, although growth eased to 16%, reflecting the exceptionally strong comparative period of last year, which was boosted by key product rollouts in China and digital equipment sales in Japan. China continued to be the growth powerhouse, supported by contributions from Australia and Thailand, driven by increasing sales of premium and non-premium implants as well as digital equipment .

#### **Latin America posts double-digit growth in a challenging economic environment**

In a more stable socio-political environment, the Group achieved first-half organic growth of 19% in Latin America. However, currency weaknesses – most notably the Brazilian Real – cut the increase in Swiss francs to just 8%, bringing regional revenue to CHF 68 million.

The currency impact eased slightly in Q2, when growth in organic and Swiss-franc terms reached 18% and 10% respectively. The performance was good throughout the region, especially in Argentina, Columbia, Mexico, Peru and Chile. Brazil, which still generates roughly 80% of the region's sales, achieved solid double-digit growth, driven by Neodent and Straumann implants and boosted by biomaterials, with additional lift from the successful launch of ClearCorrect. To meet demand for the latter and for its value implants, the Group expects to open a new production facility in Curitiba in Q4.

REVENUE BY REGION	Q2 2019	Q2 2018	H1 2019	H1 2018
in CHF million				
<b>Europe, Middle East &amp; Africa (EMEA)</b>	<b>174.2</b>	<b>156.9</b>	<b>334.9</b>	<b>303.9</b>
Change CHF	11.0%	27.5%	10.2%	24.4%
Change w/out FX	16.0%	20.7%	15.2%	16.7%
Change organic	12.9%	17.0%	13.6%	13.4%
% of Group total			42.9%	44.6%
<b>North America</b>	<b>120.2</b>	<b>99.8</b>	<b>230.4</b>	<b>190.1</b>
Change CHF	20.4%	32.3%	21.2%	27.4%
Change w/out FX	19.0%	31.1%	18.3%	30.2%
Change organic	18.8%	19.0%	18.1%	18.1%
% of Group total			29.5%	27.9%
<b>Asia / Pacific</b>	<b>75.4</b>	<b>66.1</b>	<b>147.2</b>	<b>124.9</b>
Change CHF	14.1%	40.6%	17.8%	34.3%
Change w/out FX	16.7%	34.9%	19.6%	30.9%
Change organic	16.0%	32.5%	18.9%	28.8%
% of Group total			18.9%	18.3%
<b>Latin America</b>	<b>38.0</b>	<b>34.5</b>	<b>67.5</b>	<b>62.5</b>
Change CHF	10.2%	9.2%	8.0%	9.8%
Change w/out FX	17.6%	20.2%	18.5%	21.0%
Change organic	17.6%	20.0%	18.5%	20.7%
% of Group total			8.7%	9.2%
<b>GROUP</b>	<b>407.8</b>	<b>357.3</b>	<b>780.0</b>	<b>681.5</b>
Change CHF	14.1%	29.0%	14.5%	25.4%
Change w/out FX	17.1%	25.9%	17.2%	23.1%
Change organic	15.6%	20.4%	16.3%	17.9%

### Patent settlement with Align

In Q1, the Group settled a longstanding patent dispute between ClearCorrect and Align Technology. As the potential scanner collaboration mentioned in the agreement did not materialize, Straumann has paid an additional CHF16 million to Align in order to complete the settlement. Including considerations that were made in the ClearCorrect acquisition agreement, the Group booked a total one-time expense of CHF 26 million for the settlement in its H1 results.

### OPERATIONS AND FINANCES

The Group has started to implement alternative performance measure (APM) reporting in accordance with a new directive from the Swiss Stock Exchange and international practice in the sector. For clarity and to facilitate a year-on-year comparison in this transition year, the Group is continuing to present its key figures:

- as reported according to 'IFRS' as well as 'before exceptionals'
- In addition, the income statement is now also shown on a 'core' basis. Core figures exclude the same exceptional items as well as acquisition-related asset amortizations.

In the first six months of 2019, the following effects were defined as non-core items:

- The Align Technology patent dispute settlement charge of CHF 25.5 million or CHF 22.3 million after tax deduction ('Administrative expense')
- Fire damages at Dental Wings of CHF 6.8 million ('COGS') and CHF 2.3 million ('Administrative expense'); the insurance coverage to date amounts to CHF 8.7 million ('Other income')
- Amortization of acquisition-related intangible assets of CHF 8.9 million (EBIT level)
- Consolidation gains of CHF 6.0 million related to the acquisition/consolidation of Zinedent, Anthogyr, Abutment Direct and Valoc (below EBIT)

A reconciliation table is shown on page 12 of this media release.

The adoption of the new lease standard IFRS 16 led to changes in first-half EBITDA, EBIT and net profit margins of 160bps (+CHF 13 million), 20bps (+CHF 2 million), and -20bps (- CHF 1 million), respectively.

### **Double-digit volume expansion lifts gross profit**

In the first six months of 2019, double-digit topline growth and a more favorable mix of products sold fueled an increase in gross profit. Core gross profit amounted to CHF 603 million and the respective margin reached 77%. This was CHF 81 million higher in absolute terms and the respective margin was 60bps higher than in the prior year, despite the fact that the company had to absorb currency headwind of 40bps. Impairment charges related to plant equipment and inventories destroyed by fire at the Group's subsidiary Dental Wings in Montreal amounted to CHF 8 million. This and an exceptional inventory-revaluation expense of CHF 9 million following the acquisition of Batigroup in the prior year, were excluded from the core results.

### **Core EBITDA margin close to 32%**

Operational gearing and benefits of the new accounting standard resulted in an increase of 160bps in the core EBITDA margin compared with the prior-year period. Distribution expenses (core), which comprise sales-force salaries, commissions, and logistics costs, rose CHF 22 million to CHF 159 million as the company entered new businesses and invested further in its premium and non-premium distribution network. Administrative expenses, which include R&D, marketing and general overhead costs, increased CHF 59 million on a reported basis and include costs for the patent dispute settlement with Align Technology as well as building facility impairment charges related to the fire in Montreal. Excluding these non-core items, administrative expenses rose CHF 31 million to CHF 231 million. As a percentage of sales, administrative expenses increased 30bps.

Substantial investments in production and the adoption of IFRS 16 were the main drivers of increased depreciation & amortization expenses, which amounted to CHF 32 million, CHF 16 million higher than in the first half of 2018. Core operating profit (EBIT) rose 15% and the corresponding margin edged up to 28%. The operating margin rose 20bps due to the one-time IFRS 16 effect and would have been even higher, had it not been for unfavorable foreign exchange movements. In contrast to the first half of 2018, when the Group benefitted from a currency tailwind of 120bps, currency headwind this year reduced operating profit by 70bps.

**Net profit increases 11%**

(Net) financial expenses increased CHF 5 million to CHF 11 million, mainly reflecting additional interest expenses on lease liabilities of CHF 3 million, following the implementation of IFRS 16.

As a result of the consolidation of its former associates Abutment Direct, Anthogyr, Valoc and Zinedent, the Group registered a gain on consolidation of CHF 6 million, which is shown in a separate line under 'Gain on consolidation of former associates'. The Group's share of results from associate partners improved by CHF 8 million, primarily because of an impairment charge for RODO Medical in 2018.

The rise in profitability led to an income-tax increase of CHF 5 million, translating into a corporate tax rate of 15%. The core tax rate amounted to 16%, which is broadly in line with the Group's long-term guidance.

Before the aforementioned effects, core net profit increased 11% to CHF 170 million, with the corresponding margin reaching 22%. Without the one-time IFRS 16 effect the net profit margin would have been 20bps higher. Core basic earnings per share increased by more than one Swiss franc to CHF 10.64.

**Free cash flow reaches CHF 58 million**

The improved operating result lifted cash flow from operations by CHF 24 million to CHF 131 million. Strong volume growth, a higher share of sales in emerging markets and a significant increase in stock-keeping-units (SKUs) collectively increased cash outflow for net working capital by CHF 7 million to CHF 57 million. Days of sales outstanding (DSO) increased by three to 62, while 'Days of supplies' decreased by 6 to 185. Interest and tax payments increased by CHF 11 million.

To cater for future growth, the Group is investing heavily in capacity expansion at several production sites. This includes additional machinery and buildings in Villeret (CH), Round Rock (USA) and Curitiba (BR). As a result, CAPEX increased by CHF 29 million to CHF 73 million and includes CHF 15 million related to the acquisition of Anthogyr. The combination of these effects resulted in a free cash flow of CHF 58 million.

This year's free cash flow and existing cash were used to acquire/increase stakes in: Anthogyr, etkon (Schweiz), Valoc, Zinedent and a new distributor in Chile. The cash considerations for these investments totaled CHF 45 million. Taking CAPEX, financial investments and other items into account, cash used for investing activities in the first six months of the year reached CHF 122 million.

Net debt increased sharply to CHF 345 million due the aforementioned CAPEX and financial investments as well as the annual dividend payment of CHF 83 million and the recognition of lease liabilities according to IFRS 16. The latter was also the main reason why the balance sheet total on 30 June 2019 increased from the end of 2018 by 19% to CHF 2.2 billion.

**OUTLOOK RAISED (barring unforeseen circumstances)**

As stated in February with the 2018 full-year results, the Group expects the global dental implant market to continue growing at about 4-5% in 2019. Based on the first-half results, it is

raising its expectation for full-year organic revenue growth from the low-teens to the low-to-mid-teen percentage range. Excluding the impact of currency exchange rates, top-line growth and operational leverage should result in core EBITDA and EBIT margin improvements, in spite of further investments in Sales & Marketing and Research & Development. These profitability objectives exclude exceptional effects related to acquisitions as well as the impact of adopting IFRS 16 (lease accounting).

#### **About Straumann**

The Straumann Group (SIX: STMN) is a global leader in tooth replacement and orthodontic solutions that restore smiles and confidence. It unites global and international brands that stand for excellence, innovation and quality in replacement, corrective and digital dentistry, including Anthogyr, ClearCorrect, Dental Wings, Neodent, Medentika, Straumann and other fully/partly owned companies and partners. In collaboration with leading clinics, institutes and universities, the Group researches, develops, manufactures and supplies dental implants, instruments, CAD/CAM prosthetics, biomaterials and digital solutions for use in tooth replacement and restoration or to prevent tooth loss.

Headquartered in Basel, Switzerland, the Group currently employs approx. 6900 people worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

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#### **Disclaimer**

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#### **Media and analysts' conference**

Straumann's 2019 first-half results conference will take place at 10:30h Swiss time in Basel today. The event will be webcast live on the internet ([www.straumann-group.com/webcast](http://www.straumann-group.com/webcast)). The audio webcast of the conference call will be available for the next month.

The telephone conference can be accessed at:

Europe: +41 (0) 58 310 50 09

UK: +44 (0) 207 107 06 13

USA: +1 (1) 631 570 56 13

**Presentation**

The conference presentation slides are available at [www.straumann-group.com/2019-hy-presentation](http://www.straumann-group.com/2019-hy-presentation) and on the Media and Investors pages at [www.straumann-group.com](http://www.straumann-group.com).

**UPCOMING CORPORATE / INVESTOR EVENTS**

Details of forthcoming investor relations activities are published on [www.straumann-group.com](http://www.straumann-group.com) (Investor information > Investor calendar).

<b>2019</b>	<b>Event</b>	<b>Location</b>
29 August	Healthcare reverse roadshow / Octavian	Basel
03 September	Investor meetings	Milan
04 September	Goldman Sachs Medtech conference	London
05 September	Investor meetings	London
06 September	UBS Best of Switzerland conference	Zurich
16 September	Investor meetings	Toronto
17 September	Investor meetings	Boston
<b>29 October</b>	<b>Q3 sales update</b>	<b>Webcast</b>

## Interim selected financial information

### OPERATING PERFORMANCE

(in CHF million)	H1, 2019	H1, 2018
Revenue	780.0	681.5
Change in %	14.5	25.4
Gross profit	595.1	512.9
Margin in %	76.3	75.3
Operating profit before depreciation and amortization (EBITDA)	223.2	194.3
Margin in %	28.6	28.5
Change in %	14.9	24.5
Operating profit (EBIT)	179.3	169.8
Margin in %	23.0	24.9
Change in %	5.6	23.2
Net Profit	146.5	132.9
Margin in %	18.8	19.5
Change in %	10.2	( 5.6)
Basic earnings per share (in CHF)	9.21	8.20

### FINANCIAL PERFORMANCE

(in CHF million)	H1, 2019	H1, 2018
Cash and cash equivalents	191.0	246.3
Net working capital (net of cash)	308.1	244.3
Net cash / (net debt)	(345.4)	( 28.5)
Inventories	211.3	172.2
Days of supplies	185	191
Trade receivables	281.2	233.4
Days of sales outstanding	62	59
Balance sheet total	2 227.1	1 713.9
Return on assets in % (ROA)	14.3	15.6
Equity	1 249.5	1 090.4
Equity ratio in %	56.1	63.6
Return on equity in % (ROE)	23.9	24.5
Capital employed	1 435.3	990.9
Return on capital employed in % (ROCE)	29.3	35.8
Cash generated from operating activities	130.8	106.7
in % of revenue	16.8	15.7
Investments	120.3	63.0
in % of revenue	15.4	9.2
thereof capital expenditures	73.2	44.4
thereof associates related	0.9	10.6
thereof contingent consideration related	1.4	5.5
thereof business combination related	44.8	2.5
Free cash flow	57.9	62.3
in % of revenue	7.4	9.1
Dividend	83.1	75.1

## Alternative Performance Measures

The financial information in this media release includes certain Alternative Performance Measures (APMs), which are not accounting measures defined by IFRS. The Group believes that the disclosure of core measures leads to a better understanding of its performance as they exclude items that are either one-time or exceptional in nature. Therefore, the core results exclude effects related, for example, to M&A transactions, impairments, restructuring, legal cases, exceptional pension-plan settlements, and other one-time items that may vary significantly over periods. The core measures enable better comparison of business performance across two comparable periods. Because of their non-standardized definitions, the core measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These core measures are not, and should not be viewed as, a substitute for IFRS measures.

### CORE RESULTS RECONCILIATION

H1, 2019 (in CHF 1 000)	IFRS	PPA amortizations	Impairments	Legal cases <sup>4</sup>	Consolidation result of former	Other <sup>5</sup>	CORE
Revenue	780 034						780 034
Cost of goods sold	(184 955)	628				6 774	(177 554)
Gross profit	595 078	628				6 774	602 480
Other income	10 795					(8 661)	2 134
Distribution expense	(164 660)	5 193					(159 467)
Administrative expense	(261 917)	3 099		25 500		2 314	(231 003)
Operating profit	179 297	8 920		25 500		427	214 144
Finance income	34 159						34 159
Finance expense	(44 877)						(44 877)
Gain on consolidation of former associates	5 967				(5 967)		0
Share of result of associates	(1 391)						(1 391)
Profit before income tax	173 154	8 920		25 500	(5 967)	427	202 034
Income tax expense	(26 664)	(2 500)		(3 188)		(113)	(32 465)
<b>NET PROFIT</b>	<b>146 490</b>	<b>6 420</b>		<b>22 313</b>	<b>(5 967)</b>	<b>314</b>	<b>169 570</b>
Attributable to:							
Shareholders of the parent company	145 856	6 099		22 313	(5 967)	314	168 614
Non-controlling interests	634	321					955
Earnings per share (EPS) (in CHF):							
Basic earnings per share attributable to ordinary shareholders of the parent company	9.21						10.64
Diluted earnings per share attributable to ordinary shareholders of the parent company	9.18						10.60
Operating profit	179 297	8 920		25 500		427	214 144
Depreciation & amortization	(43 887)	8 367				3 180	(32 340)
<b>EBITDA</b>	<b>223 183</b>	<b>553</b>		<b>25 500</b>		<b>(2 753)</b>	<b>246 483</b>

<sup>4</sup> 'Legal cases' in H1 2019 refers to the Align patent dispute settlement - please see Note 4 of the interim condensed consolidated financial statements.

<sup>5</sup> 'Others' refers to impairment charges on building, machinery and inventories damaged by the Dental Wings subsidiary fire, and the expected insurance compensation.

H1, 2018 (in CHF 1 000)	IFRS	PPA amortizations	Impairments <sup>6</sup>	Legal cases	Consolidation result of former	Other	CORE
Revenue	681 458						681 458
Cost of goods sold	(168 523)	8 811					(159 712)
Gross profit	512 935	8 811					521 746
Other income	1 644						1 644
Distribution expense	(142 336)	5 046					(137 289)
Administrative expense	(202 475)	2 905					(199 570)
Operating profit	169 768	16 763					186 531
Finance income	42 525						42 525
Finance expense	(48 255)						(48 255)
Gain on consolidation of former associates	0						0
Share of result of associates	(9 185)		7 688				(1 497)
Profit before income tax	154 853	16 763	7 688				179 303
Income tax expense	(21 964)	(4 296)					(26 260)
NET PROFIT	132 889	12 467	7 688				153 044
Attributable to:							
Shareholders of the parent company	129 689	12 166	7 688				149 543
Non-controlling interests	3 199	301					3 500
Earnings per share (EPS) (in CHF):							
Basic earnings per share attributable to ordinary shareholders of the parent company	8.20						9.45
Diluted earnings per share attributable to ordinary shareholders of the parent company	8.16						9.41
Operating profit	169 768						186 531
Depreciation & amortization	(24 493)	7 951					(16 542)
EBITDA	194 261	8 811					203 072

<sup>6</sup> Impairment charge of the investment in the associated company RODO Medical, due to the delay in the development and commercialization of the company's prosthetic-retention system.

## Interim consolidated statement of financial position

### ASSETS

(in CHF 1 000)	30 Jun 2019	31 Dec 2018
Property, plant and equipment	287 169	230 206
Right-of-use assets	240 419	0
Intangible assets	714 941	652 443
Investments in associates	84 099	106 102
Financial assets	35 384	34 907
Other receivables	6 307	5 814
Deferred income tax assets	71 840	70 066
<b>Total non-current assets</b>	<b>1 440 159</b>	<b>1 099 538</b>
Inventories	211 314	182 053
Trade and other receivables	374 905	296 030
Financial assets	878	1 082
Income tax receivables	8 834	7 192
Cash and cash equivalents	191 028	278 674
<b>Total current assets</b>	<b>786 959</b>	<b>765 031</b>
<b>TOTAL ASSETS</b>	<b>2 227 118</b>	<b>1 864 569</b>

### EQUITY AND LIABILITIES

(in CHF 1 000)	30 Jun 2019	31 Dec 2018
Share capital	1 588	1 588
Retained earnings and reserves	1 242 338	1 199 336
<b>Total equity attributable to the shareholders of the parent company</b>	<b>1 243 926</b>	<b>1 200 924</b>
Non-controlling interests	5 606	3 396
<b>Total equity</b>	<b>1 249 532</b>	<b>1 204 320</b>
Interest-bearing borrowings	0	199 862
Financial liabilities	267 402	39 917
Other liabilities	39 511	29 286
Provisions	19 067	23 804
Retirement benefit obligations	62 998	59 185
Deferred income tax liabilities	32 545	36 211
<b>Total non-current liabilities</b>	<b>421 523</b>	<b>388 265</b>
Trade and other payables	262 716	223 299
Interest-bearing borrowings	249 285	0
Financial liabilities	19 782	22 103
Income tax payables	24 263	26 458
Provisions	17	124
<b>Total current liabilities</b>	<b>556 064</b>	<b>271 984</b>
<b>Total liabilities</b>	<b>977 586</b>	<b>660 249</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 227 118</b>	<b>1 864 569</b>

## Interim consolidated income statement

(in CHF 1 000)	H1, 2019	H1, 2018
Revenue	780 034	681 458
Cost of goods sold	(184 955)	(168 523)
Gross profit	595 078	512 935
Other income	10 795	1 644
Distribution expense	(164 660)	(142 336)
Administrative expense	(261 917)	(202 475)
Operating profit	179 297	169 768
Finance income	34 159	42 525
Finance expense	(44 877)	(48 255)
Gain on consolidation of former associates	5 967	0
Share of result of associates	(1 391)	(9 185)
Profit before income tax	173 154	154 853
Income tax expense	(26 664)	(21 964)
<b>NET PROFIT</b>	<b>146 490</b>	<b>132 889</b>
Attributable to:		
Shareholders of the parent company	145 856	129 689
Non-controlling interests	634	3 199
Earnings per share (EPS):		
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	9.21	8.20
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	9.18	8.16

**Interim consolidated statement of comprehensive income**

(in CHF 1 000)	H1, 2019	H1, 2018
Net profit	146 490	132 889
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>		
Net foreign exchange result on net investment loans	(10 872)	(5 192)
Share of other comprehensive income of associates accounted for using the equity method	2 462	184
Exchange differences on translation of foreign operations	383	(52 575)
Income tax effect	1 025	470
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	(7 003)	(57 113)
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>		
Change in fair value of financial instruments designated through other comprehensive income	783	( 862)
Remeasurements of retirement benefit obligations	(2 043)	7 261
Income tax effect	305	( 877)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	( 955)	5 522
Other comprehensive income, net of tax	(7 957)	(51 591)
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>138 533</b>	<b>81 298</b>
<b>Attributable to:</b>		
Shareholders of the parent company	138 788	78 356
Non-controlling interests	( 256)	2 942

## Interim consolidated cash flow statement

(in CHF 1 000)	H1, 2019	H1, 2018
<b>Net profit</b>	146 490	132 889
Adjustments for:		
Income tax expense	26 664	21 964
Interest and other financial result	10 718	5 730
Gain on consolidation of former associates	(5 967)	0
Share of result of associates	1 391	9 185
Depreciation and amortization	43 887	24 493
Change in provisions, retirement benefit obligations and other liabilities	(3 214)	(1 142)
Change in long-term assets	431	( 277)
Share-based payments expense	6 912	6 107
Result on disposal of property, plant and equipment	( 66)	265
Working capital adjustments:		
Change in inventories	(12 881)	(15 185)
Change in trade and other receivables	(70 571)	(49 540)
Change in trade and other payables	26 582	412
Interest paid	(6 810)	(4 793)
Interest received	955	1 612
Income tax paid	(33 710)	(25 050)
<b>Net cash from operating activities</b>	130 810	106 670

## Interim consolidated cash flow statement

(in CHF 1 000)	H1, 2019	H1, 2018
Purchase of financial assets	0	( 493)
Proceeds from sale of financial assets	0	478
Purchase of property, plant and equipment and intangible assets	(73 211)	(44 363)
Purchase of investments in associates	( 867)	(10 610)
Acquisition of a business, net of cash acquired	(44 783)	(2 514)
Contingent consideration paid	(1 408)	(5 463)
Disbursement of loans	(3 043)	(2 003)
Proceeds from loans	995	0
Dividends received from associates	75	192
Net proceeds from sale of non-current assets	260	34
<b>Net cash used in investing activities</b>	<b>(121 982)</b>	<b>(64 742)</b>
Purchase of non-controlling interests	(47 365)	0
Dividends paid to the equity holders of the parent	(83 126)	(75 120)
Dividends paid to non-controlling interests	( 580)	( 59)
Increase in current financial debt	50 159	0
Repayment of non-current financial debt	( 854)	0
Payment of lease liabilities	(13 739)	( 613)
Sale of treasury shares	5 061	5 144
Purchase of treasury shares	(4 816)	(4 205)
<b>Net cash used in financing activities</b>	<b>(95 260)</b>	<b>(74 853)</b>
Exchange rate differences on cash held	(1 214)	(2 571)
Net change in cash and cash equivalents	(87 646)	(35 496)
Cash and cash equivalents at 1 January	278 674	281 816
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>191 028</b>	<b>246 320</b>

## Interim consolidated statement of changes in equity

H1, 2019  (in CHF 1 000)	Attributable to the shareholders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total		
At 1 January 2019	1 588	31 412	(19 870)	(169 045)	1 356 839	1 200 924	3 396	1 204 320
Net profit					145 856	145 856	634	146 490
Other comprehensive income				(9 599)	2 532	(7 067)	( 890)	(7 957)
Total comprehensive income	0	0	0	(9 599)	148 387	138 788	( 256)	138 533
Dividends to equity holders of the parent					(83 126)	(83 126)		(83 126)
Dividends to non-controlling interests						0	( 580)	( 580)
Share-based payment transactions					7 291	7 291		7 291
Purchase of treasury shares			(4 816)			(4 816)		(4 816)
Sale of treasury shares			14 605		(9 544)	5 061		5 061
Changes in consolidation group						0	(18 269)	(18 269)
Put options to non-controlling interests					(20 196)	(20 196)	21 315	1 119
AT 30 JUNE 2019	1 588	31 412	(10 080)	(178 644)	1 399 651	1 243 926	5 606	1 249 532

H1, 2018  (in CHF 1 000)	Attributable to the shareholders of the parent company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total		
At 1 January 2018	1 588	31 412	(25 884)	(86 645)	1 156 723	1 077 195	( 150)	1 077 044
Net profit					129 689	129 689	3 199	132 889
Other comprehensive income				(57 510)	6 176	(51 334)	( 257)	(51 591)
Total comprehensive income	0	0	0	(57 510)	135 865	78 356	2 942	81 298
Dividends to equity holders of the parent					(75 120)	(75 120)		(75 120)
Dividends to non-controlling interests						0	( 59)	( 59)
Share-based payment transactions					6 107	6 107		6 107
Purchase of treasury shares			(4 205)			(4 205)		(4 205)
Sale of treasury shares			10 239		(5 095)	5 144		5 144
Put options to non-controlling interests					2 645	2 645	(2 417)	229
AT 30 JUNE 2018	1 588	31 412	(19 850)	(144 155)	1 221 126	1 090 121	316	1 090 438

## Notes to the interim condensed consolidated financial statements

### 1 CORPORATE INFORMATION

Straumann Holding AG is a public company incorporated and domiciled in Switzerland, whose shares are publicly traded on the SIX Swiss Exchange. The unaudited interim condensed consolidated financial statements of the Straumann Group for the six months ending 30 June 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 8 August 2019.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ending 30 June 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They provide an update of previously reported information and should be read in conjunction with the Group's annual financial statements as at 31 December 2018. All values disclosed are rounded to the nearest thousand except where otherwise indicated. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except as described below:

- IFRS 16 'Leases' (effective 1 January 2019):

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

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

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

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

(in CHF 1000)	
Operating lease commitments disclosed as at 31 December 2018	151 908
Discounting, using the lessee's incremental borrowing rate at the date of initial application	(37 647)
Discounted operating lease commitments	114 262
Add: finance lease liabilities recognized as at 31 December 2018	2 049
(Less): short-term leases recognized on a straight-line basis as expense	(1 129)
(Less): low-value leases recognized on a straight-line basis as expense	(6 400)
Add: adjustments as a result of a different treatment of extension and termination options	83 083
Lease liabilities recognized as at 1 January 2019	191 864

As at 1 January 2019, the Group recognized CHF 191.9 million of right-of-use assets and lease liabilities. In the period under review, the Group's income statement was impacted by a shift from 'Cost of goods sold' (CHF -0.2 million), 'Distribution expense' (CHF -0.1 million) and 'Administrative expense' (CHF -1.6 million) to 'Finance expense' (CHF 3.2 million). During the same period, the main impact on the Group's cash flow statement was a shift from the 'Net cash from operating activities' (CHF 13.1 million) to the 'Net cash used in financing activities' (CHF -13.1 million). Overall, IFRS 16 was cash-flow neutral for the Group.

The Group's updated accounting policies are as follows:

#### Leases

The Group leases various buildings, plant and machinery and other equipment. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability (included in 'Financial liabilities') at the commencement of the lease. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### Right-of-use assets

Right-of-use assets are measured at cost and comprise the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis, using country-specific incremental borrowing rates. This rate is calculated based on the risk-free rate of the country plus a premium considering the Group's risk premium.

Following lease payments are included in the net present value:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT-equipment.

Extension and termination options are included in a number of lease contracts across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The following interpretation and amendment apply for the first time in 2019 but do not have an impact on the interim condensed consolidated financial statements of the Group:

- IFRIC 23 '*Uncertainty over income tax treatments*' (effective 1 January 2019)
- IAS 19 (Amendments) '*Plan Amendment, Curtailment or Settlement*' (effective 1 January 2019)

The following amendments have been published but are not yet effective:

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

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts. Because of the inherent uncertainties, actual outcomes and results may differ from these estimates and assumptions.

### **3 SEASONALITY OF OPERATIONS**

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

### **4 ALIGN PATENT DISPUTE SETTLEMENT**

In the first half of 2019, the Group paid USD 35.0 million to settle a longstanding patent dispute between its ClearCorrect subsidiary and Align Technology. A further USD 16.0 million will be paid to complete the settlement because the potential scanner collaboration mentioned in the agreement did not materialize. Of the total amount of USD 51.0 million, the Group has recognized a one-time administrative expense (including legal expenses) of

CHF 25.5 million (USD 25.6 million) in the half-year income statement. The remainder of the settlement costs was already considered as part of the acquisition accounting of ClearCorrect.

## 5 BUSINESS COMBINATIONS

### ANTHOGYR GROUP

On 21 May 2019, the Group increased its stake in the French group Anthogyr from 30% to full ownership. Anthogyr develops, manufactures and sells high quality, innovative, implant and CAD/CAM solutions. As a result, the Group obtained control and started to consolidate Anthogyr in its financial statements from that date. Up to 20 May 2019, Anthogyr was accounted for using the 'equity method' and therefore the Group's share of results was reported as 'Share of results of associates' in the Group's income statement.

The net assets recognized as part of this acquisition, excluding cash and cash equivalents, are provisional, as the purchase price allocation had not been completed when these financial statements were approved by the Board of Directors. The provisional fair value of the identifiable assets and liabilities amounted to CHF 16.9 million and goodwill of CHF 38.3 million. The total consideration amounted to CHF 55.2 million, comprising the fair value of the previously-held interest of CHF 16.3 million and the purchase price of CHF 38.9 million paid in cash.

The Group recognized an overall gain of CHF 0.6 million as a result of derecognizing the 30% equity interest it held in Anthogyr before the business combination, mostly in conjunction with translation gains reclassified from other comprehensive income to the income statement. This effect is shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

From the acquisition date, Anthogyr contributed revenues of CHF 4.6 million, with no material impact on net profit. If Anthogyr had been included as of 1 January 2019, management estimates the impact on consolidated revenues and consolidated net income for the six months ended 30 June 2019 would have been CHF 25.5 million and no material impact on net profit.

### OTHER BUSINESS COMBINATIONS

Besides Anthogyr, the Group executed five additional business combinations (Zinedent Implant Uretim Anonim Sirketi ('Zinedent'), etkon (Schweiz) AG, Valoc AG, Abutment Direct Inc. and the Chilean distributor of Alpha Bio). These business combinations had no material impact on the Group's revenues or net profit, neither from the acquisition date, nor when considering their inclusion as of 1 January 2019.

The total cash considerations for these acquisitions amounted to CHF 6.7 million. Additional contingent consideration payments depend on the performance of the acquired businesses. In two cases the Group has written put options granting the holders of the non-controlling interests the right to sell their remaining shares to the Group. At the balance-sheet date, the fair value of these financial liabilities collectively amounted to CHF 26.4 million.

As a result of derecognizing its equity interest of the former associates Zinedent, Valoc AG and Abutment Direct Inc., the Group realized an overall gain on consolidation of CHF 5.4 million, which is shown in a separate line in the income statement under 'Gain on consolidation of former associates'.

## 6 DIVIDENDS PAID

On 11 April 2019, Straumann Holding AG paid a dividend of CHF 5.25 (2018: CHF 4.75) per share to its shareholders. The total amount of the gross dividend paid was CHF 83.1 million (2018: CHF 75.1 million).

## 7 FINANCIAL INSTRUMENTS

### FAIR VALUES

The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables with a remaining term of up to twelve months, as well as other current financial assets and liabilities, represent a reasonable approximation of their fair values due to the short-term maturities of these instruments.

The fair value of equity instruments quoted in an active market is based on price quotations at the period-end date. The inaugural CHF 200.0 million domestic straight bond is listed on the SIX Swiss Exchange and the fair value is derived from quoted market prices.

The fair value of the put options granted to non-controlling interests mainly relates to the business combinations with Medentika, Valoc AG and Abutment Direct Inc.

The fair value of derivatives is determined on the basis of input factors observed directly or indirectly on the market. The fair value of foreign exchange forward contracts and non-deliverable forwards are based on forward exchange rates.

The unquoted equity instruments allocated to Level 3 hierarchy relate to a fund that is dedicated exclusively to investments in dental-related opportunities in China. As the market for this investment is not active or no market is available, fair value is determined based on the valuation techniques the fund uses to calculate its net asset value.

Other financial liabilities allocated to Level 3 hierarchy include the contingent considerations in conjunction with the business combinations of Batigroup, the Chilean distributor of Alpha Bio, and Zinedent.

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

### Fair value hierarchy

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

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

At 30 June 2019 and 31 December 2018, the Group held the following financial instruments:

	30 Jun 2019					Fair value
	Amortized cost	Carrying amount (by measurement basis)			Total carrying amount	
		Level 1	Level 2	Level 3		
<b>Financial assets</b>						
Derivative financial assets			629		629	
Equity instruments		9 069		5 356	14 425	
Convertible bonds				351	351	
Loans and other financial receivables	20 857				20 857	
Other receivables	37 365				37 365	
Trade receivables	281 170				281 170	
Cash and cash equivalents	191 028				191 028	
<b>Financial liabilities</b>						
Straight bond	(199 921)				(199 921)	(203 430)
Derivative financial liabilities			(904)		(904)	
Put options to non-controlling interests				(26 854)	(26 854)	
Lease Liabilities	(244 784)				(244 784)	
Other financial liabilities	(64 006)			(40 309)	(104 315)	
Trade payables	(51 842)				(51 842)	
Other payables	(63 127)				(63 127)	

  

	31 Dec 2018					Fair value
	Amortized cost	Carrying amount (by measurement basis)			Total carrying amount	
		Level 1	Level 2	Level 3		
<b>Financial assets</b>						
Derivative financial assets			847		847	
Equity instruments		6 861		6 784	13 645	
Convertible bonds				351	351	
Loans and other financial receivables	21 145				21 145	
Other receivables	19 656				19 656	
Trade receivables	231 301				231 301	
Cash and cash equivalents	278 674				278 674	
<b>Financial liabilities</b>						
Straight bond	(199 862)				(199 862)	(204 380)
Derivative financial liabilities			(345)		(345)	
Put options to non-controlling interests				(53 377)	(53 377)	
Other financial liabilities	(8 298)			(27 347)	(35 645)	
Trade payables	(47 557)				(47 557)	
Other payables	(58 991)				(58 991)	

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

(in CHF 1000)	Financial assets	Financial liabilities
As at 1 January 2019	7 135	(80 724)
Additions	0	(26 580)
Remeasurement recognized in OCI	(1 428)	189
Remeasurement recognized in profit or loss	0	( 288)
Remeasurement recognized in equity	0	(8 531)
Settlements	0	48 773
As at 30 June 2019	5 707	(67 162)

Settlements in Level 3 financial liabilities in 2019 relate mainly to the purchase of non-controlling interests from the minority shareholders of Medentika (CHF 47.4 million). Additions relate to contingent considerations payable and put options written to non-controlling interests in conjunction with the business combinations Zinedent, etkon (Schweiz) AG, Valoc AG, Abutment Direct Inc. and the Chilean distributor of Alpha Bio, which collectively total CHF -26.6 million.

There were no transfers between Level 1 and Level 2 fair-value measurements and no transfers into or out of Level 3 fair-value measurements during the six-month period ending 30 June 2019.

The fair value of the put options to non-controlling interests is based on the estimated redemption values by the Group in the event of full exercise. The fair values of the contingent considerations in conjunction with the business combinations are based on a profitability component (local contribution) (Batigroup and Zinedent) or on revenue targets (Chilean distributor of Alpha Bio). Significant unobservable inputs are the enterprise value (based on EBITDA multiple) (Medentika), the expected local contribution (Batigroup and Zinedent) or the expected revenues (Chilean distributor of Alpha Bio). At balance-sheet date, the Group has assessed the expected target achievement set for these companies in order to determine the estimated redemption values.

## 8 SEGMENT INFORMATION

### OPERATING SEGMENTS

Operating segments requiring to be reported are determined based on the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as the internal financial reporting to the Chief Operating Decision Maker (CODM), which has been identified as the Executive Management Board (EMB). The EMB is responsible for the operational management of the Group, in line with the instructions issued by the Board of Directors. It is also responsible for global strategy and stakeholder management.

The reporting segments are presented in a manner consistent with the internal reporting to the CODM. The centralized headquarters support functions (e.g. Finance, Information Technology, Human Resources) as well as the functions 'Customer Solutions & Education' and 'Research & Development' are not operating segments, as they do not earn separate revenues. These functions are grouped in the column 'Not allocated items'.

The disclosed operating segments are defined as follows:

#### Sales Europe

'Sales Europe' comprises the Group's distribution businesses in Europe. It also includes Medentika's distribution business and its manufacturing plant in Germany (which produces implants and prosthetic components), the implant-borne prosthetics business of Createch as well as the business of Anthogyr, which develops, manufactures and sells dental-implant systems and CAD/CAM solutions. The segment also includes Dental Wings' distribution business in Europe, and segment-related management functions located in and outside Switzerland.

#### Sales Distributor & Emerging Markets EMEA

'Sales Distributor & Emerging Markets EMEA' comprises the Group's distribution businesses mainly in Turkey and Russia, as well as the business with European, African and Middle Eastern distributors. It includes segment-related management functions located in and outside Switzerland.

#### Sales NAM

'Sales NAM' comprises the Group's distribution businesses in the United States and Canada. It also includes ClearCorrect's clear-aligner business and its associated development and production activities in the United States. The segment also incorporates Dental Wings' distribution business in the United States and Canada, as well as its associated development and production activities in Canada. It includes segment-related management functions located in and outside Switzerland.

### Sales APAC

'Sales APAC' comprises the Group's distribution businesses in the Asia pacific region, as well as the business with Asian distributors. It also incorporates Equinox implants in India and the business of T-Plus, a Taiwanese company that develops and manufactures dental-implant systems with distribution channels in Taiwan and China. It includes Equinox's manufacturing plant in India (which produces implants and prosthetic components) and segment-related management functions located in and outside Switzerland.

### Sales LATAM

'Sales LATAM' comprises the Group's distribution businesses in Middle and South America as well as the business with Latin American distributors. It includes Neodent's distribution business in Brazil, its business with Latin American distributors and manufacturing plants in Brazil (which produce implants, biomaterials, CAD/CAM products and clear-aligners). It also includes segment-related management functions located in and outside Switzerland.

### Operations

'Operations' acts as the principal towards all distribution businesses of the Group. It includes the principal production sites for implant components and instruments in Switzerland and the United States, the CAD/CAM milling centers in China, Germany, Japan and the United States and the production site in Sweden for biomaterials and sterile packed products. The segment also incorporates all corporate logistics functions. It does not include the manufacturing sites of Neodent, Equinox, Medentika, ClearCorrect, Dental Wings, Createch, T-Plus and Anthogyr.

### INFORMATION ABOUT PROFIT OR LOSS, ASSETS AND LIABILITIES

The following tables' present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively.

H1, 2019 (in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Revenue third party	276 014	58 550	233 059	144 968	67 443	0	0	0	780 034
Revenue inter-segment	20 910	0	2 844	228	10 523	390 841	0	(425 346)	0
Total revenue	296 924	58 550	235 903	145 196	77 966	390 841	0	(425 346)	780 034
Operating profit	26 664	14 713	(5 948)	4 670	14 869	243 510	(112 798)	(6 383)	179 297
Financial result									(10 719)
Gain on consolidation of former associates									5 967
Share of result of associates									(1 391)
Income tax expense									(26 664)
<b>NET PROFIT</b>									<b>146 490</b>

H1, 2018 (in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Revenue third party	249 951	53 431	193 962	121 731	62 383	0	0	0	681 458
Revenue inter-segment	13 634	0	5 453	293	7 369	342 081	0	(368 829)	0
Total revenue	263 586	53 431	199 415	122 023	69 752	342 081	0	(368 829)	681 458
Operating profit	5 121	10 365	(258)	11 702	2 063	226 119	(80 961)	(4 384)	169 768
Financial result									(5 730)
Gain on consolidation of former associates									0
Share of result of associates									(9 185)
Income tax expense									(21 964)
<b>NET PROFIT</b>									<b>132 889</b>

The remaining operating profit under 'Eliminations' (H1 2019 and H1 2018) represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

The following tables' present segment assets of the Group's operating segments at 30 June 2019 and 31 December 2018:

at 30 Jun 2019 (in CHF 1 000)									
	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Segment assets	358 718	81 326	399 547	159 181	372 870	634 583	100 650	(262 986)	1 843 889
Unallocated assets									383 229
Group									2 227 118

at 31 Dec 2018 (in CHF 1 000)									
	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Segment assets	268 584	53 913	373 742	91 234	345 743	329 730	30 527	(119 735)	1 373 738
Unallocated assets									490 831
Group									1 864 569

## 9 REVENUE FROM CONTRACTS WITH CUSTOMERS

### Disaggregation of revenue from contracts with customers

The Group derives revenue from contracts with customers in the geographical regions, disclosed in Note 8.

## 10 EVENTS AFTER THE REPORTING PERIOD

### MEDIKADENT D.O.O.

On 1 July 2019, the Group acquired 100% of the issued shares in Medikadent d.o.o. (Medikadent), the Croatian distributor of Straumann Group products. The company has been renamed Straumann Adriatic d.o.o. and will serve as a regional hub for the local market and neighboring distributor markets in Albania, Bosnia Herzegovina, Kosovo and Montenegro. The total consideration amounts to CHF 2.5 million, of which CHF 1.1 million was paid upfront in cash, while the remaining CHF 1.4 million is to be settled according to a contingent consideration agreement.

The financial effects of this transaction were not recognized at 30 June 2019. The operating results, assets and liabilities of the acquired company will be consolidated as of 1 July 2019. On the date when the Group obtained control, its share of identifiable net assets had not yet been elaborated. Details of the assets taken over, the liabilities assumed, the future revenue and profit contribution of Medikadent and the effect on the Group's cash flow have not been disclosed, as the transaction accounting was incomplete when these consolidated financial statements were authorized for issue.

### DIGITAL PLANNING SERVICE PRIVATE LIMITED

On 30 July 2019, the Group acquired 100% of the issued shares in Digital Planning Service Private Limited ('Digital Planning Service'), a Pakistani company that operates in the field of treatment planning and diagnostics for clear aligners. The total consideration amounts to CHF 11.2 million, of which CHF 4.6 million was paid upfront in cash, while the remaining CHF 6.6 million is to be settled according to a contingent consideration agreement.

The financial effects of this transaction were not recognized at 30 June 2019. The operating results, assets and liabilities of the acquired company will be consolidated as of 30 July 2019. On the date when the Group obtained control, its share of identifiable net assets had not yet been elaborated. Details of the assets taken over, the liabilities assumed, the future revenue and profit contribution of Digital Planning Service and the effect on the Group's cash flow have not been disclosed, as the transaction accounting was incomplete when these consolidated financial statements were authorized for issue.

### YLLER BIOMATERIAIS S.A.

The Group has signed an agreement to acquire 100% of the issued shares in Yller Biomateriais S.A., a Brazilian company specialized in developing and manufacturing high-tech materials for 3D-printing. The total consideration amounts to CHF 9.7 million, of which CHF 6.9 million is to be paid upfront in cash, while the remaining CHF 2.8 million is to be settled according to a contingent consideration agreement.

The financial effects of this transaction were not recognized at 30 June 2019. The transaction is expected to close by the end of August 2019.

### WARANTEC CO. LTD.

The Group has signed an agreement to acquire a 33.5% non-controlling stake in Warantec Co. Ltd., a Korean implant company. The purchase price will amount to approximately CHF 10 million.

As the agreement was signed in July and the transaction is expected to close in the coming months, the financial effects were not recognized at 30 June 2019.