

Financial Year 2015
Media and Financial Analysts Meeting

Global Setup

Zurich, March 3, 2016

Agenda

Highlights 2015

Martin Schaufelberger, CEO

Financials 2015

Gerhard Mahrle, CFO

Global Setup

Martin Schaufelberger, CEO

Outlook

Martin Schaufelberger, CEO



Achievements 2015

Solid operating results in a challenging environment

- Sales of CHF 154.5 million, down 4.8%, 1.1% in LC
 - Sales growth in Asia, particularly in China
 - Sales decrease in CIS region and Brazil
- Operating profit (EBIT) of CHF 20.4 million, down 9.0%
 - EBIT margin held at solid, sustainable level of 13.2%
- Net profit of CHF 13.3 million, down 14.7%
 - Net profit margin of 8.6%
- Formulation of strategic goals 2016-2018
 - Next strategy phase after successful implementation of 2012-2015 strategy
 - Focus now on further growth and profitability
- Group Management expanded
- CAD/CAM material partnership with Sirona
- Proposed dividend distribution of CHF 2.20 per share

Market Environment

Increased competition and pricing pressure

- Exchange rates strongly impacted results
 - Exchange rate translation losses mainly due to devaluation of the Euro and the Brazilian real against the Swiss franc only partly compensated by the stronger US dollar
 - Competitive disadvantage compared to producers from Euro countries
- Market performance varied from region to region
 - Continued dynamic growth in Asia headed by China and India
 - Slow growth in North America
 - Western Europe stable at constant currencies
 - CIS region and Brazil hit by weak economies
- Structural changes in distribution
 - Growing importance of online channels
 - Continued concentration among distributors e.g. in Brazil
 - Destocking by large dealers resulted in lower sell-in volumes compared to sell-out in the US (3 year plan implemented)

Management Actions 2015

Cost reductions and strategic update

- Review of implementation of strategy goals 2012-2015 and definition of strategic goals 2016-2018
 - New growth initiatives based on global setup
 - Focus on “Sales & Marketing”, “Innovation” and “Partnerships”
- Adaption of expenses to new competitive situation
 - Renegotiation of supply conditions
 - Further standardization and harmonization of worldwide manufacturing and logistics processes
 - Deployment of modern monitoring tools in sales and logistics
- Strengthening and alignment of sales organization
 - Christophe Loretan hired as new Vice President Sales
 - New group companies established in Turkey and Japan
 - Expansion of sales teams in Asia
 - Introduction of a comprehensive Product Information Management (PIM) system

COLTENE Group Management

Team expanded

- COLTENE Group Management expanded and strengthened to better support the Group's global setup
- As per Oct 1, 2015, Christophe Loretan joined the Group Management as Vice President Sales
- Beside Martin Schaufelberger, CEO, and Gerhard Mahrle, CFO, the Group Management Team consists of:
 - Christophe Loretan, Vice President Sales (joined October 2015)
 - Dr. Werner Barth, Vice President Marketing (with COLTENE since 2012)
 - Werner Mannschedel, Vice President R&D (with COLTENE resp. Roeko since 1988)

Profiles of the COLTENE Group Management Team are available on www.coltene.com

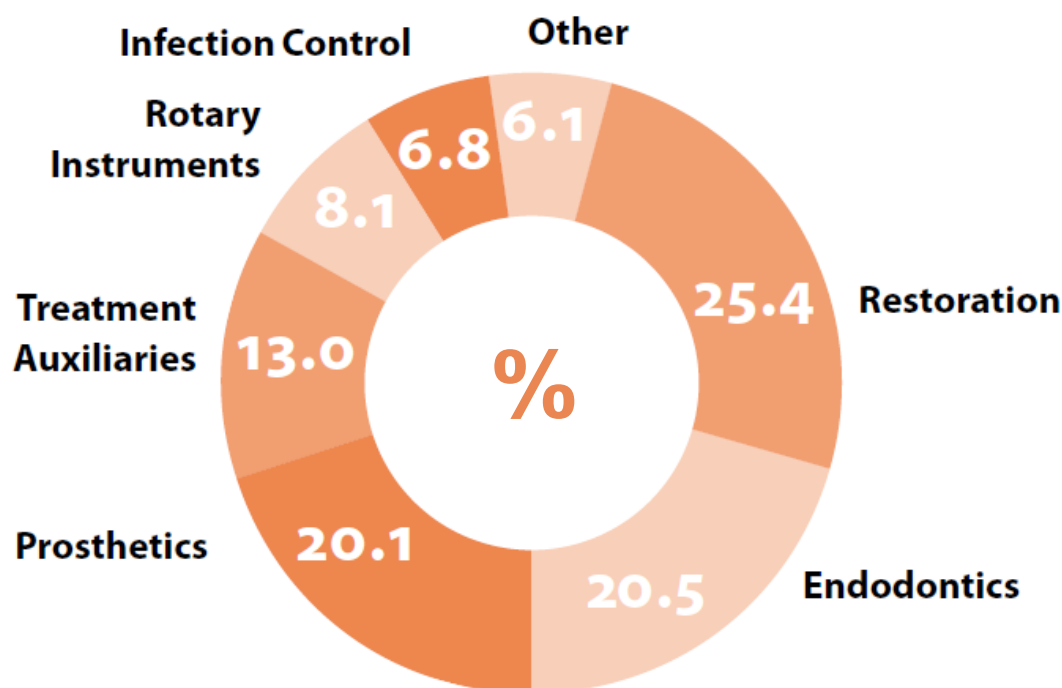
COLTENE Group Management



COLTENE Group Management aligned to support strategy

Breakdown by Product Groups in CHF

Endodontics now second-largest product group

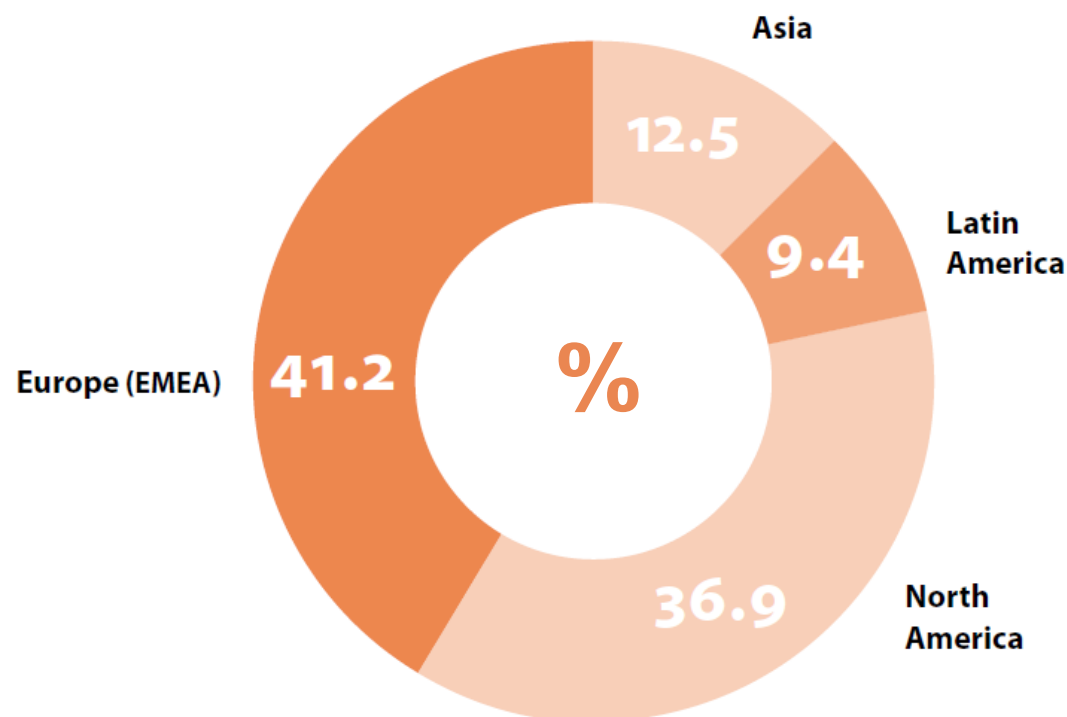


Comments

- Continued sales growth in Endodontics by 3.7% to CHF 31.7 million
- Restoration sales decreased by 6.3% to CHF 39.2 million due to severe competitive pressure
- Prosthetics sales down by 12.4% to CHF 31.0 million
- Sales in the Treatment Auxiliaries product group receded by 5.6% to CHF 20.1 million
- Slightly higher sales in the Rotary Instruments and Infection Control product groups by each 0.2%

Regional Breakdown

Heterogeneous emerging markets



Comments

- Strong growth in Asia of 8.2% headed by future growth markets China (16.3%) and India (6.2%) in local currencies (LC)
- North America with sales increase of 5.6% thanks to help from the USD (+0.5% in LC). Sell-out volumes grew 4.0%.
- Sales in Western Europe affected by exchange rate losses, stable at constant currencies
- Sales in Middle East and Africa grew by 15.8% in LC
- CIS region showed a sharp contraction, sales receded 23.7% in LC
- Latin America sales down by 24.8% in LC mainly due to economic weakness in Brazil

New Products and Innovation

Development of new products and market introduction in 2015/2016:

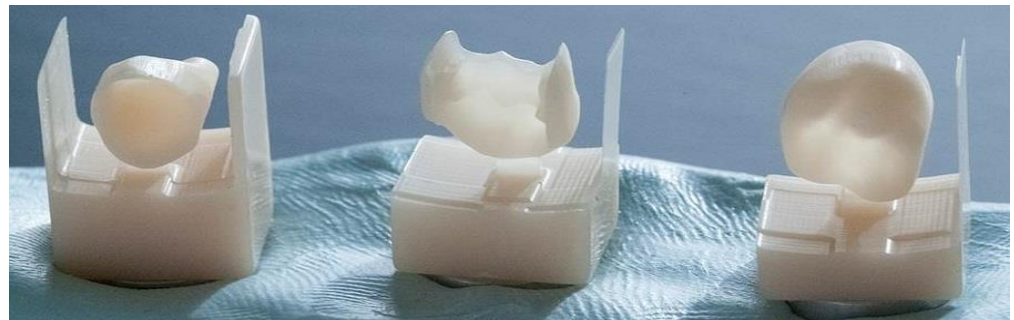
- In 2015: BRILLIANT EverGlow, GuttaFlow Bioseal, HyFlex EDM, AFFINIS Black edition
- **In 2016: BRILLIANT Crios composite blocs for chairside milling machines**
 - Official material partner to Sirona's CEREC CAD/CAM system
 - Enter into the future oriented digital dentistry
 - Chairside manufactured inlays, onlays, crowns and veneers, ideal for implant restoration
 - Combined product offer with other COLTENE products



Compatible with various CAM devices



Ultra precise milling properties



Proposals to AGM

- Jürgen Rauch proposed as additional member of the Board of Directors
- Dividend of CHF 2.20 per share
 - Payout ratio: 70%
 - Dividend yield based on year-end share price of CHF 60.90: 3.6%
- Compensation of the Board of Directors and Executive Management
 - Approval of maximum aggregated amount of compensation for the members of the Board of Directors for FY 2016 (CHF 560,000)
 - Approval of maximum aggregated amount of compensation for the members of the Executive Management for FY 2016 (CHF 2,900,000, thereof CHF 2,050,000 fix and CHF 850,000 variable)
 - Consultative vote on the detailed Compensation Report 2015
- Re-election of the current members of the Board of Directors
- Re-election of Ernst & Young AG as Group auditors

Agenda

Financials 2015

Gerhard Mahrle, CFO

Financial Summary

Profitability growth stopped after three consecutive years

- Net sales of CHF 154.5 million (2014: CHF 162.3 million), minus 4.8% or 1.1% in LC
- EBIT margin decreased to 13.2% (2014: 13.8%)
 - EBIT of CHF 20.4 million (2014: CHF 22.4 million), minus 9.0%
- Net profit for the period receded to CHF 13.3 million (2014: CHF 15.6 million); minus 14.7%
 - Slightly increased tax rate of 25.5% (2014: 25.1%) mainly due to higher profits from the US subsidiary
- Free cash flow of CHF 13.7 million (2014: CHF 16.7 million)
 - Decrease mainly due to lower net profit, decrease of NWC and higher CAPEX
- Solid balance sheet and high equity ratio of 68.1%
 - Provide entrepreneurial freedom and enable the Company to be an active player within expected industry consolidation

Income Statement

Solid operating results

in CHF million	2015	%	2014	%	% YoY
Net Sales	154.5	100.0%	162.3	100.0%	-4.8%
Material expenses*	-45.5	-29.4%	-48.2	-29.7%	-5.6%
Gross Profit	109.0	70.5%	114.1	70.3%	-4.5%
Operating expenses	-83.1	-53.8%	-86.4	-53.2%	-3.8%
Depr. & Amor.	-5.5	-3.6%	-5.3	-3.2%	3.8%
EBIT	20.4	13.2%	22.4	13.8%	-8.9%
Financial result	-2.5	-1.6%	-1.6	-1.0%	56.3%
Tax expenses	-4.6	-3.0%	-5.2	-3.2%	-11.5%
Profit for the period	13.3	8.6%	15.6	9.6%	-14.7%

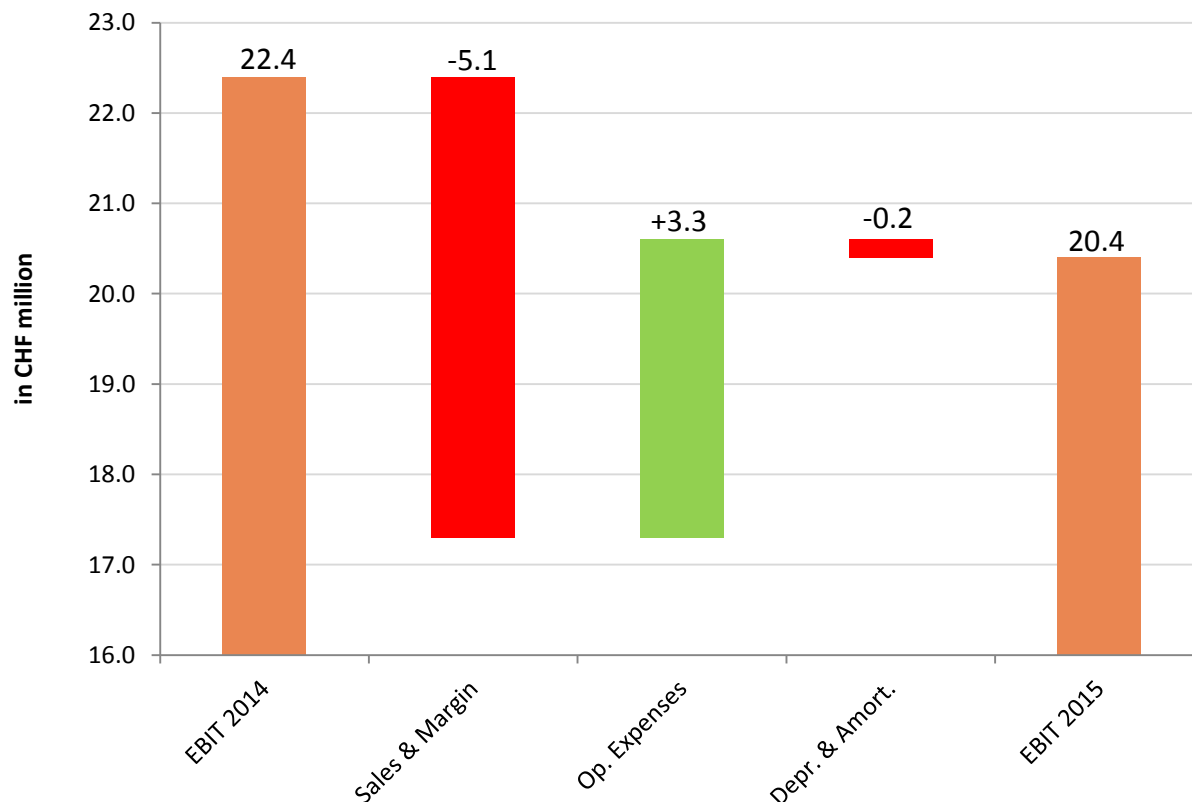
* Raw materials used, changes in inventory and work performed capitalized

Comments

- Net sales decrease 4.8%; in LC -1.1%
- Negative FX impact of CHF 6.0 million on net sales
- Loss of sales in Brazil and the CIS-Region
- Slight increase of gross profit margin (+0.2% points); gross profit decrease of CHF 5.1 million
- OPEX savings of CHF 3.3 million owing to cost reduction programs at the Swiss plant
- EBIT decrease by CHF 2.0 million and slight reduction of EBIT margin: 13.2% (2014: 13.8%)
- Tax rate increased from 25.1% to 25.5% (high profit before tax of the US manufacturing site: local US tax rate: 35% and cautious recognition of DTA)

Operating Result

Temporary setback on the path towards the 15% EBIT margin target

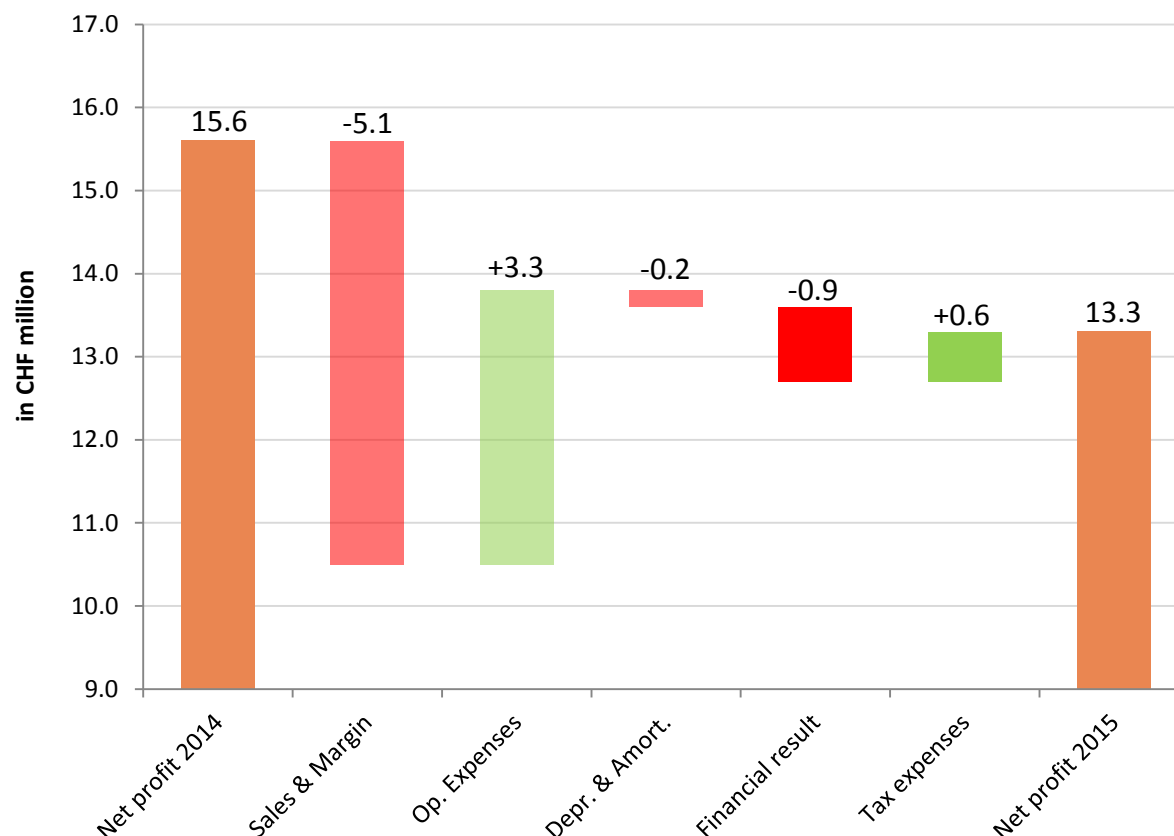


Comments

- Sales decline impacts gross margin with CHF -5.5 million; improvement of gross margin CHF 0.4 million
- OPEX savings: CHF 3.3 million
- Slightly higher depreciation and amortization: CHF 0.2 million
- Despite strict cost saving programs EBIT declined by CHF 2 million to CHF 20.4 million (-9.0%); EBIT margin decreased to 13.2% (2014: 13.8%)

Development of Profit for the Period

Net profit decreased mainly due to exchange rates impact



Comments

- Negative impact from financial result on net profit: primarily caused by currency losses at Vigodent
- Lower absolute tax (CHF 0.6 million) owing to lower profits before tax; but higher tax rate derived from excellent results of our US subsidiary
- Overall decrease of profit for the period by 14.7% to CHF 13.3 million

Balance Sheet

Solid balance sheet: high equity and net cash position

in CHF million	31.12.15	31.12.14	YoY
Cash & cash equivalents	14.6	18.3	-3.7
Receivables	33.1	38.2	-5.1
Inventory	29.9	29.6	0.3
Property, plant & equipment	29.3	30.2	-0.9
Financial, intangible & tax assets	42.3	48.4	-6.1
Total assets	149.2	164.6	-15.4
	31.12.15	31.12.14	YoY
Payables & short term liabilities	17.3	20.9	-3.6
Bank loans	13.8	20.8	-7.0
Other long term liabilities	16.5	18.8	-2.3
Equity	101.6	104.1	-2.5
Total liabilities & equity	149.2	164.6	-15.4
Net Cash/(Net Debt)	0.9	(2.5)	1.6

Comments

- Cash and cash equivalents amount to CHF 14.6 million
- COLTENE is debt-free (net cash position of CHF 0.9 million) due to high free cash flow
- Credit lines not used: CHF 90 million
- AR decreased by CHF 5.1 million or 13% due to relatively low sales in December 2014/5
- Stable inventory of CHF 29.9 mn
- Equity ratio increased from 63.2% to 68.1% owing to lower balance sheet total
- No impairment issue regarding goodwill (recoverable)

Cash Flow Statement

Free cash flow reflects lower net profit and higher CAPEX

Cash Flow (in CHF million)	2015	2014	% YoY
Net profit	13.3	15.6	-14.7%
Depreciation and amortization	5.5	5.3	3.8%
Other non-cash items	6.7	5.8	15.5%
Changes in NWC	-1.6	-1.4	-14.3%
Interest paid/received, tax paid	-5.7	-5.4	
Cash Flow from operating activities	18.2	19.9	-8.5%
Net investments intangible assets	-4.0	-3.0	
Net investments in intangible assets	-0.5	-0.3	
Cash Flow from invest. activities (net)	-4.5	-3.2	40.6%
Cash Flow from financing activities	-17.2	-5.1	237.3%
Change in cash and cash equivalents	-3.6	11.8	-130.5%
Free cash flow	13.7	16.7	-18.0%
In % of net sales	8.9%	10.4%	

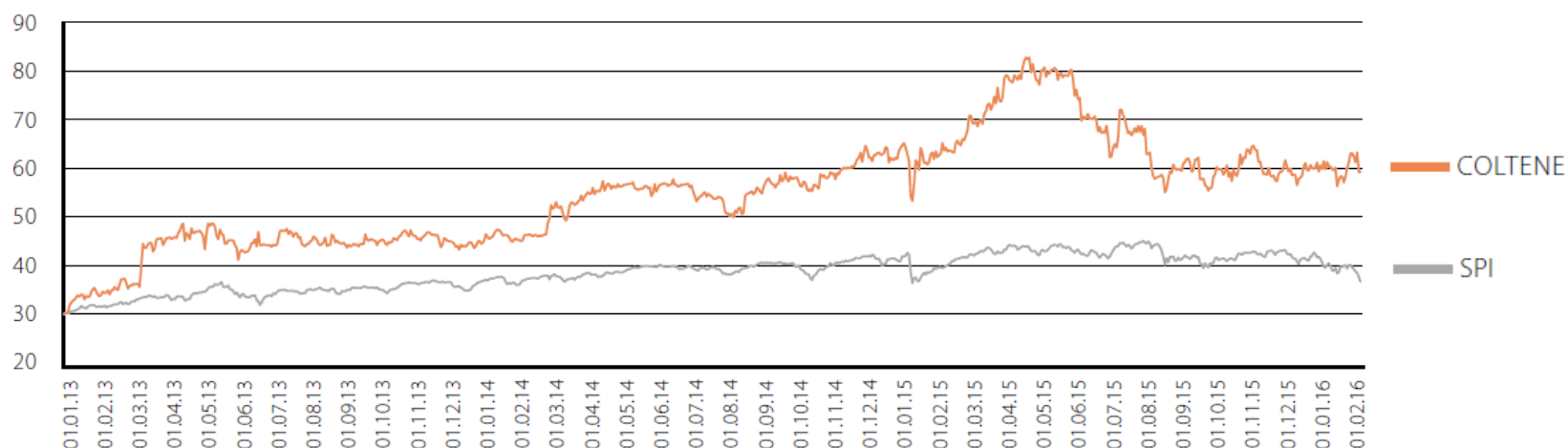
Comments

- Cash flow from operations decreased by CHF 1.7 million mainly due to lower net profit of CHF 2.3 million and higher taxes paid
- Cash flow from investments include modernization and replacement of production equipment. CAPEX in 2015 were CHF 1.3 million higher as in prior year
- The resulting free cash flow amounts to CHF 13.7 million

Share Price Development

1.1.2013 – 1.2.2016

CHF million	31.12.15	31.12.14	Δ
Market Capitalization	256.9	265.8	-3.3%
Consolidated Equity	101.6	104.1	-2.4%



Agenda

Global Setup and Strategy 2016-2018

Martin Schaufelberger, CEO



Global Setup

North America

Number of Group companies	2
Production sites	1
Workforce (FTE)	314
Sales specialists	51

Latin America

Number of Group companies	1
Production sites	1
Workforce (FTE)	120
Sales specialists	32

Europe

Number of Group companies	10
Production sites	2
Workforce (FTE)	377
Sales specialists	68

Middle East and Africa

Number of Group companies	0
Production sites	0
Workforce (FTE)	2
Sales specialists	2

Global

Number of Group companies	16
Production sites	5
Workforce (FTE)	888
Sales specialists	206

Asia

Number of Group companies	3
Production sites	0
Workforce (FTE)	75
Sales specialists	53

Strategic Goals 2016-2018

Sales & Marketing

More efficient sales activities thanks to better planning and modern tools

Identify business opportunities more effectively and take action on that basis

Substantial expansion of sales capacities in core markets

Innovation

Global implementation of a consistent innovation management process

Definition and regular review and adaptation of technology roadmap

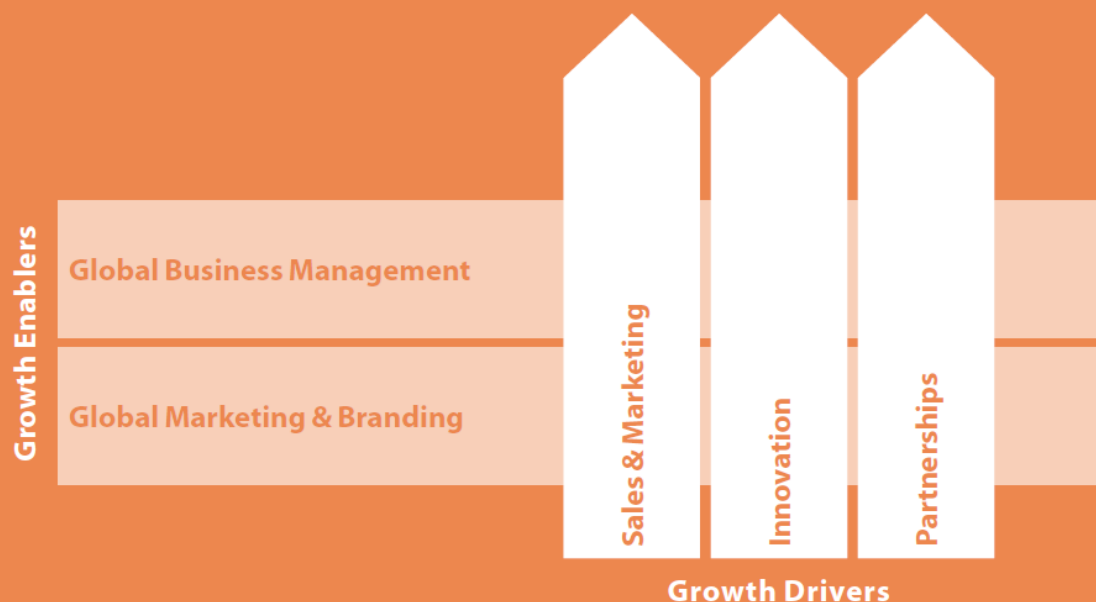
Evaluate project pipeline and create a fast track for highly promising developments

Partnerships

Systematic market monitoring

Strengthen existing partnerships and establish new ones

Define the requirements of partnerships based on technologies, products, markets and customer relations



Agenda

Outlook

Martin Schaufelberger, CEO

Outlook

Exchange rates and markets

- Return to a general market growth expected
 - Continuing growth in Asia
 - Midterm growth in North America by increasing sell-in volumes
 - Slight market recovery in Brazil and other markets in Latin America
 - No further deterioration in CIS region
- Global setup reduces exposure thanks to natural hedging
 - Manufacturing sites in Switzerland, Germany, Brazil and the US
 - Increased flexibility thanks to harmonized processes
- FX situation will remain a challenge in 2016

Outlook

Envisaging new sustainable growth

- Finalization of implementation of cost saving measures for securing competitive position
- New growth initiatives defined within strategic goals 2016-2018
- Focus on strengthening and aligning international sales organization
- Rounding off product portfolio with innovative products and technologies
 - Priority lane for most promising products
 - Entry into CAD/CAM digital dentistry
- Financial guidance
 - Grow within the positive market development in LC
 - Midterm 15% EBIT margin goal confirmed (delay due to FX impact 2015)

Thank you for your Attention!

Global Setup

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Agenda



Appendix

COLTENE at a Glance

Global dental specialist

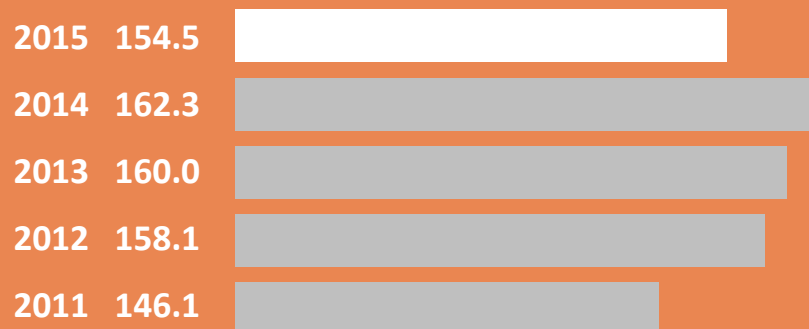
Swiss based small cap with worldwide sales through dental distributors and about 200 sales representatives

Development and operations in Europe, North America and Brazil

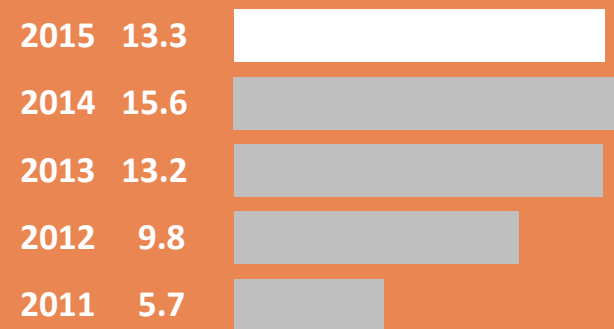
Highly recognized global brands for chair-side dental consumables

Strong emerging market position with 29% of total sales in 2015

Net Sales



Net Profit



The Brands you Trust

The percentage numbers indicate the portion of total net sales

Restoration 25%



*Miris*²
SYNERGYTM D6
BRILLIANT

ParaCore[®]
COMPONEER[®]
One Coat Bond

Endodontics 21%



COLTENE[®] ENDO
whaledent
ParaPostX[®] System
HyFlex[™] CM

roeko
HYGENIC[®]

Prosthetics 20%



AFFINIS[®]
Speedex

PRESIDENT[®]

Treatment Auxiliaries 13%



roeko
HANEL

HYGENIC[®]

Rotary Instruments 8%



DIATECH⁺
PREMIUM ROTARY INSTRUMENTS

Alpen[™]
SWISS ROTARY INSTRUMENTS

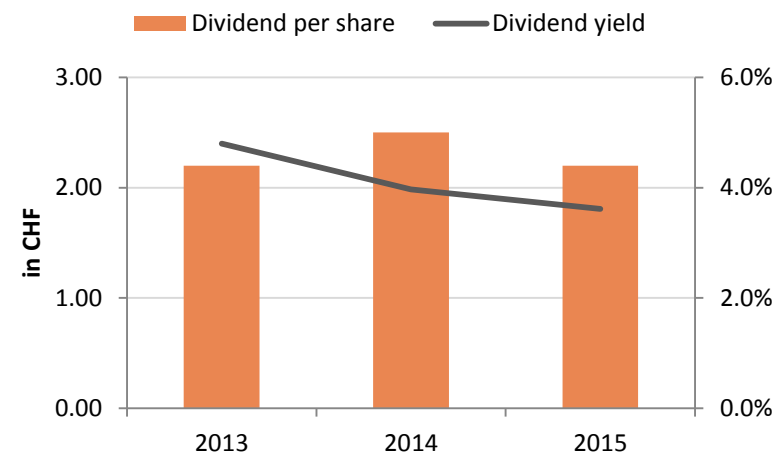
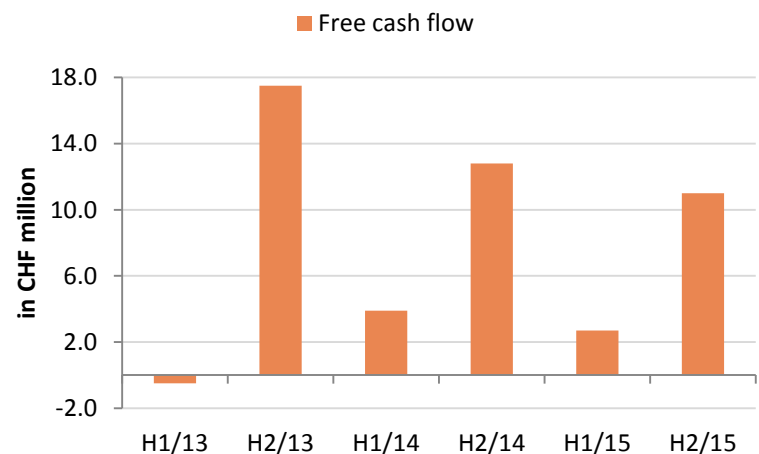
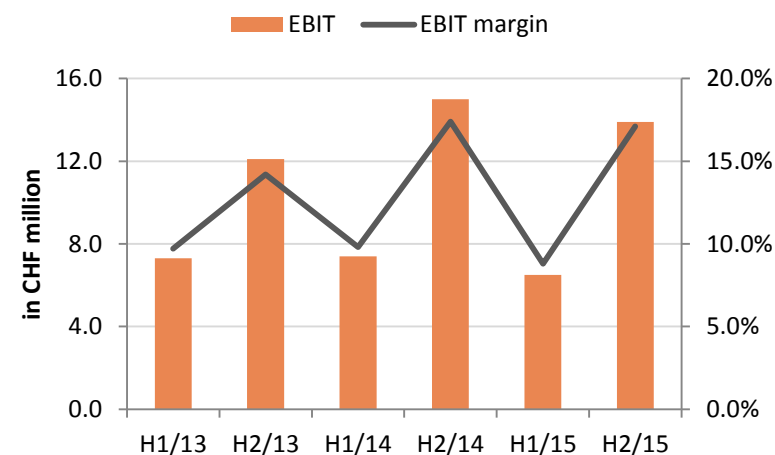
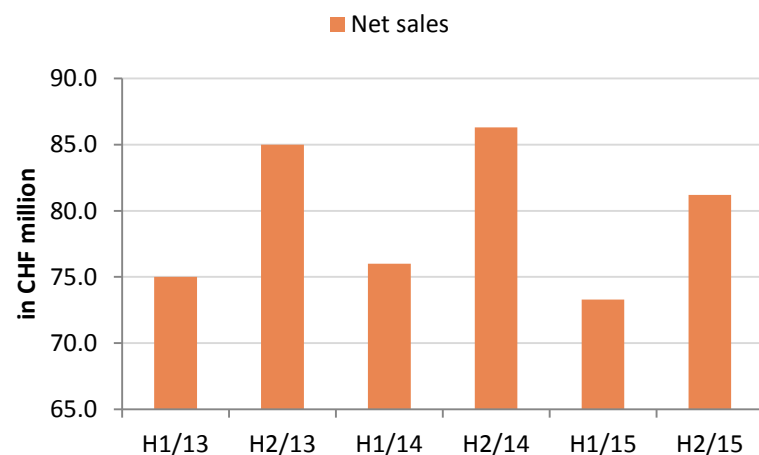
Infection Control 7%



BioSonic[®]
roeko

Key Figures COLTENE Group (2013-2015)

Half year steps in CHF million (except dividend Information in CHF)



Safe Harbour Statement

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