2017 First-half report – Media Release

Straumann Group posts H1 revenue growth of 14% (organic) with further margin improvement

- First-half revenue climbs 18% in Swiss francs (14% organic[1]) to CHF 543m
- Q2 revenue rises 14% (organic) driven by double-digit increases in all businesses
- Strong volume growth lifts underlying EBITDA & EBIT margins[1] to 29% & 26%, respectively
- Net profit reaches CHF 141m, or CHF 117m excluding exceptionals (margin: 22%)
- Solid cashflow despite accelerated investments in manufacturing and portfolio expansion
- Straumann enters orthodontics and strengthens digital capabilities (see separate release)
- Group organization adapted to address changes in customer structure
- Guidance unchanged: on track to deliver underlying revenue and profitability growth

KEY FIGURES

(in CHF million)	H1 2017 reported	H1 2017 *excl. exceptionals*[2]	H1 2016 reported	H1 2016 excl. exceptionals[2]
Revenue	**543.4**		**461.2**	
Change in CHF %	*17.8*		*15.7*	
Change in l.c.%	*17.1*		*15.1*	
Change in organic growth %[1]	*14.3*		*13.5*	
Gross profit	**418.0**	**420.0**	**361.2**	
Margin in %	*76.9*	*77.2*	*78.3*	
Change in %[3]	*15.7*	*16.3*	*19.6*	
EBITDA	**156.1**	**158.0**	**129.2**	
Margin in %	*28.7*	*29.0*	*28.0*	
Change in %[3]	*20.9*	*22.4*	*31.0*	
Operating profit (EBIT)	**137.8**	**139.8**	**114.4**	
Margin in %	*25.4*	*25.7*	*24.8*	
Change in %[3]	*20.5*	*22.2*	*38.3*	
Net profit	**140.8**	**117.2**	**134.9**	**94.5**
Margin in %	*25.9*	*21.6*	*29.3*	*20.5*
Change in %	*4.4*	*24.0*	*>100.0*	*30.1*
Basic EPS (in CHF)	**9.11**	**7.57**	**8.55**	**5.99**
Free cash flow[4]	**45.2**		**55.0**	
Margin in %	*8.3*		*11.9*	
Number of employees (end of June)	**4227**		**3599**	

[1] Excluding the effects of currencies and acquisitions (i.e. Medentika and Equinox). With effect of 1 January 2017, Straumann has fully consolidated Medentika in its Group financial statements. The ownership structure of Medentika and Straumann's stake remain unchanged.
[2] Exceptional CHF 23m gain in H1 2017 related to the Medentika business combination (CHF 24m after tax), which includes inventory revaluation expenses of CHF 2m (COGS) and a CHF 25m fair value gain (financial result). In H1 2016, net profit was lifted by a one-time effect of CHF 41 million related to the capitalization of deferred tax assets in Brazil.
[3] Change versus 'reported' values in prior year.
[4] I.e. net cash from operating activities, less capital expenditures, plus net proceeds from property, plant and equipment.

Basel, 17 August 2017: The Straumann Group today reported a continued strong performance in the first six months of 2017 as organic revenue grew 14%, fueled by double-digit increases across all businesses. Revenue rose 18% in Swiss francs to CHF 543 million, of which CHF 11 million were contributed by consolidated/acquired businesses (Medentika in Germany and Equinox in India). From a regional perspective, North America and EMEA (Europe, Middle East & Africa) each added a third of the Group's growth. In the second quarter, organic revenue rose 14%, making this the ninth consecutive quarter of double-digit growth.

Despite significant further investments in new markets and segments, geographic expansion, R&D and production capacity, the Group achieved further improvements in underlying profitability. EBITDA and EBIT both rose 22%, with the respective margins reaching 29% and 26%. At CHF 141 million, reported net profit exceeded operating profit by CHF 3 million due to one-time effects resulting from the business combination of Medentika. On an underlying basis, net profit increased 24%, bringing the corresponding margin to 22% and earnings per share to CHF 7.57.

Based on these strong results, Straumann confirmed its expectation for full-year revenue to grow organically in the low-double-digit range with further underlying EBIT margin improvements, barring unforeseen circumstances.

Marco Gadola, Chief Executive Officer, *commented: "With strong growth continuing across all our businesses, we have gained market share thanks to our BLT implant, our comprehensive range of biomaterials and lab solutions, and our attractively-priced alternatives offered through Neodent, Medentika and our other non-premium brands.*

Having come closer to our goal of becoming a total solution provider in tooth replacement, we have accelerated our strategy to enter the attractive field of esthetic dentistry. At the same time, we are responding to market and technology trends by building digital capabilities and partnerships and devoting resources to the fast-growing DSO segment.

We are investing more than ever in capacity expansion, new segments and markets, as well as in innovation, future growth projects and people to drive them. In spite of this, we are still managing to expand our profitability, which speaks for the hard work and commitment of our staff."

STRATEGIC PROGRESS / NEWS HIGHLIGHTS

Business expansion

The Group announced in a separate release that it is entering the attractive field of digital orthodontic dentistry by acquiring ClearCorrect for a total consideration of approx. USD 150m. ClearCorrect is a fast-growing company that generated sales of USD 32m in 2016, making it a well-established provider of clear-aligner tooth-correction solutions.

Straumann has also obtained a 38% stake in Geniova Technologies of Spain, a pioneer of innovative hybrid aligners, in return for a capital injection. The deal also includes the right to become the exclusive distributor of Geniova products.

To accelerate the development of digital platforms and equipment to support and link esthetic, restorative and replacement dentistry, the Group is increasing its stake in Dental Wings Inc. from 55% to full ownership for a consideration of approx. CAD 50m. This transaction and the ClearCorrect acquisition are expected to be completed by year end and will be financed using the Group's cash and treasury shares.

Organizing to capture growth opportunities in digital and corporate dentistry
To bring these businesses and the Group's digital activities closer together and to drive their global expansion, Straumann is creating a global Digital Business Unit under the leadership of Mike Rynerson, former CEO of Dental Wings, who has rejoined the Group as a member of the Executive Management Board.

The Group also announced that it is allocating additional resources to the rapidly-expanding corporate dentistry segment, which represents 10% of the dental implant market and is projected to double by 2020. The Group is well positioned to lead this segment and is creating a unit dedicated to Dental Service Organizations under the leadership of Petra Rumpf as Executive Vice President DSOs.

To leverage synergies between its premium and non-premium activities and to create further growth opportunities, the Straumann and Instradent brands are being brought closer together under the Straumann Group umbrella. This includes the simplification of internal processes and entities, enabling the premium and non-premium sales teams to offer a broader range of solutions and making the ordering, delivery and invoicing processes more efficient. The Instradent activities will be coordinated at a regional level rather than centrally.

BUSINESS PERFORMANCE

The **implant business** was the main growth contributor throughout the first half. The key drivers of this success were the high-performance implant material Roxolid® and the continuing success of Straumann's Bone Level Tapered implants, which accounted for more than a quarter of all Straumann premium implants sold in H1 2017. The significance of BLT is emphasized by the fact that approximately 70% of all implants placed are tapered. Particularly noteworthy was the contribution from Straumann's innovative 2.9mm small-diameter tapered implant, which was fully launched in Europe and the US after the IDS trade fair in March.

The Group's efforts to become a total solution provider, for example by offering cost-effective, versatile abutment solutions (Variobase, pre-milled blanks), prosthetics for third-party implant systems, as well as in-lab and chairside milling solutions, have led to sustained double-digit growth in the **restorative business.**

Following launches at the IDS, Straumann booked initial sales from its new intraoral scanner and milling solutions. These are expected to increase as the dedicated support and service organization is built up worldwide.

Biomaterials continued to be the fastest-growing business, fueled by the international rollout of the botiss range and guided-bone-regeneration solutions with in-licensed products. The

Group gained further share of the bone augmentation and membrane market and is working to make a comprehensive biomaterials portfolio available in Brazil, China, Japan and the US.

REGIONAL PERFORMANCE

REVENUE BY REGION

(in CHF million)	Q2 2017	Q2 2016	H1 2017	H1 2016
Europe, Middle East & Africa (EMEA)	**123.1**	**108.2**	**244.3**	**216.1**
Change in CHF in %	*13.8*	*14.6*	*13.0*	*12.0*
Change in local currencies in %	*15.0*	*11.1*	*15.0*	*10.2*
Change organic in %	*9.9*	*11.1*	*10.0*	*10.2*
% of Group total			*45.0*	*46.9*
North America	**75.5**	**64.5**	**149.2**	**126.5**
Change in CHF in %	*16.9*	*21.0*	*17.9*	*18.2*
Change organic in %	*17.2*	*16.9*	*17.2*	*14.7*
% of Group total			*27.5*	*27.4*
Asia / Pacific	**47.0**	**39.7**	**93.0**	**75.2**
Change in CHF in %	*18.5*	*26.1*	*23.7*	*24.6*
Change in local currencies in %	*21.5*	*20.2*	*25.1*	*20.6*
Change organic in %	*19.4*	*20.2*	*22.5*	*20.6*
% of Group total			*17.1*	*16.3*
Latin America	**31.6**	**25.9**	**57.0**	**43.4**
Change in CHF in %	*21.9*	*(0.6)*	*31.2*	*14.0*
Change in local currencies in %	*12.8*	*17.2*	*13.9*	*36.3*
Change organic in %	*12.8*	*17.2*	*13.9*	*15.6*
% of Group total			*10.5*	*9.4*
GROUP	**277.1**	**238.3**	**543.4**	**461.2**
Change in CHF in %	*16.3*	*16.1*	*17.8*	*15.7*
Change in local currencies in %	*16.5*	*14.7*	*17.1*	*15.1*
Change organic in %	*13.8*	*14.7*	*14.3*	*13.5*

EMEA: Main contributor to growth

The Group's largest region, EMEA, performed well in the first six months of 2017, in spite of the market's relative maturity. The Group gained market share by delivering organic growth of 10% on top of a high baseline. The consolidation of Medentika added 5 percentage points to regional growth. These factors, together with the effect of a weaker Euro, meant that regional revenue increased 13% in Swiss francs to CHF 244 million.

All businesses contributed to this positive trend, fueled by the rollout of BLT and the increased popularity of Variobase abutments. Biomaterials also contributed, benefiting from the botiss distribution business in Germany, which Straumann took over in Q3 2016. The Group has also expanded its non-premium business geographically, in addition to using it to win new accounts in existing markets.

The region maintained its pace in Q2, delivering organic growth of 10%, despite two fewer selling days, reflecting the early Easter last year. Belgium, the UK, and most of the Eastern European countries posted the strongest increases. The Group is making good progress in emerging markets in the region, and its young subsidiary in Russia posted dynamic growth. The CADCAM equipment business also added to the growth following the presentation of new digital solutions at the IDS.

Still on the fast track in North America

North America posted strong first-half organic revenue growth of 17% and contributed a third of the Group's overall growth. Regional revenue amounted to CHF 149 million or 28% of the Group total.

The performance was driven by strong demand across all businesses and in both the premium and non-premium implant segments. Many new customers were attracted by Roxolid, Straumann's new 2.9mm BLT implant and Variobase abutments as well as Neodent's range of tapered implants featuring the Aqua hydrophilic surface.

The region maintained its momentum in Q2, lifting revenue to CHF 76 million. Instradent made further gains in the value segment and launched the Medentika range of cost-effective prosthetic solutions in the US.

Strong performance in APAC driven by China

Asia/Pacific posted another dynamic performance, with half-year revenue climbing 23% in organic terms and 24% in Swiss francs to CHF 93 million (17% of Group). Most of the growth was generated in China, driven by the dynamic premium market and benefitting from the roll-out of the Anthogyr value brand. Straumann has gained further market share in Japan, where demand for its products was robust.

Growth eased slightly from 26% in Q1 to 19% in Q2, reflecting the very strong prior-year period in Japan, which benefited from various product launches and a large scientific forum in Tokyo. The newly-acquired Equinox business in India added 3%-points to reported growth. Other subsidiaries in the region all performed well.

Double-digit growth in Latin America

In Latin America, organic revenue growth reached 14%, which is particularly impressive in view of the economic situation and general weakness in the region's largest market, Brazil. Growth in Swiss francs benefitted from the appreciation of the Brazilian Real, as regional revenue rose 31% to CHF 57 million (11% of Group). Despite the challenging economic environment, Straumann and Neodent in Brazil posted robust performances and gained new customers. This was complemented by the Group's expansion into new markets and segments.

In Q2, organic growth reached 13%, driven mainly by Straumann BLT and Neodent Aqua implants. Particularly strong demand in Mexico, together with growth in Colombia, Argentina and Chile, helped to sustain double-digit growth in the Region..

OPERATIONS AND FINANCES

Straumann has fully consolidated Medentika in its financial statements, having obtained control since January 2017. The business combination led to several one-time effects, which include inventory revaluation expenses of CHF 2 million in the 'costs of goods sold' and a one-time gain of 25 million below the EBIT line (see Note 4). These effects are defined as 'exceptionals'.

To facilitate the performance comparison, the key financial figures are shown both on a ‘reported’ and an ‘underlying’ (i.e. excluding exceptionals) basis.

Double-digit volume expansion lifts gross profit

Strong volume growth in premium and value implant solutions lifted gross profit in H1 2017 by 16% to CHF 418 million. Excluding the aforementioned exceptional inventory-adjustment charge, underlying gross profit stood at CHF 420 million and the respective margin amounted to 77%. This was 110 base points lower than in the prior year period, reflecting the higher current share of value and third-party products, which have lower gross margins, in addition to adverse currency effects.

To cater for strong volume growth, the company stepped up its investments in production capacity and increased its manufacturing teams in Curitiba (BR), Andover (US) and Villeret (CH), leading to higher production costs.

Global team expands as Group increases production and invests in future growth

Over the first six months of the year, the Group’s global team increased by 430 to 4227 employees, reflecting investments in growth markets/projects and production capacity. The incorporation of Equinox in India and Medentika in Germany added 160 employees. Approximately 50 new jobs were created in Switzerland, mainly in production and R&D, to drive the Group’s strong development pipeline.

EBIT margin clears 25% for the first time since 2010

Distribution costs, which comprise sales-force salaries and commissions as well as logistics expenses, increased by CHF 17 million to CHF 119 million as the company continued to invest in high-growth markets and in building its global non-premium franchise. This includes amortization expenses of CHF 4 million for customer-related intangible assets of recently acquired companies (Neodent, Medentika, and Equinox).

Administrative expenses rose in absolute terms from CHF 146 million in H1 2016 to CHF 162 million in H1 2017. This includes overhead and marketing costs for the newly-added Medentika and Equinox businesses. Relative to sales, administrative expenses decreased 170 basis points to 30%, which contributed to the improvement in profit margins.

Earnings before interest, tax, depreciation, amortization (EBITDA) and exceptionals increased 22% to CHF 158 million, lifting the respective margin 100 basis points to 29%.

After amortization and depreciation charges of CHF 18 million, operating profit amounted to CHF 138 million (CHF 140 million underlying) compared with CHF 114 million a year ago. The underlying EBIT margin cleared 25% for the first time since 2010 and increased 90 base points to almost 26%.

One-time revaluation gain lifts net profit

The financial result declined from a negative CHF 1 million in the prior year period to a negative CHF 2 million in the first half of this year. The main reason for this was the reduction in interest income following the repayment of the MegaGen convertible bond. Apart from foreign exchange hedging costs, the main component of the financial result was interest payments of CHF 2 million – related to the 200-million corporate bond..

The Group recognized an overall valuation gain of CHF 25 million as the fair value of the investment in Medentika on 1 January 2017 exceeded the respective carrying amount. This exceptional effect is both cash and tax-neutral and is shown in a separate line in the income statement under ‘Gain on consolidation of Medentika’.

Straumann’s Group share of results from its associate partners[5] was a negative CHF 3 million compared to a negative CHF 1 million a year earlier. The decline reflects this year’s business combination of Medentika, which is highly profitable, and was reported as ‘Share of results of associates’ up to the end of December 2016.

Income-tax expenses in the first-half of 2017 amounted to CHF 17 million in contrast to a tax income in the prior year period, when the Group benefitted from a one-time tax gain in Brazil. This year, the aforementioned revaluation gain on Medentika lowered the effective tax rate to 11%. The normalized tax rate going forward is expected to be approximately 15%.

Taking all these factors into account, the Group generated net profit of CHF 141 million or CHF 117 million (margin: 22%) excluding exceptionals. Underlying (basic) earnings per share grew 26% to CHF 7.57 (2016: CHF 5.99).

Solid free cash flow of CHF 45 million
Thanks to the aforementioned profitability improvements, net cash from operating activities increased 14% to CHF 78 million. The result was constrained by higher inventory levels due mainly to the opening of new subsidiaries and the extension of the Group’s product range (including digital equipment). The dynamic topline growth in emerging and distributor markets led to an increase in accounts receivable, although the days of sales outstanding reached 60 days – one day less than a year ago.

The Group invested heavily in the expansion of manufacturing capacity at various sites, increasing CAPEX by CHF 19 million to a total CHF 33 million. The combination of these effects meant that free cash flow reached CHF 45 million, bringing the respective margin to 8%.

Raised dividend and further investments in technology platform
A portion of the free cash flow was used to obtain a 49% stake in a ceramic implant joint venture with maxon motor, a 38% stake in the Spanish orthodontics company Geniova, and to increase the Group’s stake in Rodo Medical to 30%. Collectively, these investments amounted to CHF 21 million. At the end of February, MegaGen Implant Co., Ltd. repaid the outstanding convertible bond with a face value of USD 30 million. Taking everything into account, cash used for investing activities in the first six months of 2017 reached CHF 36 million.

At this year’s AGM, the shareholders approved a dividend increase to CHF 4.25 per share and the corresponding CHF 65 million were paid out in April. This was the main financing activity in the period under review, which totaled CHF 64 million.

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[5] Associate companies in the first-half 2017 comprise: Dental Wings, maxon dental, Rodo Medical, Createch, Anthogyr, T-Plus, Valoc, V2R, Abutment Direct, and Zinedent. The equity method of accounting is applied for these companies, in which Straumann holds a non-controlling stake. The associate result is shown net-of-tax and after amortization of intangibles.

As a result, cash and cash equivalents at the end of June amounted to CHF 140 million, CHF 24 million lower than at the beginning of the year.

OUTLOOK 2017 UNCHANGED
(barring unforeseen circumstances)

The Straumann Group expects the global dental implant market to grow at approximately 3-4% in 2017 and is confident that it can continue to outperform by achieving organic growth in the low double-digit percentage range. Despite further investments in strategic growth initiatives and assuming that currency exchange rates remain fairly stable, the expected organic revenue growth and operational leverage should lead to further improvements in the underlying[6] operating profit margin.

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 Straumann, Instradent, Neodent, Medentika, etkon, ClearCorrect, Dental Wings, 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, CADCAM 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. 4200 people (excl. Dental Wings and ClearCorrect) worldwide and its products, solutions and services are available in more than 100 countries through a broad network of distribution subsidiaries and partners.

Straumann Holding AG, Peter Merian-Weg 12, 4002 Basel, Switzerland.
Phone: +41 (0)61 965 11 11 / Fax: +41 (0)61 965 11 01
Homepage: www.straumann.com

Contacts:

Corporate Communication
Mark Hill: +41 (0)61 965 13 21
Thomas Konrad: +41 (0)61 965 15 46
E-mail:corporate.communication@straumann.com

Investor Relations
Fabian Hildbrand: +41 (0)61 965 13 27
E-mail: investor.relations@straumann.com

[6] Excluding acquisition (Equinox, Medentika, ClearChoice, and Dental Wings) and currency effects.

Media and analysts' conference
Straumann's 2017 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.com/webcast). The audio webcast of the conference call will be available for the next month.

Presentation slides
The corresponding conference visuals are available at
http://www.straumann.com/en/home/investors/financial-reports/conference-presentations
and on the Media and Investors pages at www.straumann.com.

The telephone conference can be accessed at:
Europe & RoW: +41 (0)58 310 50 09
UK: +44 (0)203 059 58 62
USA: +1 (1) 631 570 56 13

UPCOMING CORPORATE / INVESTOR EVENTS

Date	Event	Location
2017		
21 August	Investor meetings	New York
21 August	Investor meetings	Zurich
22 August	Investor meetings	Boston
22 August	Investor meetings	Frankfurt
23 August	Investor meetings	Toronto
11 September	Investor meetings	Edinburgh
12 September	Investor meetings	London
14 September	UBS Best of Switzerland Conference	Ermatingen (CH)
26 October	**Q3/9M revenue publication**	**Webcast**

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

Interim selected financial information

OPERATING PERFORMANCE

(in CHF million)	H1, 2017	H1, 2016
Revenue	543.4	461.2
Change in %	17.8	15.7
Gross profit	418.0	361.2
Margin in %	76.9	78.3
Operating profit before depreciation and amortization (EBITDA)	156.1	129.2
Margin in %	28.7	28.0
Change in %	20.9	31.0
Operating profit (EBIT)	137.8	114.4
Margin in %	25.4	24.8
Change in %	20.5	38.3
Result for the period	140.8	134.9
Margin in %	25.9	29.3
Change in %	4.4	> 100.0
Basic earnings per share (in CHF)	9.11	8.55

FINANCIAL PERFORMANCE

(in CHF million)	H1, 2017	H1, 2016
Cash and cash equivalents	140.0	304.8
Net working capital (net of cash)	193.1	121.5
Net cash / (net debt)	(113.0)	101.5
Inventories	124.7	85.4
Days of supplies	180	148
Trade receivables	186.0	162.6
Days of sales outstanding	60	61
Balance sheet total	1'185.4	1 186.1
Return on assets in % (ROA)	24.8	24.3
Equity	653.3	723.6
Equity ratio in %	55.1	61.0
Return on equity in % (ROE)	43.8	41.9
Capital employed	621.2	418.5
Return on capital employed in % (ROCE)	50.2	54.8
Cash generated from operating activities	77.5	68.2
in % of revenue	14.3	14.8
Investments	53.4	28.4
in % of revenue	9.8	6.2
thereof capital expenditures	32.8	13.5
thereof associates related	20.6	15.0
Free cash flow	45.2	55.0
in % of revenue	8.3	11.9
Dividend	65.1	63.2

straumanngroup

Interim consolidated statement of financial position

ASSETS

(in CHF 1 000)	30 Jun 2017	31 Dec 2016
Property, plant and equipment	140 329	119 320
Intangible assets	376 927	314 027
Investments in associates	50 938	61 284
Financial assets	26 036	49 907
Other receivables	5 706	4 013
Deferred income tax assets	83 209	84 119
Total non-current assets	683 145	632 670
Inventories	124 668	101 957
Trade and other receivables	231 088	181 645
Financial assets	471	1 105
Income tax receivables	6 029	8 522
Cash and cash equivalents	139 970	164 024
Total current assets	502 226	457 253
TOTAL ASSETS	1 185 371	1 089 922

EQUITY AND LIABILITIES

(in CHF 1 000)	30 Jun 2017	31 Dec 2016
Share capital	1 588	1 588
Retained earnings and reserves	651 721	632 093
Total equity attributable to the shareholders of the parent company	653 309	633 681
Non-controlling interests	(8)	0
Total equity	653 302	633 681
Straight bond	199 689	199 632
Other liabilities	13 777	13 759
Financial liabilities	52 955	831
Provisions	33 257	28 571
Retirement benefit obligations	47 767	46 763
Deferred income tax liabilities	15 635	2 078
Total non-current liabilities	363 080	291 634
Trade and other payables	147 013	138 702
Financial liabilities	278	440
Income tax payables	18 779	12 739
Provisions	2 919	12 726
Total current liabilities	168 989	164 608
Total liabilities	532 070	456 241
TOTAL EQUITY AND LIABILITIES	1 185 371	1 089 922

Interim consolidated income statement

(in CHF 1 000)	H1, 2017	H1, 2016
Revenue	543 421	461 242
Cost of goods sold	(125 388)	(100 057)
Gross profit	418 033	361 185
Other income	1 427	1 143
Distribution costs	(119 173)	(102 353)
Administrative expenses	(162 462)	(145 599)
Operating profit	137 825	114 376
Finance income	17 377	22 922
Finance expense	(19 713)	(23 816)
Gain on consolidation of Medentika	24 989	0
Share of result of associates	(2 567)	(594)
Profit before income tax	157 911	112 888
Income taxes	(17 066)	22 030
RESULT FOR THE PERIOD	140 845	134 919
Attributable to:		
Shareholders of the parent company	140 016	134 919
Non-controlling interests	829	0
Earnings per share (EPS):		
Basic earnings per share attributable to ordinary shareholders of the parent company (in CHF)	9.11	8.55
Diluted earnings per share attributable to ordinary shareholders of the parent company (in CHF)	9.08	8.52

Interim consolidated statement of comprehensive income

(in CHF 1 000)	H1, 2017	H1, 2016
Result for the period	140 845	134 919
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net foreign exchange result on net investment loans	4 465	1 989
Share of other comprehensive income of associates accounted for using the equity method	48	0
Exchange differences on translation of foreign operations	(26 515)	43 580
Income tax effect	(361)	(140)
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(22 363)	45 429
Items not to be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial instruments designated through other comprehensive income	(1 214)	(585)
Remeasurements of retirement benefit obligations	(177)	(7 429)
Income tax effect	118	1 012
Items not to be reclassified to profit or loss in subsequent periods	(1 273)	(7 002)
Other comprehensive income, net of tax	(23 636)	38 427
TOTAL COMPREHENSIVE INCOME, NET OF TAX	117 209	173 346
Attributable to:		
Shareholders of the parent company	116 127	173 346
Non-controlling interests	1 082	0

Interim consolidated cash flow statement

(in CHF 1 000)	H1, 2017	H1, 2016
Result for the period	140 845	134 919
Adjustments for:		
Income taxes	17 066	(22 031)
Interest and other financial result	2 332	894
Gain on consolidation of Medentika	(24 989)	0
Share of result of associates	2 567	594
Depreciation and amortization	18 256	15 225
Change in provisions, retirement benefit obligations and other liabilities	(3 073)	6 927
Change in long term assets	(1 738)	(248)
Share-based payment expense	1 995	2 048
Result on disposal of property, plant and equipment	0	101
Working capital adjustments:		
Change in inventories	(14 156)	(6 937)
Change in trade and other receivables	(47 977)	(42 405)
Change in trade and other payables	6 480	(675)
Interest paid	(4 224)	(3 990)
Interest received	530	1 369
Income tax paid	(16 397)	(17 630)
Net cash from operating activities	**77 517**	**68 161**
Proceeds from financial assets	30 130	0
Purchase of property, plant and equipment and intangible assets	(32 815)	(13 456)
Purchase of investments in associates	(20 550)	(14 986)
Deemed acquisition of a subsidiary, net of cash acquired	(42)	0
Proceeds from loans	32	2 975
Disbursement of loans	(12 772)	(391)
Net proceeds from sale of non-current assets	496	274
Net cash used in investing activities	**(35 521)**	**(25 584)**
Increase in non-current financial debt	1 489	0
Dividends paid to the equity holders of the parent	(65 139)	(63 152)
Repayment of finance lease	(12)	0
Proceeds from excercise of options	0	13 926
Purchase of treasury shares	(5 377)	(9 763)
Sale of treasury shares	4 561	2 228
Net cash used in financing activities	**(64 477)**	**(56 761)**
Exchange rate differences on cash held	(1 573)	685
Net change in cash and cash equivalents	**(24 054)**	**(13 499)**
Cash and cash equivalents at 1 January	164 024	318 297
Cash and cash equivalents at 30 June	139 970	304 798

Interim consolidated statement of changes in equity

H1, 2017

(in CHF 1 000)	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the shareholders of the parent company							
Balance at 1 January 2017	1 588	31 412	(206 550)	(89 810)	897 041	633 681	0	633 681
Result for the period					140 016	140 016	829	140 845
Other comprehensive income				(22 303)	(1 586)	(23 889)	253	(23 636)
Total comprehensive income	0	0	0	(22 303)	138 430	116 127	1 082	117 209
Dividends to equity holders of the parent					(65 139)	(65 139)		(65 139)
Share-based payment					1 995	1 995		1 995
Purchase of treasury shares			(5 377)			(5 377)		(5 377)
Sale of treasury shares			18 178		(18 178)	0		0
Changes in consolidation group						0	21 867	21 867
Put options to non-controlling interests					(27 978)	(27 978)	(22 957)	(50 934)
Balance at 30 June 2017	1 588	31 412	(193 749)	(112 113)	926 171	653 309	(8)	653 302

H1, 2016

(in CHF 1 000)	Share capital	Share premium	Treasury shares	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the shareholders of the parent company							
Balance at 1 January 2016	1 572	18 280	(923)	(145 839)	731 880	604 970	0	604 970
Result for the period					134 919	134 919		134 919
Other comprehensive income				45 429	(7 002)	38 427		38 427
Total comprehensive income	0	0	0	45 429	127 917	173 346	0	173 346
Issue of share capital	16					16		16
Dividends to equity holders of the parent					(63 152)	(63 152)		(63 152)
Share-based payment					2 048	2 048		2 048
Purchase of treasury shares			(9 745)			(9 745)		(9 745)
Sale of treasury shares			3 911		12 234	16 145		16 145
Balance at 30 June 2016	1 588	18 280	(6 757)	(100 410)	810 927	723 628	0	723 628

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 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 7 August 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ending 30 June 2017 have been prepared in accordance with IAS 34 *'Interim Financial Reporting'*. They should be read in conjunction with the Group's annual financial statements as at 31 December 2016, as they provide an update of previously reported information. 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 2016, except as described below:

The Group has applied the following amendments for the annual reporting period commencing 1 January 2017:

- IAS 12 (Amendment) Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- IAS 7 (Amendments) Disclosure Initiative (effective 1 January 2017)

Neither amendment has any effect on the presented interim financial report.

The following standards have been published but are not yet effective, and the Group has not adopted them early:

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

The Group is in the process of evaluating the impact these standards may have on its consolidated financial statements. There are no changes in the estimation of the impact compared to the Group's annual financial statements for the year ending 31 December 2016.

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 BUSINESS COMBINATIONS

MEDENTIKA

The Group signed a new shareholder agreement with the founding shareholders of Medentika GmbH to obtain control over the company as of 1 January 2017. Medentika GmbH, based in Germany, is a provider of prosthetics for leading implant and CADCAM systems. The company also supplies a range of titanium implants and instruments. The agreement enables the Group to direct all relevant activities of Medentika GmbH with an unchanged participation of 51%.

Based on a spin-off agreement in 2015, Medentika GmbH transferred its German distribution business into Instradent Deutschland GmbH, in which the Group held a 51% non-controlling stake. When the Group obtained control over Medentika GmbH, it acquired the remaining 49% stake in Instradent Deutschland GmbH for a cash consideration of CHF 1.8 million.

To reflect the underlying economic and commercial circumstances, the Group considered the simultaneous transactions jointly as a single business combination (hereafter referred to as 'Medentika'). As a result of obtaining control, the Group has consolidated Medentika in its 2017 financial statements, based on the current ownership interests in the respective Medentika entities.

The Group recognized an overall gain of CHF 25.0 million as a result of derecognizing its 51% equity interest in Medentika held before the business combination. The fair value of the 51% stake in Medentika was CHF 63.5 million and the associate carrying amount was CHF 33.7 million on 1 January 2017. The gain resulting from the revaluation to fair value of the 51% equity instrument in Medentika immediately before the deemed acquisition amounted to CHF 29.8 million. The related portion of translation losses of CHF 4.8 million has been reclassified from comprehensive income to the income statement. Both effects are shown in a separate line in the income statement under “Gain on consolidation of Medentika”.

The fair value of the identifiable assets and liabilities on 1 January 2017 were:

(in CHF 1 000)	Fair Value
Property, plant and equipment	5 432
Intangible assets:	
Brand	18 947
Customer relationships	16 242
Other intangible assets	634
Investments in associates	4 673
Financial Assets	33
Inventories	12 798
Trade and other receivables	2 380
Financial assets	94
Income tax receivables	1 952
Cash and cash equivalents	1 722
Total assets	64 906
Financial liabilities	3 419
Deferred income tax liabilities	12 247
Trade and other payables	2 006
Other current liabilities	2 042
Total liabilities	19 713
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	45 193
Deemed consideration: Fair value 51% stake after revaluation	63 450
Purchase price Instradent Deutschland GmbH	1 763
Non-controlling interests	21 867
Total Equity	87 080
GOODWILL	41 887
Cash flow	
Net cash acquired	1 722
Cash paid	(1 764)
NET CASH OUTFLOW	(42)

The 49% non-controlling interest of CHF 21.9 million was measured on the basis of the proportionate fair value of the identifiable net assets.

At the date of the business combination the fair value of the trade receivables was CHF 2.0 million. The gross contractual amount for trade receivables is CHF 2.3 million, of which CHF 0.3 million is expected to be uncollectable.

In connection with the modification of the shareholder agreement, the Group has written put options granting the holders of the 49% non-controlling interests the right to sell their remaining shares to the Group. The options are exercisable in certain windows from 2020 to 2022 and may be exercised either in respect to the founding shareholder's entire interests or in instalments. The Group has initially recognized a non-current financial liability of CHF 49.8 million. This represents the present value of the estimated redemption value by the Group in the event of full exercise of the rights by the founding shareholders. As a result of the initial recognition of the financial liability, non-controlling interests in equity decreased by CHF 21.3 million and shareholder's equity decreased by CHF 28.5 million.

The financial liability is re-measured on a regular basis and the resulting differences are recorded in equity with no impact on the income statement. As of 30 June 2017, the financial liability amounted to CHF 50.9 million.

5 INVESTMENT IN ASSOCIATES

MAXON DENTAL GMBH

On 3 January 2017, the Group has acquired a 40.6% non-controlling stake in maxon dental GmbH, Germany. The purchase price amounted to CHF 5.4 million. maxon dental GmbH develops and produces fully ceramic implants using injection molding technology. Following the initial investment, the Group has increased its stake to 49.0% by a capital increase of CHF 2.9 million on 12 January 2017.

GENIOVA TECHNOLOGIES S.L.

On 21 February 2017, the Group acquired a 38.02% non-controlling stake in Geniova Technologies S.L., Spain in exchange for a capital increase of CHF 3.2 million. Geniova, a Spanish orthodontics company that has pioneered an innovative 'fast aligner' dental appliance.

RODO MEDICAL INC.

On 13 April 2017, the Group increased its overall participation in Rodo Medical Inc., USA to a 30% non-controlling stake. The privately-held US company develops and produces innovative retention devices for dental implant restorations (Smileloc). The purchase price amounted to CHF 9.0 million.

6 DIVIDENDS PAID

On 13 April 2017, Straumann Holding AG paid a dividend of CHF 4.25 (2016: CHF 4.00) per share to its shareholders. The total amount of the gross dividend paid was CHF 65.1 million (2016: CHF 63.2 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 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 option granted to non-controlling interests relates to the business combination with Medentika. Refer to Note 4 for further details.

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. Currency options are valued based on option pricing models using observable input data.

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 using other valuation techniques. For the fund, the Group receives quarterly valuation statements, which state the net asset value (NAV) based on the valuation techniques used by the fund.

Other financial liabilities allocated to 'Level 3' hierarchy mainly include contingent considerations in relation to the acquired Equinox business in India. The fair value of this contingent consideration is based on a growth component (CAGR) and a profitability component (local contribution). The local contribution is defined as net revenue less operating expenses.

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

At 30 June 2017 and 31 December 2016 the Group held the following financial instruments:

(in CHF 1 000)	30 Jun 2017					
	Carrying amount (by measurment basis)					Fair Value
Financial assets	Amortized cost	Level 1	Level 2	Level 3	Total carrying amount	
Derivative financial assets			471		471	
Equity instruments		6 200		4 100	10 300	
Convertible bonds				351	351	
Loans and other financial receivables	15 385				15 385	
Other receivables	2 328				2 328	
Trade receivables	185 984				185 984	
Cash and cash equivalents	139 970				139 970	
Financial liabilities						
Straight bond	(199 689)				(199 689)	(208 650)
Derivative financial liabilities			(257)		(257)	
Put options to non-controlling interests				(50 934)	(50 934)	
Other financial liabilities	(1 544)			(6 566)	(8 110)	
Trade payables	(33 359)				(33 359)	
Other payables	(2 792)				(2 792)	

(in CHF 1 000)	31 Dec 2016					
	Carrying amount (by measurment basis)					Fair Value
Financial assets	Amortized cost	Level 1	Level 2	Level 3	Total carrying amount	
Derivative financial assets			1 105		1 105	
Equity instruments		7 172		5 610	12 782	
Convertible bonds				31 166	31 166	
Loans and other financial receivables	5 975				5 975	
Other receivables	1 738				1 738	
Trade receivables	148 909				148 909	
Cash and cash equivalents	164 024				164 024	
Financial liabilities						
Straight bond	(199 632)				(199 632)	(210 750)
Derivative financial liabilities			(440)		(440)	
Other financial liabilities	(156)			(6 803)	(6 959)	
Trade payables	(30 307)				(30 307)	
Other payables	(4 465)				(4 465)	

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 2017	36 776	(6 803)
Additions	0	(49 816)
Remeasurement recognized in OCI	(242)	61
Remeasurement recognized in profit or loss	(337)	7
Remeasurement recognized in equity	0	(1 118)
Settlements	(30 130)	169
Reclassifications	(1 616)	0
As at 30 June 2017	4 451	(57 500)

The addition to ‘Level 3’ financial liabilities in 2017 relates to the put options granted to non-controlling interests in conjunction with the gain of control in Medentika. At balance sheet date, its remeasurement was recognized in equity.

The settlement of 'Level 3' financial assets in 2017 relates to the repayment of the convertible bonds by MegaGen Implant Co. Ltd.

In 2017, the Group gained significant influence in Rodo Medical Inc. Therefore, the investment was reclassified from 'Level 3' financial instruments into “investments in associates”.

There were no transfers between ‘Level 1’ and ‘Level 2’ fair value measurements during the period, and no transfers into or out of ‘Level 3’ fair value measurements during the six-month period ending 30 June 2017.

The fair value of the equinox contingent consideration is expected to range between nil and CHF 6.1 million, depending on the development of the significant unobservable inputs such as the growth component (CAGR) and the profitability component (local contribution).

The fair value of the put options to non-controlling interests (Medentika) are valued based on the EBITDA multiple (unobservable input) with a valuation floor of CHF 32.1 million and a valuation cap of CHF 53.0 million.

As of balance sheet date, the Group assumes that the earn-out targets set for both companies are achievable. Hence, both financial liabilities are recognized at the upper end of the ranges set.

8 DEFERRED TAX ASSETS

In January 2016, Straumann Brasil Ltda was merged into JJGC Industria e Comercio de Materiais Dentarios SA (Neodent). As a result of the merger, Neodent will benefit from future tax savings and has consequently recognized a deferred tax asset in its financial statements. The recognition of the deferred tax asset has led to a non-recurring profit in the amount of CHF 40.5 million in the first half of 2016.

9 SEGMENT INFORMATION

Operating segments requiring to be reported are determined on the basis of 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 headquarter support functions (e.g. finance, internal audit, 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’.

As of 1 January 2017, the Group has combined its former separate segments ‘Sales CE’ and ‘Sales WE’ into a single European region ‘Sales Europe’. To strengthen the emerging and distributor markets, the Group’s premium and Instradent distribution business and the business with external distributors in the EMEA region were allocated into a new operating segment ‘Sales Distributor & Emerging Markets EMEA’.

Comparative information was adapted to the structure prevailing at the balance sheet date.

The disclosed operating segments are defined as follows:

Sales Europe
'Sales Europe' comprises the Group's premium and Instradent distribution businesses in Europe. It also acts as the principle (excluding the premium distribution businesses performed by 'Operations') towards all Instradent businesses of the Group. It also includes Medentika's distribution business and its manufacturing plant in Germany (which produces implants and prosthetic components). It includes segment-related management functions located inside and outside Switzerland.

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

Sales NAM
'Sales NAM' comprises the Group's premium distribution businesses in the United States and Canada. It includes segment-related management functions located inside and outside Switzerland.

Sales APAC
'Sales APAC' comprises the Group's premium distribution businesses in the Asia pacific region, as well as the business with Asian distributors. It further incorporates the value distribution business of Anthogyr implants and prosthetic components in China and the Equinox implants in India. It further contains Equinox's manufacturing plant in India (which produces implants and prosthetic components). It includes segment-related management functions located inside and outside Switzerland.

Sales LATAM
'Sales LATAM' comprises the Group's premium distribution and Instradent businesses in Middle and South America as well as the business with Latin American distributors. It also includes Neodent's distribution business in Brazil, as well as Neodent's business with Latin American distributors. It contains Neodent's manufacturing plant in Brazil (which produces implants, biomaterials and CADCAM products). It includes segment related management functions located inside and outside Switzerland.

Operations
'Operations' acts as the principal towards all premium distribution businesses of the Group; it does not include the Instradent distribution activities of fully-controlled Group companies. It includes the global manufacturing network i.e. the manufacturing plants, production of implants, biomaterials and CADCAM products as well as all Corporate logistics functions. It does not include Neodent's manufacturing site in Brazil, the manufacturing plant of Equinox in India and the production plant of Medentika in Germany.

INFORMATION ABOUT PROFIT OR LOSS and ASSETS

The following tables' present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

H1, 2017 (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	221 589	22 688	149 211	92 984	56 950	(0)	0	0	543 421
Inter-segment	11 869	0	0	0	6 059	259 026	0	(276 954)	0
Total revenue	**233 475**	**22 688**	**149 211**	**92 984**	**63 008**	**259 010**	**0**	**(276 954)**	**543 421**
Operating profit	**9 692**	**3 249**	**4 382**	**8 180**	**5 825**	**181 746**	**(68 970)**	**(6 278)**	**137 825**
Financial result									22 653
Share of result of associates									(2 567)
Income tax expenses									(17 066)
Result for the period									**140 845**

H1, 2016 (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	194 131	22 010	126 520	75 167	43 414	(0)	0	0	461 242
Inter-segment	4 566	0	0	0	3 773	231 433	0	(239 772)	0
Total revenue	**198 697**	**22 010**	**126 520**	**75 167**	**47 188**	**231 433**	**0**	**(239 772)**	**461 242**
Operating profit	**793**	**8 138**	**(3 830)**	**6 223**	**2 264**	**165 217**	**(70 421)**	**5 992**	**114 376**
Financial result									(894)
Share of result of associates									(594)
Income tax expenses									22 030
Result for the period									**134 919**

The remaining operating profit under 'Eliminations' (H1 2017 and H1 2016) 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 2017 and 31 December 2016:

at 30 Jun 2017 (in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Segment assets	**251 744**	**9 722**	**65 802**	**73 909**	**317 400**	**303 923**	**24 740**	**(162 493)**	**884 747**
Unallocated assets									300 624
Group									**1185 371**

at 31 Dec 2016 (in CHF 1 000)	Sales Europe	Sales D+EM EMEA	Sales NAM	Sales APAC	Sales LATAM	Operations	Not Allocated Items	Eliminations	Group
Segment assets	**118 613**	**16 381**	**71 195**	**63 598**	**326 430**	**260 512**	**17 142**	**(144 387)**	**729 484**
Unallocated assets									360 439
Group									**1089 922**

10 EVENTS AFTER THE REPORTING PERIOD

RAPID SHAPE

The Group has signed an agreement to purchase a 35% non-controlling stake in Rapid Shape. Headquartered in Germany, Rapid Shape specializes in the development and manufacture of high-end 3D-printing systems for additive manufacturing. The acquisition follows a non-exclusive distribution agreement, signed in March, allowing the Group to supply Rapid Shape 3D-printers worldwide. The transaction is expected to close in August.

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