

**Financial Year 2013
Media and Financial Analysts Meeting**

**Laying
a stable
foundation**

Zurich, February 28, 2014



Highlights 2013

Martin Schaufelberger, CEO

Financials 2013

Gerhard Mahrle, CFO

COLTENE Marketing and Sales Concept

Martin Schaufelberger, CEO

Outlook

Martin Schaufelberger, CEO

Achievements 2013

Laying a stable foundation

- Sales of CHF 160.0 million, up 1.2%, 1.9% in local currencies
 - Strong development especially in BRIC countries; difficult market situation in Switzerland and Germany due to destocking and parallel imports
 - Sales reductions due to US Medical Device Excise Tax and strategy-conform discontinuation of loss making products (Adjusted sales growth of 3.2%)
- Improved profitability and notable cash generation
 - EBIT margin increase: 12.2% (2012: 11.0%)
 - EBIT plus CHF 2.0 million
 - Free cash flow: CHF 17.0 million (plus 109.1%)
- 21 projects to drive strategy forward to a great extent implemented
- Expansion of sales and marketing teams
 - In the US, Brazil, Italy, China and India
 - New presence in Japan and Poland
- Proposed dividend distribution of CHF 2.20 per share

Market Environment

Global sourcing challenges distribution model

- Market growth varied from region to region
 - 2-3% in North America
 - 10% and more in emerging markets
 - Flat or even decreasing developments in Europe
- Latest market trends ...
 - Rise of goods sold online in the dental consumable sector
 - Growing number of group practices
- ... call for adequate structural changes
 - Globally coordinated marketing and sales concepts
 - Increased transparency in terms of product information and pricing

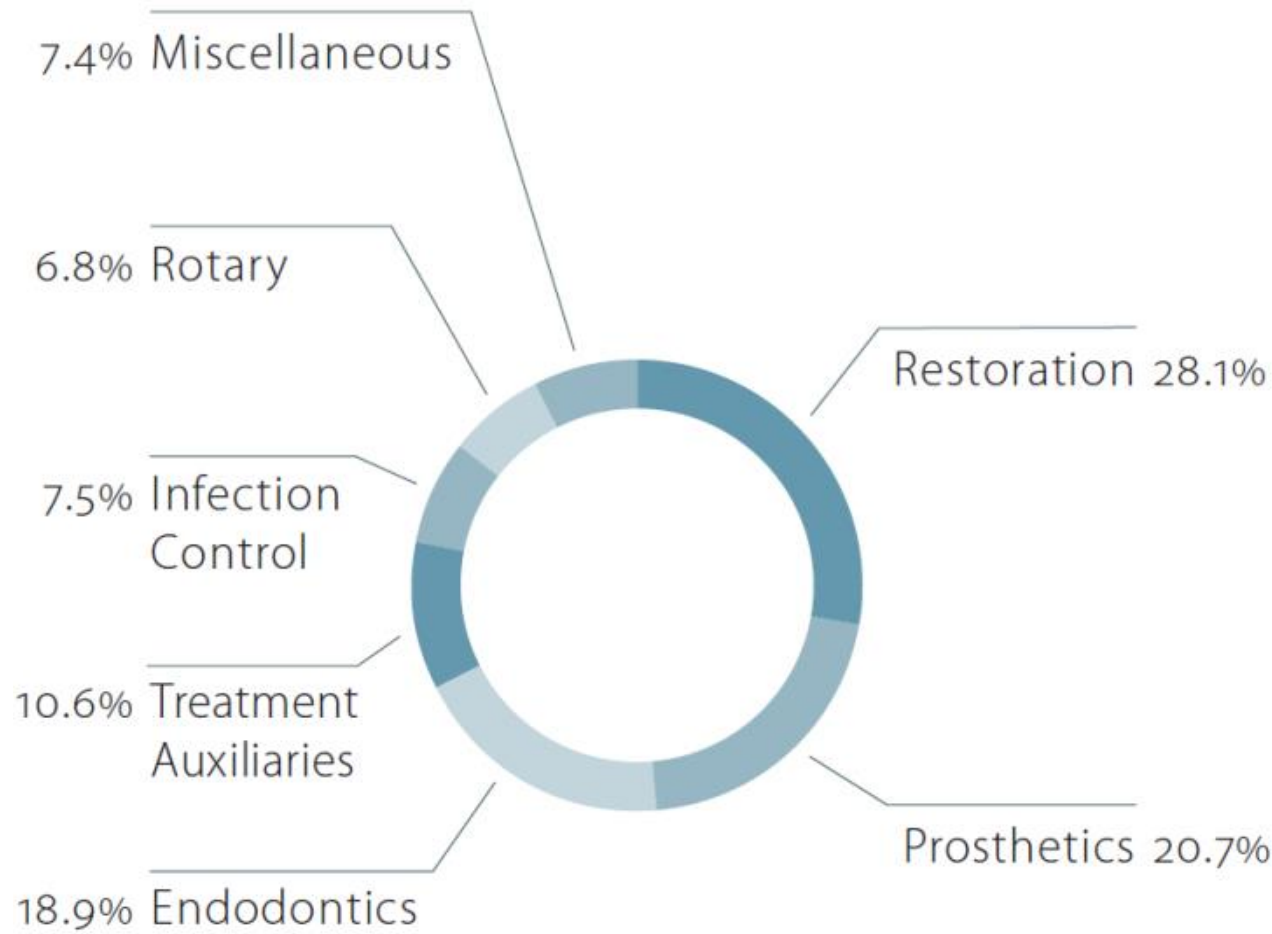
Management Actions 2013

Foundation for future growth opportunities

- Implementation of revised corporate strategy
 - Streamlining of product portfolio
 - Cultivation of broader corporate mindset in the areas of marketing and supply chain
 - Alignment of sales organization to match regionally disparate customer needs
- Uniform IT system in all global production sites
 - Improved data basis and transparency regarding the material flow throughout the value chain
 - Further standardized business processes aiming to shorten production times, reducing inventory and complexity
- Reorganized innovation management
 - Identification of new market trends
 - Systematic process to materialize innovative ideas
- New marketing and sales efforts
 - Intensified trainings for sales reps
 - Expansion of sales and marketing teams

Breakdown by Product Groups

Streamlined portfolio



Comments

- Restoration, Prosthetics and Endodontics products as key sales drivers
- Restoration as the largest product group profited from the extension of the key products
- Pleasing development of Infection Control (+10.9%) and Treatment Auxiliaries (+8.1%)

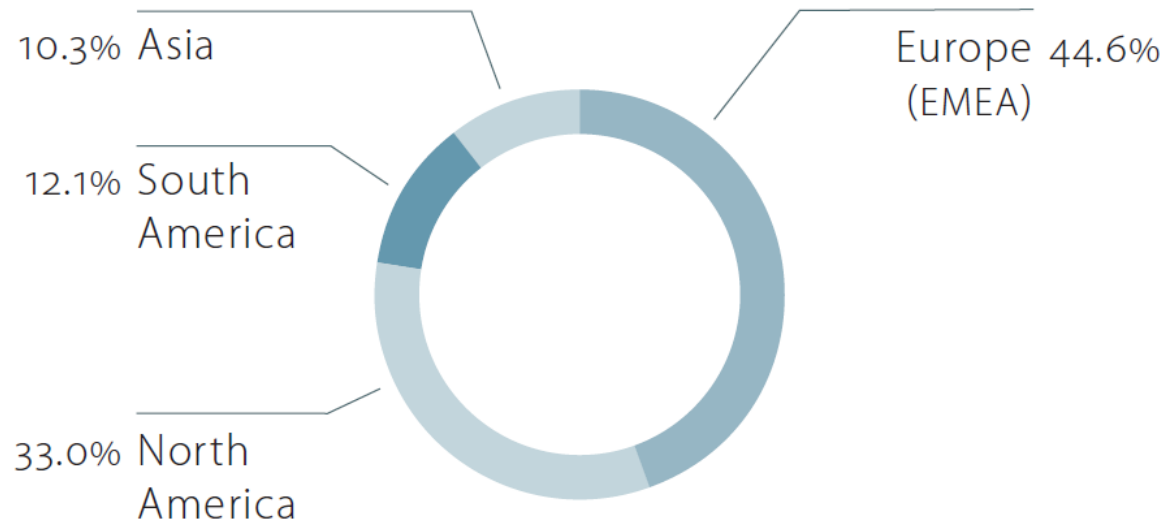
Regional Breakdown

Dynamic BRIC countries



Comments

- Significantly higher sales in the BRIC countries
- North America consolidated sales on extraordinary high level of previous year
 - Despite new US Medical Device Excise Tax
- Increasing price pressure in Europe due to
 - High competition
 - Parallel imports



Proposals to AGM

- Distribution of CHF 2.20 per share
- Adaption of the articles of incorporation due to the requirements of the ordinance against abusive remunerations in public limited companies:
 - Following the legal requirements
 - Board memberships and mandates:
BoD: 5 listed companies / 20 unlisted companies
Senior Mgt: 2 listed companies / 7 unlisted companies
 - Compensation:
Prospective approval for fixed and variable amounts
Variable compensation limited to fixed compensation
- Re-election of the current members of the board
- Re-election of Ernst & Young AG as Group auditors



Financials 2013

Gerhard Mahrle, CFO

Financial Summary

Strong performance

- Net sales of CHF 160.0 million (2012: CHF 158.1 million), plus 1.2% or 1.9% in local currencies
 - Adjusted sales growth of 3.2% due to:
Strategy-conform discontinuation of loss making products
US Medical Device Excise Tax
- EBIT margin increase to 12.2% (2012: 11.0%);
 - EBIT of CHF 19.4 million (2012: CHF 17.4 million), plus 11,7%
- Profit for the Period increased to CHF 13.2 million (2012: CHF 9.8 million); plus 34.9%
Reduced effective tax rate to 22.4% (2012: 36.1%)
- Notably high free cash flow of CHF 17.0 million (2012: CHF 8.1 million), plus 109.1%
 - NWC reduction of CHF 4.2 million
 - Thereof inventory reduction from CHF 34.2 million to CHF 29.7 million
 - Acquisition of real estate (land) in Altstätten, Switzerland, for CHF 2.1 million

Restatement of FY 2012 Figures

New pension accounting under IFRS: adoption of IAS 19 revised

Restatement effects (changes of B/S and P&L positions)

In CHF 1000 31.12.2012 1.1.2012

Balance sheet

Deferred tax liabilities	- 751	- 585
Provision for pension liabilities	4 420	3 439
Retained earnings	- 3 669	- 2 854
Total liabilities and equity	0	0

In CHF 1000 2012

Income Statement

Personnel expenses	387
Interest expenses	- 90
Deferred taxes	- 50
Profit for the period	247

In CHF 1000 2012

Other comprehensive income (OCI)

Actuarial losses on defined benefit plans	- 1 278
Income tax effect	216
Net OCI not to be reclassified to profit and loss in subsequent periods	- 1 062

Comments

- Effective FY 2013 and restatement of PY 2012
- Recognition of actuarial gains and losses in OCI
- Recognition of interest expense in financial result

Effect on 2012 results

- Discontinuation of amortization of underfunding -> positive effect on EBIT of TCHF 387
- Recognition of interest expense of TCHF 90 in financial result
- Restatement 1.1.12: Increase of pension provision in the amount of TCHF 3.4 million
- Reduced equity ratio from 63.4% to 61.0% (31.12.2012)

Income Statement

Improved results

In CHF million	2013	%	restated 2012	%	% YoY
Net Sales	160.0	100.0%	158.1	100.0%	1.2%
Material expenses*	-47.7	-29.8%	-46.8	-29.6%	1.9%
Gross Profit	112.3	70.2%	111.3	70.4%	0.9%
Operating expenses	-87.7	-54.8%	-88.9	-56.2%	-1.3%
Depr. & Amor.	-5.2	-3.3%	-5.0	-3.2%	4.0%
EBIT	19.4	12.2%	17.4	11.0%	11.5%
Financial result	-2.4	-1.5%	-2.1	-1.3%	14.3%
Tax expenses	-3.8	-2.4%	-5.5	-3.5%	-30.9%
Profit for the period	13.2	8.3%	9.8	6.2%	34.7%

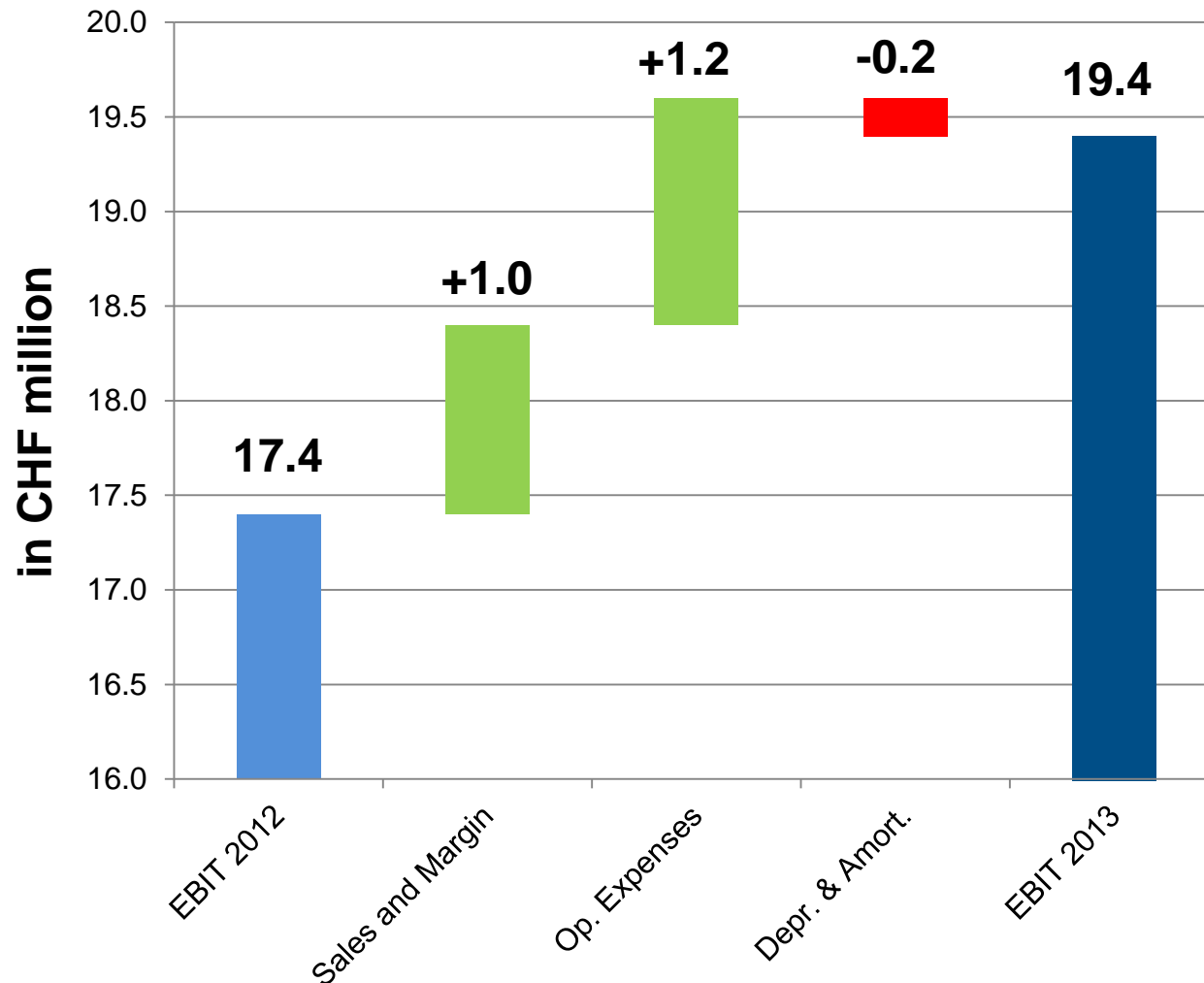
*: Raw materials used, changes in inventory and work performed capitalized

Comments

- Net sales increase +1.2% (CHF); in LC +1.9% (growth in all regions except Germany, Switzerland and North America)
- Increase of Gross Profit Margin (+TCHF 1.0 million)
- OPEX savings of TCHF 1.2 million
- EBIT rise by TCHF 2.0 million and significant improvement of EBIT margin: 12.2% (11.0%)
- Tax rate improved from 36.1% to a sustainable rate of 22.4% (more balanced pre tax profits from the Group Companies)

Operating Result

Further improvements

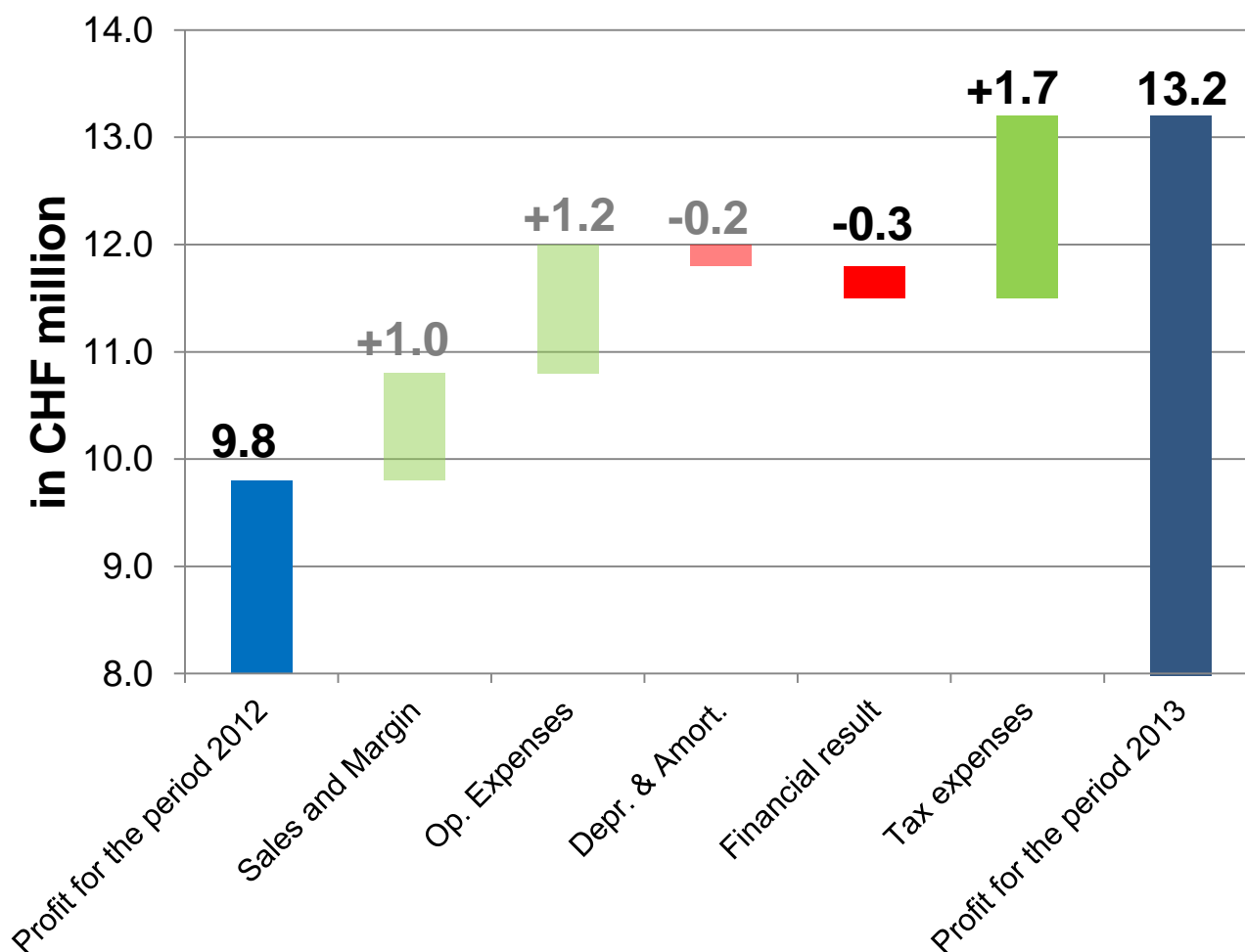


Comments

- Sales Growth and absolute increase of Gross Margin: CHF 1.0 million
- OPEX savings: CHF 1.2 million
- Higher depreciation and amortization: CHF 0.2 million
- Operational improvement resulting in EBIT increase: EBIT 2013 CHF 19.4 mn (+11.5%)
EBIT margin rise to 12.2% (PY: 11.0%)

Development of Profit for the Period

Significantly increased



Comments

- Negative impact from financial result: CHF 0.3 million due to higher net currency losses despite savings in interest expenses of CHF 0.2 million (lower net debt)
- Positive effect from lower tax rate derived from better balanced pre tax profits among Group Companies +CHF 1.7 Mio.
- Remarkable improvement of Profit for the Period to CHF 13.2 million (+35%)

Balance Sheet

Improved equity ratio

In CHF million	31.12.13	restated 31.12.12	Δ
Cash & cash equivalents	6.5	4.0	2.5
Receivables	32.8	35.1	-2.3
Inventory	29.7	34.2	-4.5
Property, plant & equipment	29.6	28.7	0.9
Financial, intangible & tax assets	48.3	50.8	-2.5
Total assets	146.9	152.8	-5.9
	31.12.13	31.12.12	Δ
Payables & short term liabilities	18.0	20.7	-2.7
Bank loans	16.8	24.6	-7.8
Other long term liabilities	14.4	14.3	0.1
Equity	97.7	93.2	4.5
Total liabilities & equity	146.9	152.8	-5.9
Net Debt	10.3	20.6	-10.3
Equity Ratio	66.5%	61.0%	

Comments

- Reduction of net debt by 50% due to very high free cash flow
- Credit lines not used: CHF 92 million (like prior year)
- AR decreased by CHF 2.3 million or 6.6% despite slightly higher net sales
- Significant decrease of inventory by CHF 4.5 million after SAP implementation in all larger production sites
- Improved equity ratio from 61.0% to 66.5%
- No impairment issue regarding goodwill (recoverable)

Cash Flow Statement

Record high free cash flow

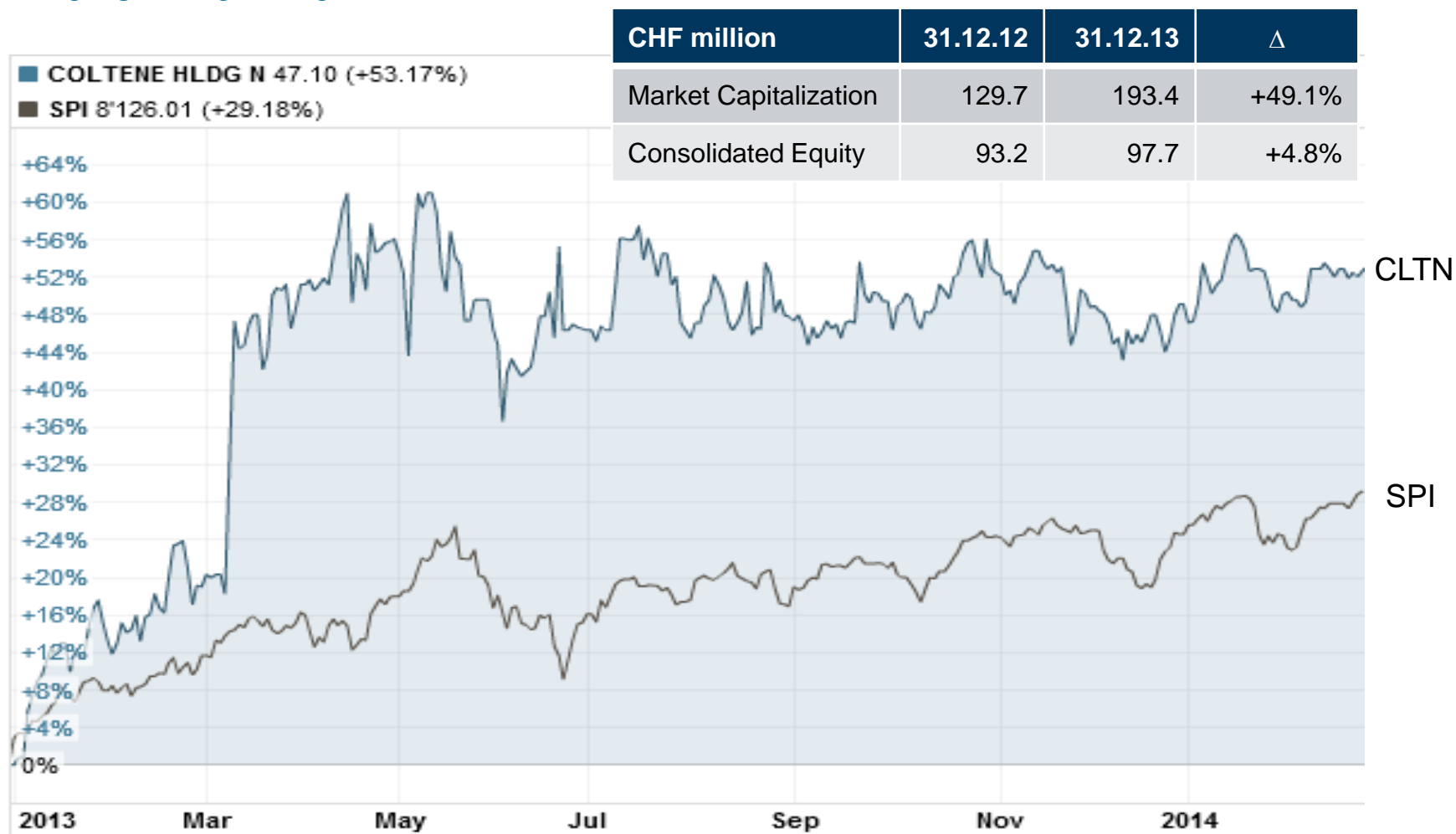
Cash Flow (in CHF million)	2013	restated 2012	Δ
Net profit	13.2	9.8	
Depreciation and Amortization	5.2	5.0	
Income tax and interest expenses (net)	4.6	6.5	
Other non-cash items	0.2	4.5	
Changes in NWC	4.2	-8.5	
Interest received/paid, tax paid	-4.1	-4.6	
Cash Flow from operations	23.3	12.7	83.5%
Net investments in tangible assets	-5.5	-3.4	
Net investments in intangible assets	-0.8	-1.2	
Cash Flow from investments (net)	-6.3	-4.6	37.0%
Free cash flow	17.0	8.1	109.1%
In % of net sales	10.6%	5.1%	

Comments

- Cash flow from operations improved by CHF 10.6 million mainly due to higher net profit and significant improvements in NWC management
- Changes in other non-cash items are mainly explained by change in provisions and allowances
- CF from investments include Modernization and replacement of production equipment and the acquisition of real estate (land) in Altstätten for CHF 2.1 million

Share price development

1.1.2013 – 26.2.2014





COLTENE Marketing and Sales Concept

Martin Schaufelberger, CEO

Marketing and Sales Concept (I)

Groundbreaking part of the Company's success

➤ Global presence under a strong umbrella brand

- Globally consistent marketing for every product line
- Strengthen awareness of the COLTENE brand as a mark of quality
- Establish the COLTENE umbrella brand on a global scale
- Step up global use of historically grown product brands

➤ Close cooperation with distributors

- Intensified information-sharing and training
- Periodic sales seminars in all key markets
- Set up innovation and know-how panels
- Achieve new partnerships

➤ Optimize the product range

- Streamline the range
- Modify offering to match regional needs
- Selective addition of individual product lines to cover every sequence in the treatment process

Marketing and Sales Concept (II)

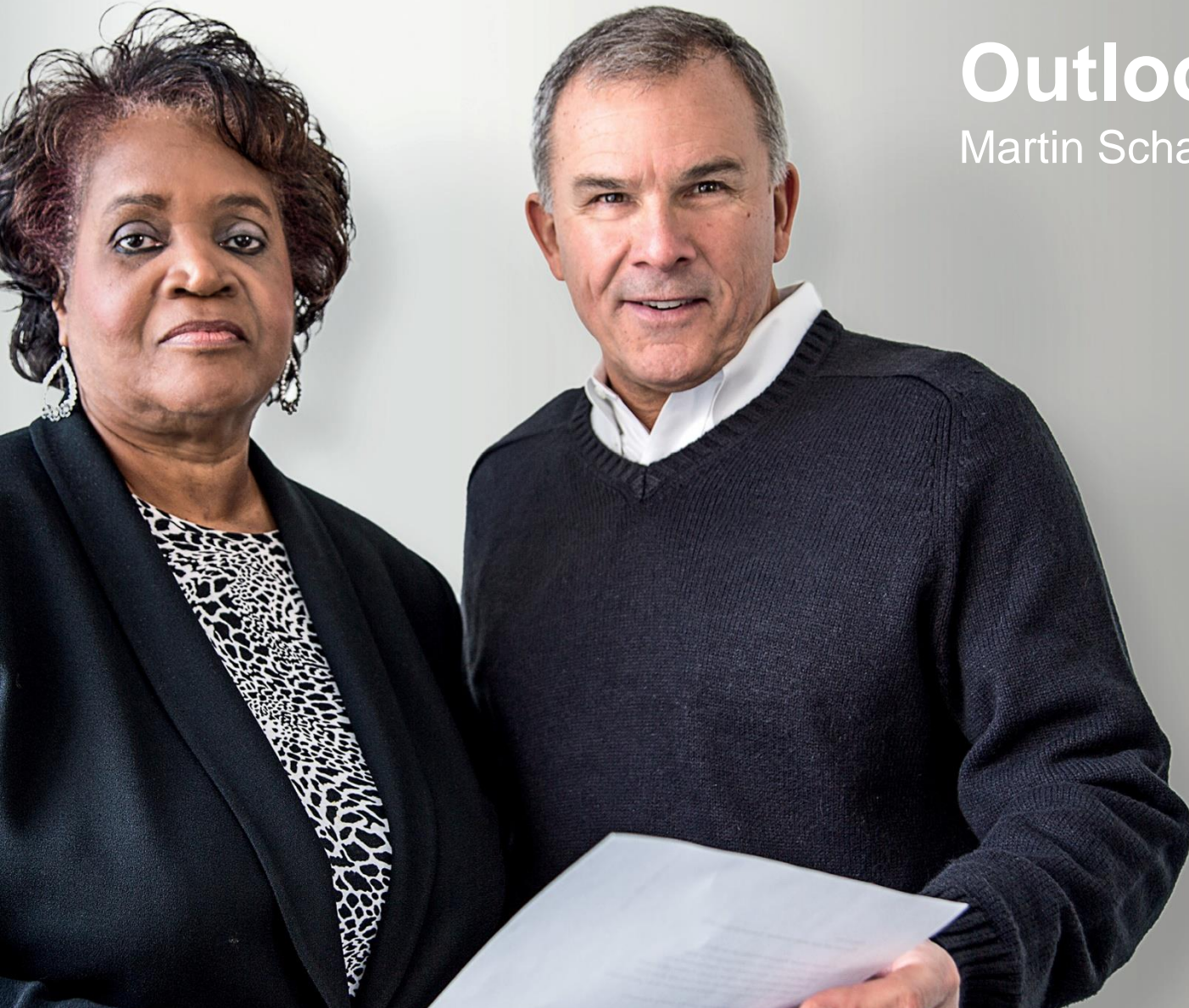
Groundbreaking part of the Company's success

Expansion of sales and marketing setup

- Own local presence in new markets
- Strengthen Brazil's function as a hub for the Mercosur region
- New alliances with universities and key opinion leaders in industry

Use new distribution channels

- E-business expansion
- Simplification and cross-market harmonization of digital selling processes
- Set up globally harmonized product selection and ordering platforms



Outlook

Martin Schaufelberger, CEO

Outlook

Higher sales and margins

- Use of harmonized ERP system
 - Improved worldwide planning activities
 - Optimizations in the area of sourcing, supply chain management as well as marketing and sales
- Adaption of distribution concept and sales organization
 - Reaction on new market trends
 - Unification of product offering under the COLTENE umbrella trade mark
 - Training offensives
 - New alliances with universities and research institutes
- Financial guidance
 - No annual guidance provided
 - Mid term targets remain unchanged:
Group's sales above market average
EBIT margin up to 15%

Thank you for your Attention !

**Laying
a stable
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Appendix

COLTENE at a Glance

Global dental specialist

Swiss based small cap with worldwide sales through dental distributors and about 200 sales representatives

Development and operations in Europe, North America and Brazil

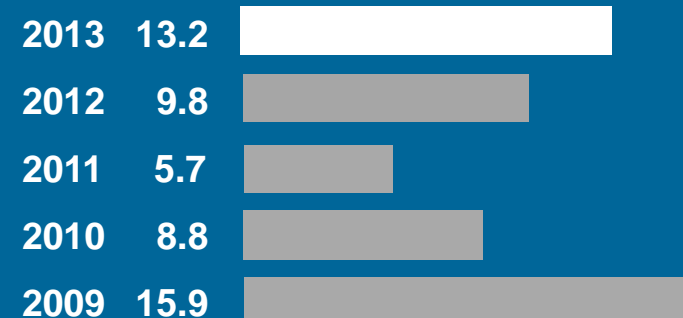
Highly recognized global brands for chair-side dental consumables

Strong emerging market position with 28% of total sales in 2013

Net Sales



Net Profit



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

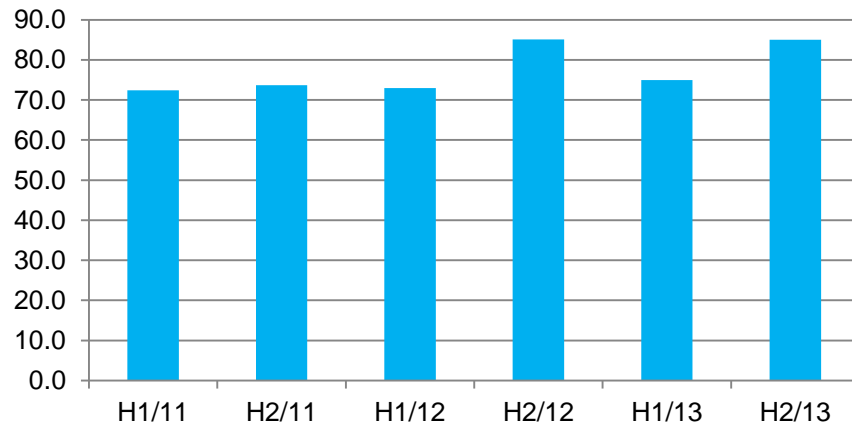


Dual-curing cement packed in auto-mixed syringe
most versatile cement for a broad range of applications

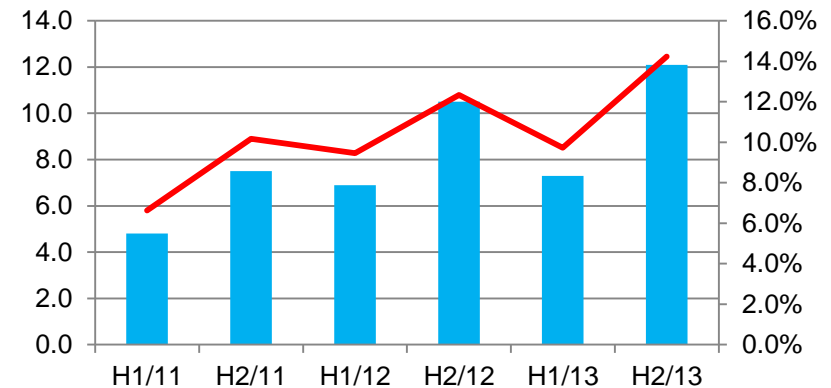
Key Figures COLTENE Group (2011-2013)

Half year steps in CHF mn (except dividend information in CHF)

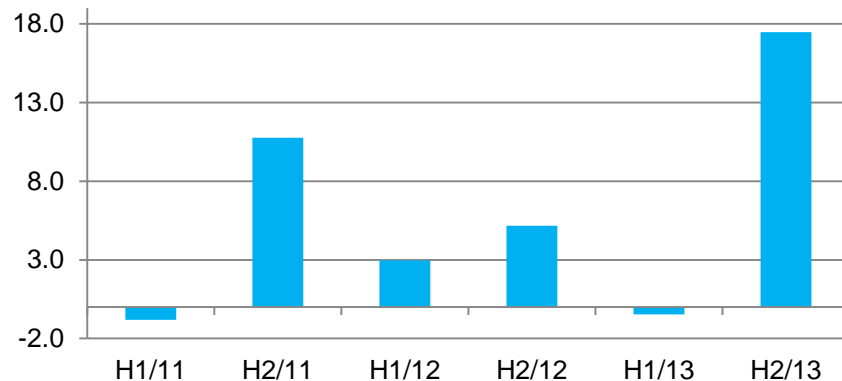
Net sales



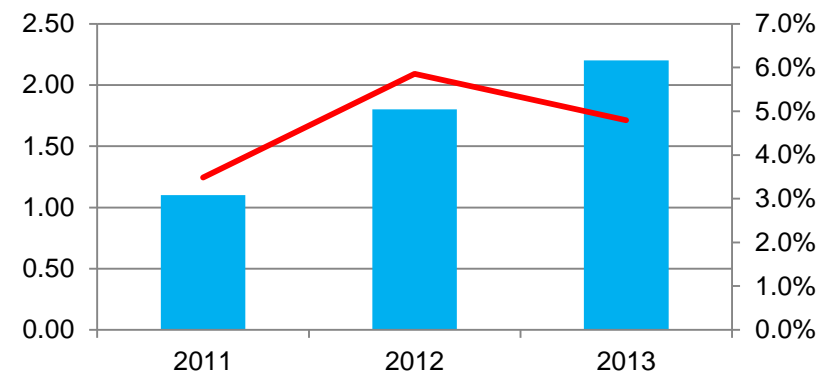
EBIT EBIT Margin



Free cash flow



Dividend per Share Dividend yield



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