

Half-year Results 2013

Media and Financial Analysts Conference Call

Strategy Execution on Track

Altstätten/Zurich, August 8, 2013

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Achievements in the First Half of 2013

Growth slightly above market, improved revenues

- Sales of CHF 75.0 million, up 2.8%, 2.2% at constant exchange rates
- Order intake in North America at high prior-year level
- Europe with growth above market, dynamic growth in Asia and several emerging markets
- Operating profit (EBIT) of CHF 7.3 million, up 5.6%; EBIT margin rises to 9.7%
- Net profit of CHF 5.0 million, up 68.7%
- Negative free cash flow of CHF -0.5 million due to temporary inventory build-up
- New composite shells for restoring tooth necks and novel GuttaFlow filling system for sealing root canals

Market Environment

Deviating regional developments

- Globally weaker market growth in H1 2013
 - North America: 2-3%
 - Europe: flat or even slightly negative
 - Asia and emerging markets: approx. 10% at average
- Return to moderate growth
 - US market with potential for acceleration in H2 2013
 - Stabilized development in Europe
 - Ongoing dynamic emerging markets
- Specific view on emerging markets
 - Strong demand in India
 - Increasingly competitive environment in China
 - Significant growth chances in Brazil and other Mercosur countries

Management Actions

Supporting operational efficiency

- Completion of strategy review and start of implementation
 - Initiation of 21 projects
 - Gradual impact on company results
- Operational advances
 - Switzerland/Germany: Improved processes and use of new materials
 - US: Introduction of ERP system including managed warehouse solution, new production facilities for diamond burs and fiber posts
 - Brazil: Improved and stable manufacturing, start of local Speedex production
- Extension of marketing and sales team
 - Implementation of new umbrella brand concept
 - New presence in Poland, Turkey and Japan, strengthened teams in Italy, North America and Australia
 - New Head of Global Marketing

Strategy Implementation

Focus on profitable growth

Product Focus

- Restoration: expansion of product portfolio
- Endodontics: Strengthened sales and marketing programs
- Treatment Auxiliaries: Regional sales offensives

Marketing & Sales Push

- Selective campaigns in traditional markets
- Broad-based offensives in emerging markets
- Expansion of sales organization in Brazil

Operational Excellence

- Application of global SAP system
- Strengthen umbrella brand
- Use of digital channels

Strong Product Pipeline

Demonstrating high innovation power

COMPONEER™ Class V



Special composite shells for restoring tooth necks

ROEKO GuttaFlow 2



Unique cold filling and sealing system for root canals

SoloCem



Self-adhesive and anti-bacterial cement
(no bonding required)

DuoCem

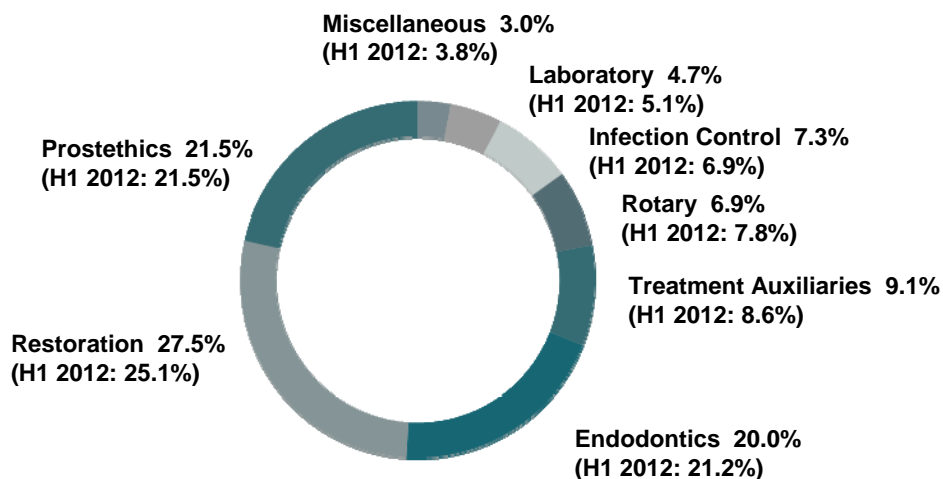


Dual-curing cement packed in auto-mixed syringe
most versatile cement for a broad range of applications

Breakdown by Product Groups

Restoration grows the fastest

Restoration	Endodontics	Prosthetics
<i>Miris</i> SYNERGY ^{D6} BRILLIANT ParaCore [®] COMPONEER [®] One Coat Bond	COLTENE ^{ENDO} ParaPost ^X System HyFlex ^{CM} roeko HICENE	AFFINIS [®] <i>Speedex</i>
Rotary Instruments	Treatment Auxiliaries	Infection Control
DIATECH [®] 	roeko	BioSonic [®] roeko

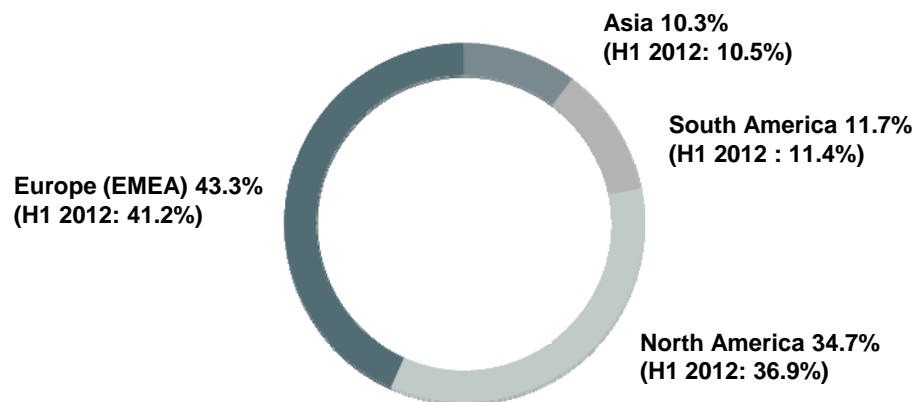


Comments

- Restoration: accounting for 27.5% of total sales and expanding its leadership position
- Endodontics: with sales decline by 3.3% due to private label business; successful new product launches
- Treatment Auxiliaries: up by 10%

Regional Breakdown

Growing emerging markets



Comments

- USA: strong order intake on high prior-year level, overall sales decline by 3.2%
- Europe above H1 2012 achieving growth of 8.0%
- Over-proportional sales growth in emerging markets headed by the Russia/GUS region with increased volume by 33.2%

Financial Summary

Improved revenues

- Improvements
 - 2.8% growth in net sales, 2.2% at constant exchange rates
 - 5.6% growth in EBIT
 - 68.7% growth in net profit for the period
- Cash drain, high inventory offers improvement potential
- Solidly financed
- Restatement prior year due to IAS 19 revised

Restatement Prior Year

In CHF thousand

Profit & Loss Statement	1HY 2012 reported	Δ IAS 19	Δ DTL	1HY 2012 restated
Personnel expenses	-27,284	45		-27,239
EBIT	6,840			6,885
Financial expenses	-1,476	-45		-1,521
Tax expenses	-2,309		-191	-2,500
Net profit	3,145			2,954

Balance Sheet	31.12.2012 reported	Δ IAS 19	31.12.2012 restated
Defined benefit obligation	1,270	4,420	5,690
Deferred tax liabilities	9,319	-751	8,568
Equity	96,860	-3,669	93,191

Comments

- **Restatement due to IAS 19 revised**

Reclassification from personnel to financial expenses and equity/liability impact due to the cease of the corridor approach

- **Restatement due do DTL**

Restated tax expense and deferred tax liability as per Annual Report 2012

Income Statement

Better performance

In CHF million	H1 2013		% H1 2012		% YoY
Net Sales	75.0	100.0%	73.0	100.0%	2.8%
Material expenses*	-21.1	-28.2%	-20.0	-27.3%	6.0%
Operating expenses	-44.0	-58.6%	-43.7	-59.9%	0.6%
Depr. & Amor.	-2.6	-3.5%	-2.4	-3.3%	7.2%
EBIT	7.3	9.7%	6.9	9.4%	5.6%
Financial result	-1.1	-1.5%	-1.4	-2.0%	-22.6%
Tax expenses	-1.2	-1.6%	-2.5	-3.4%	-52.8%
Profit for the period	5.0	6.6%	3.0	4.0%	68.7%

*: Raw materials used, changes in inventory and work performed capitalized

Comments

- Sales growth by 2.8%, respectively 2.2% at CER
- Material expenses increased slightly in % of net sales
- Operating expenses increased under-proportionally
- EBIT margin at 9.7%
- The financial result improved mainly due to lower FX losses
- Lower tax expenses due to:
 - Profits incurred differently among subsidiaries
 - Significantly lower non capitalized losses at the Brazilian companies
 - Granted tax relief for 5 to 10 years (0.3 lower tax expenses and one time benefit of 0.4 due to reduced DTL)
- Earnings per share CHF 1.18 compared to CHF 0.70

Balance Sheet Structure

Solidly financed

In CHF million	30.06.13	31.12.12	Δ
Cash & cash equivalents	4.5	4.0	0.5
Receivables	34.6	35.2	-0.6
Inventory	38.6	34.2	4.4
Property, plant & equipment	28.7	28.7	0.0
Financial, intangible & tax assets	50.8	50.7	0.1
Total assets	157.2	152.8	4.4
Payables & short term liabilities	18.2	20.7	-2.5
Bank loans	32.7	24.6	8.1
Other long term liabilities	14.1	14.3	-0.2
Equity	92.2	93.2	-1.0
Total liabilities & equity	157.2	152.8	4.4

Comments

- Inventory increased by CHF 4.4 million
- Bank loans increased up to CHF 32.7 million mainly due to dividend payments to shareholders
- Equity ratio with 58.6% (including IAS 19 impact) remained on a high level
- Unused credit lines of CHF 62 million

Cash Flow Statement

Free cash flow suffers from higher inventories

In CHF million	H1 2013	H1 2012	Δ
Net profit	5.0	3.0	2.0
Non cash items	3.8	7.7	-3.9
Changes in NWC	-4.4	-3.5	-0.9
Interest, tax paid/received	-2.8	-2.3	-0.5
Cash Flow from operations	1.6	4.9	-3.3
PPE, intangibles, fin. (net)	-1.7	-1.3	-0.4
Intangibles, fin. (net)	-0.4	-0.6	0.2
Cash Flow from investments	-2.1	-1.9	-0.2
Free cash flow	-0.5	3.0	-3.5

Comments

- Cash flow from operations down by CHF 3.3 million due to:
 - Lower non cash items (less allowances, tax expenses and FX impact)
 - Higher NWC increase
 - Higher tax paid
- Cash flow from investments similar as as last year
- Negative Free Cash Flow of CHF -0.5 compared to CHF 3.0 last year
- ➔ Systemic improvements in inventory management and logistics operations under way

Outlook

Steadfast implementation of strategy

- Further innovations at the Restoration, Endodontics and Treatment Auxiliaries segments
- Selective market expansions
- Ongoing optimization of group-wide operations, e.g.
 - Supply chain management
 - Reduction of inventories
 - Standardization of production processes
 - Roll-out of overarching brand strategy
- Confirmation of mid-term financial guidance
 - Better-than-market sales growth
 - Steady increase in the EBIT margin to 15% of net sales

Thank you for your Attention

**Strategy
Execution
on Track**