

Straumann Group sees sales pick up at end of tough first half, in which COVID-19 reduces revenue by 22% to CHF 605 million

- First-half revenue reaches CHF 605m, 22% less than in H1 2019 (organic 19%)
- Q2 revenue drops 39% (organic -36%), reaching trough in April and picking up in May/June, partly driven by pent-up demand as practices resume business
- Major online efforts to support customers in lock-down reflected in rebound: APAC leads improvement, followed by parts of Europe and North America, while LATAM struggles
- Digital equipment sales rise, thanks to safety and efficiency benefits
- Immediate cost reductions and short-time work soften impact of revenue shortfall and currency headwind, bringing core EBIT to CHF 100m; core EBITDA, EBIT and net profit margins reach 23%, 17% and 12%, respectively
- Despite difficult environment, Group generates CHF 61m cash from operating activities, but impairments of CHF 150m after tax and other exceptionals cut net result to CHF –94m
- Uncertainty due to pandemic prevents guidance for full-year revenue and earnings

in CHF million / margin changes rounded	H1 2020		H1 2019	
	IFRS	CORE ¹	IFRS	CORE ¹
Revenue	605.1	605.1	780.0	780.0
Change CHF		(22.4%)		14.5%
Change w/out FX		(17.0%)		17.2%
Change organic		(19.2%)		16.3%
Gross profit	421.3	429.8	595.1	602.5
Margin	69.6%	71.0%	76.3%	77.2%
Margin change CHF		(620bps)		60bps
Margin change w/out FX		(530bps)		100bps
EBITDA	123.9	140.8	223.2	246.5
Margin	20.5%	23.3%	28.6%	31.6%
Margin change CHF		(830bps)		180bps
Margin change w/out FX		(690bps)		250bps
EBIT	(73.8)	100.2	179.3	214.1
Margin	(12.2%)	16.6%	23.0%	27.5%
Margin change CHF		(1090bps)		10bps
Margin change w/out FX		(940bps)		80bps
Net result	(93.7)	73.6	146.5	169.6
Margin	(15.5%)	12.2%	18.8%	21.7%
Margin change CHF		(950bps)		(80bps)
Basic EPS (in CHF)	(5.89)	4.49	9.21	10.64
Free cash flow	11.5		57.9	
Margin	1.9%		7.4%	
Headcount (end of June)	7273		6682	

¹ The 'core' figures in this document exclude purchase-price allocation (PPA) amortization, impairments, restructuring expenses, legal cases, consolidation result of former associates, and other non-recurring incidents. Details and a reconciliation of the reported and core income statement are provided on pages 10ff.

Basel, 13 August 2020: In the first six months of 2020, Straumann Group revenue reached CHF 605 million, corresponding to approximately 80% of the comparative level in the first-half of 2019. With dental practices closed in many parts of the world, business declined dramatically in mid-March reaching a trough in April. As lock-down measures began to ease, practices reopened and Group sales began to pick up in May, with the trend continuing through June. From a regional perspective, APAC has been the least affected region and led the turnaround, followed gradually by most European countries and parts of North America. The business in Latin America has suffered the heaviest impact from COVID-19 and continues to struggle. Currency headwind accounted for more than 5 percentage points of the revenue decline, as the Swiss franc strengthened against all the Group's major currencies.

The Group reacted quickly to the pandemic crisis to ensure safety and business continuity. It also took rapid steps to mitigate the financial impact in the near to mid-term, including immediate reductions in operating costs, subsidized short-time working, global restructuring and postponed investments. These efforts helped to alleviate the heavy pressure on profitability: while core gross profit was squeezed by CHF 173 million to CHF 430 million, core net profit declined CHF 96 million to CHF 74 million. The respective margins contracted to 71% and 12%. Including PPA amortization of CHF 5 million, impairments of CHF 150 million and restructuring costs of CHF 13 million, the reported net result amounted to CHF –94 million and earnings per share were CHF –5.89 (core: CHF 4.49).

Guillaume Daniellot, Chief Executive Officer, commented: “During lock-down we saw revenues drop almost 70% before beginning to recover in May as dental practices resumed business. Our efforts to support customers with online education and to help them get back to business quickly have been successful. The immediate measures we took to cut costs have helped to cushion the impact of the revenue shortfall and we have restructured to prepare for economic recession. While impairments of certain acquisitions have resulted in a reported net loss, we continue to generate cash from our operating activities and our core business remains profitable. Furthermore, we have been able to grasp important strategic growth opportunities like our acquisition of DrSmile. None of this would have been possible without the understanding, flexibility, engagement, and support of our employees through the very difficult period of lock-down and restructuring. I am personally deeply grateful to them. General uncertainty due to the COVID-19 crisis, together with the potential of further outbreaks and economic recession prevent us from offering guidance on full-year revenue and profitability.”

STRATEGIC PROGRESS / NEWS HIGHLIGHTS IN Q2

Leading continuity in innovation

Despite the turbulent times, Straumann has maintained the pace of innovation. In recent months, the Group orchestrated numerous online education events devoted to immediacy in implant dentistry, including a corporate forum and two symposia. These have served to promote Straumann's innovative fully tapered BLX implant system, which has continued to show great progress this year, despite the global shut-down and postponement of launches in APAC and LATAM. Immediacy protocols involve fewer surgical interventions and clinic visits, which is an additional advantage when precautions against infection are a priority.

Remote monitoring systems and intraoral scanners also offer significant advantages in this respect – the former by reducing clinic visits and the latter by reducing physical contact when

impressions are taken. These and the benefits of efficiency, convenience and patient comfort fuelled the increase in digital equipment sales through the first half.

In orthodontics, ClearCorrect accelerated the development of clear aligners made from a new high performance material supplied by the Group's Bay Materials subsidiary. The new triple-layer material exerts constant forces even after seven days. It shortens treatment, enhances comfort, is more resistant to stains, and will launch this month – ahead of schedule. In addition, the Group's first European production unit for clear aligners will go into operation this quarter. Located at the company's Markkleeberg site in Germany, the facility is highly automated and has a current capacity of 10 000 aligners per day.

Timely investment in direct-to-consumer marketing expertise

The global market for clear aligners continues to offer strong growth opportunities and is driven increasingly by direct-to-consumer marketing and online service providers who offer treatment packages. In July, the Group signed an agreement to acquire a majority stake in DrSmile, one of the fastest-growing providers of orthodontic solutions in Europe. DrSmile combines direct-to-consumer (DTC) marketing expertise with doctor-led treatment and complements Straumann's existing clear-aligner business. The combined companies will offer growth opportunities to dentist partners and convenient, clinician-based aligner treatment solutions to patients.

Further investment in software development

The Group also recently invested in Promaton a start-up software company working on artificial intelligence applications to support diagnosis and treatment planning.

REGIONAL PERFORMANCES

EMEA benefits from stability in Germany

The extent and timing of the pandemic impact varied from country to country. However, as the second quarter drew to a close, all subsidiaries in the region were returning to growth, with the exception of Hungary, Iberia, Russia, Sweden and the UK. The new subsidiary in Romania made a good start, while the Balkan hub, South Africa and Turkey rebounded strongly. The region's largest country, Germany, also benefitted from a strong pick-up in June. In general, the improvements were driven by pent-up demand and many practices remained open throughout the holiday period in order to reduce backlogs. There were also positive signs from distributors, who began to re-order after reducing stocks during two months of partial/full lock down.

The region remained the Group's largest revenue contributor with first-half revenues amounting to CHF 268 million or 80% of the corresponding level in the prior year. Following a good start to the year, revenue declined rapidly towards the end of Q1 and only returned to growth towards the end of Q2, in which organic revenue contracted 38%.

Parts of North America open; digital trend increases

First-half revenue in North America amounted to CHF 183 million or 81% of the prior year level. Following a good start to the year, organic revenue declined rapidly in March, as COVID-19 spread through the region. In addition to the complete interruption, customers reduced inventories in order to maintain liquidity. The extent of disease and restrictions varied widely

across the region with some areas entering a second phase as others experienced the initial peak. In some areas business began to recover in June as lock-downs eased, stemming the organic decline in Q2 at -42%.

As Canada and parts of the US began to re-open revenues picked up, led by restorative sales and non-premium implants. Digital sales were encouraging throughout, as dentists increasingly adopt new technologies, especially intraoral scanning. Two further regional highlights were the regulatory clearance of Straumann's Zygomatic implant system and a new indication for Emdogain.

APAC beginning to rebound led by China

Asia-Pacific saw organic revenue improve from the 22% decline in Q1 to a decrease of 12% in Q2, bringing first-half revenue to CHF 117 million or 79% of the comparative period in the prior year. From the first to the second quarter, business decreased throughout the region – except in Korea, Taiwan and China, where sequential sales almost doubled. Most other countries in the region began to rebound in June, lifted by pent-up demand. Premium and non-premium implant sales picked up as Neodent continued to perform well in Japan and Australia, contributing to market-share gains.

The Group launched Warantec implants in China to strengthen its foothold in the lower value segment alongside T Plus. On the other hand, it has discontinued the Equinox brand in order to focus on cost-effective brands that offer simplicity, broader prosthetic options and digital workflows. As a consequence, the Equinox production unit in India is closing.

The Group intensified its online activities to attract, inform, train and educate customers, including virtual symposia, one of which was to launch the high strength implant material Roxolid in China. The success of the online outreach was also reflected in growing digital equipment sales, especially in China, where demand for intraoral scanners and CAD/CAM solutions grew substantially.

Prevailing in Latin America

After organic growth in Q1, the combined impact of COVID-19 and a further weakening of the Brazilian Real reduced quarterly revenue by 70% in Swiss Francs in Q2, bringing first-half revenue to CHF 37 million, or 55% of the prior year period. The Brazilian market for esthetic dentistry contracted as the major cities shut down but, thanks to the Group's 17 stores and distribution centers, customers were able to purchase and obtain products for treatments on the same day – an advantage that drew new customers. Against the trend elsewhere, Argentina posted a first-half improvement on the prior year as did Yllers Biomaterials, reflecting the demand for 3D printing resins. In the meantime, Brazil has been re-opening region by region. Other countries remained closed until late July as the region struggles with the pandemic and faces the significant economic impact.

REVENUE BY REGION	Q2 2020	Q2 2019	H1 2020	H1 2019
in CHF million				
Europe, Middle East & Africa (EMEA)	105.7	174.2	267.8	334.9
Change CHF	(39.3%)	11.0%	(20.0%)	10.2%
Change w/out FX	(35.1%)	16.0%	(14.6%)	15.2%
Change organic	(38.0%)	12.9%	(19.4%)	13.6%
% of Group total	42.7%	42.7%	44.3%	42.9%
North America	67.7	120.2	183.3	230.4
Change CHF	(43.7%)	20.4%	(20.4%)	21.2%
Change w/out FX	(41.5%)	19.0%	(17.7%)	18.3%
Change organic	(41.6%)	18.8%	(17.9%)	18.1%
% of Group total	27.3%	29.5%	30.3%	29.5%
Asia / Pacific	63.0	75.4	116.5	147.2
Change CHF	(16.4%)	14.1%	(20.8%)	17.8%
Change w/out FX	(11.6%)	16.7%	(16.5%)	19.6%
Change organic	(11.7%)	16.0%	(16.8%)	18.9%
% of Group total	25.4%	18.5%	19.3%	18.9%
Latin America	11.4	38.0	37.4	67.5
Change CHF	(70.0%)	10.2%	(44.6%)	8.0%
Change w/out FX	(60.1%)	17.6%	(29.2%)	18.5%
Change organic	(60.3%)	17.6%	(29.4%)	18.5%
% of Group total	4.6%	9.3%	6.2%	8.7%
GROUP	247.7	407.8	605.1	780.0
Change CHF	(39.2%)	14.1%	(22.4%)	14.5%
Change w/out FX	(34.5%)	17.1%	(17.0%)	17.2%
Change organic	(35.9%)	15.6%	(19.2%)	16.3%

OPERATIONS AND FINANCES

In addition to the significant impacts of the global pandemic and the economic recession it has triggered, the Group's results were influenced by a number of factors. To facilitate a like-for-like comparison, the Group presents 'core' results in addition to the results reported under IFRS.

In the first six months of 2020, the following effects (after tax) were defined as non-core items:

- The amortization of acquisition-related intangible assets amounting to CHF 5 million
- Charges totaling CHF 150 million resulting from impairments, triggered by COVID-19, of financial and non-financial assets, including Createch, Dental Wings and Equinox.
- The total non-recurring restructuring costs related to resizing the global workforce, which amounted to CHF 13 million

A reconciliation table and detailed information are provided on pages 10ff of this media release.

Gross profit squeezed by significant reduction in volumes sold

In response to the global pandemic and to prepare for the new economic reality, the Group quickly implemented measures to adapt capacity, reduce operating expenses and postpone investments, which helped to soften the impact of the significant decline in revenue on

profitability. Notwithstanding, first-half core gross profit was CHF 173 million less than in the prior year and the corresponding margin dropped 620bps to 71%. Excluding the currency impact the margin decline was 530bps.

Core EBITDA margin dropped to slightly above 23%

Cost reductions in other areas also helped to cushion impact on earnings. Core distribution expenses, which comprise sales-force salaries, commissions, and logistics costs, were reduced by CHF 19 million to CHF 141 million, while core administrative expenses, which include research, development, marketing and general overhead costs, were reduced by CHF 28 million to CHF 203 million. The combination of these efforts helped to underpin the core operating result at CHF 100 million (CHF 141 million before interest, tax, depreciation and amortization). The cost savings have not compromised the Group's ability to innovate, manufacture, supply and sell winning solutions. Government grants to mitigate job losses amounted to CHF 12 million. The core EBITDA and EBIT margins contracted 830bps and 1090bps to 23.3% and 16.6% respectively. Approximately 150bps of the contraction were due to currency headwind.

Core net profit drops 57%

Core net financial expenses amounted to CHF 12 million, mainly reflecting currency hedging losses and interest payments. With the share of result of associates almost in line with the prior year, and after income taxes of CHF 13 million, core net profit decreased 57% to CHF 74 million, resulting in a margin of 12%. Core basic earnings per share dropped by more than half to CHF 4.49.

Including purchase price allocation amortization, impairments, restructuring charges, and their collective impact on taxes, the reported net result was CHF –94 million.

Free cash flow reaches CHF 12 million

Cash flow from operations amounted to CHF 61 million. The combination of reduced receivables and payables, together with increased inventories, led to a net working capital adjustment of CHF –43 million. In the first six months of 2020, days of sales outstanding increased by 35 to 92, and days of supplies increased by 27 to 202. Interest payments including those on lease liabilities amounted to CHF 7 million.

In the second quarter, several projects were interrupted/postponed, reducing first-half capital expenditure by CHF 24 million. The Group's production expansion initiatives continued as total investments amounted to CHF 61 million, almost half of the comparative level in the first half of 2019, when the Group made a number of strategic acquisitions.

To refinance a maturing bond and to secure liquidity for general corporate purposes through the period of uncertainty that is unfolding, the Group issued two straight bonds – the first in April, amounting to CHF 280 million and the second in June (paid in July) amounting to CHF 200 million – in addition to obtaining committed credit lines.

The cash position on 30 June 2020 was CHF 381 million, CHF 93 million less than the financial liabilities, in contrast to a net cash position of CHF 20 million at the beginning of the year. The Group's balance sheet amounted CHF 2.2 billion, down from CHF 2.4 billion at the end of 2019.

OUTLOOK 2020 (BARRING UNFORESEEN CIRCUMSTANCES)

A number of countries and regions have re-opened and the dental markets are showing signs of recovery. Practices have adapted well to new safety standards, albeit with reduced efficiency. It is difficult to determine the extent to which the present improvement is driven by pent-up demand and whether it will continue, bearing in mind the possibility of further waves of COVID-19. In view of the current uncertainties caused by the pandemic, the Group is not providing guidance for full-year revenue and earnings.

The Group's underlying business fundamentals are intact, and it is confident that, when the general economy and consumer confidence return to normal levels, it will emerge as an even stronger brand and partner of choice for its customers.

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, Medentika, Neodent, 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 more than 7200 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

This release contains certain forward-looking statements that reflect the current views of management. Such statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Straumann Group to differ materially from those expressed or implied in this release. The Group is providing the information in this release as of this date and does not undertake any obligation to update any statements contained in it as a result of new information, future events or otherwise.

ANALYSTS' AND MEDIA CONFERENCE CALL

Straumann will present its 2020 first-half results to representatives of the financial community and media in a webcast telephone conference call today at 10.30 a.m. Swiss time.

The webcast can be accessed via www.straumann-group.com/webcast. A replay of the webcast will be available after the conference.

If you intend to ask a question during the Q&A we kindly ask you to pre-register for the conference call through this link [Webcast](#) and to download the presentation file in advance using the direct link in this media release before joining the conference call.

Presentation

The conference presentation slides are attached to this release and available on the Media and Investors pages at www.straumann-group.com.

UPCOMING REPORTING DATES 2020

Date	Event	Location
2020		
28 October	Q3 results publication	Webcast

Interim selected financial information

OPERATING PERFORMANCE

(in CHF million)	H1, 2020	H1, 2019
Revenue	605.1	780.0
Change in %	(22.4)	14.5
Gross profit	421.3	595.1
Margin in %	69.6	76.3
Operating result before depreciation and amortization (EBITDA)	123.9	223.2
Margin in %	20.5	28.6
Change in %	(44.5)	14.9
Operating result (EBIT)	(73.8)	179.3
Margin in %	(12.2)	23.0
Change in %	(141.2)	5.6
Net result	(93.7)	146.5
Margin in %	(15.5)	18.8
Change in %	(164.0)	10.2
Basic earnings per share (in CHF)	(5.89)	9.21

FINANCIAL PERFORMANCE

(in CHF million)	H1, 2020	H1, 2019
Cash and cash equivalents	380.7	191.0
Net working capital (net of cash)	294.3	308.1
Net debt	(92.9)	(100.7)
Inventories	223.7	211.3
Days of supplies	202	185
Trade receivables	253.2	281.2
Days of sales outstanding	92	62
Balance sheet total	2 183.6	2 227.1
Return on assets in % (ROA)	3.0	14.3
Equity	1 060.3	1 249.5
Equity ratio in %	48.6	56.1
Return on equity in % (ROE)	5.3	23.9
Capital employed	1 248.0	1 435.3
Return on capital employed in % (ROCE)	9.4	29.3
Cash from operating activities	60.7	130.8
in % of revenue	10.0	16.8
Investments	(61.8)	(120.3)
in % of revenue	10.2	15.4
thereof capital expenditures	(49.7)	(73.2)
thereof associates related	0.0	(0.9)
thereof contingent consideration related	(12.1)	(1.4)
thereof business combination related	0.0	(44.8)
Free cash flow	11.5	57.9
in % of revenue	1.9	7.4
Dividend	91.3	83.1

Alternative Performance Measures

The financial information in this first-half report includes certain Alternative Performance Measures (APMs), which are not accounting measures defined by IFRS.

CORE FINANCIAL MEASURES are non-IFRS financial measures because they cannot be derived directly from Group consolidated financial statements. Management believes that these non-IFRS financial measures, when provided in combination with reported results, provide readers with helpful supplementary information to better understand the financial performance and position of the Group on a comparable basis from period to period. These non-IFRS financial measures are not a substitute for, or superior to, financial measures prepared in accordance with IFRS. Core financial measures are adjusted to exclude the following significant items:

- PPA amortization: Special items and amortization of intangible assets that result from the purchase price allocation (PPA) following acquisitions.
- Impairments: Impairment write-offs of financial or non-financial assets as a result of unusual or one-time events in legal or economic conditions, change in consumer demand, or damage that impacts the asset. In H1 2020, the Group has impaired assets mainly as a consequence of the COVID-19 pandemic. Refer to Notes 6 and 8 of the consolidated financial statements for additional details.
- Restructuring: One-off costs resulting from major restructuring exercises. The amount disclosed in H1 2020 represents costs incurred in relation to the restructuring of the Group's workforce. Refer to Note 4 of the consolidated financial statements for additional details.
- Legal cases: Non-recurring and significant litigation charges. Expenses related to legal disputes in the course of the Group's ordinary business activities are not adjusted. The amount disclosed in H1 2019 refers to the Align patent dispute settlement out of court.
- Consolidation result of former associates: Revaluation gains and losses as a result of obtaining control over former associates. In H1 2019 revaluation gains relate to the business combinations of Valoc, Zinedent, Anthogyr and Abutment Direct.
- Other: Non-recurring, unusual and infrequent incidents that cannot be allocated to any of the preceding categories. In H1 2019, the Group adjusted the various effects of a fire incident in its Canadian subsidiary Dental Wings Inc. On the one hand, the fire caused a material damage at the facility, which is the main production center for in-lab and intra-oral scanners. On the other hand, the Group is entitled to insurance reimbursements. The property damages and the insurance reimbursements are separate economic events, which are accounted for separately.

A reconciliation of IFRS to Core measures is disclosed in the table at the end of this section.

VARIOUS KPIs are also disclosed. Unless otherwise stated, the following KPIs are based on IFRS figures, as disclosed in the consolidated financial statements:

ORGANIC REVENUE GROWTH

Revenue growth excluding the revenue contribution from business combinations (calculated by adding pre-acquisition revenues of the prior period to the existing revenue growth base) and currency effects.

REVENUE GROWTH IN LOCAL CURRENCIES

Revenue growth excluding currency effects, which are calculated using a simulation by reconsolidating the prior period revenues with the current year foreign exchange translation rates.

NET CASH (NET DEBT)

Net debt is an indicator of the Group's ability to meet financial commitments, to pay dividends, and to undertake acquisitions. The KPI is calculated by subtracting financial liabilities (excl. lease liabilities) and retirement benefit obligations from cash and cash equivalents.

NET WORKING CAPITAL (NET OF CASH)

Working capital is capital invested in the Group's operating activities. It is a driver for cash flow and an indicator of operational efficiency. Net working capital equals 'current assets' and 'current liabilities' – excluding the lines 'cash and cash equivalents', 'current financial assets' and 'current financial liabilities'.

DAYS OF SUPPLIES (DOS)

The days of supplies indicate the average time in days that the Group takes to turn its inventory. The numerator is the balance sheet position 'inventories' at the balance sheet date, and the denominator are the 'cost of goods sold' of the past three months, multiplied by 90 days.

DAYS OF SALES OUTSTANDING (DSO)

The days of sales outstanding indicate the average number of days the Group takes to collect its receivables. The numerator is the balance sheet position 'trade receivables' at the balance sheet date and the denominator are the 'net revenues' of the past three months, multiplied by 90 days.

RETURN ON ASSETS (ROA)

Return on assets expresses the earning power of the Group's assets. The numerator is the profit for the period of the past twelve months, and the denominator is the average balance sheet total for the same period.

EQUITY RATIO

The equity ratio is calculated by dividing total equity by total assets.

RETURN ON EQUITY (ROE)

Return on equity compares profitability of the Group in relation to the equity invested. The numerator is the profit for the period of the past twelve months, and the denominator is the average equity for the same period.

CAPITAL EMPLOYED

Capital employed equals current assets, property, plant and equipment, right-of-use assets, intangible assets minus cash and cash equivalents and non-interest-bearing liabilities.

RETURN ON CAPITAL EMPLOYED (ROCE)

Return on capital employed expresses the earning power of the Group's invested capital. The numerator is the operating profit (EBIT) of the past twelve months, and the denominator is the average capital employed for the same period.

FREE CASH FLOW

Free cash flow represents the cash-generating capability of the Group to conduct and maintain its operations, to finance dividend payments, to repay debt, and to undertake acquisitions. Free cash flow equals net cash from operating activities less purchase of property, plant and equipment, less purchase of intangible assets, plus net proceeds from sale of property, plant and equipment.

CORE RESULTS RECONCILIATION H1, 2020

H1, 2020 (in CHF 1 000)	IFRS	PPA amortization	Impairments	Restructuring	Consolidation result former associates	Other	CORE
Revenue	605 088						605 088
Cost of goods sold	(183 791)	70	7 649	805			(175 267)
Gross profit	421 298	70	7 649	805			429 822
Other income	13 927						13 927
Distribution expense	(163 671)	4 419	12 314	6 321			(140 617)
Administrative expense	(345 356)	2 691	132 112	7 624			(202 929)
Operating result	(73 802)	7 180	152 075	14 750			100 203
Finance income	41 678						41 678
Finance expense	(63 921)		10 118				(53 803)
Share of result of associates	(1 911)						(1 911)
Result before income tax	(97 956)	7 180	162 193	14 750			86 167
Income tax	4 256	(2 018)	(12 613)	(2 213)			(12 588)
NET RESULT	(93 700)	5 162	149 580	12 538			73 579
Attributable to:							
Shareholders of the parent company	(93 462)	5 015	147 139	12 538			71 229
Non-controlling interests	(239)	147	2 441				2 350
Basic earnings per share (in CHF)	(5.89)						4.49
Diluted earnings per share (in CHF)	(5.88)						4.48
Operating result	(73 802)	7 180	152 075	14 750			100 203
Depreciation & amortization	197 736	(7 180)	(149 975)				40 581
EBITDA	123 934		2 100	14 750			140 784

CORE RESULTS RECONCILIATION H1, 2019

H1, 2019 (in CHF 1 000)	IFRS	PPA amortization	Impairments	Legal cases	Consolidation result former associates	Other	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 result	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)
Result before income tax	173 154	8 920		25 500	(5 967)	427	202 034
Income tax	(26 664)	(2 500)		(3 188)		(113)	(32 465)
NET RESULT	146 490	6 420		22 313	(5 967)	314	169 570
Attributable to:							
Shareholders of the parent company	145 856	6 099		22 313	(5 967)	314	168 614
Non-controlling interests	634	321					955
Basic earnings per share (in CHF)	9.21						10.64
Diluted earnings per share (in CHF)	9.18						10.60
Operating result	179 297	8 920		25 500		427	214 144
Depreciation & amortization	43 887	(8 367)				(3 180)	32 340
EBITDA	223 183	553		25 500		(2 753)	246 483

Interim condensed consolidated statement of financial position

ASSETS

(in CHF 1 000)	30 Jun 2020	31 Dec 2019
Property, plant and equipment	315 132	325 164
Right-of-use assets	230 300	250 584
Intangible assets	532 635	742 841
Investments in associates	87 055	90 976
Financial assets	19 883	31 779
Other receivables	7 225	6 977
Deferred income tax assets	63 956	59 993
Total non-current assets	1 256 186	1 508 313
Inventories	223 744	234 553
Trade and other receivables	315 965	378 325
Financial assets	99	1 593
Income tax receivables	6 977	6 982
Cash and cash equivalents	380 671	260 211
Total current assets	927 456	881 665
TOTAL ASSETS	2 183 642	2 389 978

EQUITY AND LIABILITIES

(in CHF 1 000)	30 Jun 2020	31 Dec 2019
Share capital	1 591	1 588
Retained earnings and reserves	1 054 001	1 361 825
Total equity attributable to the shareholders of the parent company	1 055 592	1 363 413
Non-controlling interests	4 685	3 809
Total equity	1 060 276	1 367 222
Other liabilities	42 173	47 645
Income tax liabilities	9 701	9 594
Financial liabilities	530 449	270 764
Provisions	10 268	10 964
Retirement benefit obligations	69 507	67 918
Deferred income tax liabilities	29 604	36 887
Total non-current liabilities	691 702	443 773
Trade and other payables	217 765	308 762
Financial liabilities	179 303	224 725
Income tax liabilities	34 581	45 490
Provisions	14	7
Total current liabilities	431 663	578 983
Total liabilities	1 123 365	1 022 756
TOTAL EQUITY AND LIABILITIES	2 183 642	2 389 978

Interim condensed consolidated income statement

(in CHF 1 000)	H1, 2020	H1, 2019
Revenue	605 088	780 034
Cost of goods sold	(183 791)	(184 955)
Gross profit	421 298	595 078
Other income	13 927	10 795
Distribution expense	(163 671)	(164 660)
Administrative expense	(345 356)	(261 917)
Operating result	(73 802)	179 297
Finance income	41 678	34 159
Finance expense	(63 921)	(44 877)
Gain on consolidation of former associates	0	5 967
Share of result of associates	(1 911)	(1 391)
Result before income tax	(97 956)	173 154
Income tax	4 256	(26 664)
NET RESULT	(93 700)	146 490
Attributable to:		
Shareholders of the parent company	(93 462)	145 856
Non-controlling interests	(239)	634
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	(5.89)	9.21
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	(5.88)	9.18

Interim condensed consolidated statement of comprehensive income

(in CHF 1 000)	H1, 2020	H1, 2019
Net result	(93 700)	146 490
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	(20 615)	(10 872)
Share of other comprehensive income of associates accounted for using the equity method	(42)	2 462
Exchange differences on translation of foreign operations	(100 973)	383
Income tax effect	222	1 025
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	(121 408)	(7 003)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	(1 592)	783
Remeasurements of retirement benefit obligations	(14)	(2 043)
Income tax effect	2	305
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	(1 604)	(955)
Other comprehensive income, net of tax	(123 012)	(7 957)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	(216 713)	138 533
Attributable to:		
Shareholders of the parent company	(216 271)	138 788
Non-controlling interests	(442)	(256)

Interim condensed consolidated cash flow statement

(in CHF 1 000)	H1, 2020	H1, 2019
Net result	(93 700)	146 490
Adjustments for:		
Income tax	(4 256)	26 664
Interest and other financial result	12 016	10 718
Financial impairment result	10 227	0
Gain on consolidation of former associates	0	(5 967)
Share of result of associates	1 911	1 391
Depreciation and amortization of:		
Property, plant and equipment	21 539	19 520
Right-of-use assets	13 354	10 853
Intangible assets	12 867	13 514
Impairment of intangible assets	144 426	0
Impairment of property, plant and equipment	5 549	0
Change in provisions, retirement benefit obligations and other liabilities	2 391	(3 214)
Change in long-term assets	(1 505)	431
Share-based payments expense	5 179	6 912
Result on disposal of property, plant and equipment	(146)	(66)
Working capital adjustments:		
Change in inventories	(11 707)	(12 881)
Change in trade and other receivables	42 519	(70 571)
Change in trade and other payables	(73 863)	26 582
Interest paid on lease liabilities ¹	(3 372)	(3 159)
Interest paid	(3 817)	(6 810)
Interest received	781	955
Income tax paid	(19 743)	(33 710)
Cash flows from operating activities	60 651	127 652

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

Interim condensed consolidated cash flow statement

(in CHF 1 000)	H1, 2020	H1, 2019
Purchase of financial assets	(661)	0
Proceeds from sale of financial assets	183	0
Purchase of property, plant and equipment and intangible assets	(49 731)	(73 211)
Purchase of investments in associates	0	(867)
Acquisition of a business, net of cash acquired	0	(44 783)
Contingent consideration paid	(12 104)	(1 408)
Disbursement of loans	(770)	(3 043)
Proceeds from loans	1 486	995
Dividends received from associates	0	75
Net proceeds from sale of non-current assets	563	260
Cash flows from investing activities	(61 033)	(121 982)
Purchase of non-controlling interests	0	(47 365)
Dividends paid to the equity holders of the parent	(91 231)	(83 126)
Dividends paid to non-controlling interests	(111)	(580)
(Repayment)/Increase of current financial debt	(43 919)	50 159
Repayment of non-current financial debt	(1 231)	(854)
Increase in non-current financial debt	279 956	0
Payment of lease liabilities ¹	(12 106)	(10 580)
Sale of treasury shares	0	5 061
Purchase of treasury shares	(4 312)	(4 816)
Cash flows from financing activities	127 046	(92 102)
Exchange rate differences on cash held	(6 204)	(1 214)
Net change in cash and cash equivalents	120 460	(87 646)
Cash and cash equivalents at 1 January	260 211	278 674
CASH AND CASH EQUIVALENTS AT 30 JUNE	380 671	191 028

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

Interim condensed consolidated statement of changes in equity

H1, 2020 (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 2020	1 588	31 412	(9 361)	(216 498)	1 556 272	1 363 413	3 809	1 367 222
Net result					(93 462)	(93 462)	(239)	(93 700)
Other comprehensive income				(121 385)	(1 425)	(122 809)	(203)	(123 012)
Total comprehensive income	0	0	0	(121 385)	(94 886)	(216 271)	(442)	(216 713)
Issue of share capital	3	21 187			(21 189)	0		0
Dividends to equity holders of the parent					(91 231)	(91 231)		(91 231)
Dividends to non-controlling interests						0	(111)	(111)
Share-based payment transactions					5 018	5 018		5 018
Purchase of treasury shares			(4 312)			(4 312)		(4 312)
Usage of treasury shares			833		(833)	(0)		(0)
Put options to non-controlling interests					(1 027)	(1 027)	1 429	402
AT 30 JUNE 2020	1 591	52 599	(12 840)	(337 883)	1 352 125	1 055 592	4 685	1 060 276

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 result					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)
Usage 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

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 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 7 August 2020.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ending 30 June 2020 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 2019. 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 2019, except as described below:

The following amendments apply for the first time in 2020 but do not have an impact on the interim condensed consolidated financial statements of the Group:

- IFRS 3 (Amendments) 'Definition of a business' (effective 1 January 2020)
- IAS 1 and 8 (Amendments) 'Definition of Material' (effective 1 January 2020)
- IFRS 16 (Amendment) 'Covid-19-Related Rent Concessions' (effective 1 June 2020)
The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The Group early applies the expedient to rent concessions occurring as a direct consequence of the Covid-19 pandemic. The concessions obtained in the first half of 2020 are not material.

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 (Amendments) 'Classification of liabilities as current or non-current' (effective 1 January 2022)

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 IMPACT OF COVID-19

GLOBAL RESTRUCTURING

In the light of the impact of the COVID-19 pandemic on its markets and the economy, the Group has aligned its costs with current and projected lower revenues. As personnel accounts for the largest portion of its operating costs, the Group initiated a plan to cut approximately 660 jobs worldwide in the current year. Non-recurring restructuring costs in the first half of 2020 amounted to CHF 14.8 million (pre-tax). Having completed most of the restructuring efforts by 30 June 2020, the Group expects considerably lower restructuring costs in the second half of the year.

GOVERNMENT ASSISTANCE

Governments around the world have implemented measures to help businesses and economies to mitigate the negative impacts of the COVID-19 crisis. The Group was awarded government grants totaling CHF 11.6 million in the first half of 2020, mainly related to short-time working subsidies in various countries. Grant income is recognized in the income statement under 'Other income'.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Based on the expected economic consequences of the COVID-19 pandemic, the Group conducted a risk assessment for each cash-generating unit (CGU) to identify whether the pandemic may trigger impairment testing. The analysis concluded that a number of CGUs had to be tested for impairment and consequentially the Group conducted value-in-use calculations on 30 April 2020. In the CGUs disclosed, the carrying amount exceeded the recoverable amount. As a result, the Group recognized impairment charges totaling CHF 152.1 million.

A summary of the impairment charges per CGU is presented below:

(in CHF 1 000)

Cash generating unit	Asset	Cost of goods sold	Distribution expense	Administrative expense	Total
Dental Wings Business	Goodwill			52 591	52 591
	Customer relationships		2 144		2 144
	Technology			24 731	24 731
	Brand			4 185	4 185
	Total		2 144	81 507	83 651
Implant Business India	Goodwill			13 731	13 731
	Customer relationships		2 662		2 662
	Brand			867	867
	Property, plant and equipment	1 268			1 268
	Other	2 100			2 100
	Total	3 368	2 662	14 598	20 628
Createch	Goodwill			9 287	9 287
	Technology			1 219	1 219
	Brand			2 623	2 623
	Total			13 129	13 129
Implant Business Iberia	Goodwill			5 811	5 811
	Customer relationships		2 694		2 694
	Total		2 694	5 811	8 505
Other	Goodwill			16 128	16 128
	Customer relationships		4 815		4 815
	Brand			939	939
	Property, plant and equipment	4 281			4 281
	Total	4 281	4 815	17 066	26 162
Total	Goodwill			97 547	97 547
	Customer relationships		12 314		12 314
	Technology			25 950	25 950
	Brand			8 615	8 615
	Property, plant and equipment	5 549			5 549
	Other	2 100			2 100
Total	7 649	12 314	132 112	152 075	

With the exception of the CGU 'Implant Business India' the impairment charges are mainly caused by a material downward reassessment of the market growth perspectives over the coming two to five years as a consequence of reduced consumer confidence and hampered economic development as a result of the COVID-19 pandemic. The impairment recognized on the 'Implant Business India' CGU is due to the discontinuation of the Equinox sales and manufacturing activities and a reduced sales growth rate forecast for the remaining product brands.

The impairments have been recognized in the following operating segments:

(in CHF 1 000)

Segment	
Sales NAM	92 181
Sales APAC	26 023
Sales Europe	21 634
Sales LATAM	6 783
Sales Distributor & Emerging Markets EMEA	5 453
Total	152 075

Assumptions for value-in-use calculations

The key assumptions used for the value in use calculations are as follows:

(in %)

Cash generating unit

Dental Wings Business	Gross profit margin of the CGU ¹	57.1
	Terminal growth rate ²	2.0
	Weighted average cost of capital (WACC) ³	16.0
Implant Business India	Gross profit margin of the CGU ¹	32.0
	Terminal growth rate ²	3.8
	Weighted average cost of capital (WACC) ³	17.6
Creatch	Gross profit margin of the CGU ¹	31.1
	Terminal growth rate ²	2.0
	Weighted average cost of capital (WACC) ³	12.6
Implant Business Iberia	Gross profit margin of the CGU ¹	70.0
	Terminal growth rate ²	2.0
	Weighted average cost of capital (WACC) ³	16.2

¹ Budgeted gross profit margin

² Used for calculating the terminal value

³ Pre-tax discount rate applied to the cash flow projections

Sensitivity

For the CGUs disclosed above, the individual recoverable amounts are equal to their carrying value. Sensitivity analyses performed show that any further adverse changes in key assumptions of the affected CGUs could result in additional future impairment charges.

The following table shows the sensitivity of the value-in-use of the key assumption for the CGUs disclosed above:

(in CHF 1 000)

Cash generating unit		+ 100bps	- 100bps
Dental Wings Business	Gross profit margin of the CGU	2 548	(2 548)
	Terminal growth rate	1 714	(1 486)
	Weighted average cost of capital (WACC)	(2 239)	2 611
Implant Business India	Gross profit margin of the CGU	442	(442)
	Terminal growth rate	293	(253)
	Weighted average cost of capital (WACC)	(409)	475
Creatch	Gross profit margin of the CGU	1 036	(1 036)
	Terminal growth rate	714	(592)
	Weighted average cost of capital (WACC)	(876)	1 062
Implant Business Iberia	Gross profit margin of the CGU	239	(239)
	Terminal growth rate	25	(22)
	Weighted average cost of capital (WACC)	(48)	53

5 EQUITY

CAPITAL INCREASE

On 21 April 2020, conditional share capital was exercised to increase the share capital of Straumann Holding AG by 27 840 shares (or CHF 2 784 nominal value). The shares were used to serve vested performance share units as part of the share-based payment program 2017 – 2020. The fair value at vesting amounted to CHF 761.11 per share.

DIVIDENDS PAID

On 15 April 2020, Straumann Holding AG paid a dividend of CHF 5.75 (2019: CHF 5.25) per share to its shareholders. The total amount of the gross dividend paid was CHF 91.2 million (2019: CHF 83.1 million).

6 FINANCIAL INSTRUMENTS

IMPAIRMENT OF FINANCIAL ASSETS

In H1 2020, finance expense included a financial impairment expense of CHF 10.1 million relating to a revaluation of a loan granted to an associate. The Group expects a deterioration of future cashflows compared to the associates' business plan at the grant date of the loan.

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.

For domestic bonds listed on the SIX Swiss Exchange, the fair value is derived from quoted market prices.

The fair value of the put options granted to non-controlling interests 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 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 mainly include the contingent considerations in relation to the business combinations of Batigroup in Turkey, Digital Planning Service Private Limited in Pakistan and Bay Materials in the US.

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 2020 and 31 December 2019, the Group held the following financial instruments:

(in CHF 1 000)

30 Jun 2020

	Carrying amount (by measurement basis)				Total carrying amount	Fair value
	Amortized cost	Level 1	Level 2	Level 3		
Financial assets						
Derivative financial assets			301		301	
Equity instruments		3 945		4 617	8 562	
Convertible bonds				351	351	
Loans and other financial receivables	10 766				10 766	
Other receivables	26 381				26 381	
Trade receivables	253 156				253 156	
Cash and cash equivalents	380 671				380 671	
Financial liabilities						
Straight bond	279 954				279 954	286 558
Derivative financial liabilities			209		209	
Put options to non-controlling interests				26 271	26 271	
Lease liabilities	236 149				236 149	
Bank loans	162 605				162 605	
Other financial liabilities	4 564				4 564	
Trade payables	33 679				33 679	
Other payables	62 693			30 848	93 542	

(in CHF 1 000)

31 Dec 2019

	Carrying amount (by measurement basis)				Total carrying amount	Fair value
	Amortized cost	Level 1	Level 2	Level 3		
Financial assets						
Derivative financial assets			1 137		1 137	
Equity instruments		5 403		4 762	10 165	
Convertible bonds				351	351	
Loans and other financial receivables	21 718				21 718	
Other receivables	40 791				40 791	
Trade receivables	281 210				281 210	
Cash and cash equivalents	260 211				260 211	
Financial liabilities						
Straight bond	199 980				199 980	201 430
Derivative financial liabilities			202		202	
Put options to non-controlling interests				26 674	26 674	
Lease liabilities	255 521				255 521	
Other financial liabilities	13 113				13 113	
Trade payables	63 207				63 207	
Other payables	83 632			49 188	132 820	

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 2020	5 113	75 862
Remeasurement recognized in OCI	39	(1 325)
Remeasurement recognized in profit or loss	0	(4 911)
Remeasurement recognized in equity	0	(403)
Settlements	(183)	(12 104)
As at 30 June 2020	4 968	57 119

Settlement of Level 3 financial liabilities mainly relates to the contingent consideration payment in conjunction with the Batigroup business combination (CHF 8.3 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 2020.

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 profitability measures of the businesses acquired. Significant unobservable inputs are the enterprise value - based on EBITDA multiple - (Medentika), and the expected local contribution (Batigroup and Zinedent). At balance-sheet date, the Group has assessed the expected target achievement set for these companies in order to determine the estimated redemption values. The assessment led to remeasurement gains of CHF 5.2 million recognized in profit or loss.

7 SEGMENT INFORMATION

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 'Customer Solutions & Education' and 'Research & Development' functions are not operating segments, as they do not earn separate revenues. These functions are grouped in the column 'Not allocated items'.

Sales Europe

'Sales Europe' comprises the Group's distribution businesses in Europe. It also includes Medentika's distribution business and its manufacturing plant (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 incorporates Dental Wing's distribution business in Europe. It includes 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 associated development and production activities in the United States as well as Bay Materials, a company specializing in high-performance thermoplastics for orthodontics applications. The segment also incorporates Dental Wing's distribution business in the United States and Canada, as well as its associated development and production activities in Canada. It includes segment-related management functions located 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 includes the Equinox implant business and manufacturing unit in India as well as the business of T-Plus, a Taiwanese company that develops and manufactures dental-implant systems with distribution channels in Taiwan and China. 'Sales APAC' also includes 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 and business with Latin American distributors. It contains Neodent's manufacturing plants in Brazil (which produce implants, biomaterials, CAD/CAM products and clear-aligners). The segment also incorporates Yllor Biomaterials, a Brazilian company specialized high-tech materials for 3D-printing. 'Sales LATAM' 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 system 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, Anthogyr, Bay Materials and Yllor Biomaterials.

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 2020 and 2019, respectively.

H1, 2020 (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	223 381	45 847	186 160	112 411	37 289	0	0	0	605 088
Revenue inter-segment	30 670	0	6 191	0	9 239	282 038	0	(328 138)	0
Total revenue	254 051	45 847	192 351	112 411	46 528	282 038	0	(328 138)	605 088
Operating result	(3 614)	6 023	(99 305)	(26 178)	(12 274)	147 616	(91 414)	5 344	(73 802)
Financial result									(22 243)
Share of result of associates									(1 911)
Income tax									4 256
NET RESULT									(93 700)

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 result	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									(26 664)
NET RESULT									146 490

Transactions between the segments are eliminated in the course of consolidation and the eliminated amounts are shown under 'Eliminations'. The remaining operating profit under 'Eliminations' represents the net change in inter-segment elimination of unrealized profits from the transfer of goods between Group companies.

The following tables' present segment assets of the Group's operating segments at 30 June 2020 and 31 December 2019:

at 30 Jun 2020 (in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Segment assets	472 310	95 451	330 460	142 688	278 794	493 829	97 632	(279 186)	1 631 978
Unallocated assets									551 664
Group									2 183 642

at 31 Dec 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	498 007	99 244	444 601	195 653	387 601	473 760	94 728	(248 168)	1 945 426
Unallocated assets									444 552
Group									2 389 978

8 DISAGGREGATED REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from contracts with customers in the geographical regions, disclosed in Note 7.

9 EVENTS AFTER THE REPORTING PERIOD

DRSMILE

On 9 July 2020, the Group signed an agreement to acquire a 74.9% stake in DrSmile, a leading provider of orthodontic treatment solutions in Europe, for a cash consideration of CHF 35.0 million. The Group has the right to obtain the remaining stake at any time after 31 August 2021 for an indefinite period of time. The sellers may exercise the put option at any time after 31 August 2021 for an indefinite period of time.

The contingent consideration agreement is based on the attainment of revenue goals and requires the Group to pay an estimated undiscounted amount of CHF 75.0 million in three tranches until 30 June 2023. The amount may be higher or lower, depending on future revenue development.

The financial effects of this transaction have not been recognized at 30 June 2020. The transaction is expected to close in the third quarter of 2020.

PROMATON B.V.

On 23 July 2020, the Group acquired a 49% non-controlling stake in Promaton B.V., a Netherlands-based company specializing in artificial intelligence in dental applications. The purchase price amounted to CHF 4.4 million. The parties agreed to a put/call-option mechanism for a stepped increase to full ownership by 30 June 2023.

BOND PLACEMENT

The Group placed an additional CHF-denominated domestic straight bond for an aggregate amount of CHF 200.0 million, with issue date 15 July 2020 and an interest rate of 0.55% p.a., payable annually in arrears on 3 October. The first coupon is payable on 3 October 2020. The bond is due for repayment on 3 October 2025.

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