

Half-year Results 2014

Media and Financial Analysts Conference Call

Global Seal of Quality

Altstätten, August 7, 2014

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Highlights H1 2014

Martin Schaufelberger, CEO

Financials H1 2014

Gerhard Mahrle, CFO

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Martin Schaufelberger, CEO



Highlights H1 2014

Martin Schaufelberger

CEO

Achievements in the First Half of 2014

Sales in LC above market average

- **Net Sales of CHF 76.0 million, incremental growth of 1.3% and 4.7% at constant exchange rates**
 - Volume growth in all four sales regions
- **Asia and North America developing well, competitive pressure in Europe and Latin America**
- **Operating profit (EBIT) up 2.4% to CHF 7.4 million; EBIT margin widened to 9.8%**
- **Net profit of CHF 5.5 million, up 10.7%**
- **Free cash flow of CHF 3.9 million, based on solid operating results**

Market Environment

Continuous price pressure in traditional markets

- **Robust North American and Emerging Markets**
 - Intensified competition in Europe combined with economic pressure especially in South Europe
 - Political turmoil in CIS region
- **Continued structural changes as a result from**
 - Increased competition and higher market transparency
 - Growing number of group practices with professional buyers
- **Currency impact on sales**
 - Devaluation of USD, BRL, INR and EUR against CHF in H1 2014 compared to H1 2013
 - Small fluctuation on operating profit as a result of group-wide natural hedge

Management Actions

Largely completed strategy implementation

- **Product focus**
 - Continued streamlining of product portfolio whilst adding innovations in specific segments
 - Focus product group Treatment Auxiliaries performed particularly well
- **Marketing and sales initiatives**
 - Expansion of the Group's presence in emerging markets
 - Well performing Asian markets, especially China, India and Japan
 - Introduction of new COLTENE umbrella brand strategy
- **Operational efficiency**
 - Optimization of production planning and reduction of inventories following the SAP rollout completed in 2013

Additional Operational Measures

Strive for operational excellence

- **Further Optimization of production processes**
 - Introduction of the Kaban technique for Compoener production
 - Redesigned silicon assembly line in Altstätten (Switzerland)
 - Cycle time improvement of carbide bur grinding process in our US plant
 - Introduction of closed circuit filling process for alginates in our Brazilian factory
- **Continued alignment of marketing and sales to the needs of regional markets**
- **Initiation of new Product Information Management System (PIM)**

New Umbrella Brand Strategy Renewal of visual identity

Product
Advertisements



Product
Packaging



Color-coded
Catalogs





Fill-Up!™ a dual curing bulk composite is offering a highly efficient and affordable restorative solution to both dentists and patients

DEEP

dual curing, arbitrary filling depth and guaranteed curing



FAST

no layering, easy handling, fast procedure



PERFECT

minimum shrinkage stress, perfect marginal adaption

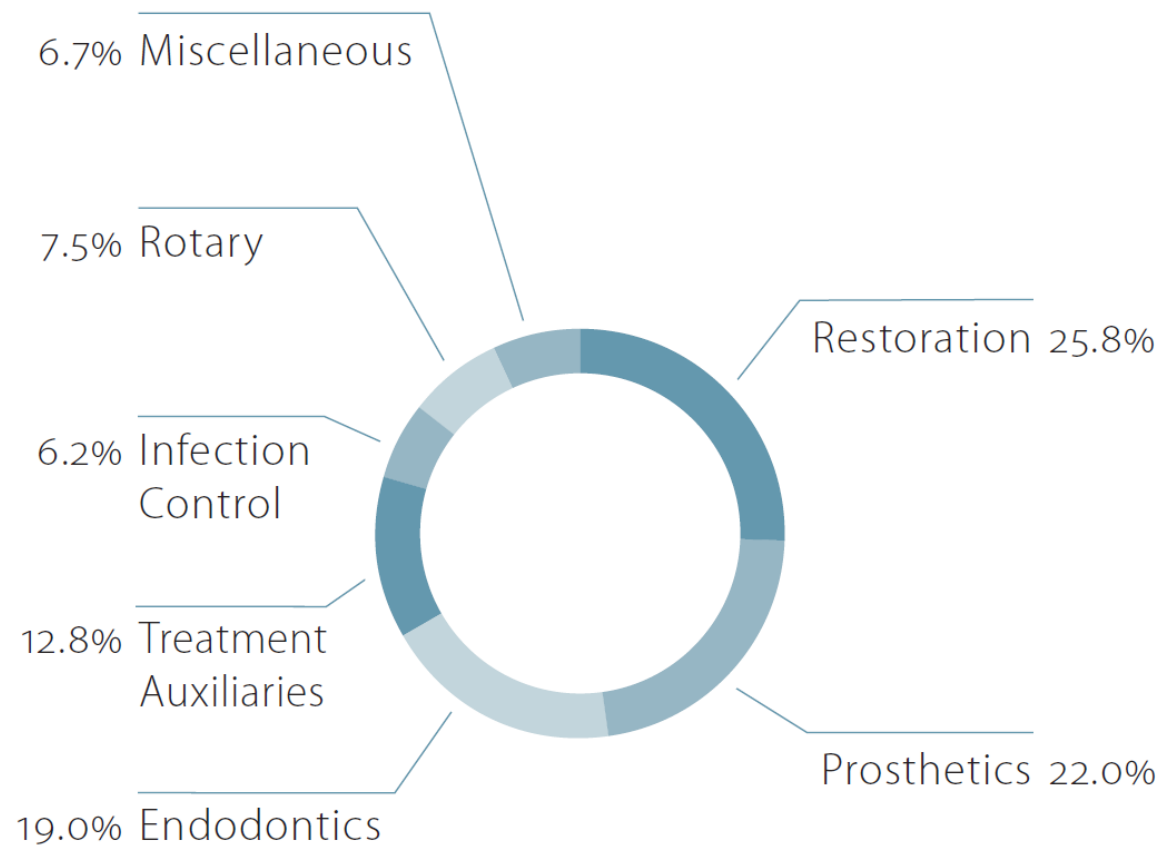


Deep. Fast. Perfect.

 **COLTENE**

Net Sales Breakdown by Product Group

Sturdy Treatment Auxiliaries

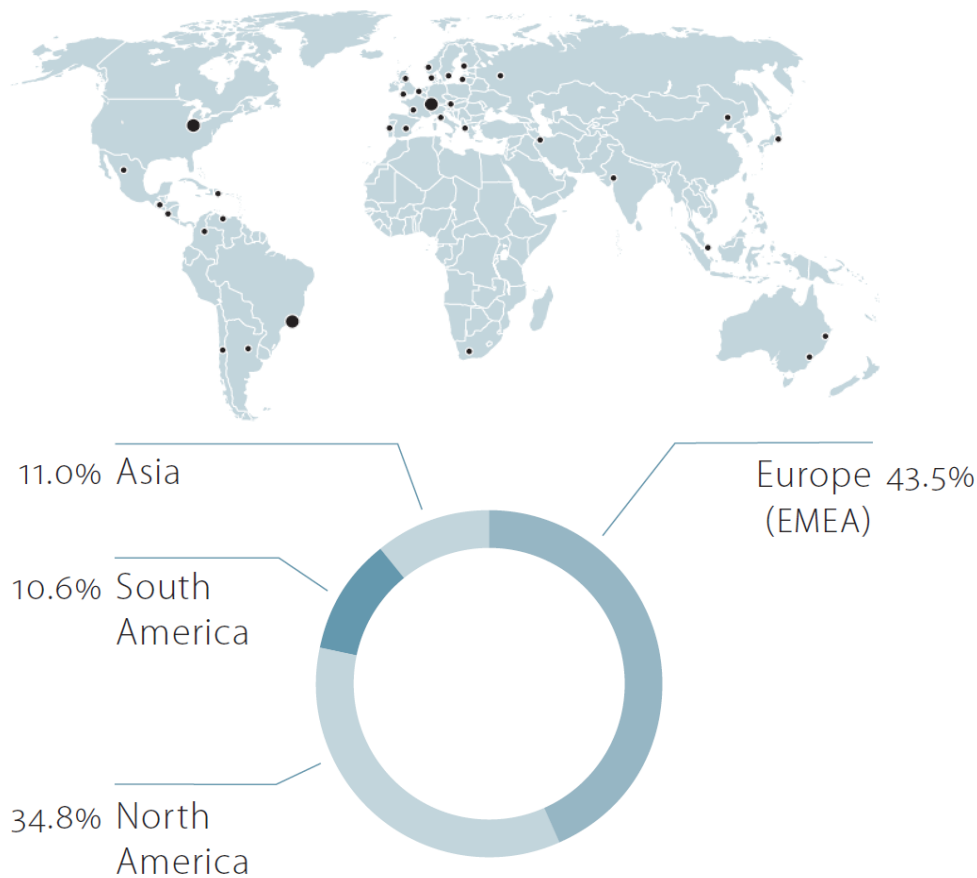


Comments (in CHF)

- Treatment Auxiliaries best performing with a growth rate of 41.4%
- Prosthetics with sales growth of 3.8% compared to previous year
- Restoration encountered negative currency impact and strong competition, sales decreased by 4.8%
- Restoration remains strongest contributor to Group sales with a share of 25.8%

Regional Breakdown of Net Sales

Asia and North America gaining momentum



Comments (in LC)

- **Asia with strongest growth of 13.1% thanks to above average growth in China, Japan and India**
- **Solid growth in North America with increase of 6.6%, clearly above market average**
- **South America and Europe with diverging markets; both regions grew by approx. 2%**
- **Establishment of new group company in Spain for Iberian markets in H2 2014**

Financials H1 2014

Gerhard Mahrle


CFO

Income Statement

Higher net sales and increased profits

In CHF 1'000	H1 2014	%	H1 2013	%	% YoY
Net sales	76'020	100.0%	75'037	100.0%	1.3%
Material expenses*	-23'819	-31.3%	-21'173	-28.2%	12.5%
Gross profit	52'200	68.7%	53'864	71.8%	-3.1%
Operating expenses	-42'213	-55.5%	-43'984	-58.6%	-4.0%
Depr. & Amor.	-2'545	-3.3%	-2'611	-3.5%	-2.5%
EBIT	7'442	9.8%	7'269	9.7%	2.4%
Financial expenses (net)	-141	-0.2%	-1'107	-1.5%	-87.3%
Tax expenses	-1'788	-2.4%	-1'180	-1.6%	51.6%
Profit for the period	5'514	7.3%	4'982	6.6%	10.7%

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

Negative currency development: 

Average	H1 2014	H1 2013	% YoY
EUR	1.2214	1.2292	-0.6%
USD	0.8909	0.9362	-4.8%
BRL	0.3881	0.4603	-15.7%
INR	0.0147	0.0170	-13.5%

Comments

- Net sales growth by 1.3% in CHF, respectively 4.7% in LC
- Gross profit margin mainly affected by negative currency impacts at 68.7% (PY: 71.8%)
- OPEX well under control and CHF 1.8 million below PY
- EBIT at CHF 7.4 million; EBIT margin slightly increased to 9.8%
- Heavy reduction of financial expenses because of FX gains on IC loans in USD
- Increase of tax rate from 19.1% to 24.5% (tax credit in 2013 and higher pre tax profit in the US)
- High net profit of CHF 5.5 million; increase by 10.7%

Balance Sheet

Comfortable equity ratio and low debt

In CHF 1'000	30.06.2014	31.12.2013	△
Cash & cash equivalents	6'156	6'509	-5.4%
Receivables	34'214	32'838	4.2%
Inventory	28'390	29'692	-4.4%
Property, plant & equipment	29'133	29'648	-1.7%
Goodwill	41'831	39'693	5.4%
Financial and other intangible assets	6'361	8'479	-25.0%
Total assets	146'085	146'859	-0.5%
Payables & short term liabilities	15'233	18'011	-15.4%
Bank loans	21'969	16'828	30.6%
Other long term liabilities	14'613	14'372	1.7%
Equity	94'270	97'648	-3.5%
Total liabilities & equity	146'085	146'859	-0.5%

Comments

- NWC (acc. receivable + inventory – acc. payable) unchanged since end of 2013 (reduction of CHF 0.6 million)
- Strong and solid balance sheet with an equity ratio of 64.5%
- Net debt increased since year end from CHF 10.3 to CHF 15.8 million (PY: CHF 28.1 million) mainly because of the dividend payment of CHF 9.3 million
- Unused credit lines in the amount of CHF 70 million

Cash Flow Statement

High free cash flow based on solid operating result

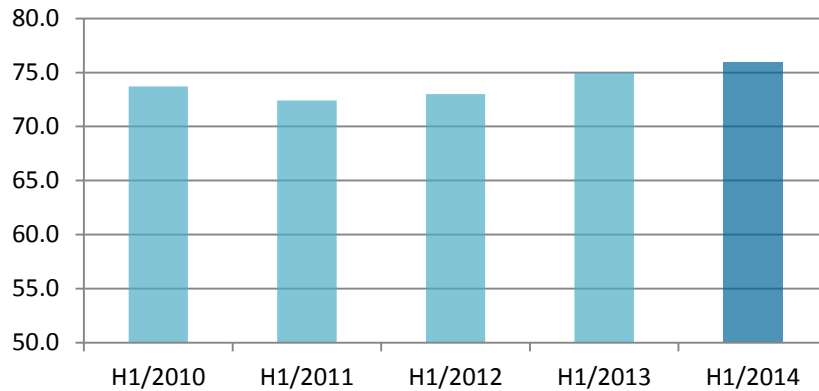
In CHF 1'000	H1 2014	H1 2013	△
Net profit	5'514	4'982	10.7%
Depreciation & Amortization	2'545	2'611	-2.5%
Other non cash items	2'496	1'209	106.5%
Changes in NWC	-1'986	-4'380	-54.7%
Interest, tax paid/received	-2'922	-2'827	3.4%
Cash flow from operations	5'647	1'595	254.0%
Purchase of PPE (net)	-1'519	-1'698	-10.5%
Proceeds from int./finan. (net)	-205	-369	-44.4%
Cash flow from investments	-1'724	-2'067	-16.6%
Free cash flow	3'923	-472	

Comments

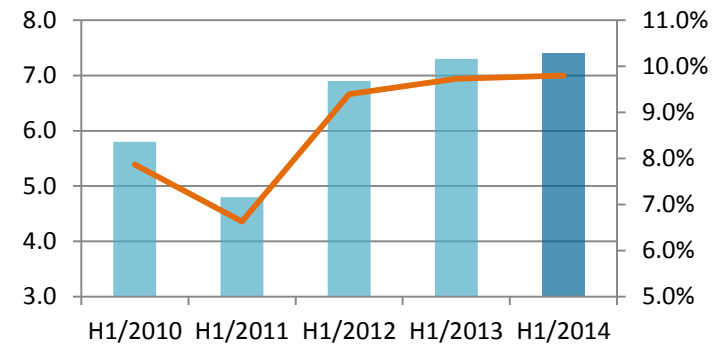
- High free cash flow of CHF 3.9 million -> improvement of CHF 4.4 million YoY
- Reasons: solid operating result in H1 2014 and high increase of inventories in PY
- Slightly lower investments (mainly maintenance and repair)
- Reduction of cash & cash equivalents in H1 2014 in the amount of TCHF 353

Overview Keyfigures (H1 2010 – H1 2014 in CHF million)

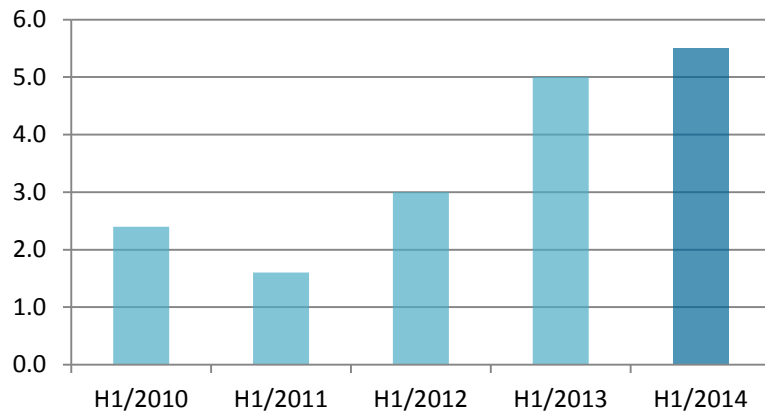
Net sales



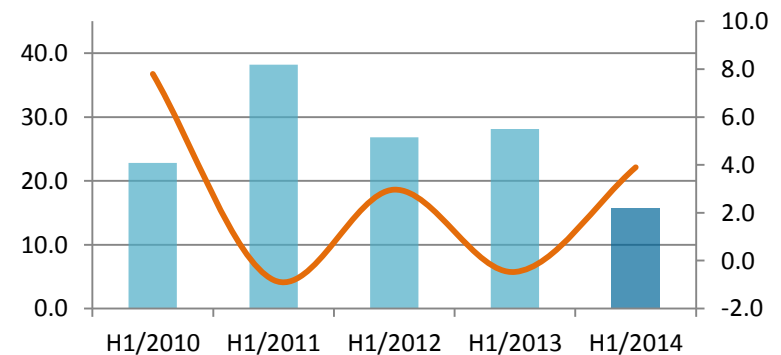
EBIT EBIT Margin



Net Profit



Net Debt Free Cash Flow



Outlook

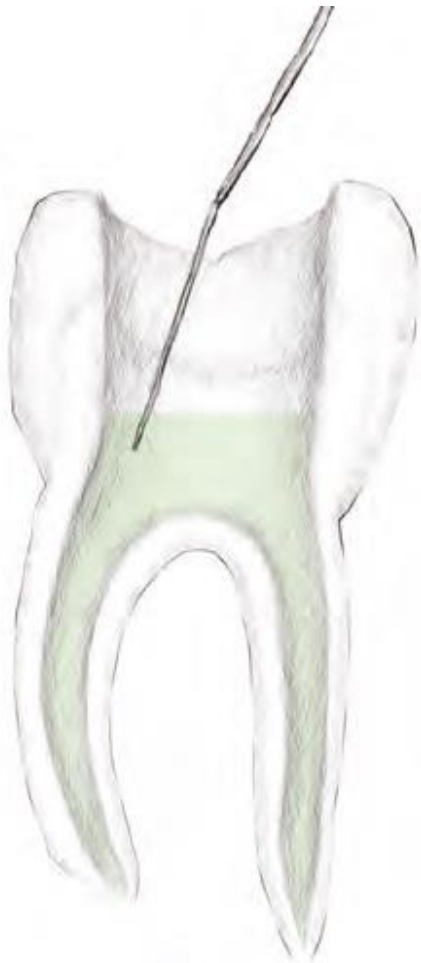
Martin Schaufelberger

CEO

Outlook

Adapting to new customer needs

- **Focus on innovation**
 - Development of new products for Resto, Endo, and Treatment Auxiliaries
 - By anticipating market needs and cooperating with universities
- **Prepare for e-Commerce**
 - Implement new product information tools
 - Uniform market appearance using COLTENE as a global quality seal
- **Sales push**
 - Further enhance and improve local sales teams
 - Focus on group practice and government business
 - Global approach to cooperate with key account distributors
- **Continuous strive for operational excellence**
- **Confirmed mid-term targets**
 - Sales above market average
 - EBIT margin approaching 15%



**Thank you very much for
your attention!**

Q & A

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The information made available in this conference may include forward-looking statements that reflect intentions, beliefs or current expectations and projections of the COLTENE Group about future results of operations, financial conditions, liquidity, performance and similar circumstances. Such statements are made on the basis of assumptions and expectations which may prove to be erroneous, although the COLTENE Group believes them to be reasonable at this time.

Appendix

COLTENE at a Glance

Global dental specialist

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

COLTENE represents a large number of highly recognized global brands for chair-side dental consumables

Development and operations in Switzerland, Germany, North America and Brazil

Strong emerging market position with about 30% of total sales

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