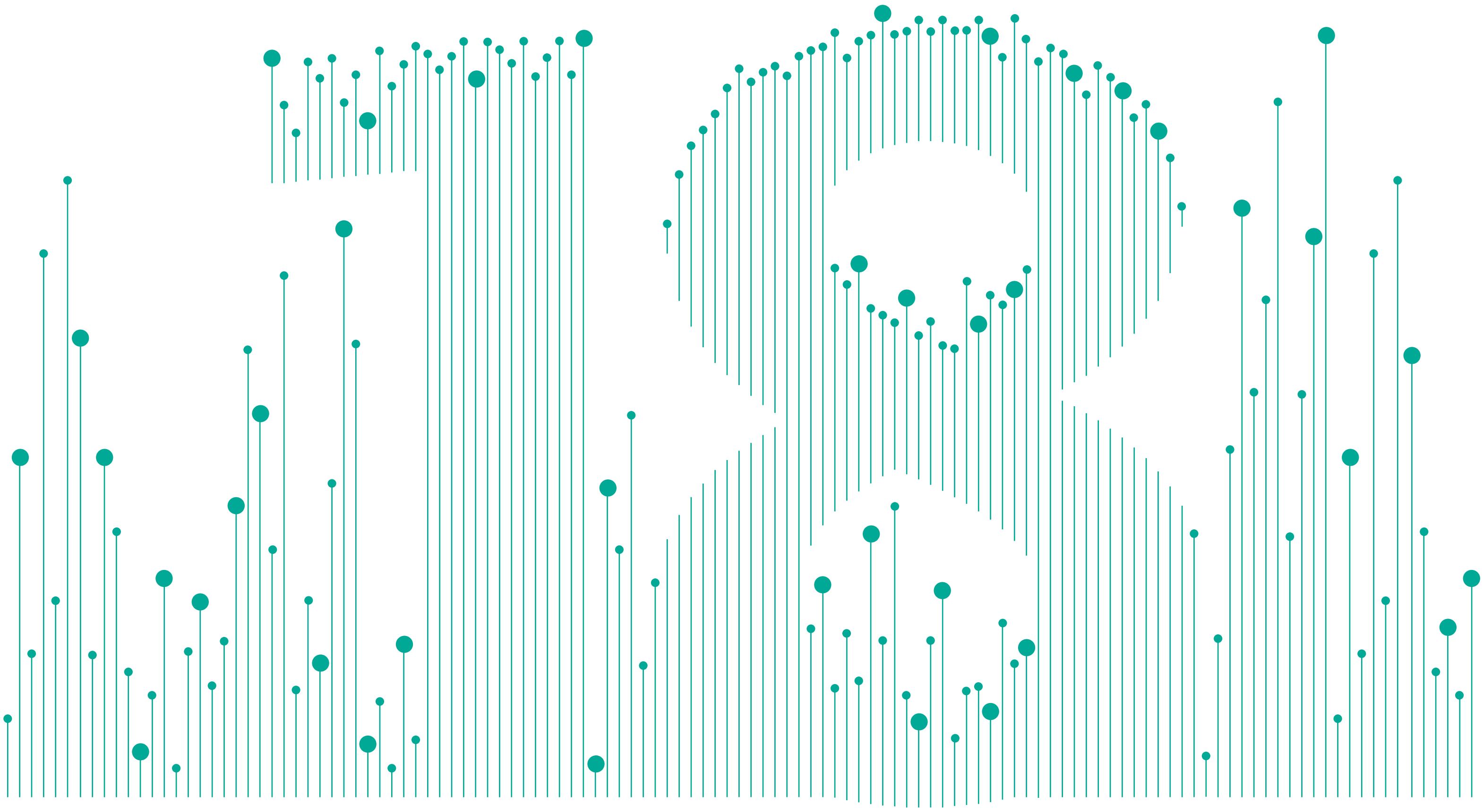
Dynamic Growth

Half-Year Report 2018



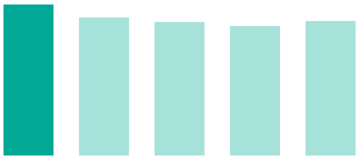
COLTENE

Key Figures

5-Year Overview of First-Half Results 2014–2018

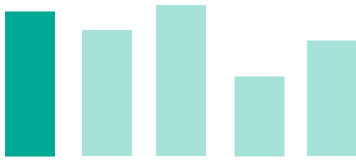
(in CHF million)

Net Sales



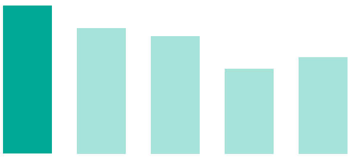
2018	2017	2016	2015	2014
85.6	78.0	75.6	73.3	76.0

Net Profit



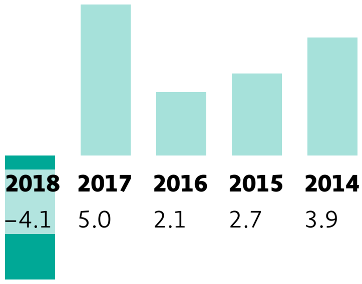
2018	2017	2016	2015	2014
6.9	6.0	7.2	3.8	5.5

EBIT



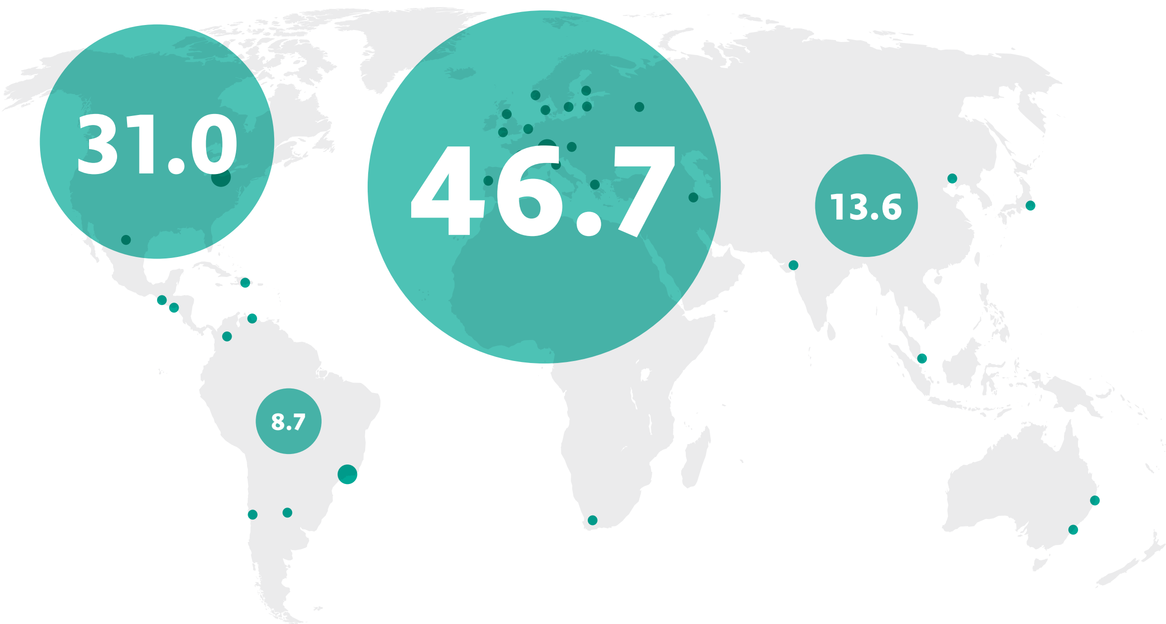
2018	2017	2016	2015	2014
11.3	9.6	9.0	6.5	7.4

Free Cash Flow



2018	2017	2016	2015	2014
–4.1	5.0	2.1	2.7	3.9

Net Sales in H1 2018 in %



Highlights H1 2018

9.7%

Pleasing top-line growth

Organic sales growth clearly exceeded the market growth rate; acquisitions and foreign currency effects provided an additional boost

13.2%

Robust EBIT margin in the seasonally weaker first half

Solid operating results thanks to top-line growth and effective cost control

+24.5%

Significant upturn in the traditional European markets

Pleasing growth in the EMEA and Asian regions; slight contraction in the North and Latin American markets

+24.4%

Treatment Auxiliaries gains momentum in the wake of more demanding hygiene standards

Restoration ranks second with sales up 14.5%, fueled by product innovation

Foreword

Dear Shareholders,

COLTENE Group looks back on a successful first half of 2018. Business in two of its four sales regions was very brisk. Most of the Group's traditional European markets showed a strong upswing with high rates of growth. COLTENE achieved its fastest sales growth in the Middle East and Africa and, as in previous periods, in China. Organic sales growth was augmented by the acquisitions of Diatech and KENDA and foreign currency translation had a positive effect as well. Consolidated sales for the first half of 2018 rose 9.7% y-o-y. Organic sales growth amounted to 4.2%, which clearly outpaced the average market growth of 2–3% for the period. This sales growth and the optimization of operating processes and sales organizations around the world led to disproportionately faster growth in operating and net profit.

Core areas of Infection Control and Endodontics strengthened

The biggest news for COLTENE during the first half of 2018 concerned the agreement to acquire SciCan and Micro-Mega, two dental suppliers with excellent market positions. SciCan is headquartered in Toronto, Canada, and a specialist for infection control equipment and hygiene products that claims a leading market position in North America. Micro-Mega, headquartered in Besançon, France, is a leading supplier of endodontic instruments. Most of its sales are generated in North America and Europe. Both operate as standalone companies yet share the same owner and fit perfectly with COLTENE's product portfolio. In the 2017 financial year SciCan and Micro-Mega generated sales of CAD 128 million (CHF 97 million) and employed 410 people. The planned integration of the two dental supply specialists will significantly increase COLTENE Group sales.

COLTENE Group's sales growth in the first half of 2018 was well above the market growth rate.

The transaction will strengthen the market positions and sales channels of all three companies. It will also create synergy potential and enlarge their product offering in the jointly addressed market segments of infection control and endodontics. Thanks to the pooled resources of all three companies, the new, enlarged Group will be able to comply with increasing regulatory requirements more efficiently. The merger of the three entities will also create attractive growth opportunities in the highly competitive dental market.

COLTENE plans to finance the acquisition of SciCan and Micro-Mega at the agreed price of approximately CHF 200 million with equity capital (approx. three-quarters) and borrowed capital (approx. one-quarter). The Board of Directors will therefore convene an extraordinary General Meeting of COLTENE Holding AG shareholders at the end of the third quarter of 2018 to seek their approval of an increase in equity capital. The increase proposed by the Board of Directors will entail a rights offering at market for existing COLTENE Holding AG shareholders and the creation of an authorized share capital for the purpose of a subsequent issuance of new shares to the selling shareholders of SciCan and Micro-Mega by way of contribution-in-kind share capital increase. The selling shareholders (Arno Holding S.à.r.l., owned by Arthur Zwingenberger, and Stefan Helsing) will own 18.1% of the share capital and voting rights of COLTENE Holding AG upon completion of the proposed transaction. The transaction is expected to close in the fourth quarter of 2018, subject to the fulfillment of the usual conditions precedent.

Economies of scale arising from the merger between SciCan, Micro-Mega and COLTENE will lead to even more effective global marketing and sales structures.

Enlargement of Group Management and Board of Directors

To ensure top-level representation of the new locations and product groups, COLTENE plans to appoint Stefan Helsing to its Group Management Board as a new member. Stefan Helsing is the CEO of Sanavis Group, to which SciCan and Micro-Mega belong. Furthermore, the Board of Directors will propose the election of Allison Zwingenberger as a new board member at the pending extraordinary General Meeting. Allison Zwingenberger is the daughter of Arthur Zwingenberger and an associate professor of Diagnostic Imaging in the Department of Veterinary Radiology at the University of California, Davis, USA. The Company will benefit from her knowledge of international medical markets and expertise.

Change in accounting standards deferred

Due to the proposed transaction COLTENE will postpone the previously announced change in its accounting standards from IFRS to Swiss GAAP FER. Postponing the adoption of the new accounting standards while the proposed transaction is being executed will facilitate the presentation of combined pro forma figures for COLTENE Group including SciCan and Micro-Mega based on the same set of accounting standards. COLTENE will therefore also postpone its intended and previously announced switch in regulatory standards on the SIX Swiss Exchange from the International Reporting Standard.

Outlook

Thanks to the targeted expansion and strengthening of sales teams, primarily in the key markets of Europe and Asia, and particularly in China, the Board of Directors and Group Management expect dynamic sales growth in the second half of 2018, again surpassing the underlying market growth rate. They also expect the merger of COLTENE with SciCan and Micro-Mega to produce additional growth impetus. Despite the solid operating profit reported for the first half, management expects a temporary dilution in the full-year operating margin compared to the previous year due to the anticipated transaction and integration costs. The previously targeted EBIT margin of 15 % should be reattained within the medium term thanks to the new growth opportunities arising from the merger with SciCan and Micro-Mega, the ensuing synergy potential and economies of scale.

On behalf of the Board of Directors and the Executive Board, we thank all employees for their hard work and dedication. We also thank our business partners and our shareholders for the trust they have placed in COLTENE Group.

Yours sincerely,

Nick Huber	Martin Schaufelberger
Chairman of the Board of Directors	CEO

Dynamic Growth

COLTENE's future growth momentum is intact thanks to its pleasing sales trends in the first half of 2018 and the announced acquisition of the dental companies SciCan and Micro-Mega, which have both established excellent market positions. Pooling the resources of these three companies will create new growth opportunities as well as synergy potential. They have highly complementary product lines and geographic footprints, while economies of scale will spur innovation and have a lasting positive effect on their competitive edge.

Combining COLTENE with SciCan and Micro-Mega will strengthen the position of all three companies in both traditional and new markets. That is particularly true with respect to their enlarged product offering in the jointly addressed endodontic and infection control market segments. The new COLTENE Group will be an endodontics leader and will offer a broader range of hygiene and infection control products, a fast-growing segment of the dental market. Dental practices around the world are confronted with increasing hygiene and infection control standards.

COLTENE intends to retain all of SciCan and Micro-Mega's manufacturing and product expertise at their current locations and will continue to market their strong and well-established products and brands under the overarching COLTENE brand.

SciCan

Your Infection Control Specialist™

Specialization
Specialized full-service provider of infection control products and sterilization solutions

Headquarters
Toronto, Canada

Business locations
Canada, Switzerland and Germany

Established
1957

Markets
Market leader in North America; full-range supplier of instrument management systems, sterilization solutions and washing equipment with customers in more than 100 countries.

Number of employees
230

Micro Mega

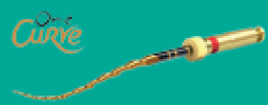
Specialization
Endodontic products with a focus on innovative root canal instruments and obturation materials

Headquarters and production sites
Besançon, France

Established
1905

Markets
The company's largest targeted markets are in Europe and North America; active in 125 countries across the world.

Number of employees
180



SciCan and Micro-Mega generated sales of CAD 128 million (CHF 97 million) and employed 410 people in 2017. Sales in the endodontic segment amounted to about CHF 23 million and in the infection control segment to about CHF 74 million. In regional terms, the EMEA region accounted for about CHF 23 million in sales, North America CHF 63 million and Asia CHF 11 million. The combined EBIT margin of SciCan and Micro-Mega for 2017 was approximately 13%.

In the first half of 2018 SciCan and Micro-Mega increased net sales by 11.3% to about CAD 64 million (CHF 48 million), of which CHF 9 million fell in endodontics and CHF 39 million in infection control. Geographically, North America ranked first with sales of CHF 33 million, followed by the EMEA region with about CHF 11 million in sales and then Asia, which contributed CHF 4 million. The combined EBIT margin of SciCan and Micro-Mega for the first half stood at 8.4%. This includes the one-time transaction costs incurred in the first half of the year for the sale of the SciCan and Micro-Mega Group. The operating EBIT margin for the traditionally weaker first half of the year excluding these one-off costs would have been around 11.8%.

Operational and Financial Review

In the first half of the 2018 financial year COLTENE Group increased its sales by 9.7% in Swiss francs to CHF 85.6 million (2017 H1: CHF 78.0 million). Organic growth in local currency amounted to 4.2% and was augmented by acquisition and foreign currency effects. Sales from acquisitions (Diatech and KENDA) amounted to CHF 2.6 million and accounted for 3.3% of the reported growth. Sales growth was additionally supported by positive currency movements, mainly stemming from the euro's appreciation against the Swiss franc. Currency translation added CHF 1.8 million to reported sales and 2.2% to the reported sales growth rate. Sales of COLTENE products showed a pleasing upswing in the Middle East, Africa and most of the European countries. China was also a strong sales performer, yet again. While sales volumes in the EMEA and Asia regions continued to increase at a fast pace, local currency sales in the regions of North America and Latin America stagnated. There was a slight contraction in the North American market for dental consumables, while political and economic problems weighed on growth in Latin America.

Profits for the first-half period grew at a faster pace than sales. Operating profit (EBIT) for the first half of 2018 amounted to CHF 11.3 million, topping the comparable year-ago figure (2017 H1: CHF 9.6 million) by a wide margin thanks to the significant increase in sales and strict cost management. COLTENE thus managed to raise its EBIT margin yet again in the seasonally weaker first half of the year. It stood at 13.2% (2017 H1: 12.3%). Positive factors were investments in the sales teams for key markets, the ongoing standardization of operating processes worldwide and the deployment of modern production systems and marketing instruments. Net profit for the period rose by 14.8% to CHF 6.9 million (2017 H1: CHF 6.0 million). Accordingly, the return on sales also rose from 7.7% to 8.1%.

Strong upswing in the traditional European markets, led by France, Italy and the UK.

The gross margin remained at the previous year's level of 73.6% (2017 H1: 73.5%). The financial result showed an expense of CHF 1.8 million (2017 H1: CHF 1.1 million). As in the same period of the previous year, this item mainly consisted of unrealized exchange losses on foreign currency liabilities of Vigodent. The tax rate fell to 27.1% from 29.2% in the same period of the previous year. Higher profits in lower-tax countries and the reduced US corporate income tax rate had a positive impact on tax expenditure.

Cash flow from operating activities was practically unchanged at CHF 8.1 million compared to the previous year (CHF 8.2 million). Higher tax payments and an increase in inventories meant that operating cash flow did not increase despite higher net income. Cash flow from investing activities amounted to CHF 12.2 million (2017 H1: CHF 3.3 million). The significant increase compared to the previous year was due to the acquisition of Kenda with a net investment volume of CHF 7.8 million and the construction of the new facility in Altstaetten, which began in the year under review. Accordingly, free cash flow fell from CHF 5.0 million in the same period of the previous year to CHF –4.1 million in the first half of 2018.

Restoration profited from its innovative composite materials and blocks and extended its position as the largest product group.

Gross bank debt of CHF 12.7 million was offset by cash and cash equivalents of CHF 9.7 million. Net debt as at June 30, 2018, was CHF 3.0 million. In contrast, the COLTENE Group had a net cash position of CHF 2.4 million as of the end of June 2017. As of June 30, 2018, the COLTENE Group had a very solid balance sheet a high equity ratio of 70.9 % (June 30, 2017: 70.8 %).

The Comprehensive Income Statement showed a profit of CHF 7.0 million (H1 2017: CHF 3.7 million). The main reason for the substantially better result was the stable price development of the major currencies EUR and USD, which led to significantly lower foreign currency effects on equity compared to the previous year.

Presence in core markets strengthened
COLTENE Group expanded its sales teams in major core markets and emerging markets during the first six months of 2018. The additional field sales agents enhanced the company’s local reach, particularly in Europe and in the fast-growing markets of China and India.

Furthermore, the global use of modern marketing and sales tools, such as the Customer Relationship Management (CRM) and Product Information Management (PIM) systems that have now been introduced Group-wide, delivered the desired results. These tools facilitated efficient and cost-effective sales and marketing campaigns and optimized the Key Account Management process for major distributors and government agencies. A seminar for Key Opinion Leaders (KOL) across the entire Asian sales region was held in Kuala Lumpur from July 12–14, 2018. Details of the event for KOLs, professors and dental specialists active in the fields of restoration and endodontics attracted considerable attention even before the opening day. Keynote speeches and presentations on the latest developments in dentistry and COLTENE’s newest innovations and recent product launches were the highlights of this major conference. As with previous KOL seminars, in 2016 for Latin America and in 2017 for Europe, COLTENE's latest KOL seminar in Kuala Lumpur was supported by a dedicated website and a social media campaign.

Integration of Diatech and KENDA

In 2017 COLTENE successfully integrated the operations acquired from Diatech Inc. and in the first half of 2018 KENDA AG. With the acquisition of the US Diatech products, the Group was able to expand its selection of top-quality diamond and carbide burs and harmonize the Diatech brand. COLTENE is also benefiting from Diatech's online platform, which allows the Group to collect valuable information about telephone and online sales activities. KENDA's high-precision silicon polishing instruments have been part of the Rotary Instruments product group since the beginning of 2018.

In 2018 the COLTENE teams intensified direct customer contacts.

Business performance by region:
Business upswing in the traditional European markets

COLTENE Group's sales in the EMEA and Asia regions turned sharply higher in the first half of 2018. Sales in North and South America stagnated in local currency and were slightly lower in the reporting currency Swiss francs. Most of the traditional markets in Europe experienced a pleasing upswing in business. The fastest growth, nearly 40% in local currency, was achieved in the Middle East and Africa, followed by China, where sales grew by almost 25% in local currency. In the EMEA region (Europe, Middle East and Africa) sales rose by 24.5% in Swiss francs and by 16.4% in local currency. Group sales in Germany, where competition remains very intense, stagnated in local currency. COLTENE's sales in Asia increased by 9.1% in Swiss francs and by 6.9% in local currency compared to the first half of 2017. Business in China continued to grow at a fast clip with sales rising 24.9%. Sales in India fell short of expectations, however, up 1.4% in local currency. This consolidation is attributed to the rapid growth achieved in past reporting periods. In North America, a generally weak market environment and a reduction in field sales reps at several wholesalers led to a 3.4% drop in sales in Swiss francs and 0.8% decline in local currency. Sales of distributors of COLTENE products in the North American market were slightly lower, which reflected the broader development of the dental consumables market in this region. In Latin America sales declined by 3.8% in Swiss francs because of the ongoing economic weakness in key markets. Regional sales in local currency edged 0.6% higher. In Brazil, the new COLTENE organization performed well and delivered 5.3% sales growth in local currency.

A regional breakdown of Group sales for the first half of 2018 is as follows: COLTENE achieved 46.7% of its total sales in the EMEA region, which represents Europe, the Middle East and Africa (2017 H1: 41.2%), 31.0% in North America (2017 H1: 35.2%), 13.6% in Asia (2017 H1: 13.7%) and 8.7% in Latin America (2017 H1: 9.9%). Sales in emerging markets rose by 11.6% in Swiss francs and by 11.1% at constant exchange rates compared to the prior-year period, driven in particular by pleasing trends in the Middle East, China, Russia and CIS; they accounted for 28.7% of total Group sales (2017 H1: 28.2%).

Business performance by product group:
Treatment Auxiliaries gains momentum

All of COLTENE's product groups reported higher sales in the first half of 2018 except for Infection Control. Treatment Auxiliaries achieved the fastest growth, of 24.4% y-o-y to CHF 12.4 million (2017 H1: CHF 10.0 million). Restoration followed in second place with 14.5% sales growth to CHF 21.7 million (2017 H1: CHF 19.0 million). Sales of the Prosthetics product group increased by 12.8% to CHF 18.0 million (2017 H1: CHF 16.0 million). Sales of the Rotary Instruments product group grew 8.8% to CHF 7.4 million (2017 H1: CHF 6.8 million) and were boosted by the Diatech and KENDA acquisitions. The Infection Control product group recorded slightly lower sales during the period under review. Its sales declined 1.9% to CHF 4.8 million (2017 H1: CHF 4.9 million), mainly due to currency movements.

Interim Group Income Statement

In CHF 1000	Ref.	1 HY 2018	1 HY 2017
Net sales	**3**	**85 604**	**78 013**
Changes in inventories of finished goods and work in progress		917	2 282
Work performed and capitalized		5	10
Raw material and consumables used		–23 530	–22 969
Personnel expenses	4	–30 921	–29 192
Other operating expenses		–17 897	–15 763
Depreciation and amortization		–2 890	–2 796
Operating profit (EBIT)		**11 288**	**9 585**
Financial income		21	15
Financial expenses		–1 813	–1 086
Net profit before tax expenses		**9 496**	**8 514**
Tax expenses	5	–2 575	–2 485
Net profit for the period		**6 921**	**6 029**
Earnings per share		CHF 1.65	CHF 1.43
Diluted earnings per share		CHF 1.65	CHF 1.43

The notes are part of COLTENE Group interim financial statements.

Interim Group Statement of Comprehensive Income

In CHF 1000	1 HY 2018	1 HY 2017
Net profit for the period	**6 921**	**6 029**
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	141	–2 366
Net OCI to be reclassified to profit or loss in subsequent periods	**141**	**–2 366**
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans	–102	0
Income tax effect	18	0
Net OCI not to be reclassified to profit or loss in subsequent periods	**–84**	**0**
OCI, net of tax	**57**	**–2 366**
Total comprehensive income, net of tax	**6 978**	**3 663**

The notes are part of COLTENE Group interim financial statements.

Interim Group Statement of Financial Position

In CHF 1000	Ref.	6/30/2018	12/31/2017
Cash and cash equivalents		9 701	22 040
Trade accounts receivable		33 144	37 068
Tax receivables		298	174
Other receivables and prepaid expenses		3 823	3 241
Inventories		36 629	31 551
Current assets		**83 595**	**94 074**
Property, plant, and equipment	7	30 268	28 413
Financial assets		400	393
Intangible assets		48 396	43 191
Deferred tax assets		1 025	1 240
Non-current assets		**80 089**	**73 237**
Total assets		**163 684**	**167 311**
Financial liabilities		12 694	8 281
Trade accounts payable		6 711	6 506
Other accounts payable and accruals		11 610	12 103
Tax liabilities		2 713	4 119
Provisions		416	347
Current liabilities		**34 144**	**31 356**
Deferred tax liabilities		7 698	7 236
Provisions	4	5 819	7 014
Non-current liabilities		**13 517**	**14 250**
Total liabilities		**47 661**	**45 606**
Share capital		422	422
Treasury shares		–6	0
Currency translation adjustments		–31 392	–31 533
Retained earnings		146 999	152 816
Total equity	**6**	**116 023**	**121 705**
Total liabilities and equity		**163 684**	**167 311**

The notes are part of COLTENE Group interim financial statements.

Interim Group Cash Flow Statement

In CHF 1000	Ref.	1 HY 2018	1 HY 2017
Net profit for the period		6 921	6 029
Depreciation and amortization		2 890	2 796
Other non-cash items[1]		1 862	3 491
Change in accounts receivable from deliveries and sales		4 517	1 356
Change in inventories		–3 431	–1 876
Change in other currrent assets		–638	–1 482
Change in current liabilities		64	868
Interest paid		–159	–147
Interest received		15	14
Income tax paid		–3 949	–2 809
Cash flow from operating activities		**8 092**	**8 240**
Purchase of property, plant, and equipment	7	–4 232	–1 619
Proceeds from sale of property, plant, and equipment		2	85
Purchase of intangible assets[3]		–176	–72
Proceeds of financial assets net		–8	–399
Acquisition of a subsidary (net of cash)[2]	8	–7 773	–1 275
Cash flow from investing activities		**–12 187**	**–3 280**
Proceeds from loans and financial liabilities		4 645	0
Repayments of loans and financial liabilities		–189	–4 889
Dividends to shareholders	6	–12 654	–11 381
Proceeds/Purchase of treasury shares (net)		–6	267
Cash flow from financing activities		**–8 204**	**–16 003**
Exchange rate differences		–40	–140
Change in cash and cash equivalents		**–12 339**	**–11 183**
Cash and cash equivalents at beginning of year		22 040	21 570
Cash and cash equivalents at end of half-year		9 701	10 387

The notes are part of COLTENE Group interim financial statements.
[1] The position Other non-cash items includes the change in income tax, interest expense, provisions and currency translation adjustments to conform to the presentation adopted in 2018.
[2] In 2017 the acquisition of Diatech INC is now presented in the position Acquisition of a subsidary (net of cash) to conform to the presentation adopted in 2018.
[3] See footnote 2.

Interim Group Statement of Changes in Equity

In CHF 1000	Ref.	Share capital	Treasury shares	Translation of foreign operations	Retained earnings	Total
1.1.2017		**422**	**–258**	**–31 498**	**143 585**	**112 251**
Net profit of the period					6 029	6 029
Other comprehensive income				–2 366		–2 366
Comprehensive income for the period		**0**	**0**	**–2 366**	**6 029**	**3 663**
Share-based payment transactions			284			284
Dividends	6				–11 381	–11 381
Change in treasury shares			–24			–24
Remeasurement treasury shares			–56		56	0
30.6.2017		**422**	**–54**	**–33 864**	**138 289**	**104 793**
1.1.2018		**422**	**0**	**–31 533**	**152 816**	**121 705**
Net profit of the period					6 921	6 921
Other comprehensive income				141	–84	57
Comprehensive income for the period		**0**	**0**	**141**	**6 837**	**6 978**
Share-based payment transactions			282			282
Dividends	6				–12 654	–12 654
Change in treasury shares			–288			–288
30.6.2018		**422**	**–6**	**–31 392**	**146 999**	**116 023**

The notes are part of COLTENE Group interim financial statements.

Selected Notes

COLTENE Holding AG – the holding company of the COLTENE Group ("the Group") – is a stock corporation persuant 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 via distribution channels a broad and comprehensive range of consumables and tools 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 by the chief operating decision maker of the Group.

1 Applied Accounting Standard

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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 31 December 2017.

The ordinary business activities of the COLTENE Group are underlying a cyclicality in most of its important markets. The business development is not evenly balanced month by month. The experiences from the past show that the business in the first half of the calendar year is slightly weaker than that in the second half as far as sales are concerned. This is mainly driven by our customers as well to a great extent, impossible to control by the group management. Also the costs are not evened out in the first and second semester. There are various elements like marketing activities, international fairs or regulatory affairs, causing effects that can lead to lower or higher operational expenses in the first or in the second half of a calendar year. This information is provided to allow for a better understanding of the results, however, management has concluded that this is not 'highly seasonal' in accordance with IAS 34.

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 consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

- IFRS 15 *Revenue from Contracts with Customers*
  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group has chosen the modified retrospective approach and has applied IFRS 15 on January 1, 2018.

  According to an analysis performed, all sales recorded in the period January 1 to June 30, 2018 meet the criteria for revenue recognition at a point in time. This revenue recognition policy is in line with the accounting principles applied in the past periods. Therefore, no adjustments were recorded due to the first time application of IFRS 15.

– Volume rebates are applied retrospectively and are be accounted for as variable consideration. This is because the final price of each good or service sold depends on the customer's total purchases subject to the rebate program. The Group accounts for variable consideration as a reduction to the transaction price, a corresponding refund liability is recorded within other accounts payable and accrued liabilities will be recorded on the balance sheet until the related payments to the customer are made.

– Revenue information is disclosed in note 3.

– IFRS 9 *Financial Instruments*
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting. The closing balances as at 31 December 2017 classifies its financial assets in "financial assets at fair value through profit or loss" as well as "loans and receivables". The category "loans and receivables" is no longer available under IFRS 9. This reclassification has no impact on the measurement categories as the affected financial assets remain unchanged under the IFRS 9 category "Amortised cost".

Other than for trade and other receivables there are no impacts on Financial Statements. For trade and other receivables the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors.

The application of IFRS 9 has no significant impact and no adjustments were recorded due to the first time application of IFRS 9 on January 1, 2018.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group:

– IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
– Amendments to IAS 40 Transfers of Investment Property
– Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

Deferral of accounting standard change
Due to the planned acquisition of the SciCan Group and the Micro-Mega Group [see note 10], COLTENE has postponed the previously announced change in its accounting standard from IFRS to Swiss GAAP FER in order to ensure consistent accounting practices and the provision of pro forma figures. COLTENE will therefore also postpone its previously announced plans to switch the regulatory standard used on the SIX Swiss Exchange from the International Reporting Standard.

2 Currency Exchange Rates

The most important exchange rates

	31.12.2016	30.6.2017	1 HY 2017
1 USD	1.0188	0.9578	0.9947
1 EUR	1.0739	1.0930	1.0764

	31.12.2017	30.6.2018	1 HY 2018
1 USD	0.9757	0.9877	0.9710
1 EUR	1.1702	1.1592	1.1686

3 Net Sales

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

Net sales by geographic areas

In CHF 1000	1 HY 2018	1 HY 2017
Switzerland	1 226	953
Germany, Austria	6 986	6 430
Great Britain, Ireland	3 735	3 202
France	4 317	3 537
Other Europe	15 683	11 929
Russia and CIS	3 381	2 698
Middle East and Africa	4 649	3 372
North America	26 521	27 460
Brazil	3 211	3 375
Other South America	4 246	4 375
China	4 178	3 190
India	2 157	2 190
Other Far East, Oceania	5 314	5 302
Net sales	**85 604**	**78 013**

Net sales by products and services

In CHF 1000	1 HY 2018	1 HY 2017
Endodontics	16 993	16 755
Prosthetics	18 013	15 968
Rotary	7 362	6 765
Restoration	21 742	18 989
Laboratory	3 228	3 301
Infection Control	4 806	4 898
Treatment Auxiliaries	12 417	9 984
Miscellaneous	1 043	1 353
Net sales	**85 604**	**78 013**

4 Personnel expenses and provisions

As a result of a reduction in the conversion rates of the Swiss pension plan of Coltene/Whaledent the pension liabilities (part of non-current provisions) have decreased by CHF 1.4 mio. and a corresponding credit has been recognised in personnel expenses.

5 Tax Expenses

Tax expenses of TCHF 2575 represent a tax rate of 27.1 % (prior year 29.2 %) of the profit before tax expenses. The decrease is mainly due to the impact of the US Tax Reform which reduced the federal tax rate of the US Company from around 35 % to 21 %.

6 Equity

Based on the General Meeting decision on March 28, 2018 the Company distributed a dividend of CHF 3.00 (previous year CHF 2.70) per share to its shareholders on April 6 2018. The total amount paid was TCHF 12 654 (previous year TCHF 11 381).

7 Property, plant and equipment

The Coltene group is currently constructing a new production and office building. The total investment amount will be around CHF 12.0 million. In the first half of the current year CHF 2.3 million were spent.

8 Business combinations

On January 1, 2018 the Group acquired 100 % of KENDA AG, a unlisted company headquartered in Vaduz, Liechtenstein. COLTENE will integrate the business as a 100 % subsidiary of COLTENEHolding AG, Altstätten. The entire staff has been taken over. KENDA AG is a specialized, internationally active manufacturer of silicone polishing instruments for dentists. The new business is expected to increase the consolidated annual net sales of the COLTENE Group by approximately CHF 4.0 million.

The fair value of Kenda AG as at the date of acquisition was:

In CHF 1000	Fair value recognised on acquisition
Cash and cash equivalents	1 376
Trade accounts receivable	141
Other receivables and prepaid expenses	45
Inventories	1 768
Current assets	**3 330**
Property, plant, and equipment	570
Intangible assets	3 019
Non-current assets	**3 589**
Total assets	**6 919**
Trade accounts payable	56
Other accounts payable and accruals	187
Tax liabilities	79
Current liabilities	**322**
Deferred tax liabilities	480
Provisions	129
Non-current liabilities	**609**
Total liabilities	**931**
Total identifiable net assets at fair value	**5 988**
Goodwill arising on acquisition	3 161
Purchase consideration transferred	**9 149**
Analysis of cash flow on acquisition	
Net cash acquired with the subsidiary	1 376
Cash paid	–9 149
Net cash flow on acquisition	**–7 773**

The above amounts represent the preliminary allocation of the purchase price. Due to the timing of the acquisition, certain information required to complete the final purchase price allocation remains outstanding.

In the wake of the acquisition, KENDA's competencies will be integrated into COLTENE's Rotary Instruments product group, expanding the current offering of diamond and carbide burs. COLTENE is enhancing this product group's portfolio offering, technology know-how and sales flows through this acquisition.

From the date of the acquisition, Kenda AG contributed TCHF 1902 (per June 18) of net sales and TCHF 146 (per June 18) to the net profit before tax.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Kenda AG with those of the COLTENE Group. The goodwill is not deductible for income tax purposes.

Acquisition costs of TCHF 233 have been expensed.

9 Intangible Assets

Gross values

In CHF 1000	Goodwill	Other intangible assets	Total
Value 01.01.2017	**38 078**	**12 194**	**50 272**
Additions	948	1 109	2 057
Currency effects	–784	–329	–1 113
Value 30.06.2017	**38 242**	**12 974**	**51 216**
Value 01.01.2018	**39 763**	**13 293**	**53 056**
Additions	3 160	3 224	6 384
Disposal	0	–160	–160
Currency effects	–462	–188	–650
Value 30.06.2018	**42 461**	**16 169**	**58 630**

Accumulated amortization

In CHF 1000	Goodwill	Other intangible assets	Total
Value 01.01.2017	**0**	**8 721**	**8 721**
Amortization	0	575	575
Currency effects	0	–156	–156
Value 30.06.2017	**0**	**9 140**	**9 140**
Value 01.01.2018	**0**	**9 865**	**9 865**
Amortization	0	613	613
Disposal	0	–160	–160
Currency effects	0	–84	–84
Value 30.06.2018	**0**	**10 234**	**10 234**

Net values

In CHF 1000	Goodwill	Other intangible assets	Total
Value 01.01.2017	38 078	3 473	41 551
Value 30.06.2017	38 242	3 834	42 076
Value 01.01.2018	39 763	3 428	43 191
Value 30.06.2018	**42 461**	**5 935**	**48 396**

The main addition in Goodwill and Intangible Assets in 2018 results from the Kenda acquisition. For further details see note 8.

10 Planned Acquisitions

On June 25, 2018 COLTENE Holding AG has signed an agreement to acquire the two companies, SciCan Ltd. (cleaning and sterilization equipment) and Dental-Drives GmbH, Leutkirch, Germany with its main subsidiary Micro-Mega S.à.r.l., Besançon, France (endodontic files), and their affiliates, with strong positions in the dental market. They are independent companies controlled by the same owners and generated total sales revenues of about CAD 128 million (CHF 97 million) in 2017 with a workforce of about 410 employees. The transaction is subject to closing conditions including the proceeds of the necessary bank financing, the approval from the shareholders of COLTENE Holding AG to the proposed capital increases, the listing of the buyer consideration shares and the approval of SIX Swiss Exchange to the listing of the buyer consideration shares. The closing of this transaction is expected to take place in the fourth quarter of 2018.

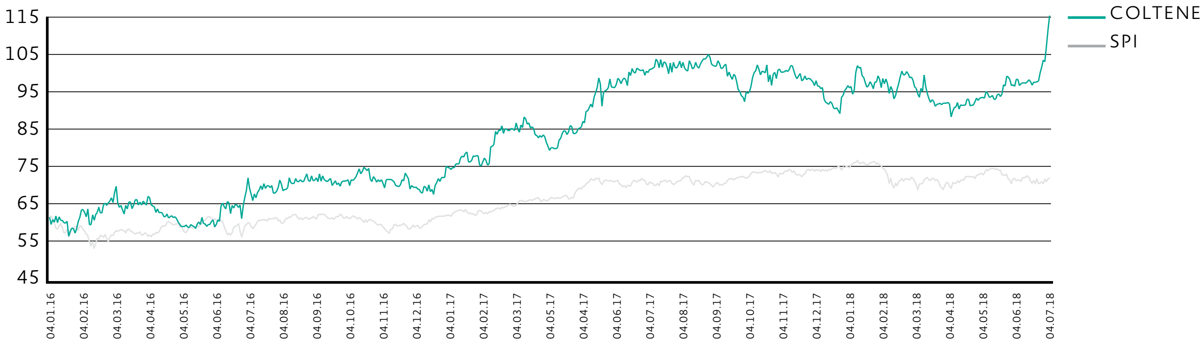
COLTENE plans to finance the acquisition of SciCan and Micro-Mega at a price of approximately CHF 200 million with equity capital (approx. three-quarters) and bank loans (approx. one-quarter). The purchase consideration is amongst other subject to net debt and net working capital adjustments.

11 Subsequent Events

The Board of Directors authorized the Group's interim financial statements on August 17, 2018, for issue.

Investor Relations

Share Price Performance



COLTENE's share price increased by 7.1% during the first half of 2018, from CHF 94.90 to CHF 101.60. COLTENE paid a dividend of CHF 3.00 per share in April 2018.

Shareholder Structure

As of June 30, 2018, there were 1806 shareholders entered in the share register (1743 on December 31, 2017). The following shareholders held 3% or more of the share capital of COLTENE Holding AG as of June 30, 2018:

	6/30/2018	12/31/2017
Huwa Finanz- und Beteiligungs AG	26.37%	26.33%
Rätikon Privatstiftung	11.45%	11.45%
Tweedy, Browne Company LLC	6.80%	6.80%
Credit Suisse Funds AG	5.15%	5.59%
UBS Fund Management (Switzerland) AG	4.39%	3.95%
Robert Heberlein	3.97%	3.97%

Arno Holding S.à.r.l. and Stefan Helsing, the selling shareholders of SciCan and Micro-Mega, disclosed their status as a related party on June 29, 2018 in connection with COLTENE Holding AG's planned contribution-in-kind equity increase. This disclosure is based on the Transaction Agreement signed by COLTENE Group and the selling shareholders on June 25, 2018. The selling shareholders are bound by this agreement to accept a fixed percentage of the acquisition price in the form of COLTENE shares, equivalent to 18.1% of total outstanding COLTENE shares after the planned capital increases. Based on assumptions, among others also with respect to the planned rights offering in the third quarter, the selling shareholders would hold 25.35% of the currently outstanding COLTENE shares. This public disclosure of shareholdings is a mere formality. At the time of the publication of COLTENE's half-year results, the selling shareholders did not own any COLTENE shares.

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Corporate Calendar

Media and analysts conference on first-half 2018 results, publication of first-half 2018 results	August 24, 2018
Extraordinary shareholder meeting 2018	September 14, 2018
Investora Zurich	September 27, 2018
Media release on the closing of the acquisition of SciCan and Micro-Mega	Fourth Quarter 2018

Imprint

Concept
IRF Communications AG, Zurich

Design
TGG Hafen Senn Stieger, St. Gallen

Typesetting
NeidhartSchön AG, Zurich

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