COLTENE®

Half-year Report

2012

Improving Operational Performance

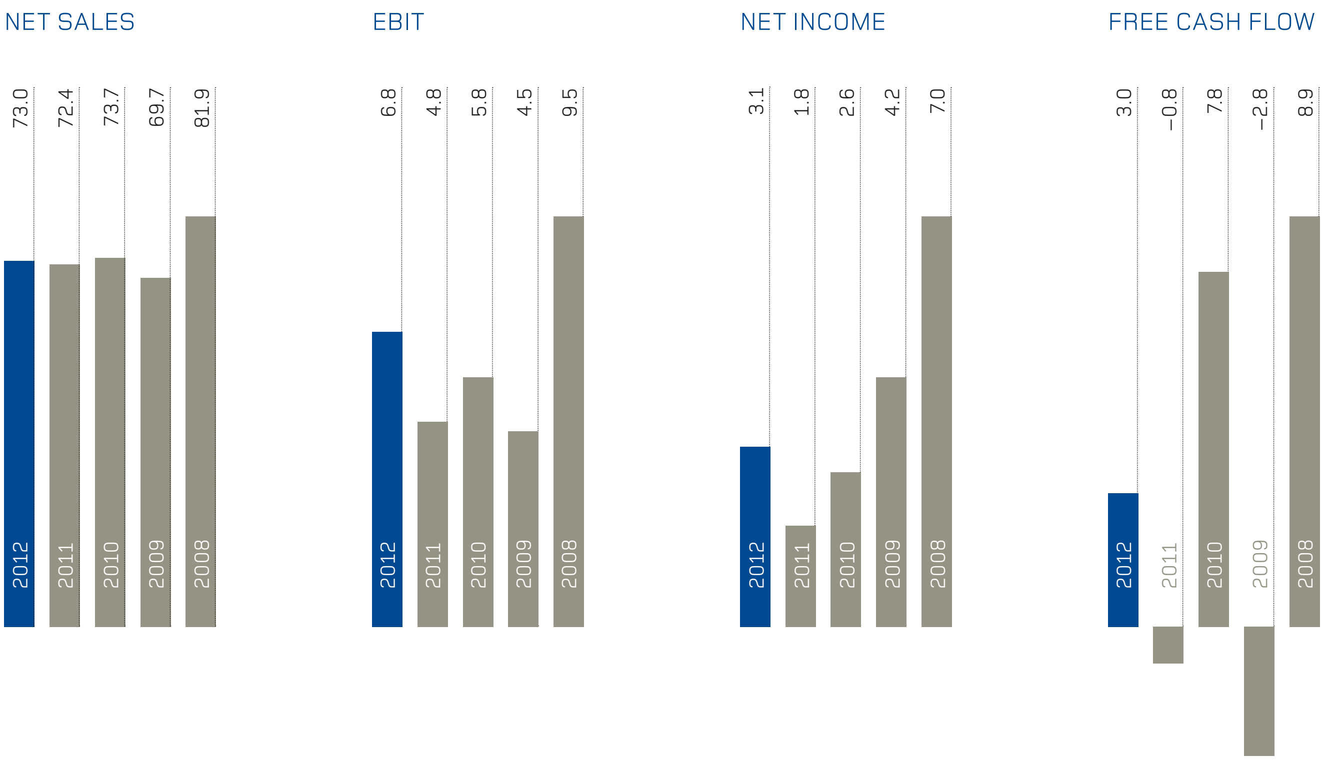
COLTENE®

Achievements in the First Half of 2012

- Revenue of **CHF 73.0 million**, reflecting growth of 0.9%, respectively 2.5% at constant exchange rates
- North American markets with strong revenue growth of **15.8%**
- Operating profit (EBIT) 43.9% higher at **CHF 6.8 million**
- Net income increased to **CHF 3.1 million**, improving by 78.5%
- Free cash flow increased to a healthy **CHF 3.0 million**, up from a cash drain of CHF 0.8 million in the prior year
- **Market approvals** in further important countries for the new composite veneer system COMPONEER™ and HyFlex™ Controlled Memory Files

5-Years-Overview

(1.1.–30.6. IN CHF MILLION, CONTINUING OPERATIONS)



DEAR SHAREHOLDERS

In the first half of the 2012 financial year COLTENE consolidated its sales levels in a competitive market environment, increased operating margins and improved the Group's cash flows and net earnings. The teams worldwide strengthened their market presence by deepening relationships with end customers and carefully listening to their needs. At the same time the Group continued to introduce its new flagship products in the core areas of restoration, aesthetics, and endodontics. In particular, the Company received important market approvals in additional countries for its new composite veneer system COMPONEER™ and HyFlex™ Controlled Memory Files. In the attractive chair-side dental market, which is benefiting from the growing awareness of oral hygiene and aesthetic dentistry among broad sections of the population, COLTENE is well positioned to capture future growth opportunities. This anticipated growth is additionally supported by global demographic and economic factors.

In the reporting period the Group further improved its operational performance. On one hand, it modified its purchase volume incentive schemes for clients, switching from the sell-in to the sell-out concept. This measure resulted in reduced costs of discounts and rebates offered to customers and temporary inventory destocking, which negatively impacted sales in the first six months of 2012 in the amount of approximately CHF 2.5 million. At the same time, COLTENE further increased its operational efficiency by leveraging the existing structures and processes.

On the other hand, COLTENE continued to invest significant R&D resources in the development of new innovative product platforms for dentists. Recognizing the Company's significant growth potential in the areas of restoration, aesthetics, and endodontics, the Group's experts are enhancing the existing product groups by adding new components.

Additionally, COLTENE continued the roll-out of its group-wide ERP system with planned introduction at the US operations effective as of beginning 2013. The implementation of the ERP system allows COLTENE to unify its operational processes worldwide and to facilitate the exchange of information and know-how between the Group's subsidiaries.

STRONG GLOBAL FOOTPRINT

COLTENE's acquisition of Vigodent in Brazil in 2009, respectively 2010 for the remaining 60%, concluded a multi-year geographic expansion program. This new subsidiary also serves as a hub for supplying products to other Mercosur markets. Today, the COLTENE Group has a strong foothold in both traditional and emerging markets, including the other dynamically evolving BRIC states of Russia/CIS, India, and China.

In the reporting period the Brazilian subsidiary focused on leveraging the Group's expertise to expand its market presence, after having achieved organizational stability by the end of 2011. The achievements included the combination of Vigodent's and COLTENE's product lines to better accommodate the needs of the local customers, which also entailed adjustments to the organization's resources and capabilities. Another challenge that negatively impacted the operational performance represented the procurement and quality of the raw materials purchased in the local market and their implementation in the manufacturing processes. Even though the results of the well-directed market efforts are not yet reflected in the financial figures, the newly established teams and the Group-wide institutionalized know-how exchange are strengthening the Group's market presence and fostering changes so that Vidgodent can benefit from the promising growth prospects. This is also creating excellent opportunities for COLTENE to exploit the attractive opportunities of the dynamic South American markets in the upcoming years.

NEW CEO MARTIN SCHAUFELBERGER ON BOARD

Martin Schaufelberger took office on June 1, 2012, succeeding Erwin Locher, who had led the Company on an ad interim basis. Now back in his non-executive function as delegate of the Board, he will continue to support management with advice and market insight.

Martin Schaufelberger has already visited all operational sites of the Group and met with their management and other key employees. Accompanied by the local sales representatives he also met key customers. With his long-standing experience in managing a technology-oriented mid-size industrial company, he has initiated lasting optimizations of operative processes and is reviewing the technology portfolio to identify efficiency potentials by facilitating and improving knowledge sharing across the Group. His other priority is on improving COLTENE's distribution and marketing organization, with a focus on further growth.

The Board of Directors thanks Erwin Locher for his commitment to the Company and his valuable contributions to the realignment of its operational activities. At the same time, the Board wishes Martin Schaufelberger much success and satisfaction in his new function.

OUTLOOK: IMPLEMENTATION OF GLOBAL MARKETING APPROACH

In the second half of the 2012 financial year COLTENE aims to focus on further gradual organizational improvements, efficiency gains in the Group's worldwide logistics, and a review of the manufacturing processes of the various product groups. A second emphasis will be laid on the globalization and Group-wide integration of the organization's marketing approach. The various subsidiaries added to the COLTENE Group in past years have enjoyed a strong market presence in their home markets with their original trade mark and brands. Management sees significant potential for leveraging the respective local strengths of these brands at a global level.

As key growth and profit drivers, the Company intends to deepen its close partnerships with distributors and customers. COLTENE's strong, multi-layered distribution network and sales teams world-wide are committed to uncompromising, market-oriented product services that enhance customer added value. COLTENE will concurrently strengthen and expand its distribution networks in the traditional European and North American markets as well as in the important emerging markets. It plans to market its own and private label OEM products to key opinion leaders and directly to dental practitioners via global, regional or local distribution partners. In the absence of extraordinary factors, COLTENE aims to achieve sales growth slightly above overall market rates in the years ahead.

THANKS

On behalf of the Board of Directors and the Executive Board we thank all our employees for their strong commitment and efforts. We also thank our customers, business partners, and suppliers for their excellent collaboration with our teams. Last but not least, we express our thanks to our shareholders for their continued confidence and trust in our business.

Yours sincerely,

Nick Huber
Chairman of the Board

Martin Schaufelberger
CEO

Operational Review

In the first half 2012 the general dental market returned to moderate growth after the debt crisis and initial fears of a renewed cyclical downturn eased towards the end of 2011. The negative impact on operating results caused by the strong Swiss franc declined as a result of the decreased variation to the previous year. In comparison with the prior year sales revenue was less negatively affected by foreign exchange variations. In the vast majority of its actively managed markets COLTENE was able to benefit from the positive market development.

COLTENE achieved net sales in the first six months of 2012 of CHF 73.0 million (2011 H1: CHF 72.4 million), reflecting 2.5% growth at constant exchange rates or 0.9% in reported Swiss francs. 2.8% of the growth is attributable to volume increases achieved in the traditional markets, 1.9% to advances in emerging markets, measured at constant exchange rates.

Operational profit (EBIT) was negatively impacted by currency translation (CHF 0.3 million) as well as by Vigodent (CHF 1.3 million). Nevertheless, the EBIT increased significantly by 43.9% (49.9% at constant exchange rates) to CHF 6.8 million (2011 H1: CHF 4.8 million). As a result, the EBIT margin improved to 9.4% from 6.6% in the prior year. Exchange rate losses within the financial result decreased by 28.4% to CHF 0.7 million compared to the first half of 2011. Interest expenses decreased by 11.4% to CHF 0.5 million as a result of lower average debt. At CHF 2.3 million, tax expenses were CHF 1.0 million higher than in the prior year. Net profit for the first half of the financial year 2012 reached CHF 3.1 million, representing a significant improvement by 78.5% compared to the previous year result.

In the first half of the fiscal year 2012, COLTENE generated CHF 4.9 million cash flow from operating activities, CHF 3.4 million above the amount recorded after the first six months of 2011. This was primarily due to the higher net profit and the lower change in net working capital. Cash flow from investing activities reached CHF 1.9 million. Investments in machinery and equipment amounted to CHF 1.3 million while investments in intangible assets amounted to CHF 0.6 million, mainly for the extended installation of the Group-wide ERP system, which will be introduced at the US facilities. As a result of higher cash flow from operating activities and lower investments the free cash flow of CHF 3.0 million was significantly higher than last year's cash drain of CHF 0.8 million.

With bank debts at CHF 30.1 million, COLTENE's healthy balance sheet continues to show a high equity ratio of 61.9%, ensuring financial stability and entrepreneurial independence.

REGIONAL BREAKDOWN: STRONG NORTH AMERICAN MARKETS

Organic growth in developed countries and above-average growth in emerging markets remain corporate objectives, albeit without disregarding any political and economic risks associated with new markets. In the first six months 2012 the Company's geographic sales split has further changed: COLTENE achieved 34.3% of its Group sales in the traditional European countries (2011 H1: 38.2%), 36.9% in North America (2011 H1: 32.1%) and 25.7% in the emerging economies (2011 H1: 26.4%). **European countries** showed divergent developments. Softening market conditions and adjustments to the sales organizations in **France** as well as in **Germany** and **Austria** were exacerbated by inventory destocking at distributors. **Italy** as well as **UK** and **Ireland** region reported strong 42.1% and 19.7% growth respectively compared to the first half in the previous year, and COLTENE topped sales in Switzerland by 3.3% in the first half 2012.

North America, the largest market for COLTENE, recorded a pleasing sales increase of 15.8%. The US and Canada strongly recovered from the region's previously difficult economic environment.

Thanks to its continued efforts to expand and strengthen the Group's distribution network in the dynamic Asian region, COLTENE increased its sales in **India** and **China** by 32.1% and 49.9%, respectively. **Russia/CIS**, another important emerging region, reached a pleasing growth rate of 17.5%. **Other Far East/Oceania** matched its sales level from the previous year.

Sales volumes in the **Middle East** and **Africa** region decreased by 26.8% primarily due to the embargo for Iran and erratic tender business in Iraq. In **Brazil** sales flattened in local currency, mainly due to manufacturing issues. **Other South America** markets were down by 10.2%. This adverse development is primary attributable to the difficult economic situation in the region as well as import restrictions.

BREAKDOWN BY PRODUCT GROUP: FOCUS ON RESTORATION AND ENDODONTICS

Looking at the various product segments, sales growth resulted primarily from restoration and endodontics and rotary systems. Both key segments, restoration and endodontics, further grew by 7.5% and 12.4% respectively. Currently, COLTENE is pushing the registration of its flagship products composite veneer system called COMPONEER™ and HyFlex™ Controlled Memory NiTi files into new markets. Both innovative systems are perceived very well by customers due to their simple and easy application as well as their dual benefits for the dentist and patients. COLTENE is currently extending the product line, adding new shapes and color thereby enhancing the added value to clients. Additional new products include SoloCem, a self-adhesive resin cement with antibacterial zinc oxide that ensures reliable, tight restoration, in concert with a particularly low level of shrinkage.

SoloCem®

Only one can play the first violin – SoloCem

» SoloCem is a dual-curing, self-adhesive, zinc oxide based resin cement. It is applied in a single step as no bonding is required. Application is quick and easy with the Automix syringe.

» The soloist among the self-adhesive cements reduces the number of steps and is time-saving.

» SoloCem needs no bonding before the application and can be used immediately thanks to the ready-to-use mixing tips. SoloCem also has excellent shear bond strength and contains antibacterial zinc oxide.

» Without a bonding agent, the dual-curing cement offers excellent adhesive values ensuring long-term adhesion to enamel and dentin.

BENEFITS

» Time-saving and easy to handle
» Antibacterial zinc oxide
» Comprehensive range of indications
» High shear adhesion strength
» Minimal shrinkage

INTERIM GROUP INCOME STATEMENT

IN CHF 1000	REF.	1 HY 2012	1 HY 2011
Net sales	2	**73 022**	**72 386**
Changes in inventories of finished goods and work in progress		5 302	2 203
Work performed by entity and capitalized		5	6
Raw material and consumables used		−25 263	−23 687
Personnel expenses		−27 284	−27 921
Other operating expenses		−16 506	−15 783
Depreciation and amortization		−2 436	−2 450
Operating profit (EBIT)		**6 840**	**4 754**
Financial income		90	107
Financial expenses		−1 476	−1 775
Net profit before tax expenses		**5 454**	**3 086**
Tax expenses	3	−2 309	−1 324
Profit for the period		**3 145**	**1 762**
Earnings per share		CHF 0.75	CHF 0.42
Diluted earnings per share		CHF 0.75	CHF 0.42

The notes are part of the interim Group financial statements.

INTERIM GROUP STATEMENT OF COMPREHENSIVE INCOME

IN CHF 1000	1 HY 2012	1 HY 2011
Profit for the period	**3 145**	**1 762**
Other comprehensive income for the period:		
Exchange differences on translating foreign operations	−441	−5 867
Comprehensive income for the period	**2 704**	**−4 105**
Profit for the period attributable to the owner of the parent	3 145	1 762
Comprehensive income for the period attributable to the owner of the parent	2 704	−4 105

The notes are part of the interim Group financial statements.

INTERIM GROUP STATEMENT OF FINANCIAL POSITION

IN CHF 1000	30.06.2012	31.12.2011
Assets		
Cash and cash equivalents	3 319	3 128
Accounts receivable from deliveries and sales	26 783	30 644
Tax receivables	192	173
Other receivables and prepaid expenses	6 138	3 256
Inventories	35 517	29 938
Current assets	**71 949**	**67 139**
Property, plant and equipment	29 836	30 540
Financial assets	26	26
Intangible assets	48 171	48 927
Deferred tax assets	3 048	3 255
Non-current assets	**81 081**	**82 748**
Total assets	**153 030**	**149 887**
Liabilities		
Current bank loans	30 108	30 177
Accounts payable to suppliers	7 864	5 601
Other accounts payable and accruals	11 006	10 681
Tax liabilities	1 706	761
Other short-term provisions	273	378
Current liabilities	**50 957**	**47 598**
Deferred tax liabilities	6 298	6 615
Other long-term provisions	973	1 082
Non-current liabilities	**7 271**	**7 697**
Total liabilities	**58 228**	**55 295**
Share capital	421	414
Currency translation adjustments	–28 103	–27 662
Retained earnings	122 484	121 840
Total equity	**94 802**	**94 592**
Total liabilities and equity	**153 030**	**149 887**

The notes are part of the interim Group financial statements.

INTERIM GROUP CASH FLOW STATEMENT

IN CHF 1000	REF.	1 HY 2012	1 HY 2011
Net profit		3 145	1 762
Depreciation and amortization		2 436	2 450
Other non-cash items		5 031	4 126
Change in accounts receivable from deliveries and sales		3 469	–193
Change in inventories		–6 475	–2 787
Change in other currrent assets		–3 305	–511
Change in current liabilities		2 840	–1 240
Interest paid		–527	–568
Interest received		42	61
Income tax paid		–1 769	–1 605
Cash flow from operating activities		**4 887**	**1 495**
Purchase of property, plant, and equipment		–1 332	–1 495
Proceeds from sale of property, plant, and equipment		26	57
Purchase of financial assets		0	–7
Proceeds of financial assets		3	0
Purchase of intangible assets		–619	–859
Cash flow from investing activities		**–1 922**	**–2 304**
Proceeds from loans and financial liabilities		11 682	10 683
Repayments of loans and financial liabilities		–11 947	–2 365
Distribution to shareholders	4	–4 632	–7 261
Purchase of treasury stock		–750	–183
Proceeds of treasury stock		2 888	0
Cash flow from financing activities		**–2 759**	**874**
Exchange rate differences		–15	–262
Change in cash and cash equivalents		**191**	**–197**
Cash and cash equivalents at beginning of year		3 128	4 133
Cash and cash equivalents at end of half-year		3 319	3 936

The notes are part of the interim Group financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

IN CHF 1000	REF.	SHARE CAPITAL	TRANSLATION OF FOREIGN OPERATIONS	RETAINED EARNINGS	TOTAL
01.01.2011		**415**	**–26 042**	**123 475**	**97 848**
Comprehensive income for the half year		0	–5 867	1 762	–4 105
Share-based payment transactions with management		0	0	120	120
Distribution out of capital contribution reserves	4	0	0	–7 261	–7 261
Change in treasury stock		0	0	–183	–183
30.06.2011		**415**	**–31 909**	**117 913**	**86 419**
01.01.2012		**414**	**–27 662**	**121 840**	**94 592**
Comprehensive income for the half year		0	–441	3 145	2 704
Share-based payment transactions with management		0	0	19	19
Distribution out of capital contribution reserves	4	0	0	–4 632	–4 632
Change in treasury stock		7	0	2 112	2 119
30.06.2012		**421**	**–28 103**	**122 484**	**94 802**

The notes are part of the interim Group financial statements.

SELECTED NOTES

COLTENE Holding AG (former Medisize Holding AG) – the holding company of the COLTENE Group ("the Group") – is a stock corporation persuant to the Swiss Code of Obligations. The Company's legal domicile is in Altstätten, Switzerland. COLTENE Holding AG was founded in accordance with Swiss Company law on December 15, 2005.

Under its umbrella brand Coltène/Whaledent, the Group develops, manufactures, and sells via distribution channels a broad and comprehensive range of consumables and tools for dentists and dental laboratories. The Group operates one segment defined in line with the management structure, the organizational set-up, the reporting and allocation of resources by the chief operating decision maker of the Group.

These unaudited interim financial statements were prepared in accordance with IAS 34, using the same principles of consolidation and accounting policies as in the Group's 2011 annual report. No new standards and interpretations were relevant to these interim financial statements.

1 CURRENCY EXCHANGE RATES

	31.12.2011	30.06.2012	1 HY 2012	31.12.2010	30.6.2011	1 HY 2011
1 USD	0.9351	0.9552	0.9285	0.9406	0.8329	0.9061
1 EUR	1.2167	1.2014	1.2046	1.2465	1.1985	1.2699

2 ENTITY-WIDE INFORMATION

The net sales by geographic areas (determined by site of customer) and by products and services are as follows:

NET SALES BY GEOGRAPHIC AREAS IN CHF 1000	1 HY 2012	1 HY 2011
Switzerland	1612	1560
Germany, Austria	7118	10565
Great Britain, Ireland	3303	2760
France	3006	2855
Other Europe	10032	9913
Russia and CIS	2841	2417
Middle East and Africa	2186	2987
North America	26928	23253
Brazil	4792	5310
Other South America	3568	3974
China	1620	1081
India	1149	870
Other Far East, Oceania	4867	4841
Net sales	**73022**	**72386**

NET SALES BY PRODUCTS AND SERVICES IN CHF 1000	1 HY 2012	1 HY 2011
Restoration	16999	15814
Impression	13994	14450
Endodontics	13291	11821
Hygiene and Surgical	7136	8868
Units / Accessories	4877	4713
Rotary	5365	5152
Laboratory	3707	3658
Miscellaneous	7653	7910
Net sales	**73022**	**72386**

3 TAX EXPENSES

Tax expenses of TCHF 2 309 represent a tax rate of 42.3% (prior year 42.9%) of the net profit before tax expenses. The expected tax rates applied by the various companies remain unchanged. The relatively high tax rate is mainly due to the tax losses of Vigodent SA and Coltène do Brasil which were not capitalized and to an impairment of capitalized tax losses at the French subsidiary (TCHF 151) due to an ongoing tax audit.

4 EQUITY

Based on the AGM decision of April 28, 2011, the Company distributed CHF 1.75 per share out of reserves from previous capital contributions. Subsequently, the Company paid to its shareholders on May 5, 2011, a total amount of TCHF 7 261.

Based on the AGM decision of April 20, 2012, the Company distributed CHF 1.10 per share out of reserves from previous capital contributions. Subsequently, the Company paid to its shareholders on April 27, 2012, a total amount of TCHF 4 632.

5 SUBSEQUENT EVENTS

The Board of Directors authorized the Group's interim financial statements for publication on August 16, 2012. As per this date, the Board of Directors and Executive Management were unaware of any important events subsequent to the closing of books.

INVESTOR RELATIONS

COMPANY CAPITAL

The registered shares of COLTENE Holding AG were listed on SIX Swiss Exchange as of June 23, 2006. After the par value reduction on July 14, 2008, and after the share repurchase on December 9, 2008, the share capital of COLTENE Holding AG consists of:

4,219,000 registered shares at CHF 0.10 par value
Securities number 2.534.325

STOCK MARKET TRADING

The registered shares of COLTENE Holding AG are listed on SIX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as in electronic price information systems under the following symbols or numbers:

Telekurs: CLTN
Security Number/Valorennummer: 2.534.325
ISIN: CH0025343259

IMPORTANT DATES

March 14, 2013: Full-year results 2012, publication of Annual Report 2012, and media and analyst conference
April 19, 2013: Annual General Meeting of Shareholders
August 15, 2013: Half-year Report 2013

INTERNET/E-MAIL BULLETINS

Further information about COLTENE can be found at www.coltene.com. To obtain a subscription to the Group's news service, please register in the Investors & Media section at www.coltene.com/news

This report contains forward-looking statements that include risk and uncertainties regarding the future global developments that cannot be influenced by the Company.

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