Infection Control

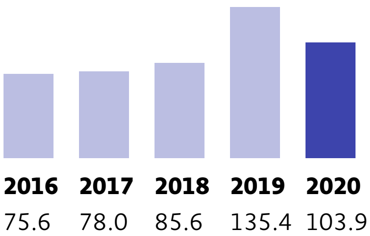
Half-Year Report 2020

COLTENE

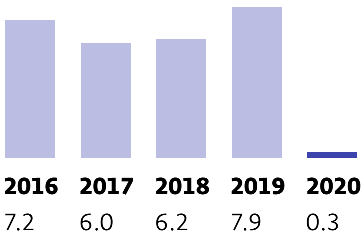
Key Figures

5-Year Overview H1 2016–2020 [1]
(in CHF million)

Net Sales

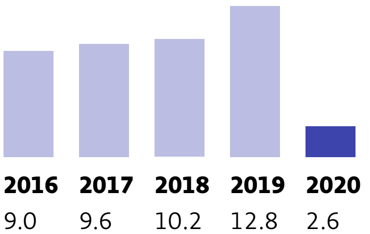


Net Profit

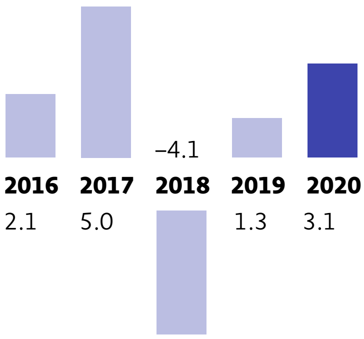


[1] H1 statements for 2016 to 2017 are based on IFRS; H1 statements for 2018 to 2020 are based on Swiss GAAP FER

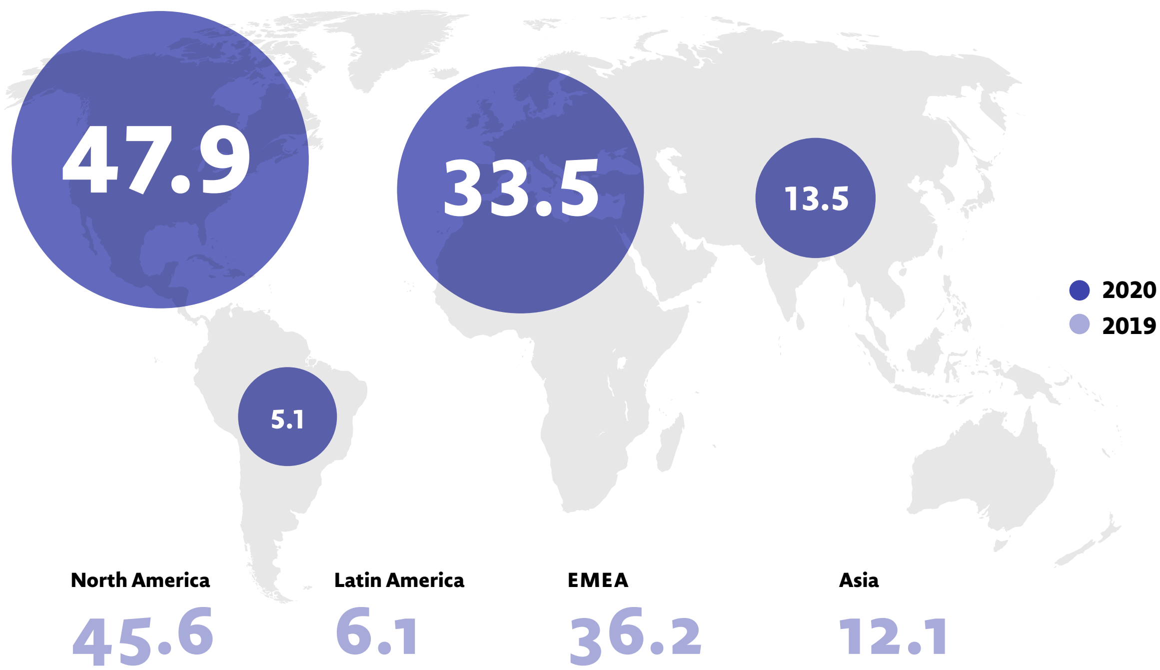
EBIT



Free Cash Flow



H1 Net Sales by Region in %



Highlights H1 2020

–23.3%

Decline in sales

After a strong first quarter, demand for dental consumables plummeted due to the full or partial closing of dental practices across all core markets

2.6 mn

CHF, Positive EBIT

Sharply lower (–80.0%) but still positive EBIT reflects strong cost discipline

–16.9%

Lower operating expenses

Swift and comprehensive measures without headcount reductions offset more than 50% of gross margin loss

+17.5%

Growth in Infection Control

Sales of disinfectants surged in local currency terms, reflecting even higher hygiene standards for dental practices

Foreword

Dear Shareholders,

COLTENE started 2020 with great momentum. In the first quarter, net sales and results were up year-on-year. With Kenda, SciCan and Micro-Mega added to the family, the expanded COLTENE Group demonstrated its growing position as a provider of comprehensive solutions with a finger on the pulse of its end customers.

From mid-March, the COVID-19 pandemic unleashed its full force on dental clinics and practices in COLTENE's core markets as governments mandated their full or partial closing. In many markets, dentists were restricted to treating emergency patients or forced to close for a time, sharply reducing COLTENE Group sales in the second quarter. Demand for dental consumables declined in all but a few product lines. Among the exceptions were infection control products, which are mainly made by SciCan. Disinfectant sales were up significantly, lifted by the further tightening of hygiene standards and of routine disinfection protocols for dental practices. Business also remained brisk for instrument cleaning, disinfection and sterilization equipment (instrument washers and sterilizers). These products were unable to compensate for the decline in revenue in Dental Preservation and Treatment Auxiliaries. However, their sales performance does highlight the strategic importance of the SciCan acquisition to the future growth of the COLTENE Group.

COLTENE has responded to the COVID-19 pandemic with a comprehensive set of measures.

After bottoming out in April, COLTENE sales began showing signs of a recovery – in China by early May and in further markets during June, including in Germany, Austria and Switzerland, where business rebounded or, in the case of Infection Control, continued strong.

For H1, COLTENE posted sales of CHF 109.4 million in local currency terms and CHF 103.9 million in reporting currency terms (H1 2019: CHF 135.4 million, or –23.3%). The strong Swiss franc had a negative effect of CHF 5.5 million, or 5.0%, on net sales. At CHF 2.6 million (H1 2019: CHF 12.8 million, or –80.0%), the Group achieved a positive EBIT.

Protecting Employees, Liquidity and Profitability

COLTENE has responded to the COVID-19 pandemic with a comprehensive set of measures, prioritizing employee health and safety, liquidity, and profitability. Non-priority investments have been stopped or postponed. Where feasible, management has introduced short-time work or furloughs (temporary layoffs). In addition, COLTENE introduced a bundle of wide-ranging measures to reduce operating and administrative expenses. In this context, Kenda – a COLTENE subsidiary since 2019 and a maker of innovative, high-precision silicone polishers – relocated from Vaduz in Liechtenstein to Altstätten, along with its 12 employees, and was folded into the parent company's organization.

Despite COVID-19, COLTENE's strategic cornerstones remain unchanged. The main focus is on organic growth in key markets across all three product groups – Infection Control, Dental Preservation and Efficient Treatment. With its product and equipment innovations especially in infection control involving IT applications and in root canal treatment, COLTENE plans to further position its brand as a solution provider.

Outlook

For the second half of 2020, COLTENE foresees an ongoing recovery across all markets. Demand will likely remain robust for disinfectants and for instrument cleaning, sterilization and disinfection products for dentistry use. The market is also growing for smart tracing of dentistry instrument use to individual patients. COLTENE plans to further develop and expand these services. The true financial impact of the COVID-19 crisis on COLTENE's full-year results is impossible to estimate at this stage as it will depend on the further trajectory of both the pandemic and the economic recovery. Despite the prompt measures taken to stem the market slump in the second quarter, the results for full-year 2020 will come in below those for the previous year. Our Group foresees a gradual recovery gathering pace across markets and our expectation for H2 is that sales and the EBIT margin will perform better than in the first six months.

Despite COVID-19, COLTENE's strategic cornerstones remain unchanged.

On behalf of the Board of Directors and Group Executive Management, we would like to thank all our employees for their hard work and valuable contribution at this challenging time. We also wish to thank our business partners and shareholders for the confidence they place in the COLTENE Group.

Sincerely yours,

Nick Huber	Martin Schaufelberger
Chairman of the Board	CEO

Infection Control

The COVID-19 pandemic has hit COLTENE in all its geographic markets, sharply reducing sales for close to three months, according to the latest information available as of mid-year. COLTENE Group Executive Management acted promptly to safeguard the health and safety of our employees and to protect our liquidity and profitability. Key to countering the pandemic-driven plummeting of sales was the swift implementation of sweeping cost-reduction measures. These were aimed at absorbing as much as possible of the margin losses associated with the loss of sales volumes – and doing so in the most socially responsible manner we could.

In European countries, COLTENE introduced short-time work where possible to avoid having to terminate employees. In the US, roughly half of our 400-strong workforce was temporarily furloughed while continuing to be insured through the company. The crisis prompted swift changes to product planning, with Infection Control gaining more weight. The integration of Kenda and the development of new digital marketing activities is part of how COLTENE is preparing for the recovery we see ahead.

COLTENE's response to the pandemic:

Protecting Jobs and Employees

COLTENE was swift to act on the rules and recommendations issued by governments in the jurisdictions in which we operate. In addition, we took further measures tailored to local needs to protect at-risk populations.

- **Other than temporary positions, no jobs were eliminated, although employees leaving or retiring were and continue to be replaced only if absolutely necessary**
- **A hiring freeze is in place Group-wide until sale volumes return to 90 % of prior-year levels**
- **The scope for short-time working has been implemented to the maximum extent**
- **In the US, a part of the staff was furloughed while their employment contract and insurance contributions were continued**
- **Meetings and gatherings were held online while pandemic restrictions were in force**

Cost Reductions

COLTENE took immediate action to significantly reduce costs, paying close attention to liquidity and profitability while also protecting jobs. Non-priority investments have been stopped or postponed.

- **Personnel expenses were 13.9 % lower in H1, year-on-year, thanks to short-time work, furloughs and reduced expenditure on salaries and bonuses**
- **Material and production cost efficiences were achieved through reduced expenditure on maintenance and repairs and lower energy costs**
- **Cost reduction measures in sales and administration involved canceling participation in trade events and reducing marketing activities and travel to a minimum**
- **In total, operating expenses declined by 16.9 % year-on-year**

Product Portfolio and Product Development

In response to the pandemic, COLTENE fine-tuned its product portfolio. All surface disinfectants are now marketed under the OPTIM brand to help streamline purchasing management processes for customers. New products developed for tracing instrument use to the individual patient are designed to automate and improve the documentation process for dental practices.

- **Biosonic Wipes were integrated into the OPTIM range to add alcohol-based products**
- **Non-strategic products that are low-margin or that generate low sales were and continue to be discontinued ahead of schedule**
- **Development will be accelerated for advanced versions of instrument tracing technology**
- **The Dental Dam range will be extended with products that make dental dams easier to use and isolation techniques easier to master**

Marketing & Sales

In Marketing & Sales, COLTENE took advantage of the digital trends gaining momentum during the pandemic.

- **Marketing expenses were reduced while innovative online formats were developed**
- **New global webinars and product training modules drew great interest and several hundred participants in some cases**
- **Smaller markets will now increasingly be served via digital channels**

Kenda and Adaco Integration

Kenda's manufacturing operations in Vaduz, Liechtenstein, were forced to slash output during the COVID-19 pandemic. With space becoming available at the Altstätten plant, the decision was made to shift Kenda's production to Altstätten.

- **The machinery from the Kenda plant was moved to Altstätten**
- **Kenda's staff joined the parent company's workforce and remained employed**
- **This will unlock synergies in administration, production and logistics as well as in quality management and in registration**
- **In early 2020, moreover, COLTENE took over the business of Adaco® steel separating strips from Ackermann KG. The Adaco® separating strips are used in manually preparing the interdental space and will be made in Hungary in the future.**

Operational Review and Financial Commentary

After a strong first quarter with high growth and an above-average EBIT margin, sales plummeted as the COVID-19 pandemic led governments to mandate the full or partial closing of most dental practices in the COLTENE Group's core markets. While sales were down in Dental Preservation and Efficient Treatment, business grew markedly in Infection Control. Based on the sales trend seen over the past three months, COLTENE expects demand for dental consumables to recover in most markets, and anticipates stronger sales and EBIT margin growth in the second half of the year.

Sales Performance Varied By Product Group

In the first half of 2020, the COLTENE Group generated net sales of CHF 103.9 million (H1 2019: CHF 135.4 million). This corresponds to a 19.2% drop in sales in local currency terms, or a 23.3% decline in the reporting currency. The strong Swiss franc appreciated against all major currencies and reduced sales by CHF 5.5 million. In addition, various strategic, regulatory and other considerations led COLTENE to decide to discontinue certain products as part of its ongoing portfolio review, which further trimmed H1 sales by a marginal amount. In May 2020, COLTENE acquired the steel separating strips business of Ackermann with its Adaco brand in Germany. The production line was integrated into COLTENE's operation in Hungary. These products complement the Dental Preservation portfolio with annual sales in the middle six digits.

The sales trends in the past three months highlight a recovery in most markets.

While sales contracted sharply for Dental Preservation and Efficient Treatment as COVID-19 restrictions hobbled dentists' business activities, the product group Infection Control benefited from stricter hygiene standards for dental practices. Surface disinfectant sales surged. Similarly, instrument cleaning, disinfection and sterilization equipment was less affected by the declines in sales related to COVID-19. Dental Preservation and Efficient Treatment declined year-on-year by 34.5% and 31.4%, respectively. In Infection Control, sales rose by 17.5% in local currency terms. In other words, the encouraging performance of Infection Control was unable to compensate for the sales lost in the two other product groups. COLTENE took advantage of the positive development in Infection Control and its must-have products for dental practices to continue expanding the comprehensive portfolio on an ongoing basis. In this context, the priorities are to extend the range of sterilization equipment and to integrate these units with IT-based administration and process documentation at dental practices. With new products in its Endodontics portfolio, COLTENE underscores our relevance as a provider of system solutions in every product group.

North America Remains Strongest Market

The relative shares of sales among the main geographic regions are essentially the same as before the COVID-19 pandemic. Our top market then as now is North America, contributing 47.9 % of total sales (H1 2019: 45.6 %). This region is also home to the SciCan Group, which in local currency terms reported a below-average 16.2 % decline in sales. By acquiring the SciCan Group, COLTENE has demonstrated strategic forward thinking as there is above-average growth potential in disinfectant products and solutions for the ongoing improvement of dental-practice hygiene. The second most important market is Europe, Middle East and Africa (EMEA). This region's share of sales was 33.5 % (H1 2019: 36.2 %). EMEA sales were down 24.9 % in constant exchange rates. Hardest hit by the current crisis were sales in Latin America. Widespread uncertainty in many countries in this region and among their residents led to a 26.8 % drop in sales. Latin America's share of sales narrowed to 5.1 % (H1 2019: 6.1 %). Sales in Asia including its main market China experienced a contraction of only 9.7 % at constant exchange rates. That region's share of sales was 13.5 % (H1 2019: 12.1 %). Sales in China actually grew in local currency terms, at 3.6 %.The harsh but relatively brief lockdown in China paved the way for a comparatively swift and successful restart. However, first-quarter sales certainly were very impressive. At the start of the year, the COLTENE Group began selling SciCan products in China through its own distributor and no longer via a third-party channel partner. This had a favorable impact on the margins in this country.

Trade sales to dentists are trending up again in North America.

China reported strong sales already in the first quarter and was quick to rebound after a harsh but relatively brief lockdown.

Impact of COVID-19 in the Income Statement
The lost revenue had a negative impact on our gross margin, which in absolute terms narrowed by CHF 23.4 million year-on-year, to CHF 68.8 million, or 66.2% of net sales (H1 2019: 68.1%). The decline was due to the disproportionally large increase in sales of wholesale products above all in Infection Control, which saw burgeoning demand due to the COVID-19 pandemic. Thanks to rigorous cost management, we were able to compensate for 55% of gross margin loss by reducing operating expenses.

The strong Swiss franc appreciated against all major currencies and reduced sales by CHF 5.5 million.

EBIT for the COLTENE Group in H1 2020 was CHF 2.6 million (H1 2019: CHF 12.8 million) and the EBIT margin was 2.5% (H1 2019: 9.4%).

Depreciation and amortization expenses were only marginally lower year-on-year. Thus, the EBITDA margin narrowed to 5.3% (H1 2019: 11.8%).

The financial result was about CHF 0.9 million better than it had been for the first half of the previous year. The main reason for this are conversions of loans in foreign currencies. As not all subsidiaries recognized deferred tax assets on the losses incurred in H1, and several posted pretax profits, the tax rate in H1 2020 was unusually high, at 80.9% (H1 2019: 26.8%). The tax rate for the full year will depend on the further performance of each subsidiary and so is difficult to predict.

For H1, the consolidated net profit of the COLTENE Group was CHF 0.3 million (H1 2019: 7.9 million).

Positive Free Cash Flow Helps Protect Liquidity
Cash flow from operating activities was CHF 8.3 million, in line with the same period the previous year (H1 2019: CHF 8.6 million). This is mainly due to the reduction of net current assets. In addition, the lower net profit for the current year also meant there was less tax to pay. With investments limited to priority projects to protect liquidity, cash flow from investing activities narrowed to CHF 5.2 million. The prior-year figure included proportional investments in the new production and office building at headquarters in Altstätten. The increase in cash flow from financing activities is partly due to the dividend being halved to CHF 1.50 (H1 2019: CHF 3.00), partly the result of financing activities to ensure liquidity. Accordingly, free cash flow grew by CHF 1.8 million to CHF 3.1 million (H1 2019: CHF 1.3 million).

Ensuring Liquidity and a Healthy Balance Sheet

Various credit facilities were drawn to ensure the liquidity of the COLTENE Group at all times. This increased gross bank borrowings to CHF 79.1 million (Dec. 31, 2019: CHF 59.8 million) and current assets to CHF 36.2 million (Dec. 31, 2019: CHF 23.0 million). Net debt expanded by CHF 6.1 million in the period under review, to CHF 42.9 million (Dec. 31, 2019: CHF 36.8 million), mainly due to the dividend distributed to shareholders. Total assets grew marginally by CHF 0.7 million, to CHF 190.5 million. Equity declined by CHF 13.0 million in the first six months due to the dividend distributed to shareholders, the offset of currency effects from the Group loan to Vigodent, the translation effects and the offset of goodwill from the Ackermann transaction with equity (Asset Deal). This brought the equity ratio to 41.1%, down from 48.0% at the start of the year. The COLTENE Group balance sheet is healthy despite the challenging business environment, and liquidity is guaranteed at all times.

COVID-19 Measures

Responding to the extraordinary circumstances of the pandemic, COLTENE Group management focused on protecting the health and safety of our employees and ensuring liquidity, adjusting production capacities and maintaining profitability.

Where possible and appropriate, employees were instructed to work from home. To this end, they were issued the necessary tools (laptops, software, means of communication, access to applications, etc.). Meetings were mostly held online via videoconferencing. In countries where short-time work arrangements are possible, reduced employee hours were requested with effect from the second half of the year. In the period under review, the COLTENE Group received CHF 2.3 million in compensation for reduced employee hours.

To adjust production capacities in line with lower demand, the workforce was reduced by 12%, or roughly 170 FTE, using various measures. Most temporary employment contracts were terminated and a hiring freeze was put in place. Some staff in the US were furloughed while still receiving social benefits. In the spirit of solidarity, the Board of Directors and Group Executive Management reduced their own remuneration by 10%, starting from the second quarter.

The balance sheet of the COLTENE Group is healthy and liquidity is guaranteed at all times.

Credit facilities were drawn to ensure adequate liquidity at all times to make payroll and settle invoices. The COLTENE Group is committed to duly meeting all its obligations on time.

As government-mandated lockdowns affected more and more of the global economy, COLTENE Group management was forced to reduce operating expenditure to a minimum. COLTENE cut back on its use of traditional advertising and shifted yet more of its marketing activities to online and social media. Many industry trade shows were either canceled or we decided not to participate. Likewise, travel was restricted to a minimum Group-wide. In the period under review, these measures reduced our operating expenses by CHF 12.9 million.

During this time, we ran webinars featuring recognized key opinion leaders explaining COLTENE products and how to use them, and we posted the videos on COLTENE.com. The webinars were followed live by several hundred dentists in some cases and allowed COLTENE to keep our end customers close.

In light of the current uncertainty, investment projects were limited to the absolutely necessary. This did not apply to Micro-Mega, which has been integrated into the Group-wide SAP environment and the associated material and value streams. To save on production costs, Kenda's production line for dental polishers was moved from Vaduz in Liechtenstein to the modern building in Altstätten. Kenda's employees were retained and absorbed into the COLTENE organization. This allowed commissioning a med-tech production line at a high quality level and fine-tuning and streamlining production processes. Also exempted from the investment freeze were development projects involving a number of new products. Micro-Mega successfully launched a new endodontic file named Remover in the market. Another product, a new endo motor, has proved extremely popular since it hit the market last spring.

End customers were kept close via popular webinars.

Consolidated Income Statement

In CHF 1 000 (unaudited)	Ref.	1 HY 2020	1 HY 2019
Net sales	**3**	**103 888**	**135 391**
Other operating income		25	8
Changes in inventories of finished goods and work in progress		6 192	–324
Raw material and consumables used		–41 258	–42 808
Personnel expenses	4	–43 287	–50 285
Other operating expenses		–20 042	–25 964
Depreciation on tangible fixed assets		–2 651	–2 781
Amortization on intangible assets		–312	–445
Operating profit (EBIT)		**2 555**	**12 792**
Financial income and expenses		–1 034	–1 944
Net profit before tax		**1 521**	**10 848**
Income taxes	5	–1 231	–2 910
Net profit for the period		**290**	**7 938**
Earnings per share		CHF 0.05	CHF 1.33
Diluted earnings per share		CHF 0.05	CHF 1.33

These unaudited consolidated financial statements have been prepared in accordance with Swiss GAAP FER.
The notes are part of COLTENE Group financial statements.

Consolidated Balance Sheet

In CHF 1 000 (unaudited)	Ref.	30.06.2020	31.12.2019
Cash and cash equivalents		36 163	22 964
Trade accounts receivable		29 775	49 023
Prepaid expenses and deferred income		2 953	2 158
Other short-term receivables		4 609	5 001
Inventories		64 523	59 198
Current assets		**138 023**	**138 344**
Tangible fixed assets		48 117	47 453
Financial assets		384	390
Intangible assets		2 597	2 397
Deferred tax assets	5	1 416	1 245
Non-current assets		**52 514**	**51 485**
Total assets		**190 537**	**189 829**
Short-term financial liabilities		78 658	59 286
Trade accounts payable		7 641	11 888
Other short-term liabilities		6 240	5 680
Short-term provisions		1 359	1 464
Accrued liabilities and deferred income		13 517	14 865
Current liabilities		**107 415**	**93 183**
Long-term financial liabilities		422	510
Deferred tax liabilities	5	2 051	2 465
Long-term provisions		2 392	2 461
Non-current liabilities		**4 865**	**5 436**
Total liabilities		**112 280**	**98 619**
Share capital		598	598
Capital reserves		153 396	162 359
Treasury shares		–2	–1
Retained earnings		–75 735	–71 746
Total equity	**8**	**78 257**	**91 210**
Total liabilities and equity		**190 537**	**189 829**

These unaudited consolidated financial statements have been prepared in accordance with Swiss GAAP FER.
The notes are part of COLTENE Group financial statements.

Consolidated Cash Flow Statement

In CHF 1 000 (unaudited)	Ref.	1 HY 2020	1 HY 2019
Net profit for the period		290	7 938
Depreciation of tangible fixed assets and amortization of intangible assets		2 963	3 226
Change in provisions not affecting the fund		–84	129
Other expenses and income not affecting the fund		3 231	4 118
Change in trade accounts receivable		17 291	3 064
Change in inventories		–8 381	–862
Change of other short-term receivables, prepaid expenses and deferred income		–2 134	2 100
Change in trade accounts payable		–3 852	782
Change in other short-term liabilities, accrued liabilities and deferred income		717	–6 381
Interest paid		–358	–434
Interest received		12	17
Income tax paid		–1 377	–5 108
Cash flow from operating activities		**8 318**	**8 589**
Purchase of tangible fixed assets		–4 091	–7 157
Proceeds from sale of tangible fixed assets		30	26
Purchase of intangible assets		–649	–209
Proceeds from sale of financial assets		6	66
Acquisition of a business		–533	0
Cash flow from investing activities		**–5 237**	**–7 274**
Proceeds/Repayments of short-term financial liabilities		19 680	19 905
Proceeds/Repayments of long-term financial liabilities		–79	–3 949
Dividends to shareholders	8	–8 963	–17 924
Proceeds/purchase of treasury shares	8	–22	302
Cash flow from financing activities		**10 616**	**–1 666**
Effect of exchange rate changes on cash		–498	–68
Change in cash and cash equivalents		**13 199**	**–419**
Cash and cash equivalents at beginning of year		22 964	20 901
Cash and cash equivalents at end of half-year		36 163	20 482

These unaudited consolidated financial statements have been prepared in accordance with Swiss GAAP FER.
The notes are part of COLTENE Group financial statements.

Consolidated Statement of Changes in Equity

In CHF 1 000 (unaudited)	Ref.	Share capital	Capital reserves (Agio)	Treasury shares	Currency translation adjustments	Goodwill (offset)	Retained earnings	Total of retained earnings	Total equity
01.01.2019		**598**	**180 283**	**–303**	**–28**	**–230 380**	**138 031**	**–92 377**	**88 201**
Net profit of the period		0	0	0	0	0	7 938	7 938	7 938
Acquisition of treasury shares		0	0	–8	0	0	0	0	–8
Share-based compensation		0	0	310	0	0	0	0	310
Dividends	8	0	–17 924	0	0	0	0	0	–17 924
Foreign currency differences		0	0	0	493	0	0	493	493
Goodwill offset	7	0	0	0	0	0	0	0	0
30.06.2019[1]		**598**	**162 359**	**–1**	**465**	**–230 380**	**145 969**	**–83 946**	**79 010**
Movements 01.07.–31.12.2019		0	0	0	107	0	12 093	12 200	12 200
01.01.2020		**598**	**162 359**	**–1**	**572**	**–230 380**	**158 062**	**–71 746**	**91 210**
Net profit of the period		0	0	0	0	0	290	290	290
Acquisition of treasury shares		0	0	–220	0	0	0	0	–220
Share-based compensation		0	0	219	0	0	–22	–22	197
Dividends	8	0	–8 963	0	0	0	0	0	–8 963
Foreign currency differences		0	0	0	–3 908	0	0	–3 908	–3 908
Goodwill offset	7	0	0	0	0	–349	0	–349	–349
30.06.2020		**598**	**153 396**	**–2**	**–3 336**	**–230 729**	**158 330**	**–75 735**	**78 257**

[1] Equity as per 30.06.2019 as presented in the half-year 2019 report was adjusted in accordance with the restatement of 2018 figures as described in the annual report 2019.
These unaudited consolidated financial statements have been prepared in accordance with Swiss GAAP FER.
The notes are part of COLTENE Group financial statements.

Selected Notes

COLTENE Holding AG – the holding company of the COLTENE Group ("the Group") – is a stock corporation pursuant to the Swiss Code of Obligations. The Company's legal domicile is in Altstätten, Switzerland. COLTENE Holding AG was founded in accordance with Swiss company law on December 15, 2005.

Under its umbrella brand COLTENE, the Group develops, manufactures, and sells mainly via distribution channels a broad and comprehensive range of disposables, tools and equipment for dentists and dental laboratories. The Group operates one segment defined in line with the management structure, the organizational set up, the reporting and allocation of resources. Internal and external reporting are aligned.

1 Accounting Policies

This unaudited half-year report was approved for publication by the Board of Directors on August 3, 2020.

The consolidated half-year report was prepared in accordance with Swiss GAAP FER 31 "Complementary Recommendation for Listed Public Companies".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2019.

2 Currency Exchange Rates

The most important exchange rates

	31.12.2018	30.06.2019	1 HY 2019
1 USD	0.9842	0.9758	0.9998
1 EUR	1.1269	1.1105	1.1295
1 CAD	0.7221	0.7457	0.7496
	31.12.2019	**30.06.2020**	**1 HY 2020**
1 USD	0.9662	0.9512	0.9658
1 EUR	1.0854	1.0651	1.0642
1 CAD	0.7435	0.6951	0.7085

3 Net Sales

The net sales are disaggregated by geographic areas (determined by site of customer) and by products and services are as follows:

Net sales by geographical regions

In CHF 1 000	1 HY 2020	1 HY 2019
EMEA	34 773	48 972
North America	49 731	61 911
Latin America	5 330	8 193
Asia/Oceania	14 054	16 315
Net sales	**103 888**	**135 391**

Net sales by products and services

In CHF 1 000	1 HY 2020	1 HY 2019
Infection Control	40 890	36 400
Dental Preservation	26 715	43 091
Efficient Treatment	36 283	55 900
Net sales	**103 888**	**135 391**

In accordance with Swiss GAAP FER 31, the COLTENE Group has decided not to disclose detailed segment information. The disclosure of segment results would lead to considerable competitive disadvantages. COLTENE justifies its decision based on the following considerations:

– The main competitors of the COLTENE Group do not disclose segment results because they are either non-public companies or the dental businesses of large public companies are far too small for the disclosure of their sales or results. COLTENE would be the only player on the market providing such detailed information.
– The disclosure of segment information of the COLTENE Group would provide detailed information on margins, profitability of product groups etc.
– Disclosing segment information would also provide information on product cost structures and pricing to competitors.

The dental consumables business of the COLTENE Group has a historically seasonal pattern. Slightly higher revenues and operating profits in local currencies are usually expected in the second half of the year. This is due to slightly stronger average monthly sales in the last quarter of the year because the customers tend to achieve their annual sales targets with COLTENE as a vendor. In 2020, this revenue distribution will not apply due to the COVID-19 pandemic.

4 Personnel Expenses

In the second quarter of 2020, COLTENE Group was entitled to short-time work compensation of TCHF 2252. Personnel expenses are presented net of such compensations.

5 Income & Deferred Taxes

Tax expenses of TCHF 1231 represent a tax rate of 80.9% (prior year 26.8%) of the profit before tax. This significant increase is driven by tax losses incurred in certain countries, for which no deferred tax assets were recognized. Deferred tax assets for carryforward tax losses are recognized only if it is probable that future taxable profits will be available against which they can be utilized.

6 Changes in the Scope of Consolidation and Other Changes

At of June 30, 2020, the Group consolidation structure comprised 26 legal entities (year end 2019: 26). In the first half of the year under review as well as the previous year, no companies were acquired or sold.

7 Theoretical Goodwill

The goodwill of a purchased consolidated company is offset with equity at the date of the acquisition. The theoretical amortization period of the goodwill corresponds to its useful life of five years. A theoretical capitalization of the goodwill would have the following impact on the consolidated financial statements:

Theoretical Goodwill

In CHF 1000	2020	2019
Value as of 01.01.	**230 380**	**230 380**
Additions from acquisitions	353	0
Cost (gross) as of 30.06.	**230 733**	**230 380**
Translation adjustments	–15 400	–2 755
Value as of 30.06.	**215 333**	**227 625**
Additions from acquisitions	n/a	0
Cost (gross) as of 31.12.	**n/a**	**230 380**
Translation adjustments	n/a	–916
Value as of 31.12.	**n/a**	**226 709**

In CHF 1000	2020	2019
Accumulated amortization as of 01.01.	**–85 905**	**–47 908**
Amortization	–19 005	–18 999
Accumulated amortization as of 30.06.	**–104 910**	**–66 907**
Amortization	n/a	–18 998
Accumulated amortization as of 31.12.	**n/a**	**–85 905**

Theoretical book values net

In CHF 1000	2020	2019
As of 01.01.	140 804	174 468
As of 30.06.	110 423	160 718
As of 31.12.	n/a	140 804

Effect on income statement

In CHF 1000	2020	2019
Net profit 30.06.	**290**	**7 938**
Amortization on Goodwill	–19 005	–18 999
Theoretical net profit incl. amortization of goodwill	–18 715	–11 061
Net profit 31.12.	**n/a**	**20 031**
Amortization on Goodwill	n/a	–37 997
Theoretical net profit incl. amortization of goodwill	n/a	–17 966

Theoretical book values net

In CHF 1000	2020	2019
Equity according to balance sheet 30.06.	**78 257**	**79 010**
Theoretical capitalisation of net book value of goodwill	110 423	160 718
Theoretical equity incl. net book value of goodwill	188 680	239 728
Equity according to balance sheet 31.12.	**n/a**	**91 210**
Theoretical capitalisation of net book value of goodwill	n/a	140 804
Theoretical equity incl. net book value of goodwill	n/a	232 014

A theoretical capitalization of goodwill would have resulted in accumulated currency translation adjustments of TCHF 15 400 (thereof TCHF 11 729 attributable to HY1 2020), as the goodwill would be recorded in foreign currency (mainly Canadian dollar).

8 Equity

Based on the General Meeting decision on April 2, 2020, the Company distributed a dividend (distribution out of reserves from capital contribution) of CHF 1.50 (previous year CHF 3.00) per share to its shareholders on April 8, 2020. The total amount paid was TCHF 8 963 (previous year TCHF 17 924).

The share capital represents the capital of COLTENE Holding AG. Treasury stock on June 30, 2020, included 19 shares (previous year 14).

Treasury Shares

in CHF	1 HY 2020 Number	1 HY 2020 Transaction Price (Ø)	1 HY 2020 Acquisition costs
As of 01.01.	14	93.36	1 307
Acquisitions	2 500	87.87	219 679
Share-based compensation	–2 495	79.04	–219 286
As of 30.06.	19	89.46	1 700

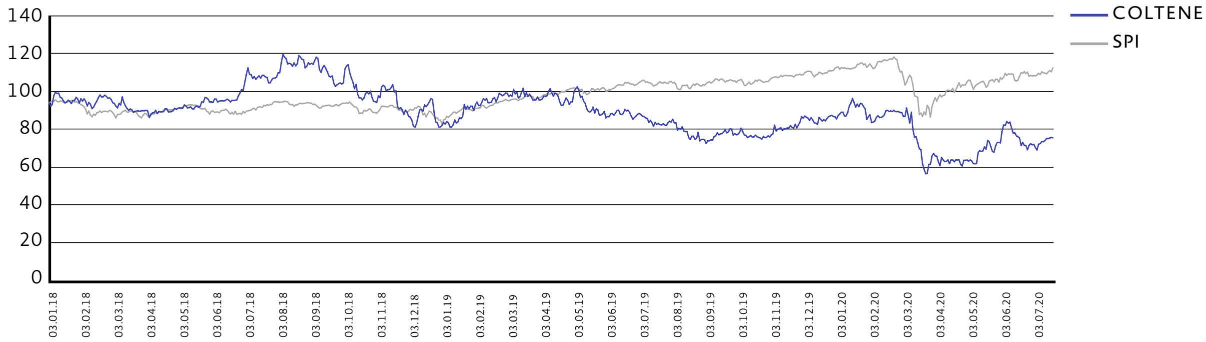
in CHF	1 HY 2019 Number	1 HY 2019 Transaction Price (Ø)	1 HY 2019 Acquisition costs
As of 01.01.	3 265	92.90	303 323
Acquisitions	80	99.10	7 928
Share-based compensation	–3 331	93.94	–309 944
As of 30.06.	14	93.36	1 307

9 Subsequent Events

As per the release date of this half year report, the Board of Directors and the Executive Management were not aware of any further important events subsequent to the reporting date.

Investor Relations

Share Price Performance (January 3, 2018 to July 15, 2020)



COLTENE's share price decreased by 19.7% during the first half of 2020 mainly due to the COVID-19 pandemic, from CHF 88.80 to CHF 71.30. COLTENE paid a dividend of CHF 1.50 per share in April 2020 (distribution out of reserves from capital contribution).

Shareholder Structure

As of June 30, 2020, there were 2 258 shareholders entered in the share register (2 203 on December 31, 2019). The following shareholders held 3% or more of the share capital of COLTENE Holding AG as of June 30, 2020:

	30.06.20	31.12.2019
Huwa Finanz- und Beteiligungs AG, Heerbrugg/Switzerland	22,24%	22,18%
Arthur Zwingenberger, Luzern/Switzerland	17,28%	17,20%
Rätikon Privatstiftung, Bludenz/Austria	10,18%	10,18%
Tweedy, Browne Company LLC, New York/USA	4,21%	4,21%
Robert Heberlein, Zumikon/Switzerland	3,87%	3,46%
Credit Suisse Asset Management Funds AG, Zürich/Switzerland	3,68%	3,49%
UBS Fund Management (Switzerland) AG, Zürich/Switzerland	3,12%	3,26%

Contact

Gerhard Mahrle, CFO
COLTENE Holding AG
Feldwiesenstrasse 20
CH-9450 Altstaetten
Phone +41 71 757 54 37
E-mail investor@coltene.com

Share Register

Karin Wagner
ShareCommService AG
Phone +41 44 809 58 52
E-mail karin.wagner@sharecomm.ch

Financial Calendar

Media and analysts conference on financial year 2020 Release of Annual Report 2020	March 5, 2021
Annual General Meeting 2021	March 31, 2021

Imprint

Concept
IRF Reputation AG, Zurich

Design
TGG Hafen Senn Stieger, St. Gallen

Typesetting
NeidhartSchön AG, Zurich

COLTENE Holding AG
Feldwiesenstrasse 20
CH-9450 Altstätten
Phone +41 71 757 53 80
Telefax +41 71 757 53 01
www.coltene.com
info@coltene.com