

# Transforming Smiles

Moving Digital  
Dentistry Forward



Align Technology, Inc.  
2011 Annual Report

# Our success is transforming dentistry.

There is an old adage that says “success breeds success.” At Align Technology, we believe that’s true. In business, the elements that fuel success—big opportunities, sound strategies, successful execution, really great products—provide the foundation needed for repeatable, ongoing success.

Over the years Align Technology has built just such a foundation, and in 2011 we had one of our best years ever. Going forward, we’re leveraging our continued success to pursue a vision and opportunities beyond clear aligner therapy. We’re extending the foundation we’ve built in orthodontics to the broader field of digital dentistry.

# Dear Shareholders

In 2011, Align continued to build on the constant improvement and solid growth that has always distinguished our company. It was a landmark year for Invisalign® adoption and utilization with 309,335 cases shipped, making up the bulk of record Company revenues totaling \$479.7 million.

Our Invisalign North American and international geographies grew 20 percent and 24 percent respectively with solid case volume growth across all customer channels. We saw the strongest growth among North American orthodontists, with a 28 percent year over year increase in both overall Invisalign cases and teenage patients. The worldwide launch of Invisalign G4, the latest set of clinical innovations and SmartForce® features, helped fuel this product utilization for an ever broadening range of cases—as did our ongoing investment in consumer demand programs, continued focus on the critical teenage orthodontic segment, and expansion into new international markets.

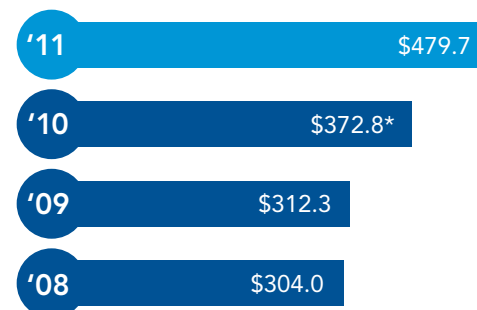
## Cadent Acquisition

In addition to record growth and progress for Invisalign, 2011 marked a significant milestone for the Company—our acquisition of Cadent. For several years we had been looking

for technology partners to help doctors make the move from physical impressions to digital scans for their Invisalign case submissions. With Cadent, the emerging leader in intra-oral scanning and provider of over 2.6 million orthodontic and restorative procedures, we found technology synergy—and a strategic opportunity

## TOTAL REVENUE

\$ Millions \*Non-GAAP



# What's made Align great

The foundation of success we've built over the past 15 years with Invisalign will help us repeat our success in the future and in new markets.

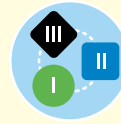
## Continuous Innovation



**Orthodontics revolution**  
with digital treatment planning using 3D modeling and clear aligners



**SmartForce and Power Ridge features**  
make it easier to use Invisalign on complex cases and deliver better clinical outcomes



**Comprehensive Invisalign solutions**  
to treat simple to complex cases



**Teen-specific features**  
help doctors address root movement, tooth eruption, and patient compliance



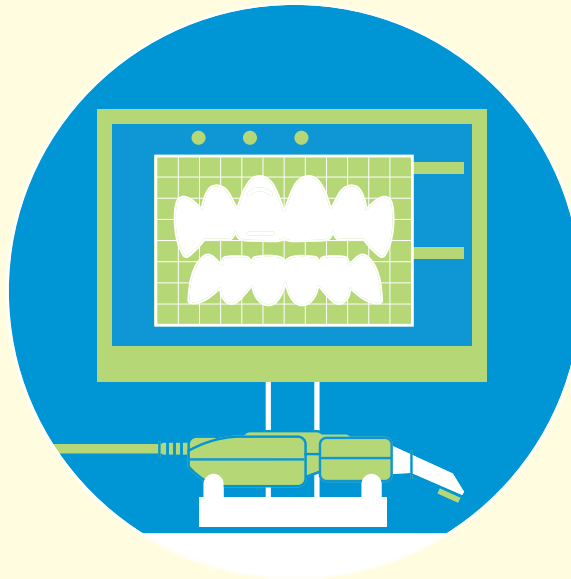
**Cadent acquisition**  
of leading intra-oral scanning technology

## Cutting-Edge Systems and Technology

**55K ClinCheck users**  
largest clinical application base in dentistry

**2M digital records**  
largest database of tooth movements in the world

**80M aligners**  
the only mass-customized clear aligner manufacturer



**Scalable digital solutions**  
global, robust, and secure enterprise IT infrastructure

**250+ patents**  
from continuous innovation

**Deep knowledge**  
and trade secrets in 3D software engineering and modeling

## Consistent Growth



**1.8M+**  
Invisalign patients



**2.6M+**  
orthodontic and restorative cases



Global reach in over **45 countries**



**\$2B** in sales and growing



**71K+**  
Invisalign providers



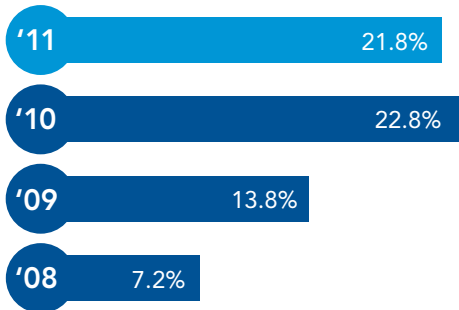
**25%** international revenues

to help enable the evolution to digital dentistry, starting with digital scans and extending all across the practice.

Integrating two companies is always challenging, and while we are still consolidating our operational facilities, I'm proud of what we've accomplished thus far. Early in the integration process, we identified opportunities to better leverage our manufacturing and customer services infrastructure. In 2011 we completed the initial phases of consolidating customer care, CAD/CAM services, and scanner distribution and repair at Align's existing manufacturing and shared services organizations in Costa Rica and Mexico. Process improvements are still underway; when complete, we'll be able to deliver the same world-class service and support to our scanner and CAD/CAM services customers that we deliver to Invisalign customers. We also worked quickly to double the size of the scanner sales force in North America and are leveraging our Invisalign sales and marketing resources to introduce scanners to Invisalign customers—with better than expected scanner sales as a result. Most importantly, our newly combined R&D teams worked diligently last year to launch Invisalign interoperability for both the iTero® and iOC® scanners. Invisalign customers now have the option to submit iTero or iOC 3D digital scans instead of physical impressions for Invisalign treatment, thus improving the accuracy of records, treatment efficiency, and the overall experience for patients.

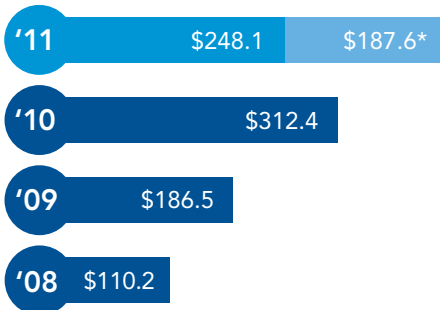
**OPERATING MARGIN**

Non-GAAP



**CASH, CASH EQUIVALENTS & MARKETABLE SECURITIES**

\$ Millions



\*Cash paid for acquisition of Cadent

**Our newly combined R&D teams worked diligently last year to launch Invisalign interoperability for both the iTero and iOC scanners.**

## Successful Execution Enables New Opportunities

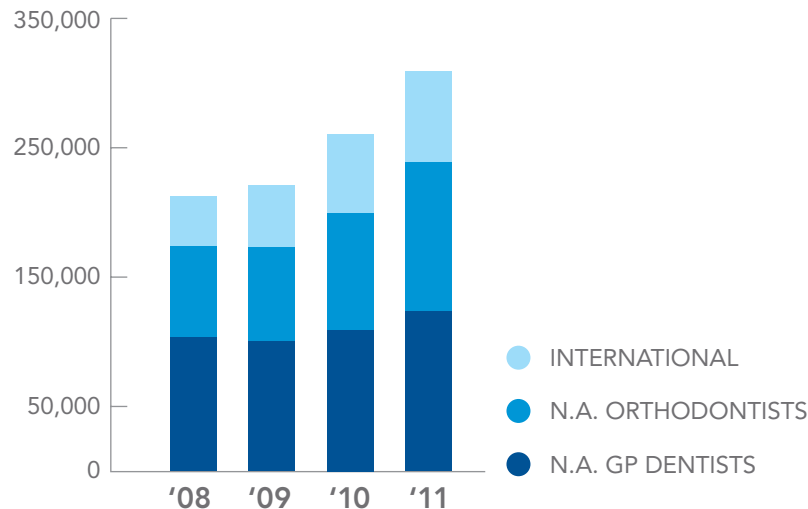
Our achievements in 2011 speak to the right combination and successful execution of strategic growth drivers:

- Product Innovation and Clinical Effectiveness
- Enhancing the Customer Experience
- Powerful Brand Recognition
- International Growth and Expansion

Continued execution of these initiatives enables continued investment in our company's future, and in 2011 allowed us to seize a strategic opportunity to extend our expertise in digital orthodontics to the broader field of digital dentistry. Over the last two years we've been talking about the revolution underway in dentistry as the industry shifts from analog to digital records, processes, and treatment tools—in the doctor's office, in the treatment chair, and in

the dental labs and manufacturing centers. Invisalign has always been a digitally driven treatment option—we have the most robust and widely used clinical application for orthodontic treatment in the dental industry. Our innovative and scalable technology infrastructure, combined with the iTero/iOC scanning platform, puts Align in the unique position to not just support, but to drive this shift toward digitally enabled dentistry. This takes us beyond orthodontics into new aspects of dentistry with chair-side restorative services, online data exchange and storage, expanded virtual treatment setups, CAD/CAM services, and more. The leadership and success we've achieved with Invisalign gives us confidence that we can help make these procedures better, more efficient, and more profitable for practices.

### GROWTH IN INVISALIGN CASE SHIPMENTS



# Our growth drivers deliver success

Continued, successful execution of our four strategic growth drivers fuels investment in our company's future.

## Product Innovation

### Develop new clear aligner features

to treat more orthodontic cases

### Build base of intra-oral scanners

to deliver digitally enabled solutions

### Increase adoption of Invisalign through chair-side applications

### Enter new markets

such as China, which has the potential to be as large as U.S.

### Accelerate growth through product innovation to address more complex cases

Leverage distributors for emerging growth markets in Asia Pacific; Europe, Middle East, and Africa; and Latin America

## International Growth

## Customer Experience

Support from 700+ clinical techs and service reps

250+ sales reps and trainers with deep orthodontic and restorative knowledge

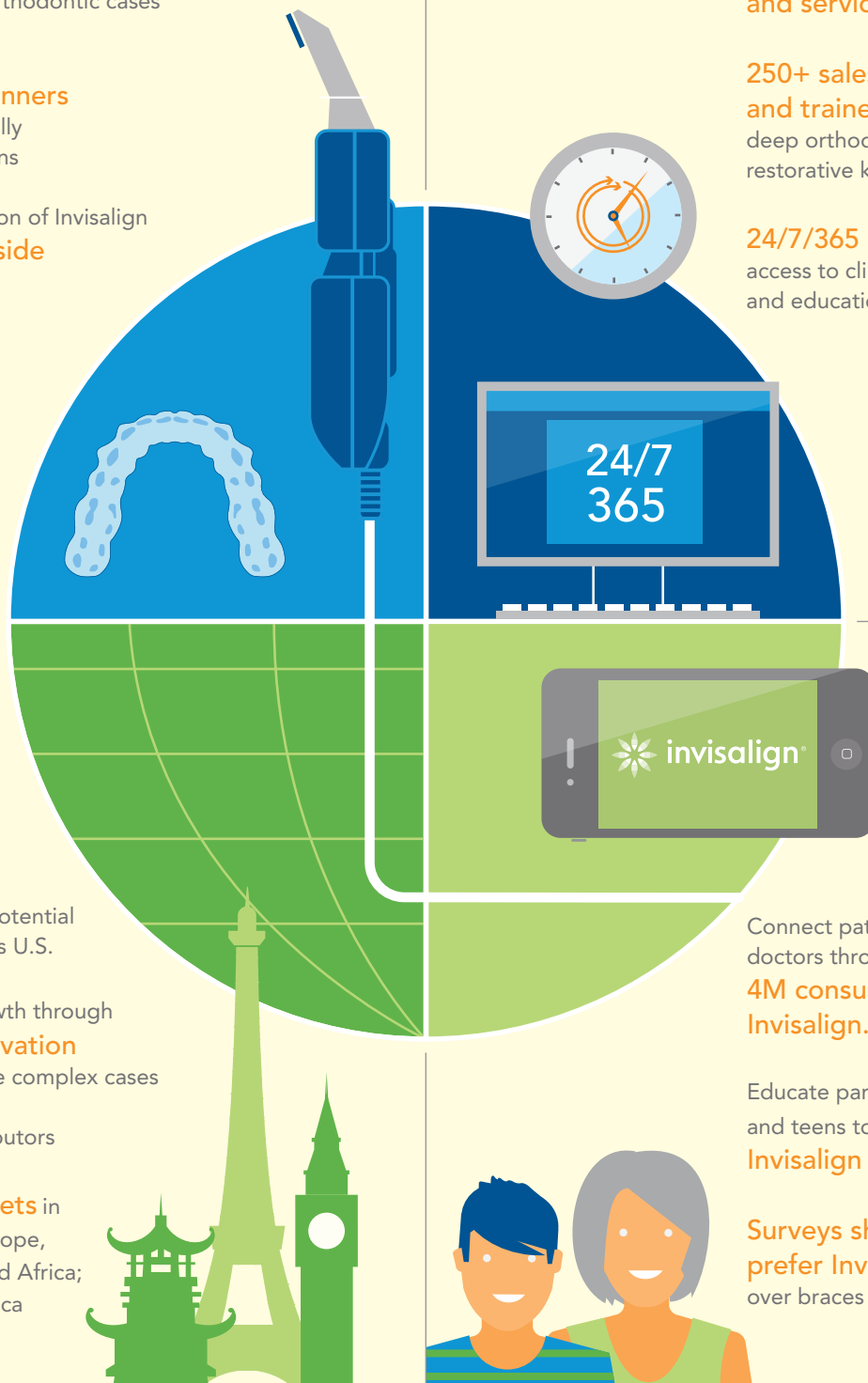
24/7/365 access to clinical training and education

Connect patients with doctors through 4M consumers on Invisalign.com

Educate parents and teens to ask for Invisalign by name

Surveys show teens prefer Invisalign over braces

## Brand Recognition



We are excited to extend the digital evolution in treatment that we started almost 15 years ago with Invisalign. We're continuing to invest in and innovate our current products and services, from Invisalign treatment options to the iTero and iOC scanners and a range of CAD/CAM services. In 2012 we will launch the first in a series of scanner-based applications for Invisalign treatment. An Invisalign "outcome simulator" application will use digital scans to simulate what a patient's teeth may look like after Invisalign treatment—in real time, during the patient's consultation—giving doctors a valuable tool for educating patients and generating excitement about Invisalign treatment benefits.

I am extremely pleased with our 2011 achievements. We delivered Invisalign and scanner growth that resulted in record revenues, generated significant cash for the Company, maintained operating margins, and exited the year even more energized about the business and our potential. And that potential is immense—the markets for Invisalign, iTero, and scanner-related services are hugely

underpenetrated, both in North America and in our international markets. With an 8 percent share of our served market for orthodontic cases and less than 1 percent revenue share in the market for restorative procedures, we have plenty of room for continued growth.

This is a great time to be part of Align Technology. We have a bold vision of how we can add value to our customers' practices—and we have phenomenal market opportunities, a sound strategy, the executional ability and track record, and the commitment to achieve that vision. I hope you'll continue to share in our success.



Thomas M. Prescott  
President and  
Chief Executive Officer

**We are excited to extend the digital evolution in treatment that we started almost 15 years ago with Invisalign.**



# Moving digital dentistry forward

Intra-oral scanning replaces physical impressions, improves restorative dental processes, and is a platform in practices that further drives adoption of Invisalign.

## Scanners

Why doctors consider intra-oral scanning technology



ease of use



better patient experience



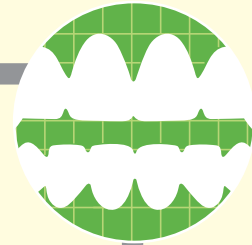
more accurate restorations

## Digital Dentistry is Evolving



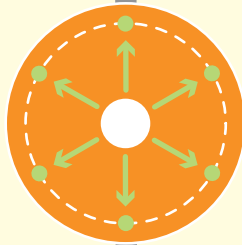
### Digital scans replace traditional physical impressions

making 3D modeling available for immediate viewing and a better patient experience.



### Greater accuracy

of digital scans leads to better-fitting appliances and restorations, and greater patient satisfaction.



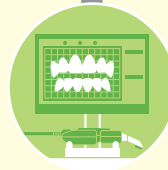
### Virtual records exchange

enables simultaneous communications between Align, doctors, dental laboratories, and third-party manufacturing production centers.



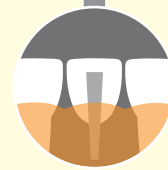
### Invisalign treatment

Reduced cycle times for Invisalign treatment process and ease of scanning will drive greater adoption.



### Chair-side applications

Portal for applications including Invisalign, virtual setups, online data storage, CAD/CAM services, and more enables greater role in dental practices.



### Restorative procedures

Enabling more accurate fabrication of restorations, including crowns, bridges, and veneers, helps more doctors see benefits for implants and surgical guides.

# The Future

We always knew we were leading a revolution in orthodontics. We created a clear, removable appliance with tremendous patient appeal, and brought digital treatment planning and 3D modeling to the very manual process of applying wires and brackets. More than the aesthetics of Invisalign, the real revolution we started was in taking orthodontics digital.

Today, the broader field of dentistry is headed in the same direction and that's exciting for us. We believe we can help transform the dental industry with digitally enabled products and services that make treatment more efficient and profitable for our customers. We want to become the leader in digitally enabled dentistry.

Our vision of enabling digital dentistry started with our desire to replace physical impressions—the molds of a patient's teeth that doctors cite as one of the worst parts of Invisalign treatment. Unpleasant for patients, physical impressions also add time to the case submission cycle. Nearly all records we receive for Invisalign case submissions—X-rays, photographs, treatment plan, and bite registration—are digital files transmitted electronically from the doctor to Align. Physical impressions are the exception—they arrive by

mail. Physical impressions can take four days to arrive from Chicago or two weeks to arrive from Paris, but digital scans from an intra-oral scanner can be transmitted to Align in seconds, allowing us to deliver a ClinCheck® treatment plan and ultimately the patient's aligners in a fraction of the time it takes with physical models.

Beyond this process improvement for Invisalign customers, there is a larger, industry-wide benefit driving the switch to digital impressions—clinical accuracy. When you start with a physical impression, you're not always starting with the most accurate representation of the teeth—perfect impressions are difficult to capture. When a lab or manufacturer then digitizes the physical impression, that second-generation digital scan is subject to any flaws in the original model, and that can impact the fit of appliances or restorations produced.

By starting with a highly accurate, digital scan, doctors can deliver a more accurate, better-fitting final product to the patient, regardless of what is ultimately manufactured—Invisalign aligners or dental restorations such as implants or crowns. Switching from physical impressions to digital scans is the first step in digitizing dentistry and improving all procedures downstream of the scan.

Our acquisition of Cadent in 2011 is key to replacing physical impressions in dental and orthodontic practices. As more doctors adopt intra-oral scanners and make the switch to digital scans, digital records exchange among doctors, dental labs, and manufacturers will become the standard—improving the accuracy, efficiency, and end product across multiple segments of dentistry. Our near-term goal is to build an installed base of scanners to increase utilization of intra-oral scanning and Invisalign. We're going to drive utilization growth of Invisalign by improving the submission process with digital scans and by making it easier to start Invisalign cases using chair-side treatment applications that we'll begin to roll out in 2012.

We will also help improve the restorative procedures that benefit from intra-oral scanning. With Invisalign, we've been focused on helping doctors straighten teeth and enhance smiles. With intra-oral scanners, we're helping doctors save, restore, and enhance teeth—and that opens a new market to Align, that of restorative dentistry. We now have an entrée into chair-

side applications and virtual setups, online data storage, CAD/CAM services, and more. Over the next 5 to 10 years, these elements will come together to make it easier for dentists to communicate with any lab or material partner. Align is one of very few companies with the potential to help practices make this transition, and we are the only company in dentistry with the IT infrastructure and scalable enterprise systems to enable the underlying digital data exchange necessary for this shift. We have the ability today to enable accurate, immediate digital collaboration, resulting in less doctor time, happier patients, and more profitable practices.

The dental restorative space is rapidly evolving in favor of digital technologies. Our expertise in this area and our acquisition of Cadent will help enable this evolution and expand the markets available to us over the next few years. With more than 55,000 doctors using Invisalign for digital treatment planning and more than 2,100 doctors using our scanners and related services today, we are quickly becoming a leader in digitally enabled dentistry.

**The dental restorative space is rapidly evolving in favor of digital technologies. Our expertise in this area and our acquisition of Cadent will help enable this evolution.**

# Our Opportunity

While 2011 was a tremendous year for Align, our greatest opportunities are still ahead. With hugely underpenetrated markets for Invisalign, intra-oral scanners, and digitally enabled dental procedures, we are just scratching the surface of our potential.

Today, Invisalign can be used to treat approximately 2.6 million patients who start treatment in orthodontic practices each year (our served market). Our share of existing adult case starts is only 22 percent; our share of the much larger teenage segment is just 3 percent—but growing. These numbers don't reflect the category growth of additional patients starting Invisalign treatment each year in GP practices. The emerging market for digital restorative dentistry offers an even larger opportunity. With good margins and recurring revenue streams, digitally enabled procedures are growing significantly faster than traditional dental services and are expected to total \$1.2 billion by 2016. Align's current revenue share of those procedures is less than 1 percent.

These largely untapped opportunities are what shape our long-term goals and keep us excited about the future. We're going after

these opportunities by increasing demand for Invisalign treatment, by leveraging innovation to increase product utilization, and by growing our international markets.

## Increasing Consumer Demand

Few dental or medical device companies have a brand as widely recognized as Invisalign, or with a value proposition that resonates with doctors and with both adult and teen consumers. We are building on that brand recognition and value by combining traditional print and broadcast media with an effective mix of PR, event marketing, and social media. This lets us highlight the value of orthodontic treatment overall while creating preference for Invisalign and Invisalign Teen as the best options for healthy, beautiful smiles.

Brand preference is especially important with the teenage orthodontic segment, which we

# Large, untapped market opportunities

With underpenetrated markets for Invisalign, scanners, and digitally enabled procedures, our greatest opportunities are still ahead.

## Research shows millions of consumers are willing to invest in a better smile



**100M**  
adults in U.S. want a better smile



**2.5M**  
U.S. teens want to change their smile



Average American would pay **\$11K** for nice smile

## Align's worldwide served market opportunity is tremendous

### ORTHODONTISTS

**2.6M** orthodontic case starts each year



**0.6M adults**  
applicable to Invisalign  
Align share 22%



**2M teens**  
applicable to Invisalign  
Align share 3%

### GP DENTISTS

Average U.S. GP has **2,500 patients**

**2,500 patients**  
in average GP practice

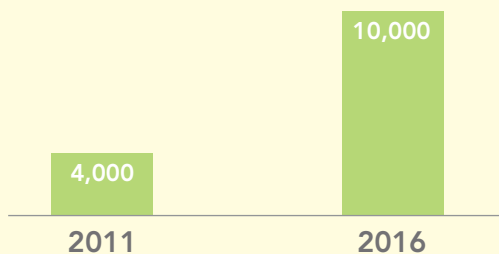
**550 patients**  
are candidates for Invisalign

**27 patients per year**  
are treated with Invisalign  
by top Invisalign GPs



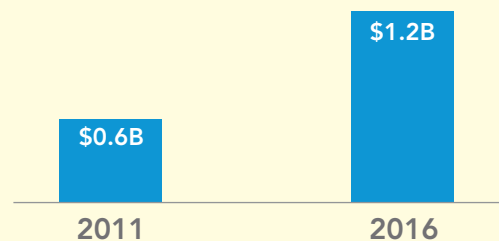
## Intra-oral scanners enable entry into huge restorative dental market

### INTRA-ORAL SCANNERS (FULL ARCH)



Intra-oral scanners are projected to grow 20 percent or more compounded annually over the next five years.

### DIGITALLY ENABLED RESTORATIVE



Digitally enabled procedures are growing significantly faster than traditional dental services and will be \$1.2 billion by 2016.

Source: Align research and estimates, 2011 U.S. Census, 2009 Consumer Brand Awareness Study, "Behind the Smile" perception study 2010 AAO Bulletin, 2008 AAO Member Survey, Worldwide Population Datasheet, 2009 NPD Tracking Study and 2010 iData Research, Inc.

define as teenagers 19 and younger using any Invisalign product. Teenagers are by far the largest segment of new orthodontic cases each year and a tremendous opportunity for us to grow our share of existing case starts. Since launching Invisalign Teen in 2008, we've seen 21 percent growth (3-year CAGR) in teenage cases, due in part to marketing focused on teens and their parents (particularly moms) via traditional media, lifestyle events like cheerleading competitions, social media, and influential patient and mom blogs.

At the same time, we have continued to grow our adult patient volume by highlighting the value of healthy, beautiful smiles and getting one without the drawbacks of traditional metal braces. Our consumer marketing helps connect prospective adult patients with a great practice that can meet their needs. We measure progress on this front through activity on our consumer website, where consumers can get more information and search for an Invisalign doctor in their area. In 2011 we had more than 4 million visits to Invisalign.com with a growing number of leads and ever-improving conversion to patients starting treatment.

**With Invisalign, progress with the product translates directly to clinical success.**

## **Product Innovation Drives Adoption**

We leverage a cycle of continuous product improvements and innovation to drive utilization growth. With Invisalign, progress with the product translates directly to clinical success. For example, new features launched in Invisalign G3 and Invisalign G4 make it easier for doctors to address more challenging tooth movements, improving predictability and leading to better overall outcomes. This clinical efficacy gives doctors greater confidence to use Invisalign in more types of cases, as we've seen through an increase in case submissions and new feature use since the launch of these improvements.

Innovation is also the key to greater adoption and utilization on the scanner side of the business. In particular, we see Invisalign interoperability on iTero and iOC scanners as a means of increasing Invisalign utilization while also driving adoption of intra-oral scanning in orthodontic and GP practices.

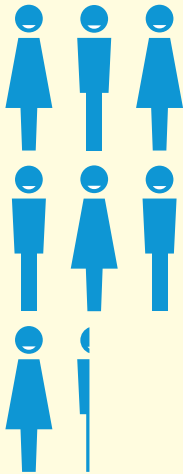
We launched Invisalign interoperability for the iOC scanner in May 2011, giving orthodontists the ability to submit a digital scan in place of a physical impression for Invisalign treatment. And while it's still early, we're already seeing greater Invisalign case utilization among our iOC scanner users; Invisalign practices with iOC scanners are now submitting more cases than non-iOC practices. In December 2011, we announced Invisalign interoperability for the iTero scanner

# Product innovation drives adoption

We leverage a cycle of continuous product improvements and innovation to drive adoption and utilization.

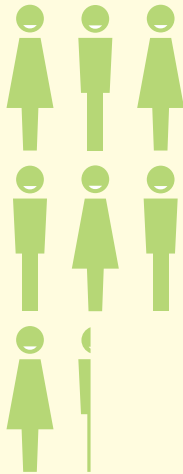
## Clear Aligner Innovation

7.3 CASES PER DOCTOR\*



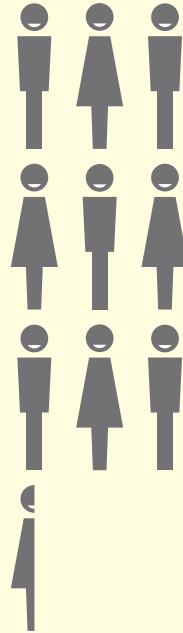
**Invisalign Teen**  
Features designed to treat teenage patients. Compliance indicators help parents and practitioners gauge aligner wear.

7.3 CASES PER DOCTOR\*



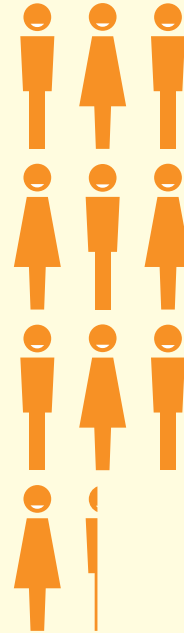
**Invisalign 1.5**  
SmartForce features provide root and rotation force systems to achieve predictable tooth movements.

9.4 CASES PER DOCTOR\*



**Invisalign G3**  
Precision Cuts designed for use with elastics for anchorage control to help treat Class II and Class III patients.

10.2 CASES PER DOCTOR\*



**Invisalign G4**  
Next generation of SmartForce for greater root tip control, improved predictability, and better clinical outcomes.

2008

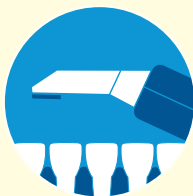
2009

2010

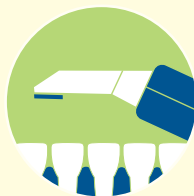
2011

\*Annualized number of Invisalign cases shipped per doctor.

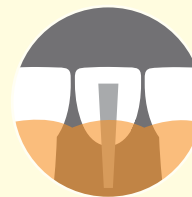
## Intra-Oral Scanner Innovation



**iTero**  
Digital Impression System with full arch scanning



**iOC**  
Orthodontic scanner and software



**Implant**  
Custom abutment workflow integration



**Invisalign**  
Interoperability for iTero and iOC scanners

2008

2009

2010

2011

used in GP practices for a wide range of restorative dental procedures. While orthodontics is still a small percentage of workflow in the average GP practice, we're pushing for a similar increase in Invisalign utilization among those using the iTero scanner. To that end, we're developing chair-side applications that make it easier for GP customers to integrate Invisalign into their workflow, set up an Invisalign case, discuss scope of treatment with patients, and help them visualize their treatment outcomes.

The iTero and iOC scanners also provide an ideal platform for a range of non-Invisalign applications, particularly for the GP practice. In 2012 we'll start to roll out other chair-side applications that can enhance their restorative procedures.

### New and Growing International Markets

International sales represent an increasingly significant part of our business. Over the past five years, international sales have more than tripled to a quarter of Align's total revenue. Our primary focus is on driving growth in our direct sales regions, including the core European country markets (Germany, the UK, Italy, Spain, France, Austria, and Switzerland), Japan, and our newest

direct market, China. We also continue to expand into new country markets using distribution partners. Our Invisalign distributors in the smaller but very important markets of Asia Pacific; Europe, the Middle East and Africa; and Latin America collectively represent 14 percent of international revenue, with growth rates outstripping those of core Europe and North America.

Yet all of these regions are even more underpenetrated than North America for orthodontic treatment in general and Invisalign specifically—and the cases they treat are typically more complex, with a higher number of Class II and Class III malocclusions. Our continued growth in these and future geographies requires us to integrate all of our strategic initiatives, particularly technology and product innovation, which helps doctors treat more complex cases. We believe that Invisalign G3 and Invisalign G4 will continue to support growth in these markets with features designed to make challenging tooth movements easier for doctors to achieve. Generating consumer demand will also be important for sustained growth, particularly in Europe. Over the last few years we've been laying the foundation for direct to consumer advertising by helping customers in key markets get ready for increased consumer demand. In 2011 we increased consumer marketing in select European countries and will continue adding new initiatives in 2012.

**Our continued growth  
in these and future  
geographies requires us  
to integrate all of our  
strategic initiatives.**



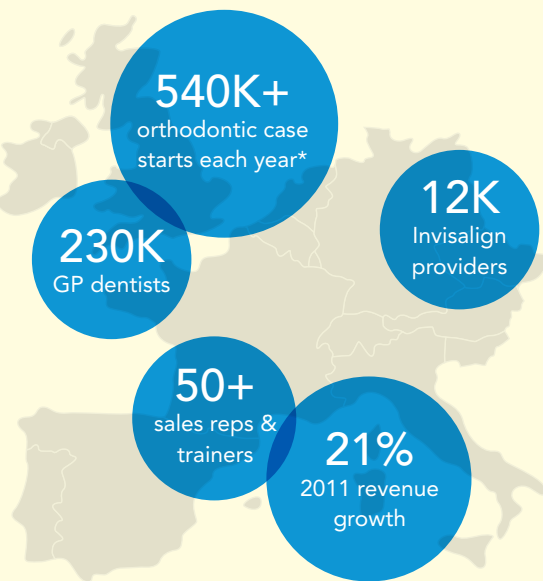
# Our global opportunity

Existing and new markets around the world present huge opportunities for continued growth for Invisalign, intra-oral scanning, and digitally enabled restorative procedures.

## North America (75% of Sales)

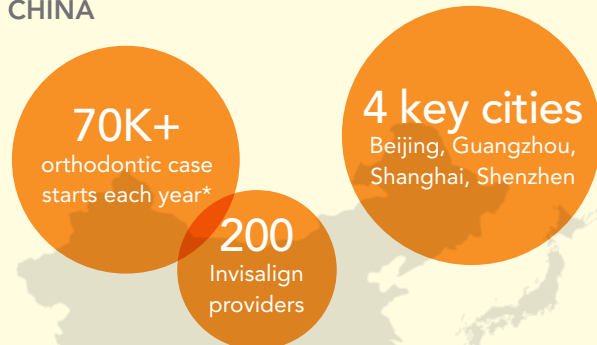


## Europe (21% of Sales)

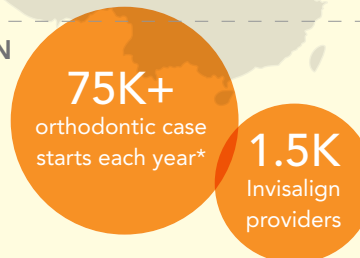


## China and Japan (1% of Sales)

### CHINA



### JAPAN



## Leveraging Invisalign Distributors in Emerging Growth Markets (3% of Sales)



**Asia Pacific**  
focus: Australia, Hong Kong, Korea, Taiwan

260K+ orthodontic case starts each year\*

2.6K Invisalign providers



**Europe, Middle East, Africa**  
focus: Greece, Russia, Turkey, Saudi Arabia

145K+ orthodontic case starts each year\*

1.5K Invisalign providers



**Latin America**  
focus: Brazil, Mexico, Argentina, Chile

300K+ orthodontic case starts each year\*

2.5K Invisalign providers

\*Number of new orthodontic case starts that are applicable to Invisalign treatment.

Source: Align research and estimates including 2010 AAO Bulletin, 2008 AAO Member Survey, and Worldwide Population Datasheet.

## Financial Highlights

(in thousands, except per share data)

	2011	2010	2009
<b>Statement of Operations</b>			
Total net revenues	\$ 479,741	\$ 387,126	\$ 312,333
Gross profit	361,283	303,417	233,492
Total operating expenses	270,923	200,683	267,504
Profit (loss) from operations	90,360	102,734	(34,012)
Net profit (loss)	\$ 66,716	\$ 74,253	\$ (31,269)
Net profit (loss) per fully diluted share	\$ 0.83	\$ 0.95	\$ (0.45)
Shares used in computing net profit (loss) per diluted share	80,294	78,080	69,094

### Reconciliation of GAAP to Non-GAAP Net Revenues

GAAP net revenues	\$ 479,741	\$ 387,126	\$ 312,333
Teen deferred revenue release	-	(14,298)	-
Non-GAAP net revenues	\$ 479,741	\$ 372,828	\$ 312,333

### Reconciliation of GAAP to Non-GAAP Gross Profit

GAAP gross profit	\$ 361,283	\$ 303,417	\$ 233,492
Teen deferred revenue release	-	(14,298)	-
Ormco royalties	-	827	6,165
Cost of revenue related to:			
Acquisition and integration costs	398	-	-
Amortization of acquired intangible assets	735	-	-
Severance and benefit costs	754	-	-
Non-GAAP gross profit	\$ 363,170	\$ 289,946	\$ 239,657

### Reconciliation of GAAP to Non-GAAP

#### Operating Expenses

GAAP operating expenses	\$ 270,923	\$ 200,683	\$ 267,504
Litigation settlement	-	(4,549)	(69,673)
Insurance settlement	-	8,666	-
Restructuring	-	-	(1,319)
Operating expense related to:			
Acquisition and integration costs	(9,632)	-	-
Amortization of acquired intangible assets	(2,443)	-	-
Severance and benefit costs	(328)	-	-
Non-GAAP operating expenses	\$ 258,520	\$ 204,800	\$ 196,512

### Reconciliation of GAAP to Non-GAAP

#### Profit from Operations

GAAP profit (loss) from operations	\$ 90,360	\$ 102,734	\$ (34,012)
Teen deferred revenue release	-	(14,298)	-
Ormco royalties	-	827	6,165
Litigation settlement	-	4,549	69,673
Insurance settlement	-	(8,666)	-
Restructuring	-	-	1,319
Acquisition and integration costs	10,030	-	-
Amortization of acquired intangible assets	3,178	-	-
Severance and benefit costs	1,082	-	-
Non-GAAP profit from operations	\$ 104,650	\$ 85,146	\$ 43,145

	2011	2010	2009
<b>Reconciliation of GAAP to Non-GAAP Net Profit</b>			
GAAP net profit (loss)	\$ 66,716	\$ 74,253	\$ (31,269)
Teen deferred revenue release	-	(14,298)	-
Ormco royalties	-	827	6,165
Litigation settlement	-	4,549	69,673
Insurance settlement	-	(8,666)	-
Restructuring	-	-	1,319
Acquisition and integration costs	10,030	-	-
Amortization of acquired intangible assets	3,178	-	-
Severance and benefit costs	1,082	-	-
Tax effect on non-GAAP adjustments	(2,862)	5,631	(16,818)
Non-GAAP net profit	\$ 78,144	\$ 62,296	\$ 29,070
Non-GAAP net profit per fully diluted share	\$ 0.97	\$ 0.80	\$ 0.41
Shares used in computing diluted non-GAAP net profit per share	80,294	78,080	70,602

#### Reconciliation of GAAP Net Profit Adjusted EBITDA

Net profit (loss)	\$ 66,716	\$ 74,253	\$ (31,269)
Provision for (benefit) income taxes	23,225	27,750	(2,634)
Depreciation and amortization	17,477 <sup>1</sup>	15,013 <sup>2</sup>	19,169 <sup>2</sup>
EBITDA	\$ 107,418	\$ 117,016	\$ (14,734)
Adjustments or charges:			
Teen deferred revenue release	-	(14,298)	-
Litigation settlement	-	4,549	69,673
Restructuring	-	-	1,319
Insurance settlement	-	(8,666)	-
Acquisition and integration related costs	10,030	-	-
Severance and benefit costs	1,082	-	-
EBITDA after adjustments	\$ 118,530	\$ 98,601	\$ 56,258

#### Balance Sheet

Cash, cash equivalents, and marketable securities	\$ 248,070	\$ 312,368	\$ 186,465
Working capital	236,699	295,637	180,056
Total assets	649,264	476,943	355,240
Total long-term liabilities	10,366	6,222	961
Stockholders' equity	\$ 490,781	\$ 377,747	\$ 273,036

<sup>1</sup> Includes the amortization of acquired intangible assets of \$3.2 million.

<sup>2</sup> Includes the amortization of Ormco royalties of \$0.8 million and \$6.2 million for the fiscal years 2010 and 2009, respectively.

## Executive Team

**Thomas M. Prescott**  
Director, President and Chief  
Executive Officer

**Kenneth B. Arola**  
Vice President, Finance and Chief  
Financial Officer

**Dana Cambra**  
Vice President, Research &  
Development and Information  
Technology

**Dan S. Ellis**  
Vice President,  
North American Sales

**Roger E. George**  
Vice President, Legal and  
Corporate Affairs, General  
Counsel and Corporate Secretary

**Len M. Hedge**  
Senior Vice President,  
Business Operations

**Timothy A. Mack**  
Senior Vice President,  
Business Development

**Richard Twomey**  
Vice President, International

**Emory M. Wright**  
Vice President, Operations

## Board of Directors

**David E. Collins**  
Former Vice Chairman  
Johnson & Johnson

**Joseph Jacob**  
Partner  
Kleiner Perkins Caufield & Byers

**C. Raymond Larkin, Jr.**  
Chairman of the Board  
Align Technology, Inc.  
Principal  
Group Outcome L.L.C.

**George J. Morrow**  
Former Executive Vice President,  
Global Commercial Operations  
Amgen Inc.

**David C. Nagel, Ph.D.**  
Former President and Chief  
Executive Officer, PalmSource

**Thomas M. Prescott**  
Director, President and Chief  
Executive Officer  
Align Technology, Inc.

**Greg J. Santora**  
Former Chief Financial Officer  
Shopping.com

**Warren S. Thaler**  
President  
Gund Investment Corporation

## Shareholder Information

**Online Annual Report,  
Form 10-K, Proxy**  
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[www.computershare.com](http://www.computershare.com)

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Accounting Firm**  
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488 Almaden Blvd, Suite 1800  
San Jose, CA 95110

**Outside Legal Counsel**  
Wilson Sonsini Goodrich &  
Rosati P.C.  
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Palo Alto, CA 94304

**Annual Meeting**  
Align Technology, Inc.  
2560 Orchard Parkway  
San Jose, CA 95131  
Wednesday, May 23, 2012  
10:00 a.m. Pacific Time

This Annual Report contains forward-looking statements, including statements regarding Align's ability to capture greater revenue share, expectations that interoperability of iTero and iOC scanners is a means of increasing Invisalign utilization, Align's expectations regarding growth in markets outside of North America, Align's ability to gain entry into the market for restorative dentistry and its ability to drive utilization growth of Invisalign by improving the submission process with digital scans. Forward-looking statements contained in this Annual Report relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, difficulties predicting customer and consumer purchasing behavior, the willingness and ability of our customers to maintain and/or increase utilization in sufficient numbers, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth-related risks, including capacity constraints and pressure on our internal systems and personnel, our ability to successfully achieve the anticipated benefits from the acquisition of Cadent Holdings, Inc., continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's ability to develop and successfully introduce new products and product enhancements, and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the Securities and Exchange Commission on February 29, 2012. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

