

Half-Year Results 2016
Media and Financial Analysts Conference Call

Driven by Innovation

Gerhard Mahrle – CFO COLTENE Holding AG
August 5, 2016

Safe Harbor Statement

The information made available in this presentation 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.

BRILLIANT EverGlow™

The glow of the art

Operational Review

„The quality and cost-effectiveness of COLTENE products are underscored by the strong demand witnessed in the EMEA and Asia regions, outpacing overall market growth. The improvement in operating results is proof of COLTENE's agility in responding to challenging market conditions.“

Gerhard Mahrle
CFO COLTENE Holding AG



Higher Sales and Substantially Higher Margins

SALES

Total Sales of CHF 75.6 million in H1 2016, +3.2% compared to previous year

High one digit sales growth in EMEA (+7.5%) and Asia (+8.8%), lower sales in North America (-0.8%) and Latin America (-6.5%); Emerging markets (+4.8%)

FINANCIALS

EBIT margin of 11.9% in the traditionally weaker first half of the year (H1 2015: 8.8%)

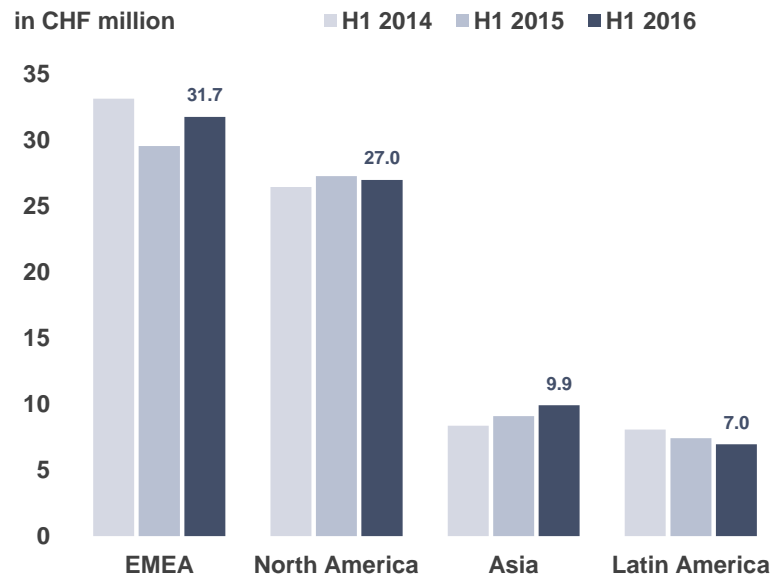
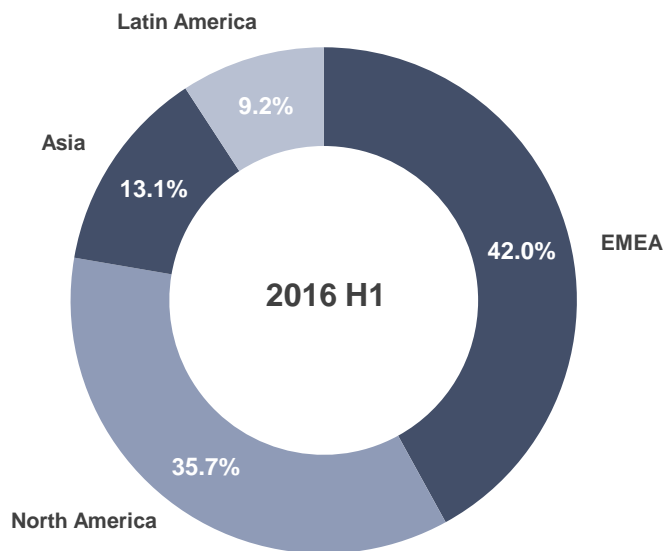
Net profit nearly doubled to CHF 7.2 million (H1 2015: CHF 3.8 million)

PRODUCTS

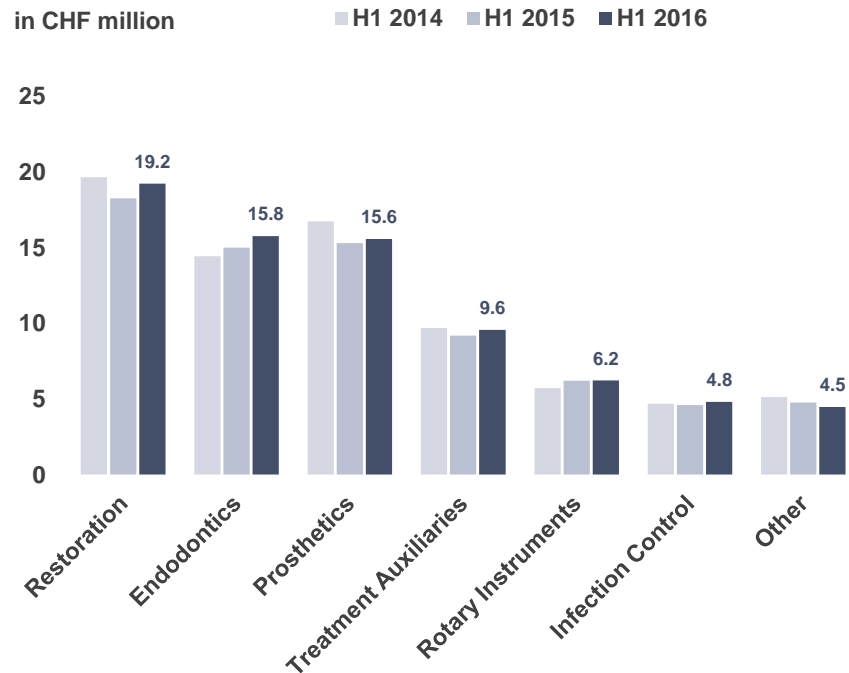
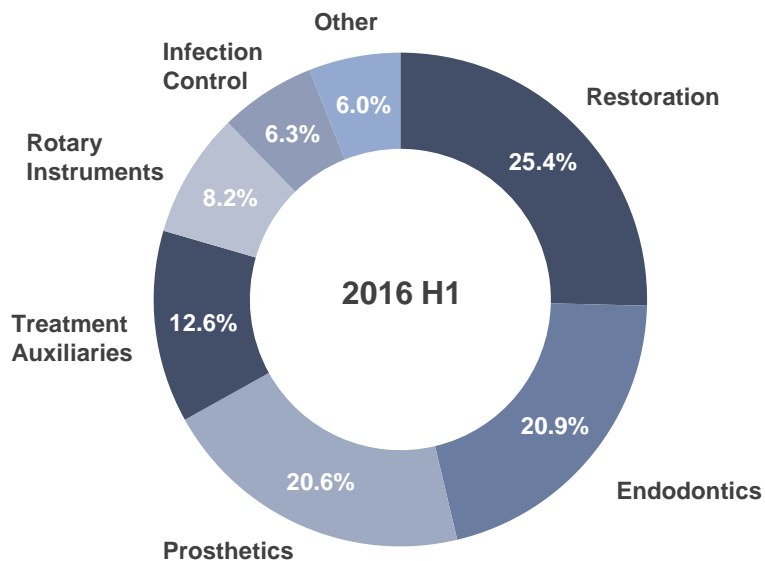
R&D focus on Restoration, Endodontics and Treatment Auxiliaries

New CAD/CAM Brilliant CRIOS composite blocs mark entry into digital dentistry

EMEA and Asia Gaining Momentum



Restoration Strongest, Endodontics Evolving



Challenging Market and Currency Environment

		Impact
MARKETS	EMEA: Recovery in Southern and Eastern Europe, CIS region and Middle East	++
	Asia: Continued dynamic growth in China, slowdown in India	+
	North America: Ongoing destocking at major distributors, sell-out +3.0%	+/-
	Latin America: Partial market recovery, +8.6% sales in Brazil in local currency	+/-
CURRENCIES	Appreciation of USD to CHF compared to H1/15	+
	Appreciation of EUR to CHF, however still 10% below pre-depegging value	+/-
	Significantly weaker BRL to CHF compared to H1/15 - slight recovery in H1/16	-
TRENDS	Ongoing concentration among distributors	+/-
	Digital technologies disrupting value chain, distribution and operations	+
	Growing importance of emerging markets	+

Envisaging Further Growth through Improved Efficiency

STRATEGY 2016-2018

Implementation of strategic goals 2016-2018 focusing on Sales & Marketing activities, Innovation management and Partnerships

Sales & Marketing: Expansion and optimization of activities pursuant to market potential and customer needs with the help of modern CRM and information management tools

Innovation: R&D focus on product groups with greatest business potential

Partnerships: Latin America Key Opinion Leader Congress hosted 400 participants

ORGANIZATION

Jürgen Rauch elected as new member of the Board of Directors by the AGM in 2016

Inauguration of new Group company in Japan

Simplified leadership structures and new National Sales Manager at Brazilian subsidiary

OPERATIONAL EFFICIENCY

Continuous increase of manufacturing efficiency through modernization and rationalization

Further globalization of procurement

Transfer of diamond bur production from the US to Switzerland

Innovation Management as a Top Priority at COLTENE



Continuous monitoring of market trends and new customer needs



Focus on product groups with the greatest business potential



Worldwide coordination of knowledge management through a common innovation process



Projects with the highest market potential are expedited to shorten time-to-market



Ensuring continuous renewal of the pipeline

Recently Launched Products

Restoration



BRILLIANT EverGlow™
State-of-the-art universal
submicron hybrid composite



BRILLIANT Crios
CAD/CAM composite blocs
for permanent restoration

Endodontics



HyFlex™ EDM
Highly flexible and resistant
NiTi root canal files



GuttaFlow® bioseal
Bioactive cold filling system
for root canals



CanalPro SyringeFill System
Innovative, modular system for the safe
and efficient filling of syringes

Treatment Auxiliaries



Entry into Future-Oriented Digital Dentistry

BRILLIANT Crios composite blocs launched in Q1 2016

**For chairside manufactured inlays, onlays, crowns and veneers,
ideal for implant restoration**

**Official material partner to Sirona's CEREC CAD/CAM system,
compatible with various CAM devices**

Allows minimal invasive restorations in only one session

Ultra precise milling properties, excellent aesthetic results

**Combined product offer with other COLTENE products,
e.g. BRILLIANT EverGlow™, One Coat 7 Universal bond**



GuttaFlow® bioseal

Expansion meets adhesion



Financials

„COLTENE’s global setup extends far beyond an on-the-ground presence in Europe, North America, Latin America and Asia. It also acts as an incubator of innovation, fosters the international exchange of knowledge and gives the Group a natural currency hedge.“

Gerhard Mahrle
CFO COLTENE Holding AG

Increase in Sales and Solid Balance Sheet

SALES

Net Sales of CHF 75.6 million

Sales increase of 3.2% compared to H1 2015, +1.0% at constant exchange rates

EMEA and Asia above expectations, North America and Latin America below

Sales in Brazil up by 8.6% in local currency

FINANCIALS

EBIT improved by about 40% to CHF 9.0 million, EBIT margin of 11.9%

Net profit nearly doubled to CHF 7.2 million (H1 2015: CHF 3.8 million)

Lower free cash flow of CHF 2.1 million compared to previous year (H1 2015: CHF 2.7 million)

High equity ratio of 66.0% and net debt amounting to CHF 6.2 million

Substantial Increase in Profitability

in CHF million	H1 2016	%	H1 2015	%	% YoY
Net Sales	75.599	100.0%	73.288	100.0%	3.2%
Material expenses*	-20.899	-27.6%	-21.929	-29.9%	-4.7%
Gross Profit	54.700	72.4%	51.359	70.1%	6.5%
Operating expenses	-42.917	-56.8%	-42.181	-57.6%	1.7%
Depreciation and amortization	-2.758	-3.6%	-2.725	-3.7%	1.2%
EBIT	9.025	11.9%	6.453	8.8%	39.9%
Financial result	0.113	0.1%	-1.709	-2.3%	-106.6%
Tax expenses	-1.959	-2.6%	-0.977	-1.3%	100.5%
Profit for the period	7.179	9.5%	3.767	5.1%	90.6%

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

Comments

Net sales increase 3.2%; in LC 1.0%; positive FX impact of CHF 1.6 million on net sales

The increase of the Gross Profit margin refers to lower raw material cost mainly at the factory in Altstaetten, Switzerland

Operational expenses are in line with last year period

Improved financial result mainly because of positive exchange rate differences and lower interest cost

Tax rate increased slightly from 20.6% to 21.4% (high profit before tax of the US manufacturing site: local US tax rate: 35%)

High Equity Ratio and Low Net Debt

Comments

Reduction of cash & cash equivalents in the amount of CHF 5.9 million and increase of bank loans in the amount of CHF 1.2 million refer to the dividend payment of CHF 9.3 million in April

The net debt increased to CHF 6.2 million (previous year CHF 9.6 million)

Credit lines not used: CHF 90 million

Increase in inventory in order to be prepared for the stronger 2nd semester in sales

Provision for pension liabilities increased by CHF 2.1 million due to a decrease of the discount rate according to IAS 19

Equity ratio decreased slightly from 68.1% to 66.0%

No impairment issue regarding goodwill (recoverable)

in CHF million	30.06.16	31.12.15	YoY
Cash & cash equivalents	8.7	14.6	-5.9
Receivables	33.6	33.1	0.5
Inventory	34.2	29.9	4.3
Property, plant & equipment	29.5	29.3	0.2
Financial, intangible & tax assets	43.2	42.3	0.9
Total assets	149.2	149.2	0.0
	30.06.16	31.12.15	YoY
Payables & short term liabilities	16.7	17.3	-0.6
Bank loans	15.0	13.8	1.2
Other long term liabilities	19.1	16.5	2.6
Equity	98.4	101.6	-3.2
Total liabilities & equity	149.2	149.2	0.0
Net Debt	6.2	-0.9	7.1

Positive Free Cash Flow

in CHF million	H1 2016	H1 2015	% YoY
Net profit	7.179	3.767	90.6%
Depreciation and amortization	2.758	2.725	1.2%
Other non cash items	3.512	3.045	15.3%
Changes in NWC	-5.009	-2.382	110.3%
Interest, tax paid/received	-3.543	-2.820	25.6%
Cash flow from operations	4.897	4.335	13.0%
Purchase of PPE (net)	-2.433	-1.575	54.5%
Proceeds from int./finan. (net)	-0.343	-0.096	257.3%
Cash flow from investments	-2.776	-1.671	66.1%
Free cash flow	2.121	2.664	-20.4%

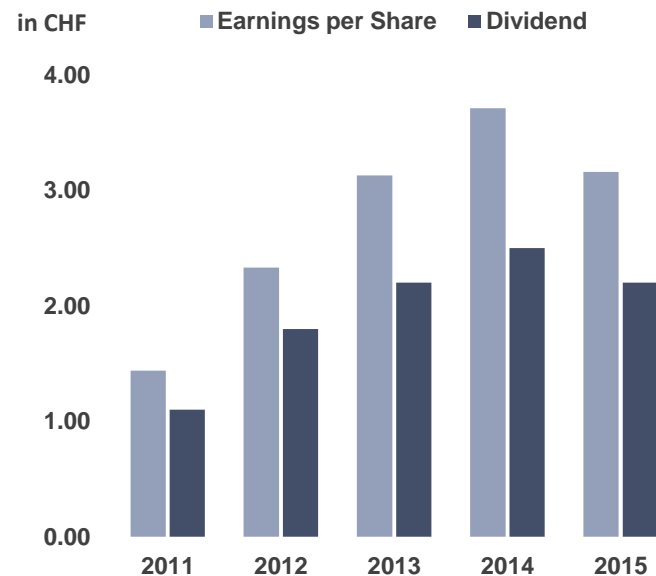
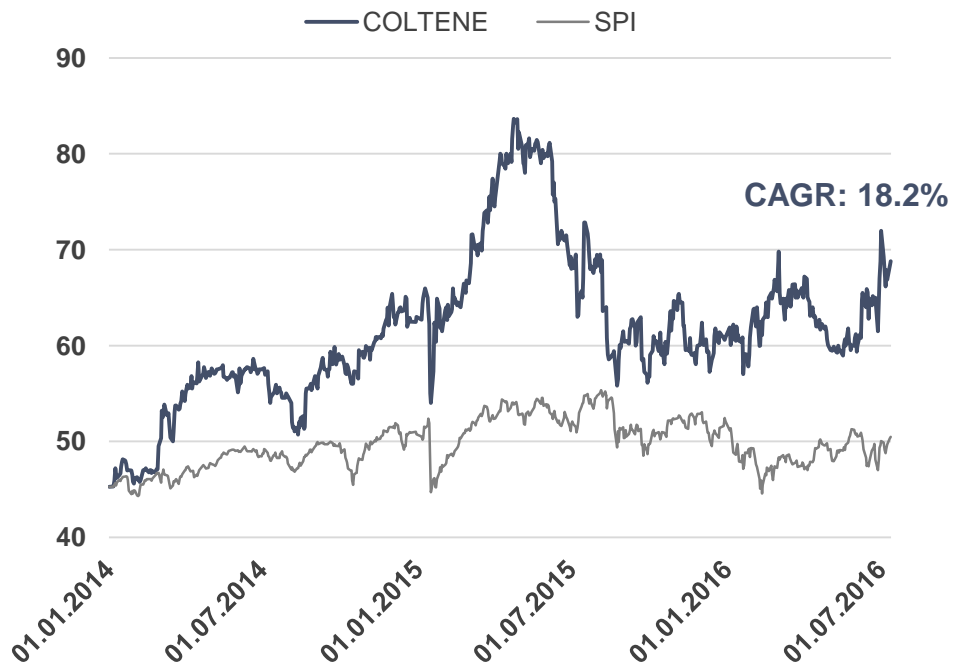
Comments

Only slight increase of Cash flow from operations despite a significantly higher net profit because of an increase of the NWC (mainly inventory) and higher taxes paid

Cash flow from investments include modernization and replacement of production equipment, software and development cost. CAPEX were CHF 1.1 million higher as in prior year

The resulting free cash flow amounts to CHF 2.1 million, CHF 0.6 million lower than in previous year period

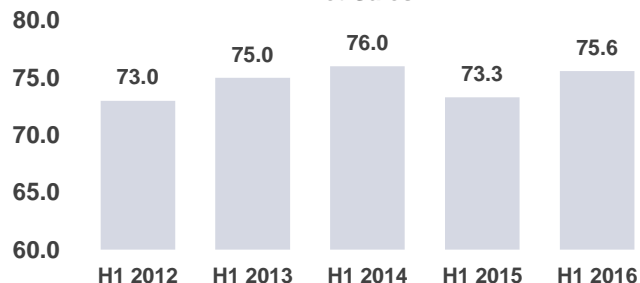
Attractive Share Performance



5-Year Overview of the Key Figures

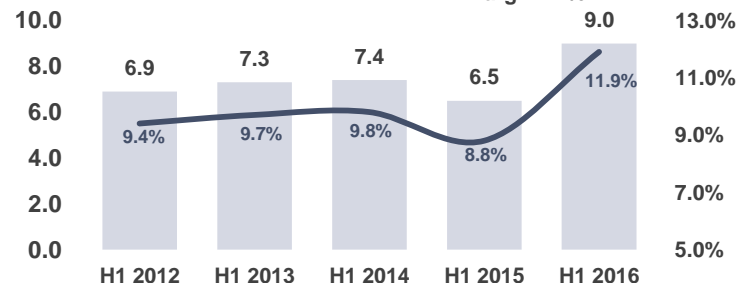
in CHF million

Net Sales



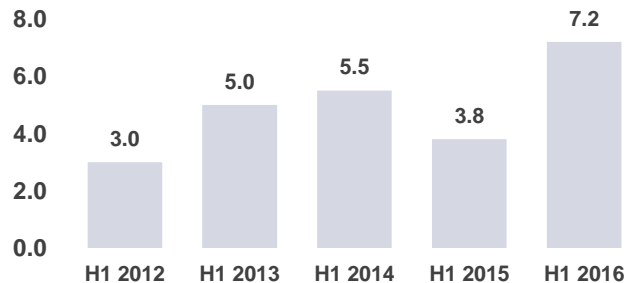
in CHF million

EBIT EBIT Margin in %



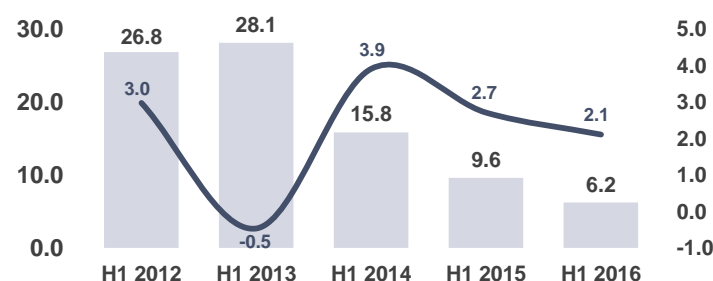
in CHF million

Net Profit



in CHF million

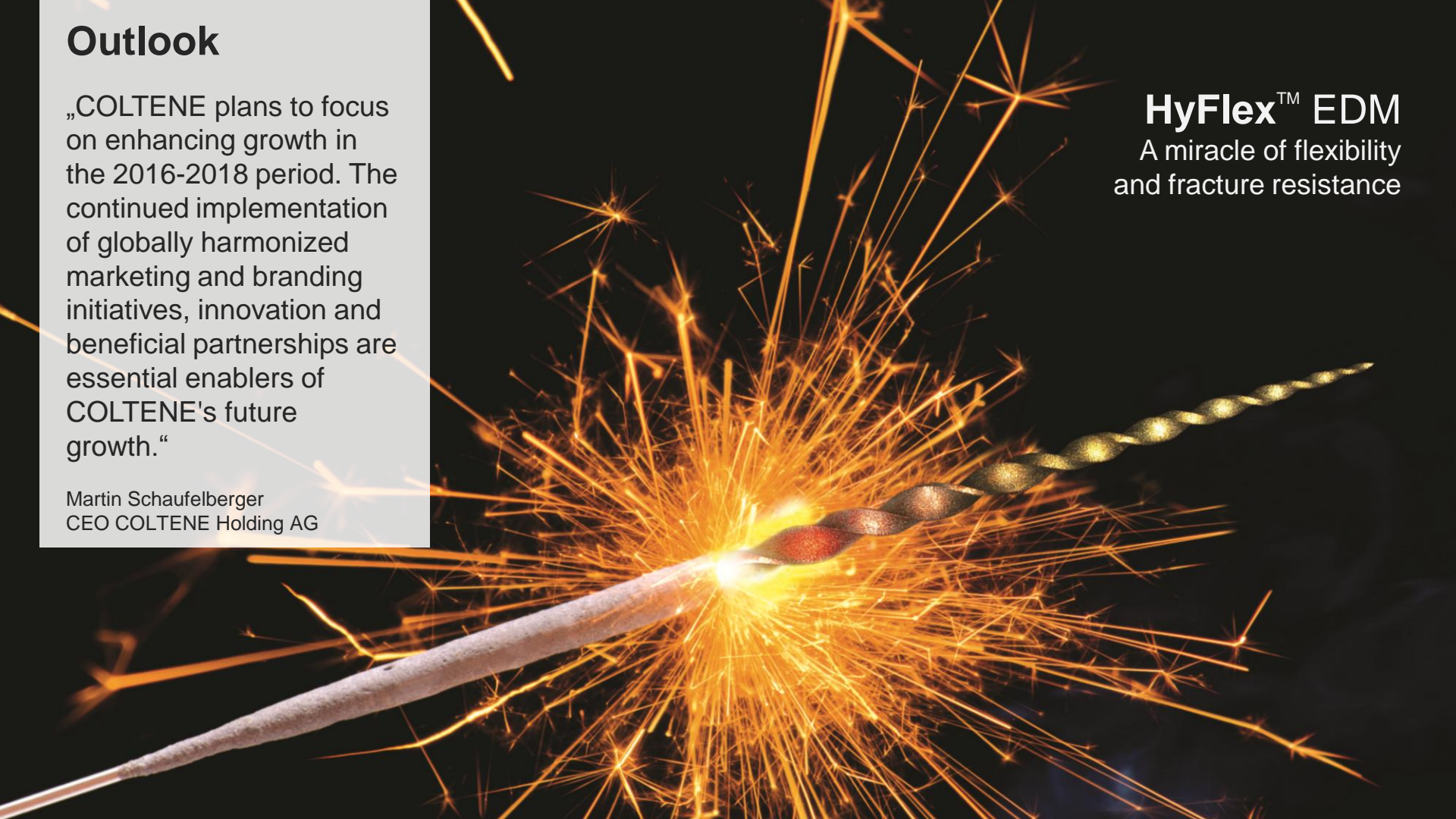
Net debt Free cash flow



Outlook

„COLTENE plans to focus on enhancing growth in the 2016-2018 period. The continued implementation of globally harmonized marketing and branding initiatives, innovation and beneficial partnerships are essential enablers of COLTENE's future growth.“

Martin Schaufelberger
CEO COLTENE Holding AG



HyFlex™ EDM
A miracle of flexibility
and fracture resistance

Focus on Profitable and Sustainable Growth

MARKETS

Participation in general market growth in dental consumables of 2-3%

Exploit growth opportunities spurred by megatrends such as ageing population, growing middle class and increasing importance of emerging markets

FINANCIALS

Gradual improvement of EBIT margin to 15% in the mid-term perspective

Healthy balance sheet with an equity ratio of 66%

FX situation will remain a challenge

OPERATIONS

Exploit further market potential by hiring 20 additional sales specialists around the globe

Further improvement of field efficiency through better customer insights and planning

PRODUCTS

Further improvement of product portfolio and growth in COLTENE branded products

Market launch of new Treatment Auxiliaries products

A close-up photograph of an astronaut's foot in a white space suit and a blue-tinted boot, stepping onto the sandy, cratered surface of the moon. The background is dark, and the moon's surface is covered in fine dust and small rocks. A portion of a gold-colored thermal blanket is visible in the lower right corner.

Company Mission

„COLTENE 's overriding aim is to offer dental professionals and their patients worldwide convenience, benefit and value through an innovative range of products covering a wide spectrum of dental care, designed to ensure optimal outcomes while making treatments easier, safer and more cost-effective.“

Martin Schaufelberger
CEO COLTENE Holding AG

PRESIDENT® A-Silicone

A small step for dentists - a great step for dentistry

COLTENE – At a Glance

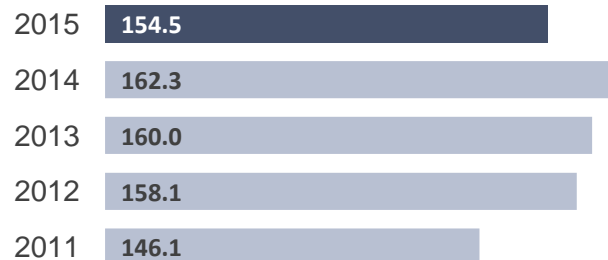
Swiss based small cap with worldwide sales through dental distributors and about 200 sales representatives

Highly recognized global brands for chair-side dental consumables

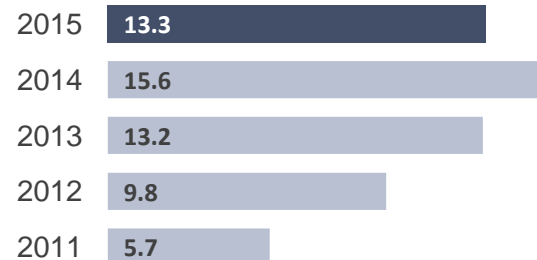
Development and operations in Europe, North America and Brazil

Strong emerging market position with 28.5% of total sales in 2015

Net Sales



Net Profit



Full Spectrum of Dental Care

Restoration



The Restoratives product group contains all the products used in restorative treatment procedures. These products range from adhesive systems and restorative filling materials to curing equipment.

Endodontics



The Endodontics range is focused on products for root canal therapy, which entails root canal preparation, cleansing and obturation.

Prosthetics



In Prosthetics, COLTENE offers a broad range of condensation and addition silicon impression materials with excellent flow properties. Highly precise dental impressions improve the treatment outcomes of prosthetic procedures.

Treatment Auxiliaries



Treatment Auxiliaries comprises a broad range of products for wound care and treatment and moisture control. These practical supplies and materials make work easier and enhance patient comfort.

Rotary Instruments



COLTENE offers a comprehensive range of carbide drills, diamond burs and polishing tools. Its Rotary Instruments are distinguished by superior stability and excellent cutting action.

Infection Control



The Infection Control product category contains ultrasonic cleaning systems, sterile covers and face masks that provide an effective barrier against infection in dental practices.

Highly Experienced Group Executive Management



Vice President R&D Werner Mannschedel

Since 2015

Before:

- Global R&D and Regulatory Manager, 2012-2015; Manager global operations, 2011-2012; President European Operations, 2007-2011; Manager European Operations, 2002-2007, COLTENE Group
- General Manager ROEKO GmbH + Co. KG, 1998-2002

Group CFO Gerhard Mahrle

Since 2014

Before:

- CFO Kardex AG, 2009-2013
- CFO sia Abrasives Holding AG, 2000-2009
- CFO Batigroup Holding AG, 1998-2000
- CFO Eugster/Frismag Group, 1992-1998

Vice President Sales Christophe Loretan

Since 2015

Before:

- Technical Service and Sales Director EMEA, 2013-2015; Customer Solutions Director EMEA, 2006-2013; Global Marketing Manager, 2003-2005, Novozymes Switzerland AG,
- Business Development Manager Pharma/Gastroenterology, Tillotts Pharma AG, 2002-2003

Group CEO Martin Schaufelberger

Since 2012

Before:

- CEO Kunststoff Schwanden, 2007-2012
- Deputy CEO Kunststoff Schwanden, 2001-2007

Vice President Marketing Werner Barth

Since 2015

Before:

- Global Director Marketing Coltène/Whaledent AG, 2013-2015
- Vice President Sales, 2006-2013; Head Marketing & Sales, 2005-2006, Ziemer Ophthalmic Systems AG,
- Product manager and Sales manager HMT High Medical Technologies AG, 2001-2004

Global Setup

North America

Group companies	2
Production sites	1
Workforce (FTE)	314

USA, Cuyahoga Falls (OH)



Latin America

Group companies	1
Production sites	1
Workforce (FTE)	120

BRAZIL, Rio de Janeiro



GERMANY, Langenau



Europe

Group companies	10
Production sites	2
Workforce (FTE)	377

SWITZERLAND, Altstätten



Middle East and Africa

Group companies	0
Production sites	0
Workforce (FTE)	2

Asia Pacific

Group companies	3
Production sites	0
Workforce (FTE)	75

**Many thanks for
your attention!**

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