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Half-year Report 2013

# Strategy Execution on Track

# Achievements in the First Half of 2013

## 5-Year Overview

(in CHF million, continuing operations, restated)

### Net Sales

2013	75.0	
2012	73.0	
2011	72.4	
2010	73.7	
2009	69.7	

### EBIT

2013	7.3	
2012	6.9	
2011	4.8	
2010	5.8	
2009	4.5	

### Net Profit

2013	5.0	
2012	3.0	
2011	1.6	
2010	2.4	
2009	4.0	

### Free Cash Flow

2013	-0.5	
2012	3.0	
2011	-0.8	
2010	7.8	
2009	-2.8	

**Sales of CHF 75.0 million, up 2.8%, 2.2% at constant exchange rates**

**Order intake in North America at high prior-year level**

**Europe with growth above market, dynamic growth in Asia and several emerging markets**

**Operating profit (EBIT) of CHF 7.3 million, up 5.6%; EBIT margin rises to 9.7%**

**Net profit of CHF 5.0 million, up 68.7%**

**Negative free cash flow of CHF -0.5 million due to temporary inventory build-up**

**New composite shells for restoring tooth necks and novel GuttaFlow filling system for sealing root canals**

# Foreword

## **Dear Shareholders,**

COLTENE profited from persisting dynamic growth in Asia and various emerging markets during the first half of the 2013 financial year. The positive trend in the USA resumed after a brief lull caused by delivery delays related to the introduction of SAP. In Europe, the UK, and several other markets posed challenges in the wake of structural change. Overall sales growth in traditional European markets was above market average. Group net sales rose by 2.8% compared to the prior-year period and amounted to CHF 75.0 million. COLTENE thus grew faster than the relevant market, in which growth rates ranged between 2% and 3% in North America and were flat or even slightly negative in Europe. EBIT increased 5.6% to CHF 7.3 million and the EBIT margin improved slightly from 9.4% in the previous year period to 9.7%.

A major milestone was set during the reporting period when the Company completed its strategic review and moved on to the implementation phase. COLTENE's new strategy is designed to ensure sustainable corporate development and will enable the Group to generate profitable growth in the years to come. Key drivers of success are the strong innovation skills throughout the company, the expansion of its presence in existing and new markets and the standardization and optimization of operating processes. A total of 21 projects in the three priority areas of Product Focus, Marketing and Sales Push, and Operational Excellence were identified and initiated. These projects are being implemented concurrently and will be completed on an ongoing basis.

## **Strong Product Pipeline**

In March, COLTENE used its presence at the IDS, a major international trade fair for the dental industry in Cologne, to showcase its impressive power of innovation and to introduce various new products to a large audience of specialists. Attention centered on the new COMPONEER™ composite shells for restoring tooth necks and whitening anterior teeth as well as on ROEKO GuttaFlow 2 in the area of Endodontics, a unique cold filling and sealing system for root canals. Another highlight at the IDS for COLTENE was its celebration of the 50-year anniversary of the Swiss firm Coltène/Whaledent AG. A large partnered event was attended by more than 150 customers from across the dental industry.

In May, COLTENE organized another Latin America Key Opinion Seminar in Mayo, Mexico, after a seven-year interlude. This highly regarded congress was attended by 220 opinion leaders from 18 countries, many of whom were Restoration, Prosthetics, and Endodontics specialists. Workshops where participants could learn about and test COLTENE products and discover how easy they are to handle proved to be particularly popular.

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**COLTENE strengthened its market position amid a globally weaker environment.**

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**Steadfast execution of COLTENE's revised strategy with a total of 21 projects under way.**

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**The overriding objective of the strategy projects is to generate profitable growth in the coming years.**

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### **Operational Performance Improves**

Among other internal developments, COLTENE completed the roll-out of an ERP system and an integrated managed warehouse solution at its US factory in Cuyahoga Falls, Ohio. With this important achievement all major production plants are now operating with the same enterprise resource planning system, which puts the Group in a better position to standardize and coordinate its business processes. COLTENE also achieved new milestones on the production front that will have a positive effect on its operating efficiency going forward. The US-based Coltène/Whaledent Inc. commenced production of diamond coated burrs and inaugurated a new production line for fiberglass posts. Fiberglass posts are a highly esthetic alternative to endodontic posts made of metal. In addition, COLTENE's subsidiary in Rio de Janeiro began to produce Speedex for the Brazilian market. Speedex is a c-silicon dental impression material of outstanding quality. At Vigodent in Brazil, after resolving the production problems encountered in 2012 due to the inconsistent quality of locally sourced materials, management attention was focused on optimizing production processes and expanding the sales and distribution network. Having increased its sales resources, COLTENE is now aiming to grow its business volumes with existing accounts and to acquire new customers in Brazil and in neighboring Mercosur countries.

### **New Head of Global Marketing**

The Company made further progress with the group-wide integration of its marketing operations during the first half of 2013. The clear projection of COLTENE as the company's overarching brand is intended to create a greater market profile and strengthen its reputation for quality. The various products groups that have historically been united within COLTENE Group – ROEKO, Hygenic, Diatech, and Alpen, for instance – will continue to be marketed by COLTENE as product brands so as to reap the maximum benefit from their strong positions in their home markets. The new umbrella brand concept will also enable management to better leverage the specific strengths of the various product segments at the global level. COLTENE expanded and strengthened its executive management team to quickly address the related challenges. In early March, Dr Werner Barth joined COLTENE as its new Head of global Marketing. Werner Barth is a professional with 15 years of experience in various sales and marketing functions.

### **Outlook: Steadfast Implementation of Strategy**

In the second half of the 2013 financial year, COLTENE will concentrate on the steadfast and group-wide implementation of its strategy projects in connection with the new organization. All of the 21 projects initiated are designed to enhance the Group's sustained, profitable growth. Further innovation is under way at the Restoration, Endodontics, and Treatment Auxiliaries segments. COLTENE also intends to

selectively expand its presence in a number of countries. Another goal set by management entails the ongoing optimization of group-wide operating processes and procedures, thereby capturing further synergy potential. Examples of such measures are global coordination of the supply chain, in particular reduction of inventories, standardization of production processes, and the roll-out of the overarching brand strategy.

These measures are designed to secure the attainment of the medium-term targets – better-than-market sales growth and a steady increase in the EBIT margin to 15% of net sales.

### **A Word of Thanks**

On behalf of the Board of Directors and the Executive Board, we thank all employees for their extraordinary efforts and particularly their willingness to put the overall aims of the company above their own personal priorities. We rely on the vast knowledge and skills of our employees at all levels of the workforce and in every field of specialty. COLTENE's future success will be shaped by harnessing their knowledge and steadfastly executing our corporate strategy. We also thank our customers – the dentists and dental labs using our products, and the distributors who market our products around the world – as well as our business partners and suppliers for the outstanding collaboration with COLTENE teams. Lastly, we thank our shareholders for their trust in the company.

Yours sincerely,

Nick Huber  
Chairman of the Board

Martin Schaufelberger  
CEO



The adjustments made to COLTENE's strategy in 2012 are designed to lead the Group toward sustained, profitable growth. The revised strategy consists of three main pillars: Product Focus, Marketing and Sales Push, and Operational Excellence. Product Focus comprises the global concentration of development activities on the three promising product segments of Restoration, Endodontics, and Treatment Auxiliaries. In Marketing and Sales COLTENE is seeking fast growth in emerging markets and solid growth in its traditional markets. A priority in the Operational Excellence pillar is process standardization and simplification.

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## Product Focus

### **Restoration**

- Expansion of COMPONEER™ portfolio
- Greater focus and global coordination of sales activities
- Increased training and instruction

### **Endodontics**

- Rounding out product portfolio
- Strengthening sales
- Specific marketing program

### **Treatment Auxiliaries**

- Strengthening the ROEKO brand
- Regional sales offensives
- Increasing the use of digital platforms

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## Marketing and Sales Push

### **Selective campaigns in traditional markets**

- Targeted expansion of sales organization
- Increased training and instruction activities
- New partnerships

### **Broad-based offensives in emerging markets**

- Additional sales staff in China and India
- Optimization of sales structures
- Enlargement of distributor network

### **Brazil**

- Strengthen sales teams
- Expand hub for addressing neighboring Mercosur countries
- Intensify training

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## Operational Excellence

### **Application of global SAP system**

- Globally standardized infrastructure for enterprise system
- Group oversight of material flows

### **Strengthen umbrella brand**

- Launch and implementation of umbrella brand strategy
- Change/harmonization of corporate design
- Globally active Swiss company with innovative products of superior quality

### **Use of digital channels**

- Modernization and expansion of digital marketing activities
- Focus on digital product information and online platforms

# Operational Review

**Growth in the dental market declined during the first half of 2013, particularly in Europe. Whereas the markets for dental consumables in North America expanded by 2–3 %, in Europe they were flat or even showed a slight contraction. Key factors here were competitive forces in the traditional European markets and the structural change under way in healthcare. Growth rates in Asia and various key emerging markets were once again much higher than average. COLTENE additionally benefited from the better economic environment in these regions. Exchange rate movements were favorable and gave business additional support. The euro and dollar exchange rates to the Swiss franc improved slightly.**

COLTENE achieved net sales of CHF 75.0 million during the first six months of the 2013 financial year (2012 H1: CHF 73.0 million). This represents an increase of 2.8% in reported Swiss francs and 2.2% at constant exchange rates. Sales in emerging markets rose by 7.7% to CHF 20.2 million at constant exchange rates. This represents 26.6% of total sales (2012 H1: 25.7%). Operating profit (EBIT) improved by 5.6% (3.5% at constant exchange rates) to CHF 7.3 million (2012 H1: CHF 6.9 million, restated). This raised the Group EBIT margin from 9.4% in the first half of 2012 to 9.7% for the period under review. Net profit for the first six months of 2013 amounted to CHF 5.0 million, an increase of 68.7% compared to the prior-year period (2012 H1: CHF 3.0 million, restated), mainly attributable to the improved tax rate.

Cash flow from operating activities declined to CHF 1.6 million from CHF 4.9 million in the previous year period due to higher inventories and a rise in order fulfillment at the end of the reporting period, which led to a temporary increase in accounts receivable. Cash flow from investing activities amounted to CHF 2.1 million. Investments in machinery and equipment amounted to a net CHF 1.7 million primarily comprised production systems for diamond coated burs and fiberglass posts. Investments in intangible assets amounted to CHF 0.4 million. Due to the deliberate inventory build-up and steady level of investment activity, free cash flow was a negative CHF 0.5 million (2012 H1: CHF 3.0 million).

Bank loans amounted to CHF 32.7 million and COLTENE's equity ratio remained high at 58.6% (2012 H1: 57.9%, restated), ensuring the Group's financial stability and entrepreneurial independence.

## **Regional Breakdown: Emerging Markets Contribute a Greater Share of Sales**

Sales growth in the first half of 2013 stemmed primarily from the pleasing growth of markets in Germany, South America, and various emerging markets such as India, China, and Russia, which displayed clearly higher than average growth rates. Once again, the Group was able to benefit from its strong footing in the key markets of the

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**Growth in the dental market declined during the first half of 2013, particularly in Europe.**

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**COLTENE deliberately built up its inventories prior to the introduction of SAP in the USA; inventory levels will be reduced in the second half of the year. This inventory build-up had an adverse, temporary effect on cash flow.**

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**The priority product segments of Restoration, Endodontics, and Treatment Auxiliaries displayed renewed growth in the first half of 2013.**

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**At the IDS international dental trade fair in Cologne, COLTENE demonstrated its power of innovation by showcasing many new products, including the new COMPONEER™ Class V composite shells and ROEKO GuttaFlow 2, a novel filling system for sealing root canals.**



future. Business in several European markets was challenging. Looking ahead, there is still growth potential for COLTENE to tap in a number of countries, also in Europe, given their strikingly low penetration rates. During the period under review, COLTENE inaugurated new distribution networks in Poland and Turkey and expanded its activities in Italy. Overseas COLTENE strengthened its presence in the Japanese market by deploying a dedicated local sales agent and expanded its footprint in North America and Australia.

The geographic sales mix for the first six months of 2013 is as follows: COLTENE achieved 43.3% of Group sales in the Europe, Middle East, and Africa region (2012 H1: 41.2%), 34.7% in North America (2012 H1: 36.9%), 11.7% in South America (2012 H1: 11.4%), and 10.3% in Asia (2012 H1: 10.5%). Sales in emerging markets accounted for 26.6% of total Group sales (2012 H1: 25.7%).

Sales in Europe were generally higher than in the previous year, achieving a growth of 8.0% respectively 6.3% in local currencies. The UK displayed only marginal growth of 1.1% due to a change in market structure. In the USA the positive course of business was sustained at the high prior-year level. Overall sales declined by 3.2%. After encountering delivery delays in connection with the introduction of SAP, order inflows in this sales region were already back at above-average levels at the start of the second half. In Brazil, COLTENE increased its sales by 2.7% in local currency but in Swiss francs sales were down 5.2%. In the other emerging market regions COLTENE kept up its efforts to enlarge and strengthen the Group's distribution network. India continued to please with a year-over-year growth rate of 15.0% (19.0% at constant exchange rates). China, too, delivered a strong growth rate of 11.5% despite the increasingly competitive environment. Particularly positive business trends were reported in the key emerging market region of Russia/GUS, where volumes surged 33.2%. COLTENE also grew in other Latin American markets (ex Brazil) after posting a 17.5% increase in sales. Negative sales growth was reported in Other Far East/Oceania (-5.1%) and the Middle East/Africa region (-6.0%).

#### **Breakdown by Product Segment: Restoration Grows the Fastest**

COLTENE's growth were once again primarily driven by the product segments Restoration, Prosthetics, and Endodontics. These three segments displayed pleasing business developments. Restoration was the top sales driver accounting for 27.5% of total sales with a year-over-year growth rate of 12.4% in the first half. The Prosthetics product segment accounted for 21.5% of total sales and reported sales growth of 2.7%. Endodontics accounted for 20.0% of total sales. Sales volume decreased by 3.3%, which can be traced to the private label business, whereas the new product launches showed positive growth rates. Treatment Auxiliaries and Infection Control reported growth rates of 10.0% and 7.9%, respectively.

COLTENE presented numerous innovations at the IDS international dental trade show held in March 2013: its popular COMPONEER™ composite veneer system has now been augmented with composite shells for the easy restoration of tooth necks Class V, and special shells for lateral teeth as well as for whitening anterior teeth. COLTENE also launched SoloCem, a self-bonding and anti-bacterial cement (that can also be applied without bonding), and DuoCem, a dual-curing cement packed in auto-mix syringes that is ideal for a broad range of applications thanks to its easy handling and excellent adhesive properties. In addition, HyFlex Controlled Memory NiTi Files are now sold in sterile packaging and hence immediately ready for customers to use. Length marks along the files allow for greater safety and accuracy during root canal preparation. File handling has also been made easier for dentists with the new CanalPro Apex Locator. This tool displays file advancement inside the tooth canal on a brilliant, 3D color panel with utmost precision. COLTENE also expanded its Endodontics product range with the introduction of ROEKO GuttaFlow 2, a new filling system for sealing root canals. In Brazil COLTENE unveiled the COMPONEER™ Brilliant NG, a composite veneer system tailored to local needs, at its Key Opinion Seminar.



# Interim Group Income Statement

In CHF 1000	Ref.	1 HY 2013	Restated 1 HY 2012
<b>Net sales</b>	<b>4</b>	<b>75 037</b>	<b>73 022</b>
Changes in inventories of finished goods and work in progress		3 945	5 302
Work performed and capitalized		19	5
Raw material and consumables used		-25 118	-25 263
Personnel expenses		-28 687	-27 239
Other operating expenses		-15 316	-16 506
Depreciation and amortization		-2 611	-2 436
<b>Operating profit (EBIT)</b>		<b>7 269</b>	<b>6 885</b>
Financial income		58	90
Financial expenses		-1 165	-1 521
<b>Net profit before tax expenses</b>		<b>6 162</b>	<b>5 454</b>
Tax expenses	5	-1 180	-2 500
<b>Net profit for the period</b>		<b>4 982</b>	<b>2 954</b>
Earnings per share		CHF 1.18	CHF 0.70
Diluted earnings per share		CHF 1.18	CHF 0.70

The notes are part of the interim Group financial statements.  
For restatement details see selected notes.

# Interim Group Statement of Comprehensive Income

In CHF 1000	1 HY 2013	Restated 1 HY 2012
<b>Net profit for the period</b>	<b>4 982</b>	<b>2 954</b>
<b>Other comprehensive income (OCI)</b>		
OCI to be reclassified to profit or loss in subsequent periods:		
exchange differences on translating foreign operations	1 159	-401
<b>Net OCI to be reclassified to profit or loss in subsequent periods</b>	<b>1 159</b>	<b>-401</b>
Items not to be reclassified to profit or loss in subsequent periods:		
actuarial gains / (losses) on defined benefit plans	514	-639
Income tax effect	-89	109
<b>Net OCI not to be reclassified to profit or loss in subsequent periods</b>	<b>425</b>	<b>-530</b>
<b>OCI, net of tax</b>	<b>1 584</b>	<b>-931</b>
<b>Total comprehensive income, net of tax</b>	<b>6 566</b>	<b>2 023</b>
Profit for the period attributable to the owner of the parent	4 982	2 954
Comprehensive income for the period attributable to the owner of the parent	6 566	2 023

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# Interim Group Statement of Financial Position

In CHF 1000	Ref.	30.6.2013	Restated 31.12.2012
Cash and cash equivalents		4 521	4 000
Accounts receivable		29 789	30 892
Tax receivables		143	57
Other receivables and prepaid expenses		4 655	4 155
Inventories		38 636	34 234
<b>Current assets</b>		<b>77 744</b>	<b>73 338</b>
Property, plant, and equipment		28 713	28 720
Financial assets		19	19
Intangible assets		47 698	47 629
Deferred tax assets		3 017	3 055
<b>Non-current assets</b>		<b>79 447</b>	<b>79 423</b>
<b>Total assets</b>		<b>157 191</b>	<b>152 761</b>
Current bank loans		32 660	24 566
Accounts payable		5 552	6 506
Other accounts payable and accruals		11 077	10 954
Tax liabilities		1 452	2 510
Other short-term provisions		203	776
<b>Current liabilities</b>		<b>50 944</b>	<b>45 312</b>
Deferred tax liabilities		8 713	8 568
Other long-term provisions	6	5 352	5 690
<b>Non-current liabilities</b>		<b>14 065</b>	<b>14 258</b>
<b>Total liabilities</b>		<b>65 009</b>	<b>59 570</b>
Share capital		421	421
Currency translation adjustments		-28 626	-29 785
Retained earnings		120 387	122 555
<b>Total equity</b>		<b>92 182</b>	<b>93 191</b>
<b>Total liabilities and equity</b>		<b>157 191</b>	<b>152 761</b>

The notes are part of the interim Group financial statements.  
For restatement details see selected notes.

# Interim Group Cash Flow Statement

In CHF 1000	Ref.	1 HY 2013	Restated 1 HY 2012
Net profit for the period		4 982	2 954
Depreciation and amortization		2 611	2 436
Other non-cash items		1 209	5 222
Change in accounts receivable		1 318	3 469
Change in inventories		-4 593	-6 475
Change in other current assets		-177	-3 305
Change in current liabilities		-928	2 840
Interest paid		-353	-527
Interest received		54	42
Income tax paid		-2 528	-1 769
<b>Cash flow from operating activities</b>		<b>1 595</b>	<b>4 887</b>
Purchase of property, plant, and equipment		-1 714	-1 332
Proceeds from sale of property, plant, and equipment		16	26
Proceeds of financial assets		4	3
Purchase of intangible assets		-373	-619
<b>Cash flow from investing activities</b>		<b>-2 067</b>	<b>-1 922</b>
Proceeds from loans and financial liabilities		15 132	11 682
Repayments of loans and financial liabilities		-6 852	-11 947
Distribution to shareholders	7	-7 592	-4 632
Purchase of treasury stock		-767	-750
Proceeds of treasury stock		784	2 888
<b>Cash flow from financing activities</b>		<b>705</b>	<b>-2 759</b>
Exchange rate differences		288	-15
<b>Change in cash and cash equivalents</b>		<b>521</b>	<b>191</b>
Cash and cash equivalents at beginning of year		4 000	3 128
Cash and cash equivalents at end of half-year		4 521	3 319

The notes are part of the interim Group financial statements.  
For restatement details see selected notes.

# Interim Group Statement of Changes in Equity

In CHF 1000	Ref.	Share capital	Translation of foreign operations	Retained earnings	Total
<b>31.12.2011 reported</b>		<b>414</b>	<b>-27 588</b>	<b>119 039</b>	<b>91 865</b>
Adjustments		0	0	-2 854	-2 854
<b>1.1.2012 restated</b>		<b>414</b>	<b>-27 588</b>	<b>116 185</b>	<b>89 011</b>
Comprehensive income for the half-year		0	-401	2 424	2 023
Share-based payment transactions with management		0	0	19	19
Distribution out of capital contribution reserves	7	0	0	-4 632	-4 632
Change in treasury stock		7	0	2 112	2 119
<b>30.6.2012</b>		<b>421</b>	<b>-27 989</b>	<b>116 108</b>	<b>88 540</b>
<b>31.12.2012 reported</b>		<b>421</b>	<b>-29 785</b>	<b>126 224</b>	<b>96 860</b>
Adjustments		0	0	-3 669	-3 669
<b>1.1.2013 restated</b>		<b>421</b>	<b>-29 785</b>	<b>122 555</b>	<b>93 191</b>
Comprehensive income for the half-year		0	1 159	5 407	6 566
Share-based payment transactions with management		0	0	268	268
Distribution out of capital contribution reserves	7	0	0	-7 592	-7 592
Change in treasury stock		0	0	-251	-251
<b>30.6.2013</b>		<b>421</b>	<b>-28 626</b>	<b>120 387</b>	<b>92 182</b>

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# Selected Notes

COLTENE Holding AG (former Medisize Holding AG) – the holding company of the COLTENE Group (“the Group”) – is a stock corporation pursuant 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 2012 Annual Report.

## 1 New Standards/Interpretations Adopted by COLTENE

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2012, except for new standards and interpretations effective as of January 1, 2013.

Below only those new standards/interpretations are disclosed which have an impact on the Group’s financial statements:

- IAS 1 Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) requires a grouping of items presented in other comprehensive income (OCI). Items that could be recycled to profit or loss at a future point of time (e. g., exchange rate differences on translation of foreign operations) now have to be presented separately from items that will never be reclassified (e. g., actuarial gains and losses on defined benefit plans). This amendment affected the presentation only.
- IAS 19 revised (Employee Benefits) includes a number of amendments to the accounting for defined benefit plans. Actuarial gains and losses are permanently excluded from profit and loss. Those are recognized in full in other comprehensive income when they occur. Expected returns on plan assets are no longer recog-

nized in profit or loss, instead, interest is calculated on the net defined benefit liability (asset) in profit or loss, using the discount rate used to measure the defined benefit obligation. Unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity information. The effects of the adoption of IAS 19 revised are explained in note 6.

- IFRS 13 Fair Value Measurement is not material for COLTENE. The forward financial contracts belong to the level 2 category, but their fair value, which equals to market value provided by banks is TCHF 24 only.

## 2 Restatement Prior Periods

As reported in the annual report 2012 a review of the goodwill amortization in the supplementary tax books of the German subsidiary led to a requested restatement of prior year Group financial statements. Since the acquisition in 2002 the German subsidiary amortizes the goodwill in its tax books. With the elimination of the amortization of goodwill under IFRS, the tax impact of the German subsidiary’s goodwill amortization should have been offset by a deferred tax liability.

Applying IAS 8 the error was corrected as follows: the balance sheet as per December 31, 2012 was corrected as in the annual report 2012. The Group income statement for the interim reporting 2012 was restated leading to an adjustment of the deferred tax expenses and of deferred tax liabilities as per June 30, 2012 of CHF 0.2 million. Accordingly net income was reduced by CHF 0.2 million and therefore earnings per share were reduced from CHF 0.75 to CHF 0.70.

## 3 Currency Exchange Rates

### The most important exchange rates

	31.12.2012	30.6.2013	1 HY 2013	31.12.2011	30.6.2012	1 HY 2012
1 USD	0.9133	0.9442	0.9362	0.9351	0.9552	0.9285
1 EUR	1.2073	1.2284	1.2292	1.2167	1.2014	1.2046



#### 4 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 2013	1 HY 2012
Switzerland	1 211	1 612
Germany, Austria	8 080	7 118
Great Britain, Ireland	3 339	3 303
France	3 255	3 006
Other Europe	10 775	10 032
Russia and CIS	3 785	2 841
Middle East and Africa	2 055	2 186
North America	26 053	26 928
Brazil	4 544	4 792
Other South America	4 193	3 568
China	1 807	1 620
India	1 321	1 149
Other Far East, Oceania	4 619	4 867
<b>Net sales</b>	<b>75 037</b>	<b>73 022</b>

##### Net sales by products and services

In CHF 1000	1 HY 2013	1 HY 2012
Endodontics	14 976	15 482
Prosthetics	16 130	15 699
Rotary	5 207	5 721
Restoration	20 624	18 347
Laboratory	3 537	3 707
Infection Control	5 448	5 048
Treatment Auxiliaries	6 857	6 235
Miscellaneous	2 258	2 783
<b>Net sales</b>	<b>75 037</b>	<b>73 022</b>

In the process of a new strategy for COLTENE the allocation of different product groups was refined. Prior year figures were reallocated accordingly.

#### 5 Tax Expenses

Tax expenses of TCHF 1 180 represent a tax rate of 19.1% (prior year 45.8% restated) of the net profit before tax expenses. The tax rate decreased mainly due to profits incurred differently among the subsidiaries, a significant decrease of non capitalized losses at the Brazilian subsidiaries, and a granted tax relief for a period of five to ten years for a subsidiary. The effect of this tax relief is a decrease in current tax expense of TCHF 272 and a tax benefit of TCHF 413 from reduced deferred tax liabilities.

For all other subsidiaries the expected tax rates applied are unchanged to prior year.

#### 6 Employee Benefits

The Swiss pension plan administered by an independent insurance company is accounted for as defined benefit plan according to IAS 19 revised. This revised standard has been applied retrospectively from January 1, 2012 in accordance with IAS 8. Accordingly the following impacts of transition to IAS 19 revised are recognised:

##### Impact on consolidated financial statement

In CHF 1000	30.6.2013	31.12.2012
Decrease/Increase in the defined benefit plan obligation (non-current)	-514	4 420
Decrease in deferred tax liabilities (non-current)	-89	751
<b>Net impact on equity</b>	<b>-425</b>	<b>3 669</b>
Equity holders of the parent	-425	3 669
Non-controlling interest	-425	3 669

Including the existing defined benefit obligation (DBO) under the corridor approach, for defined benefit plan as per December 31, 2012 of TCHF 981 the cumulated total DBO restated equals to CHF 5.4 million.

In addition also interest expenses were reclassified from personnel expenses to financial expenses (TCHF 45). This presentation is a better reflection of the nature of interest since it corresponds to the compounding effect of the long term net defined liability (asset).

Earnings per share and net profit were not effected by the restatement of IAS 19 revised.

#### 7 Equity

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.

Based on the AGM decision of April 15, 2013, the Company distributed CHF 1.80 per share out of reserves from previous capital contributions. Subsequently, the Company paid to its shareholders on April 22, 2013, a total amount of TCHF 7 592.

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## **8 Subsequent Events**

The Board of Directors authorized the Group's interim financial statements on July 25, 2013 for issue. 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

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## Company Capital

The registered shares of COLTENE Holding AG were listed on SIX Swiss Exchange as at 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

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## 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

Valorennummer: 2.534.325

ISIN: CH0025343259

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## Important Dates

Important dates for publications this year and the following year are:

### March 14, 2014

Presentation of annual results 2013  
Financial analysts' and media conference  
Publication of Annual Report 2013

### April 15, 2014

General Meeting of the Shareholders, Altstätten/SG

### August, 2014

Presentation of half-year results 2014  
Conference call/webcast  
Publication of Half-Year Report 2014

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## Internet/E-Mail Bulletins

Further information about COLTENE can be found at [www.coltene.com](http://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](http://www.coltene.com/news).

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