



**Full year 2009 results**  
**Media and analyst conference**  
**March 18, 2010**

## **Safe Harbour Statement**

Before we may start with the presentations, we need to remind you that the information made available in this conference may include forward-looking statements that reflect the intentions, beliefs or current expectations and projections of COLTENE Holding AG about the future results of operations, financial condition, liquidity, performance and similar circumstances. Such statements are made on the basis of assumptions and expectations which may prove to be erroneous, although COLTENE Holding AG believes them to be reasonable at this time.

## Speakers

**Andreas Meldau, Chief Executive Officer**

- Management analysis
- Strategy implementation

**Dr. Hans Grüter, Chief Financial Officer**

- Financial Results FY 2009

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## Content

**1. COLTENE – Key figures and sales development 2009**

**2. Attractive dental market**

**3. Strategy implementation**

**4. Financials**

**5. Outlook**

**6. Q&A**

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## Highlights 2009 (1)

### Sales development over the course of 2009

- Weak Q1'2009 caused sales gap of 20% over prior year by the end of Q1
- Sales gap clearly narrowed quarter by quarter to 15%, 10% and 9% by year-end
- In Q3 and Q4 even some growth on fx adjusted basis
- End-market/consumer sales remained largely stable

### Key performance figures FY 2009

- Sales: CHF 151.4 million, -6.5% at constant currency rates
- EBIT margin: 13.4% after 15.0% in 2008
- Net profit continuing operations: CHF 16.4 million
  - EPS increase from CHF 3.88 to CHF 3.94

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## Highlights 2009 (2)

### Strong Cash flow and sound Balance Sheet

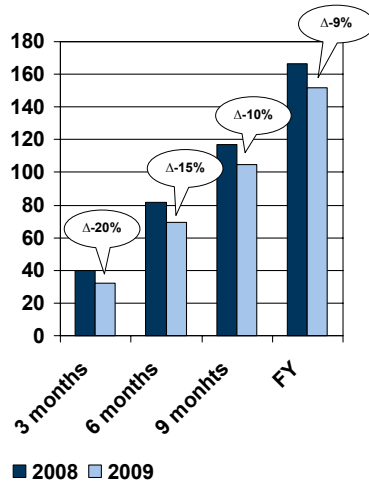
- Cash flow from operating activities up 25.9% to CHF 25.4 million
  - Free cash flow of 11.8% of sales (before investments in associates)
- Strong equity ratio of 70.4% and low net debt level

### Attractive dividend yield

- Board of Directors proposes to pay out dividend of CHF 3.10 per share
- Annual Meeting will be held on April 28<sup>th</sup>, 2010

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## Sales development over the year



- **End-of-Q1 sales boost did not happen**
  - Stock consolidation mainly (but not only) at European distributors
  - End consumer demand remained largely stable (main markets like US, UK & GER)
- **Purchases by dental dealers returned to previous sales volumes from Q2 onwards**
- **Gap narrowed to 9% by year-end**
- **Positive sales momentum from**
  - Comprehensive product offering
  - Successful new product launches
  - Expanding geographic reach
- **Cost containment programs**
  - Save CHF 2.7 million in 1HY
  - Save CHF 5.4 million in 2HY

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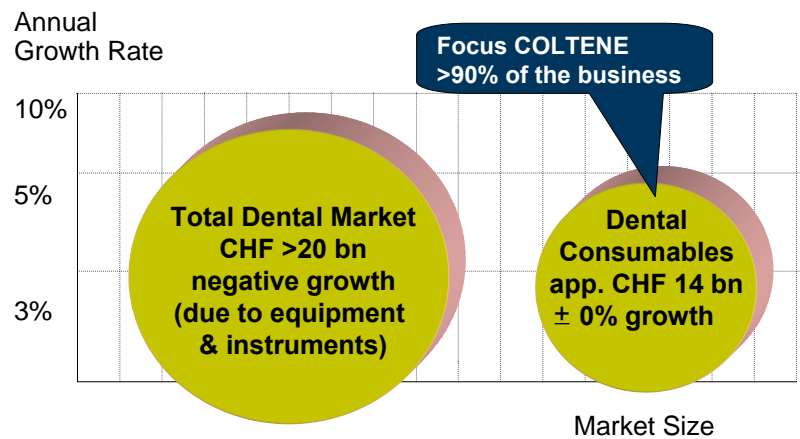
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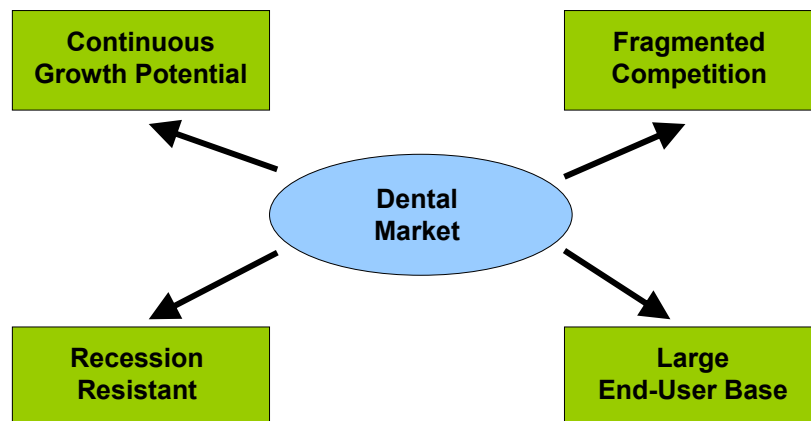
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## Focus on attractive global dental consumables market



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## Based on a resistant and sustainable business environment



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## Support from long-term growth drivers in challenging economy

- Increasing dental **insurance** coverage
- Awareness of dependency between **oral health** and overall medical health (well-being)
- Higher emphasis on **esthetic dentistry** (worldwide)
- **Aging** population – retaining natural dentition
  - 50-80 year-old population approx. to double until 2030
- Global **middle-class** will expand significantly
  - Emerging markets to have >1bn customers by 2030
  - 20% of the population to get access to dental treatment
- Greater dental practice **productivity** required
- Product development towards general practitioners **usability**

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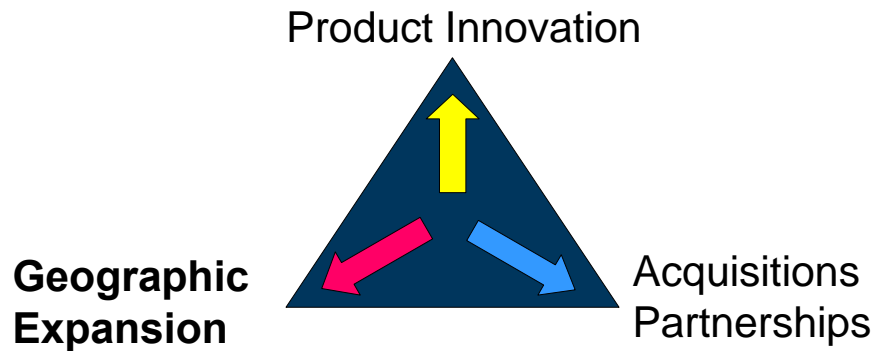
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## Strategy implementation: Three growth pillars



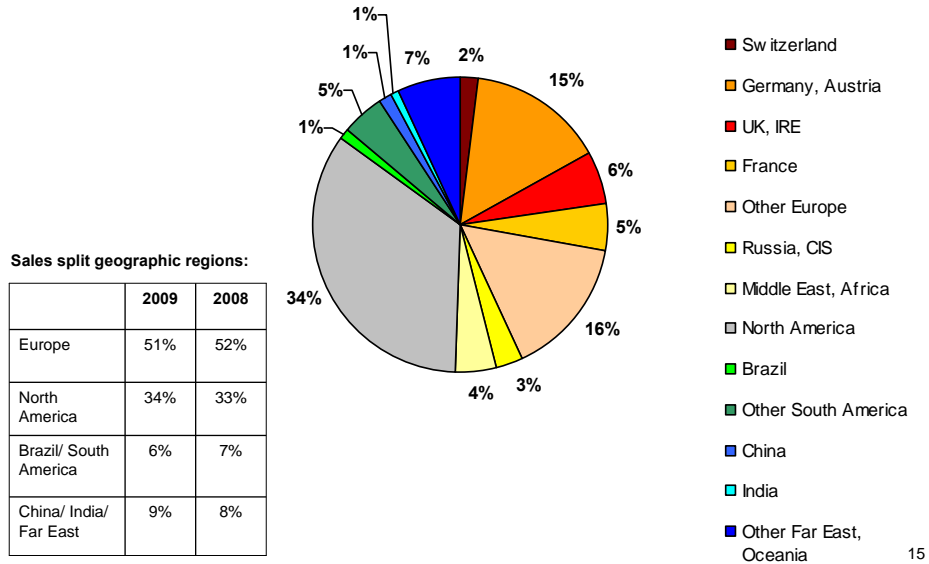
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## Geographic Coverage



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## Geographically broadly based sales split (1)



## Geographically broadly based sales split (2)

### Traditional markets

- Inventory cuts impacted sales in Germany, France and Southern Europe
- Sales increases in UK (>10%), Scandinavia and Middle East (>5%), Eastern Europe (12%) – on fx adjusted level
- Recession impact in CIS countries
  - Ukraine sharp decline – some improvement by year-end
  - Russia stable on a high level 
- Single-digit lower sales in North America (<5%)
  - Sales development +/- in line with difficult market
  - Consumer partially opt for less expensive treatments
  - Some further stock consolidation going on as well



## Sales by Geographic Region (1)



### Focus Brazil / Latin America

- Acquisition of a 40% stake with Vigodent leads to market growth with COLTENE products
  - Introducing new products in Brazil (prosthetics & restoratives)
  - Increase of 20% for these COLTENE products with Vigodent in Brazilian market
- However, 49% y-o-y sales decline due to major product stocking shipments at year-end 2008 ahead of exhibition (CIOSP Jan. 2009)
  - Pretty much an “inter-company relationship”
- Sales performance in Rest of Latin America better than average decline of COLTENE but also below py level
  - Due to partly difficult economical environment

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## Sales by Geographic Region (2)



### Focus China

- Sales company fully equipped and operational
- Extended dealer network in place
- Ongoing investments into opinion leader platform and market pull
- Revenue 2009 reflects sales to distribution and was stable y-o-y – in perspective of market introduction and stock built-up in 2008
- Sales of COLTENE products into market clearly increased
- Participation at major exhibitions and dental shows



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## Sales by Geographic Region (3)



### Focus India

- Company established in 2009
- Organization fully in place
- Distribution network built-up
- Ongoing investments into sales team and marketing activities
- Sales volumes doubled y-o-y – still on small level
- Careful distribution model put in place
- Strong participation at congresses by year-end



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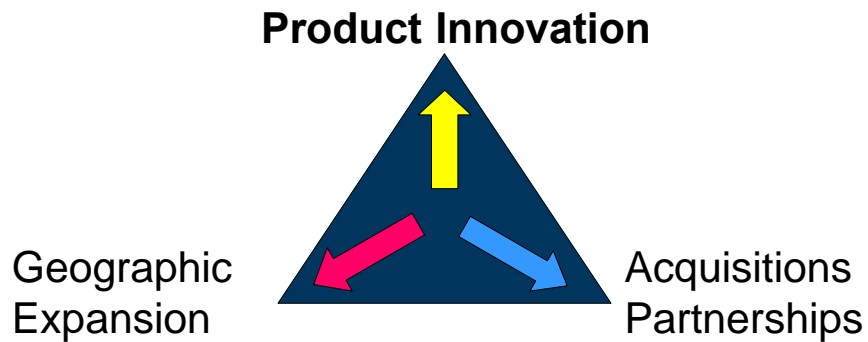
## Sales by Geographic Region (4)

### Rest of Asia Pacific / Far East

- Strong business in Australia
- Overall sales increase of 4% in Far East – despite negative currency developments in some of the countries (local currencies lost against CHF)
- Further potential for COLTENE in these markets
- Additional focus on Japan where COLTENE could gain additional market share
  - Big dental market
  - Strong local competition

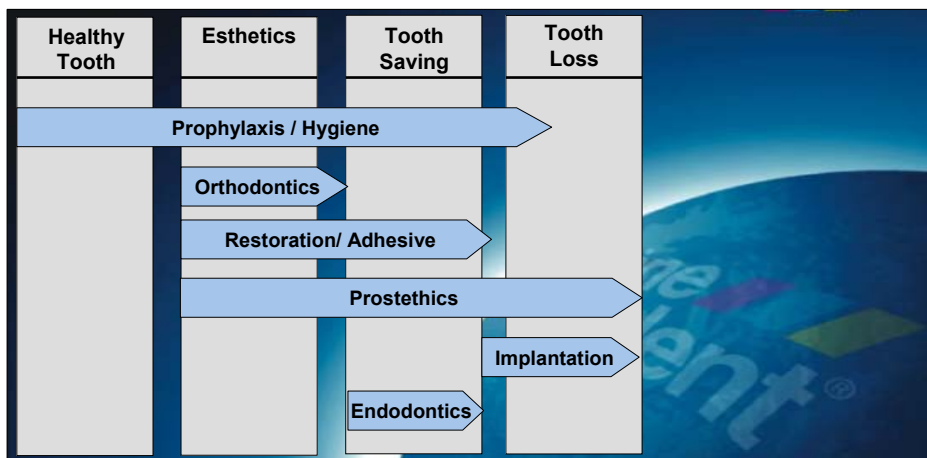
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## Strategy implementation: Three growth pillars



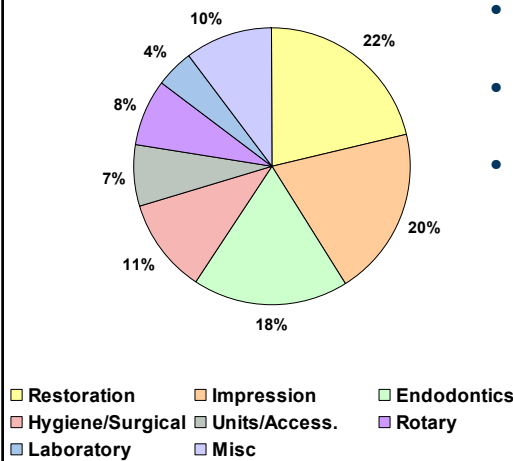
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## Comprehensive Product Range



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## Well-balanced and comprehensive product portfolio



- The overall break-up remained basically unchanged vs. 2008
- All product categories affected by lower sales volume in 2009
- Positive gains in
  - A-Silicones (3 new products)
  - Core Material (new indication)
  - Restoratives / Aesthetics (2 new products)
  - Laboratory segment

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## Innovation in Products and Services (1)

- Innovation is a continuous process with COLTENE
  - As much *evolutionary* improvement process as *revolutionary* new applications
  - Continuous stream of upgrades and new products
  - Focus to meet customer needs (customer centric)
- Solution-oriented
  - Innovations show clinical effectiveness (time, color, accuracy, durability)
  - Applications to be patient-preferred
  - Products and services to support better dentistry
- Use of innovative new marketing avenues

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## Innovation in Products and Services (2)

### Affinis Sterilizable



New Affinis impression material which is fully autoclavable at 134 °C.

A perfect impression is the key to accurate restorations. It is the basis for the successful teamwork between dentist and technician.

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## Innovation in Products and Services (3)

### ParaCore



ParaCore is a dual cure core and resin cement with an integrated easy and reliable bond system.

This product is suitable for three indications:

- post cementation
- core build-ups
- crown/bridge cementation

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## Innovation in Products and Services (4)

### Synergy D6 Flow



Synergy D6 Flow is stable, yet flows gently under pressure to ensure easy handling and precision application.

This innovative flow version ideally complements the existing offering in COLTENE's filling therapy.

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## Innovation in Products and Services (5)

### SwissFlex



The new SwissFlex Polishing System allows dentists to shape a tooth restoration very precisely and to provide it with the decisive final touch.

With polishing particles on either side of the ultra-thin foils and a plastic disc-center covering the mandrel.

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## Innovation in Products and Services (6)

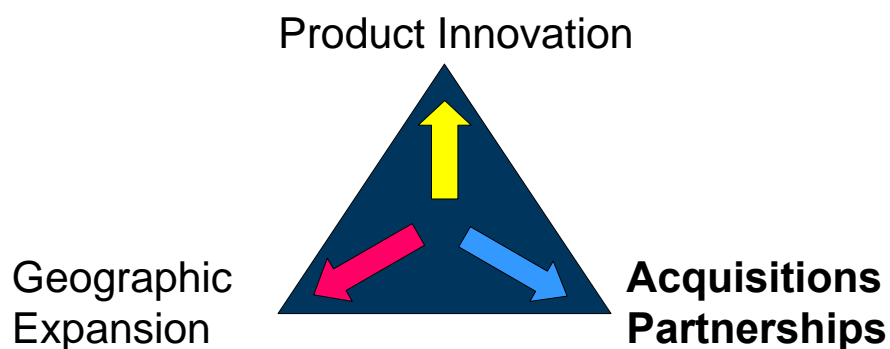


New marketing approaches  
resp. sales channels

- Enhanced dialogue with key opinion leaders and buying influencers to facilitate new sales channels and business activities.
- Partnering online educational platforms used by next-generation dentists like gIDE (globalinstituteonline.com)
- First dedicated step into e-Commerce.

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## Strategy implementation: Three growth pillars



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## Acquisitions and Partnerships (1)

Two-step acquisition of Vigodent, Brazil

- 40% stake bought in 07/2009
  - Plan is to increase to 100% over next 1-2 years
  - Excellent platform for manufacturing and product sales into Brazil and other emerging markets
  - Ongoing integration process
    - Adoption of COLTENE business standards
    - Adoption of COLTENE accounting policies
    - Adoption of COLTENE QM system
  - Sales of CHF 6.4 million in 2HY'2009
  - Net loss of CHF 0.5 million for 2HY'2009
- COLTENE reports share in loss of associates of CHF 0.2 million



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## Acquisitions and Partnerships (2)

- Ongoing: active and diligent process
- Acquisition projects must support
  - core competencies and market approach
  - opportunities in new technologies
  - geographical expansion
  - financial situation
- New partnerships are implemented
  - in new market areas (i.e. emerging markets)
  - for web-based (s. glIDE) and catalogue platforms
  - solution partners with dedicated market focus (on specific products and segments)

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## Strategy Implementation: Summary

- ✓ Strategy implementation fully on track
- ✓ Two-step acquisition of Vigodent in Brazil
- ✓ Platform for future growth in China, India and Russia
- ✓ Successful new product launches and continuous improvements

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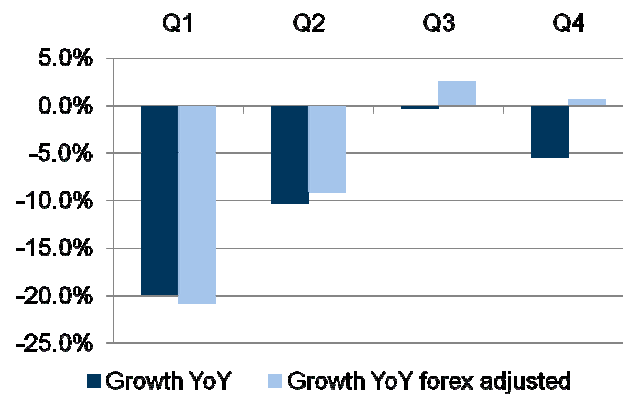
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## Sales Development 2009

### Reflecting dealer's destocking



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## Profit & Loss Statements HY 2009

### Strong second HY 2009

Profit & Loss Statements (TCHF)	1 HY 2009	2 HY 2009	% HYoHY
<b>Net Sales</b>	<b>69'674</b>	<b>81'711</b>	<b>17.3%</b>
Material expenses*	17'989	25'157	39.8%
Personnel expenses	28'919	24'960	-13.7%
Other expenses	16'068	13'607	-15.3%
Depreciation & Amortization	2'162	2'186	1.1%
<b>EBIT</b>	<b>4'536</b>	<b>15'801</b>	<b>248.3%</b>

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

#### Comments

- 17.3% sales increase in second HY due to phased out de-stocking effect
- Accelerate cost reductions in second HY
- EBIT margin increase from 6.5% to 19.3% for the second HY 2009

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## Profit & Loss Statements

### Solid EBIT-Margin 2009

Profit & Loss Statements (TCHF)	2008	2009	% YoY
<b>Net Sales</b>	<b>166'419</b>	<b>151'385</b>	<b>-9.0%</b>
Material expenses*	45'638	43'146	-5.5%
Personnel expenses	57'355	53'879	-6.1%
Other expenses	34'286	29'675	-13.4%
Depreciation & Amortization	4'218	4'348	3.1%
<b>EBIT</b>	<b>24'922</b>	<b>20'337</b>	<b>-18.4%</b>

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

#### Comments

- 6.5 % net sales reduction forex adjusted
- Materials 28.5% of net sales, slightly above PY (27.4%)
- Personnel & other expenses 83'553, 8.8% below PY (7.5% forex adjusted)
- 13.4% EBIT-Margin compared to 15.0% of PY

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## Profit & Loss Statements

### Improved ROS continuing operations

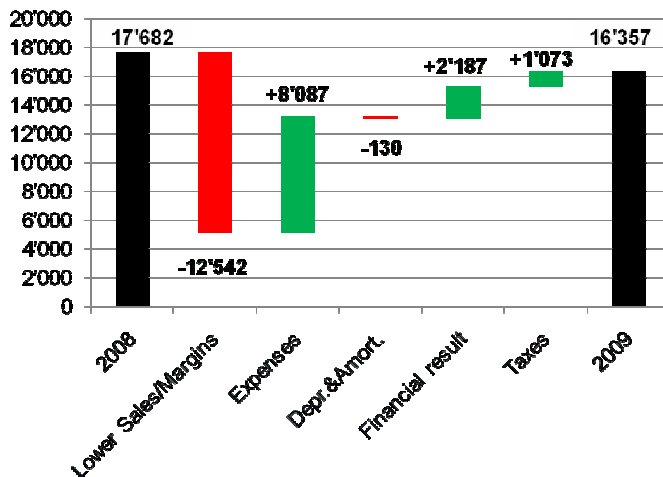
Profit & Loss Statements (TCHF)	2008	2009	% YoY
<b>EBIT</b>	<b>24'922</b>	<b>20'337</b>	<b>-18.4%</b>
Financial result (net)	-2'113	74	-103.5%
<b>Net profit before tax</b>	<b>22'809</b>	<b>20'411</b>	<b>-10.5%</b>
Tax expenses	-5'127	-4'054	-20.9%
<b>Net profit continuing operations</b>	<b>17'682</b>	<b>16'357</b>	<b>-7.5%</b>
Discontinued operations	30'388	0	
<b>Profit for the period</b>	<b>48'070</b>	<b>16'357</b>	

#### Comments

- Financial result improvement due to exchange gains versus losses of net 2'597, lower interest expenses 38 and income 238, and a loss in associates 210
- Effective tax rate of 19.9% compared to 22.5% PY
- Net profit continuing operations / net sales (return on sales) at 10.8% (PY 10.6%)

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## Net Profit Development (continuing operations in TCHF)



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## Cash Flow Statements Increased free cash flow

Cash Flow continuing operations ( TCHF)	2008	2009	% YoY
Net profit	17'682	16'357	
Non cash items	9'236	9'303	
Changes in NWC	-5'689	4'026	
Interest received/paid, tax paid	-2'703	-4'332	
<b>Cash Flow from operations</b>	<b>18'526</b>	<b>25'354</b>	<b>36.9%</b>
Purchases, proceeds PPE, intangibles, fin.	-6'253	-7'504	
Purchase associates		-7'948	
<b>Cash Flow from investments</b>	<b>-6'253</b>	<b>-15'452</b>	
<b>Free cash flow (pre purchase associates)</b>	<b>12'273</b>	<b>17'850</b>	<b>45.4%</b>

### Comments

- Increased cash flow from operations to 16.7% of net sales (PY 11.1%)
- Increased investments in intangible assets due to ERP system
- Increased free cash flow in % of net sales to 11.8% (PY 7.4%)

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## Balance Sheets

### Solidly financed

Balance Sheets (TCHF)	31.12.08	31.12.09
Cash & cash equivalents	11'121	5'880
Receivables	43'090	38'238
Inventory	32'294	27'296
Property, plant & equipment	31'118	32'978
Financial, intangible & tax assets	43'849	52'786
<b>Total assets</b>	<b>161'472</b>	<b>157'178</b>
Payables & short term liabilities	39'543	16'679
Bank loans	2'640	22'879
Other long term liabilities	6'128	6'894
Equity	113'161	110'726
<b>Total liabilities &amp; equity</b>	<b>161'472</b>	<b>157'178</b>

#### Comments

- Solid and strong balance sheet with equity ratio of 70.4% (PY 70.1%)
- Net debt of 16'999 TCHF compared to 8'481 TCHF net cash position PY

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## Dividend Proposal

### CHF 3.10 per share

Dividend distribution proposal (TCHF)	2008	2009
Net profit carried forward from previous year	0	12'224
Profit of the year	79'264	15'863
Share repurchase	-49'200	0
Available net profit	30'065	28'087
<b>Dividend CHF 3.10 per share (PY CHF 4.30)</b>	<b>-18'142</b>	<b>-13'079</b>
To be carried forward	11'923	15'008

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## COLTENE Competitive Advantages

### In the market place

- Company clearly focused on dental consumables business
- Targeting both traditional and emerging dental markets
- Product offering for comprehensive applications and treatments
- Continuous innovation cycles
- Further expanding global presence
- Oriented toward solid and healthy growth

### In terms of financial strength

- Business model generating good cash flow
- Solidly financed
- Attractive dividend yield

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## COLTENE Outlook 2010

- Flat market expected also this year
- Special focus
  - Core product areas (innovation)
    - Restorative materials
    - Endodontics systems
    - Rotary instruments
    - Implant environment
    - Hygiene/ Prophylaxis
  - Continuous cost improvement
  - Expansion of sales organization
    - Emerging Markets, Italy, Germany, Eastern Europe
  - Next planned publication on August 19<sup>th</sup>, 2010



- ➡ Sales increase in all geographies
- ➡ Growth in 2010

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## Invitation to visit our worldwide locations



Cuyahoga Falls (Akron)  
& BC Vermont  
USA



Langenau (Ulm), Germany



Budapest, Hungary



Altstätten & Rüthi, Switzerland



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**Further information:**

[www.coltene.com](http://www.coltene.com)

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