COLTENE®

# Geschäftsbericht
Annual Report

2010

## COLTENE – ein weltweit erfolgreicher Dentalspezialist
COLTENE – a world-wide successful dental specialist

COLTENE®

## COLTENE – ein weltweit erfolgreicher Dentalspezialist

COLTENE (SIX Swiss Exchange: CLTN) ist ein international führendes Unternehmen für Entwicklung, Herstellung und Vertrieb von zahnmedizinischen Verbrauchsgütern und Kleingeräten. COLTENE verfügt in den USA, in der Schweiz sowie in Deutschland und Ungarn über modernste Produktionsstätten. Weltweit vertrauen Zahnärzte und Dentallabors auf Produkte von COLTENE sowohl bei traditionellen als auch implantatbasierten Therapieformen und Zahnrekonstruktionen.

## COLTENE – a world-wide successful dental specialist

COLTENE (SIX Swiss Exchange: CLTN) is an internationally leading developer, manufacturer and seller of dental consumables and small equipment. COLTENE has state-of-the-art production facilities in the USA, in Switzerland, Germany and Hungary. Dentists and dental labs use COLTENE products for traditional as well as implant-based therapies and dental reconstructions.

### KENNZAHLEN / KEY FIGURES

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Nettoumsatz / Net sales | 153 578 | 151 385 |
| Betriebserfolg (EBIT) / Operating profit | 18 441 | 20 337 |
| In % vom Nettoumsatz / In % of net sales | 12.0% | 13.4% |
| Periodenergebnis / Profit for the period | 9 285 | 16 357 |
| Geldfluss aus Betriebstätigkeit / Cash flow from operating activities | 14 172 | 25 354 |
| Investitionen (ohne Beteiligungen) / Investments (without subsidiaries) | 3 335 | 7 504 |
| Free Cashflow / Free cash flow | 10 837 | 17 850 |
| Total Aktiven / Total assets | 158 688 | 157 178 |
| Bankdarlehen / Bank loans | 34 072 | 22 879 |
| Eigenkapital / Shareholder's equity | 97 848 | 110 726 |
| In % des Totals der Aktiven / In % of total assets | 61.7% | 70.4% |
| Dividende pro Aktie / Dividend per share | CHF 1.75 | CHF 3.10 |
| Anzahl Mitarbeiter / Employees | 786 | 767 |

### VERWALTUNGSRAT / BOARD OF DIRECTORS

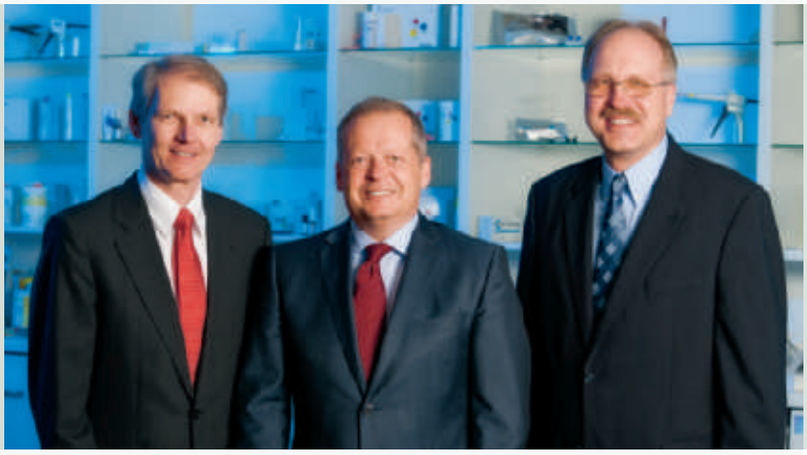
Nick Huber, Präsident / Chairman
Robert Heberlein
Erwin Locher
Matthew Robin
Jerry Sullivan

### UNTERNEHMENSLEITUNG / EXECUTIVE MANAGEMENT

Andreas Meldau, CEO
Dr. Hans Grüter, CFO

## Solides Umsatzplus und Betriebsergebnis – Einbussen durch Vigodent SA und Währungseffekte

- Umsatz von CHF 153,6 Mio.; organisches Wachstum (ohne Vigodent und währungsbereinigt) von 6,2%
- China und Indien mit starkem zweistelligem Umsatzzuwachs
- Betriebsergebnis (EBIT) mit CHF 18,4 Mio. 9,3% unter Vorjahr; ohne Vigodent und währungsbereinigt mit CHF 23,0 Mio. über Vorjahr (Vj. CHF 20,3 Mio.)
- Free Cashflow (vor Investitionen in Beteiligungen) mit CHF 10,8 Mio. unter Vorjahr
- Hoher Eigenfinanzierungsgrad von 61,7%
- Antrag auf Auszahlung einer Dividende von CHF 1.75 je Aktie



Personen von links nach rechts/
Persons from left to right:
**Dr. Hans Grüter,** CFO;
**Nick Huber,** Präsident des Verwaltungsrats/
Chairman of the Board of Directors;
**Andreas Meldau,** CEO

## Solid revenue increase and operating profit – Vigodent SA and currency effects weigh on results

- Revenue of CHF 153.6 million; organic growth 6.2% (excluding Vigodent and adjusted for currency effects)
- China and India with strong double-digit revenue growth
- Operating profit (EBIT) down by 9.3% to CHF 18.4 million year-on-year; without Vigodent and adjusted for currency rate effects up to CHF 23.0 million (2009: CHF 20.3 million)
- Free cashflow (before investments in associates) at CHF 10.8 million below prior year
- Strong equity ratio of 61.7%
- Proposed dividend payment of CHF 1.75 per share

## DEAR SHAREHOLDERS

COLTENE performed well in its traditional markets in 2010. The results, however, were negatively affected by developments at the Brazilian company Vigodent SA and adverse currency effects.

As expected, the revenue increase achieved in the first half of 2010 exceeded that of the second half, which was largely due to the comparatively lower results recorded in the first half of 2009. Revenue distribution also differed somewhat compared with the corresponding previous quarters. Order intake was up in the second quarter, while it was slightly below average in the fourth quarter compared with the same prior-year periods. Overall, COLTENE stands to benefit from this tendency to a more linear sales development, which is also a more accurate reflection of the market situation.

Business development and the related revenue increases in China and India were particularly gratifying in 2010 as they are the direct result of targeted marketing efforts to build and cultivate these markets. Additional highlights were achieved in Italy and Latin America: We established our own sales team in Italy and were able to achieve a targeted expansion of our opinion leader network in Latin America, which is already highly familiar with COLTENE products and services. Both measures will optimise business in these promising regional dental markets of the future. In the context of an overall flat global market development, COLTENE achieved a rewarding currency-adjusted organic sales growth of 6.2%. This result, however, primarily compensated for the losses recorded in 2009, which were mainly due to the destocking that took place.

Besides negative exchange rate impacts, the developments at Vigodent SA in Brazil had a considerable impact on COLTENE's results for the period under review. In July 2009, COLTENE acquired a 40% stake in Vigodent SA, which was expanded to 100% in October 2010. As minority shareholder, the partnership with the previous Vigodent owner was no longer sustainable: Too many performance indicators were showing a downward trend. COLTENE therefore decided to acquire 100% of the company and assume full control. The acquisition was completed at the end of October 2010, a turnaround process was immedi-

## AN UNSERE AKTIONÄRINNEN UND AKTIONÄRE

In den angestammten Märkten hat COLTENE im Geschäftsjahr 2010 recht gut gearbeitet. Die Resultate wurden aber durch die Entwicklung bei der brasilianischen Vigodent SA und durch negative Währungseffekte geschmälert.

Die Umsatzsteigerung war im ersten Halbjahr 2010 erwartungsgemäss stärker als im zweiten, was sich nicht zuletzt durch die tieferen Vergleichswerte vom ersten Semester 2009 erklärt. Auch die Umsatzverteilung wich in den einzelnen Quartalen etwas vom Muster der Vorjahre ab. Das zweite Quartal schlug auftragsmässig stärker zu Buche, während das vierte Quartal unter dem Durchschnitt der Vorjahre blieb. Diese Tendenz zu einer lineareren Umsatzentwicklung ist für COLTENE vorteilhafter, denn sie entspricht den effektiven Marktgegebenheiten deutlich besser.

In China und Indien waren die Geschäftsentwicklung und das Umsatzwachstum 2010 besonders positiv. Sie sind das Ergebnis des konsequenten Auf- und Ausbaus in diesen Märkten. Neue Schwerpunkte konnten auch in Italien und Lateinamerika gesetzt werden: In Italien durch die Implementierung einer eigenen Verkaufsmannschaft und in Lateinamerika durch die gezielte Erweiterung des mit COLTENE Produkten und Leistungen bestens vertrauten Meinungsbildner-Netzwerks – beides Massnahmen zur weiteren Optimierung der Geschäftstätigkeit am regionalen Dentalmarkt in der Zukunft. Insgesamt weist COLTENE bei einer global betrachtet flachen Marktentwicklung währungsbereinigt ein erfreuliches Umsatzplus von 6,2% aus. Dies kompensiert jedoch in erster Linie die Einbussen in 2009, welche hauptsächlich auf den Lagerabbau zurückzuführen waren.

Neben negativen Währungseinflüssen wurde der Jahresabschluss 2010 von COLTENE vor allem durch die Entwicklung bei Vigodent SA in Brasilien getrübt. COLTENE hatte bereits im Juli 2009 einen 40%-Anteil an Vigodent SA erworben und hat das Unternehmen im Oktober 2010 nun zu 100% übernommen. In einer Minderheitsposition war die Partnerschaft mit dem vormaligen Eigentümer nicht mehr aufrecht zu halten; die Firmenentwicklung war bei zu vielen Kennzahlen negativ. Daher beschloss COLTENE, 100% der Anteile an Vigodent SA und damit die vollständige Kontrolle zu übernehmen. Ende Oktober 2010 wurde der Erwerb

ately initiated, and effective as of the end of last year a new local General Manager was appointed for Vigodent SA. Even so, Vigodent's results weighed heavily on COLTENE's full year 2010 results.

Operating profit (EBIT) dropped from CHF 20.3 million in 2009 to CHF 18.4 million for the full year 2010. Operating profit adjusted for exchange rate effects and eliminating the impact of Vigodent was CHF 23.0 million and would have exceeded the prior-year figure. Free cashflow also fell considerably to CHF 10.8 million from CHF 17.9 million in 2009.

COLTENE reports a profit of CHF 9.3 million for the full year 2010; profits were down over the prior-year figure of CHF 16.4 million due to the reasons explained above. This amounts to earnings per share of CHF 2.24 for 2010 compared with CHF 3.94 for 2009.

Per year-end, COLTENE continues to show a healthy balance sheet with a solid equity ratio of 61.7%, maintaining COLTENE's strong foundation for future growth, sustainable expansion and the demands that come with such growth.

The Board of Directors will propose to the Annual General Meeting on April 28, 2011 the payment of a dividend in the amount of CHF 1.75 per share. This equals a payout ratio of 78.1%.

abgeschlossen und ein Turnaround eingeleitet. Noch per Ende des letzten Jahres wurde ein neuer General Manager vor Ort bei Vigodent SA eingesetzt. Das Ergebnis von Vigodent SA hat jedoch den Erfolg von COLTENE 2010, erheblich geschmälert.

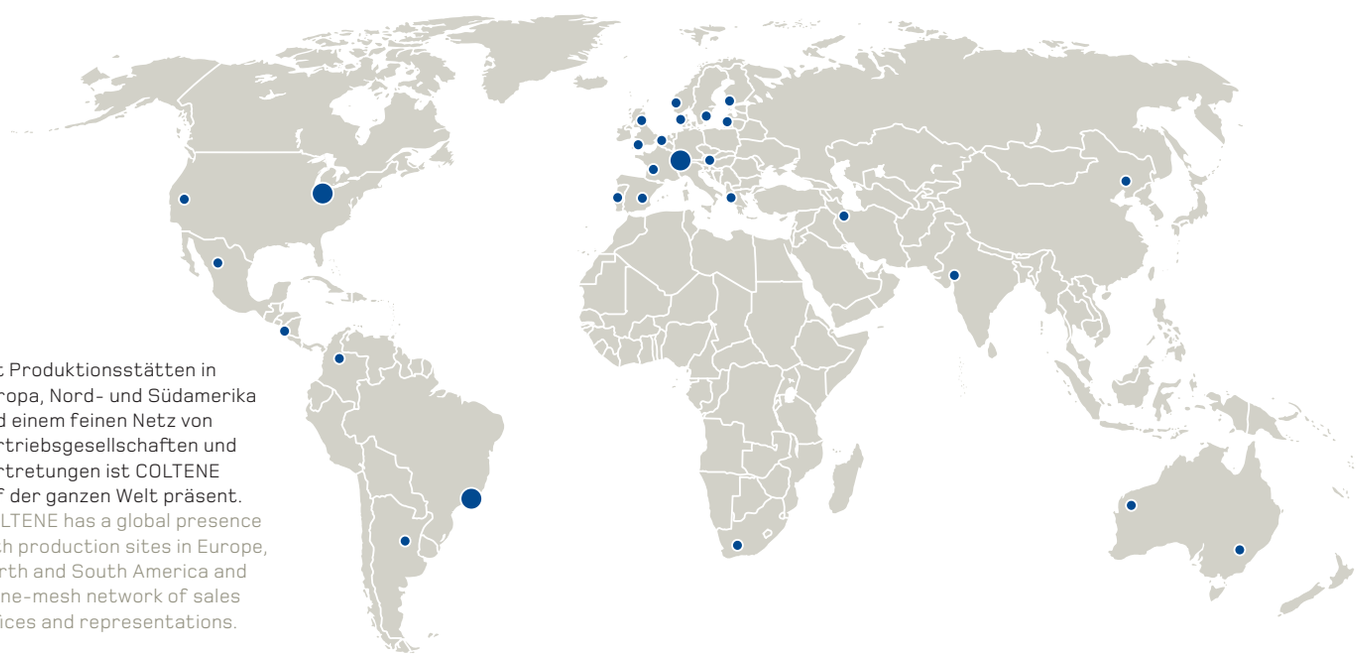
Das Betriebsergebnis (EBIT) fiel im Geschäftsjahr 2010 von CHF 20,3 Mio. im Vorjahr auf CHF 18,4 Mio. zurück. Bereinigt um Währungseffekte und ohne Vigodent läge es mit CHF 23,0 Mio. über Vorjahr. Auch der Free Cashflow von CHF 10,8 Mio. fiel deutlich tiefer aus als im Geschäftsjahr 2009, als er bei CHF 17,9 Mio. lag.

Für das Geschäftsjahr 2010 weist COLTENE einen Gewinn von CHF 9,3 Mio. aus; er liegt aufgrund der oben angeführten Einflüsse tiefer als im Vorjahr mit CHF 16,4 Mio. Dadurch resultiert ein Gewinn je Aktie von CHF 2.24 im Vergleich zu CHF 3.94 je Aktie im Vorjahr.

Per Jahresende weist COLTENE weiterhin eine gesunde Bilanz aus, wie die solide Eigenkapitalquote von 61,7% zeigt. COLTENE besitzt damit nach wie vor eine starke Basis für zukünftiges Wachstum, nachhaltige Expansion und die damit verbundenen Aufgaben.

Der Verwaltungsrat schlägt der Generalversammlung vom 28. April 2011 die Entrichtung einer Dividende von CHF 1.75 pro Aktie vor. Dies entspricht einer Gewinnausschüttungsquote von 78,1% des Ergebnisses.

COLTENE: WELTWEITE PRÄSENZ
COLTENE: GLOBAL PRESENCE



Mit Produktionsstätten in Europa, Nord- und Südamerika und einem feinen Netz von Vertriebsgesellschaften und Vertretungen ist COLTENE auf der ganzen Welt präsent.
COLTENE has a global presence with production sites in Europe, North and South America and a fine-mesh network of sales offices and representations.

## SALES DEVELOPMENT

Year-on-year consolidated sales rose by 1.4% to CHF 153.6 million. Vigodent SA contributed CHF 2.0 million to consolidated sales in the two months of November and December. Against the backdrop of globally flat markets, the sales figures in local currency terms demonstrate that our presence across target markets is broadly based and that the global dental market continues to offer sustainable growth opportunities for our company. Thanks to its global reach, COLTENE can generally compensate fluctuations in individual countries. The following information on revenue and growth developments are not adjusted for exchange rate impacts.

**Positive developments in China and India**

COLTENE achieved especially strong growth rates in the emerging markets China and India in 2010. The continued and consistent expansion of our subsidiaries has been bearing fruit for several years. **India** nearly doubled sales (+93%) amid a favourable economic climate. **China** recorded high double-digit sales growth (+58%) thanks to investments in marketing and distribution. The targeted market development and staff expansion have strengthened COLTENE's market position in these key growth markets.

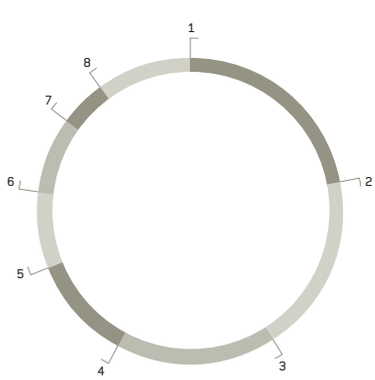
## UMSATZENTWICKLUNG

Im Jahresvergleich ist der konsolidierte Umsatz von COLTENE um 1,4% auf CHF 153,6 Mio. gestiegen. Vigodent SA trug in den beiden konsolidierten Monaten November und Dezember CHF 2,0 Mio. zum Gruppenumsatz bei. Vor dem Hintergrund einer global gesehen flachen Marktentwicklung zeigt die Umsatzentwicklung in Lokalwährungen, dass wir in unseren Märkten grundsätzlich breit abgestützt sind und der weltweite Dentalmarkt unserem Unternehmen weiterhin eine nachhaltige Entwicklung ermöglicht. Schwankungen in einzelnen Ländermärkten kann COLTENE in der Regel durch seine globale Ausrichtung ausgleichen. Die Umsatz- beziehungsweise Wachstumsangaben sind in der Folge nicht währungsbereinigt.

**China und Indien mit positiver Entwicklung**

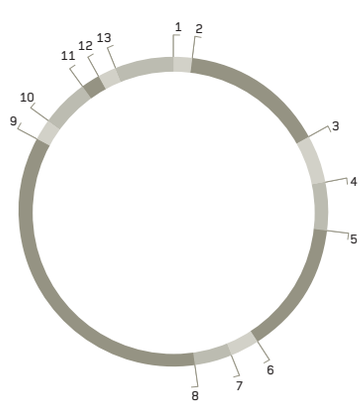
Ein besonders starkes prozentuales Wachstum in 2010 verzeichnete COLTENE in den Schwellenländern China und Indien. Der kontinuierliche und konsequente Marktausbau der Tochtergesellschaften trägt seit einigen Jahren Früchte. In **Indien** verdoppelte sich in einem positiven Wirtschaftsumfeld der Umsatz nahezu (+93%), und in **China** wuchsen die Verkäufe dank der Investitionen in Marketing und Vertrieb im hohen zweistelligen Bereich (+58%). Die gezielte Markterschliessung und der personelle Ausbau der eigenen Niederlassungen haben die Marktposition von COLTENE in diesen wichtigen Wachstumsmärkten gefestigt.

### NETTOUMSATZ NACH PRODUKTEN UND DIENSTLEISTUNGEN 2010
### NET SALES BY PRODUCTS AND SERVICES 2010




| | | |
|---|---|---|
| 1 | Restoration | 22% |
| 2 | Impression | 19% |
| 3 | Endodontics | 17% |
| 4 | Hygiene and Surgical | 11% |
| 5 | Units/Accessories | 8% |
| 6 | Rotary | 8% |
| 7 | Laboratory | 5% |
| 8 | Miscellaneous | 10% |

### NETTOUMSATZ NACH GEOGRAFISCHEN REGIONEN 2010
### NET SALES BY GEOGRAPHIC REGIONS 2010




| | | |
|---|---|---|
| 1 | Switzerland | 2% |
| 2 | Germany, Austria | 15% |
| 3 | Great Britain, Ireland | 5% |
| 4 | France | 5% |
| 5 | Other Europe | 14% |
| 6 | Russia and other CIS | 3% |
| 7 | Middle East and Africa | 4% |
| 8 | North America | 35% |
| 9 | Brazil | 2% |
| 10 | Other South America | 5% |
| 11 | China | 2% |
| 12 | India | 2% |
| 13 | Other Far East, Oceania | 6% |

Die AFFINIS-Produktfamilie konnte 2010 ihr 10-jähriges Jubiläum feiern. Eine perfekte AFFINIS-Abformung ist der Schlüssel zu passgenauen Restaurationen. Sie bildet die Grundlage für das erfolgreiche Teamwork zwischen Zahnarzt und Zahntechniker.
The AFFINIS product line was able to celebrate its 10th anniversary. A perfect AFFINIS impression is the key to accurate restorations. It is the basis for the successful teamwork between dentist and dental technician.

**Latin American** countries (without Brazil) also saw very satisfying consolidated revenue growth of 7%. COLTENE achieved above-average growth in Mexico, Peru and Venezuela. But smaller countries like Costa Rica, Guatemala and Honduras also made considerable contributions to growth. In Latin America, the focused expansion of these markets and ongoing efforts to deepen our network of opinion leaders is clearly paying off. In **Brazil**, COLTENE consolidated Vigodent's revenues into its sales figures since completion of the takeover in October 2010, i.e. for the two months of November and December. While the overall business in Brazil developed well (+80%), Vigodent reported disappointing sales which will require careful examination throughout the turnaround process. COLTENE, however, remains convinced that Vigodent provides us with a good basis from which we can grow and expand our product offering in Brazil and beyond.

Sales to the **CIS region** (former Soviet Union) rose by 6%. The successful course, which was set in recent years, coupled with the forging of close partnerships in Russia, among other countries, enable continued growth and reliable planning.

**North America** saw sales grow in both the USA and Canada at a total of 4%, which was due in particular to a stronger second half. This is a good result given the region's persistently difficult economic environment. The market is slowly recovering but dealers' inventories are still too high.

In den **lateinamerikanischen Staaten** (ohne Brasilien) resultierte ebenfalls ein erfreuliches konsolidiertes Umsatzwachstum von 7%. COLTENE erzielte vor allem in Mexiko, Peru und Venezuela eine überproportionale Steigerung. Aber auch kleinere Länder wie Costa Rica, Guatemala und Honduras trugen erheblich zum Wachstum bei. In Lateinamerika zahlt sich der gezielte Ausbau der Märkte und die laufende Verbreitung des Meinungsbildner-Netzwerks aus. In **Brasilien** konsolidierte COLTENE aufgrund der im Oktober 2010 abgeschlossenen Übernahme der Vigodent SA die Umsätze dieser Gesellschaft seit der erfolgten Transaktion, also für die Monate November und Dezember. Während das gesamte Brasiliengeschäft bei COLTENE im Vergleich zum Vorjahr positiv aussieht (+80%), war das erzielte Umsatzergebnis bei Vigodent SA nicht befriedigend und bedarf im Turnaround-Prozess grosser Aufmerksamkeit. COLTENE ist aber nach wie vor überzeugt, mit Vigodent SA in Brasilien und darüber hinaus eine gute Basis für das Marktwachstum und den Ausbau der Produktpalette zu haben.

In der **GUS-Region** (frühere Sowjetunion) stieg der Umsatz erneut um 6%. Die erfolgreichen Weichenstellungen der letzten Jahre und die unter anderem in Russland etablierten engen Partnerschaften ermöglichen kontinuierliches Wachstum und verlässliche Planungen.

In **Nordamerika** stiegen die Verkäufe vor allem dank eines stärkeren zweiten Halbjahres sowohl in den USA als auch in Kanada um rund 4%. Dies ist gemessen an der wirtschaftlich unverändert schwierigen Situation dieser Region ein sehr gutes Resultat. Der Markt erholt sich langsam, aber die Händler haben noch immer zu hohe Lagerbestände.

**Europe** – In **Germany** and **Austria** consolidated sales grew by approximately 2%, in **Switzerland** by 11%, while **France** showed a decrease of 1%. The sales development in these countries is primarily attributable to targeted efforts at key clients. The rest of Europe failed to meet expectations. This is particularly true for Southern Europe, Eastern Europe, UK and Scandinavia. One noteworthy exception is **Italy** – a key region in Southern Europe and one of Europe's most important dental markets. The set up of our own sales team represents a key step toward a successful future and has already resulted in appealing growth figures. We are currently considering similar ideas for Eastern Europe with the aim of returning to the traditional and positive growth of previous years.

**Japan** also clearly failed to meet expectations and we were unable to repeat the success of the prior-year. The launch of new products (particularly prosthetics) did not advance as planned with our current partner. Along with **South Korea** where COLTENE is exposed to tough competition from local manufacturers, the entire region of Southeast Asia failed to attain its sales targets and clearly lagged behind last year's performance.

**Broad based growth across all product groups**
Most product groups showed increasing sales. The categories of aesthetic restoration, rotary instruments, products for hygiene and surgical equipment, as well as laboratory products developed particularly favourably. COLTENE was again able to achieve key successes in implant technology. The company celebrated the ten-year anniversary of AFFINIS in 2010: **AFFINIS impression materials** are particularly suitable for the production of highly accurate dental and jaw impressions, which is a prerequisite for precise dentures or for state-of-the-art implants. In addition, last fall saw the successful launch of **HyFlex™ Controlled Memory NiTi** files for root canal treatment: The file has the ability to follow the anatomy of the root canal very closely, reducing the risk of transportation or perforation. **SYNERGY D6 Flow** is delivering good results in the category of filling products: It is an ideal complement in filling therapy as it covers a wide range of natural tooth shades. Laboratory equipment also developed well: The PINDEX system has been

**Europa** – In **Deutschland** und **Österreich** stieg der konsolidierte Umsatz um rund 2%, in der **Schweiz** um 11%, während in **Frankreich** der Umsatz minus 1% betrug. Die Umsatzentwicklung in diesen Ländern geht vor allem auf gezielte Massnahmen im Bereich der Schlüsselkunden zurück. Im übrigen Europa blieb die Entwicklung hinter den Erwartungen zurück. Dies gilt insbesondere für Südeuropa, Osteuropa, Grossbritannien und Skandinavien. Eine Ausnahme bildet dabei **Italien** – eine wesentliche Region innerhalb Südeuropas und einer der wichtigsten Dentalmärkte Europas. Mit der Einsetzung einer COLTENE-eigenen Organisation konnte eine wichtige Weiche für eine erfolgreiche Zukunft gestellt und ein ansprechendes Umsatzwachstum in 2010 erzielt werden. Für Osteuropa werden aktuell dieselben Überlegungen angestrengt, um zu den gewohnten, positiven Wachstumsgrössen der letzten Jahre zurückzukehren.

Ebenfalls klar unter den Erwartungen blieb die Entwicklung in **Japan,** wo wir nicht an die Erfolge des Vorjahres anschliessen konnten. Die Einführung neuer Produkte (speziell Prothetik) konnte zusammen mit dem bestehenden Partner nicht wie geplant vorangetrieben werden. Nebst **Südkorea,** wo COLTENE unter anderem einem starken Wettbewerb durch lokale Hersteller ausgesetzt ist, konnte auch die gesamte Region Südostasien die geplanten Verkaufszahlen nicht erreichen und blieb klar unter Vorjahresniveau.

Das PINDEX-Standardmodell-System ist seit Jahrzehnten die Referenz in der Zahntechnik. PINDEX Split Sleeves wirken als präzise Verankerungen für einzelne Pins. Das PINDEX-Sleeve-Design ermöglicht das automatische und individuelle Justieren jedes einzelnen Pins.
The PINDEX standard model system is considered to be the benchmark for orthodontic work. PINDEX Split Sleeves act as precise anchors for individual pins. The PINDEX Sleeve design enables the automatic and individual adjusting of every pin.

for many years the standard model for orthodontic work. **PINDEX Split Sleeves** act as precise anchors for individual pins and this special design allows the dental technician to automatically and individually adjust single pins. Surgical equipment has also delivered highly positive results: The ultra-modern **PerFect TCS II** helps dentists to manage gingiva with greater efficiency, and thus replaces the common scalpel. Advantages are, considerably reduced bleedings and an accelerated healing process. Continuous product development coupled with the integration of new technologies make it possible for COLTENE to expand its comprehensive product portfolio on an ongoing basis.

## PROFITABILITY

COLTENE closed fiscal year 2010 with a solid operating profit. Raw materials including inventories made up 28.8% of sales in 2010 versus 28.6% in 2009. In total, personnel costs and other expenses increased compared with the prior-year period by CHF 2.7 million. This equates to an increase of 3.3%. The rise in costs is mainly attributable to the continued expansion of the sales organisation and greater market development efforts in various market regions. EBIT for 2010 was CHF 18.4 million, down by 9.3% compared

SYNERGY D6 Flow ist ein Universalkomposit welches die Füllungstherapie sehr erleichtert. Dank den hervorragenden optischen Einblendeigenschaften kann ein weites Zahnfarbspektrum abgedeckt werden.
The SYNERGY D6 is a universal composite focused on simplifying filling therapy. Thanks to the excellent optical self-blending properties a wide spectrum of tooth shades can be covered.

**Breites Wachstum in allen Produktgruppen**

Auf der Produktseite stiegen die Umsätze in den meisten Produktgruppen. Besonders erfolgreich waren die Kategorien ästhetische Zahnrestaurationen, rotierende Instrumente, Produkte aus dem Hygiene- und Operationsbedarf sowie Produkte für den Laborbereich. COLTENE konnte auch in diesem Jahr wieder wichtige Erfolge bei der Implantattechnik verzeichnen. Im Berichtsjahr feierte COLTENE das 10-jährige Jubiläum von AFFINIS. Die ideal abgestimmten **AFFINIS-Abformmaterialien** eignen sich hervorragend für dimensionsgetreue Zahn- und Kieferabformungen – eine notwendige Voraussetzung für präzisen Zahnersatz oder für hochmoderne Implantate. Ferner wurden im letzten Herbst im Bereich der Wurzelkanalbehandlung die **HyFlex™-Controlled-Memory-NiTi-Feilen** erfolgreich lanciert. Die Feile passt sich optimal an die Kanalanatomie an und reduziert somit die Risiken einer Verlagerung oder Perforation des Wurzelkanals. Im Bereich der Füllungsmaterialien erzielte **SYNERGY D6 Flow** gute Resultate. SYNERGY D6 Flow ist eine ideale Ergänzung in der Füllungstherapie, denn es deckt ein weites Zahnfarbenspektrum ab. Weiter hat sich auch das Laborsegment gut entwickelt. Das PINDEX-System ist seit vielen Jahren das Standardmodell in der Zahntechnik. Die **PINDEX Split Sleeves** eignen sich als präzise Verankerungen für einzelne Pins; das spezielle Design ermöglicht es dem Zahntechniker, einzelne Pins automatisch und individuell zu justieren. Ebenso positiv hat sich der Bereich Operationsbedarf entwickelt. Das hochmoderne Elektrochirurgiegerät **PerFect TCS II** unterstützt den Zahnarzt bei der präzisen und effizienten Behandlung von Zahnfleisch und ersetzt das klassische Skalpell. Die Vorteile sind, deutlich reduzierte Blutungen und ein beschleunigter Heilungsprozess. Die konstante Entwicklungsarbeit sowie die Integration neuer Technologien ermöglichen es COLTENE, das umfassende Produktsortiment kontinuierlich zu erweitern.


Die HyFlex-Controlled-Memory-NiTi-Feilen passen sich optimal an die Kanalanatomie an, können mehrfach sicher verwendet werden und haben eine bis zu 300% höhere Ermüdungsbeständigkeit.
The HyFlex Controlled Memory NiTi files optimally adapt to the anatomy of the canal, are safe for multi-use and are up to 300% more resistant to fatigue separation.

with 20.3 million in 2009. The EBIT margin was 12.0% for fiscal year 2010 after 13.4% in the prior year. Adjusted for currency effects and Vigodent's costs, the EBIT margin would have been 14.3%, and thus would have exceeded the prior-year figure by almost one percentage point.

In addition to interest income and interest paid, financial expenses also include the valuation of the participation in Brazilian Vigodent SA, which was taken over 100% as of October 29, 2010. Vigodent SA clearly missed its sales targets while it was not possible on the earnings side to reduce costs in equal measure. Consequently, COLTENE recorded a loss of CHF 0.8 million relating to the participation in Vigodent for the months of January to October and an impairment of CHF 3.0 million. The share purchase agreement for the remaining 60% was valued positively at CHF 1.2 million at the moment of the acquisition of the remaining share, resulting in a total loss of CHF 2.6 million. Total profits also comprise exchange rate losses of CHF 1.9 million after exchange rate gains of CHF 0.6 million were recorded in the prior-year period.

At CHF 4.0 million, tax expenses were only slightly lower than last year even though profits before taxes were significantly lower. Key reasons for this were that the various companies recorded different profit levels compared with the prior year as well as one-time effects such as non-deductible expense items in fiscal year 2010. Profits attained CHF 9.3 million, down by 43.2% compared with CHF 16.4 million in 2009.

## ERTRAGSLAGE

COLTENE schloss das Geschäftsjahr 2010 mit einem soliden Betriebserfolg ab. Der Materialaufwand inklusive Lagerveränderungen betrug 2010 gemessen am Umsatz 28,8% gegenüber 28,6% im Vorjahr. Der Personalaufwand und der übrige Aufwand nahmen in der Summe im Vergleich zum Vorjahr um CHF 2,7 Mio. zu. Dies entspricht einem Wachstum von 3,3%. Die Zunahme der Kosten ist zum grössten Teil im weiteren Ausbau der Verkaufsorganisation sowie in der vertieften Bearbeitung verschiedener Marktregionen begründet. Das Betriebsergebnis erreichte CHF 18,4 Mio. und lag damit 9,3% unter dem Vorjahreswert von CHF 20,3 Mio. Die EBIT-Marge betrug im Geschäftsjahr 2010 12,0% nach 13,4% im Vorjahr. Währungsbereinigt und um die Kostenfolge bei Vigodent adjustiert hätte die EBIT-Marge 14,3% betragen und damit den Vorjahreswert um fast einen Prozentpunkt übertroffen.

Im Finanzaufwand abgebildet ist neben Zinsertrag und Zinsaufwand auch die Bewertung der Beteiligung an der brasilianischen Gesellschaft Vigodent SA, die per 29. Oktober 2010 zu 100% akquiriert wurde. Vigodent SA verfehlte die Erwartungen an die Umsatzentwicklung deutlich, und auf der Ertragsseite konnten die Kosten nicht im Gleichschritt reduziert werden.
Als Folge des resultierenden Verlustes musste für die Monate Januar bis Oktober ein anteiliger Beteiligungsverlust von CHF 0,8 Mio. und eine Wertberichtigung von CHF 3,0 Mio. gebucht werden. Die Kaufoption für die verbleibenden 60% stellte zum Erwerbszeitpunkt einen positiven Wert von CHF 1,2 Mio. dar, so dass in der Summe ein Verlust von CHF 2,6 Mio. resultierte. Zudem umfasst das gesamte Finanzergebnis einen Währungsverlust von CHF 1,9 Mio. nach einem Währungsgewinn von CHF 0,6 Mio. in der Vorjahresperiode.

Mit CHF 4,0 Mio. ist der Steueraufwand nur unwesentlich tiefer als im Vorjahr, obwohl der Gewinn vor Steuern deutlich tiefer ausgefallen ist. Wesentliche Gründe sind die unterschiedlich angefallenen Gewinnbeiträge der einzelnen Gesellschaften im Vergleich zum Vorjahr sowie Sondereffekte wie beispielsweise steuerlich nicht abzugsfähige Aufwandpositionen im Geschäftsjahr 2010. Das Periodenergebnis erreichte CHF 9,3 Mio. und lag damit 43,2% unter dem Vorjahreswert von CHF 16,4 Mio.

## CASHFLOWS AND BALANCE SHEET

COLTENE has run its business successfully in a sustainable and consistent way within a slowly recovering economic environment. For fiscal year 2010 COLTENE generated cashflow from operating activities in the amount of CHF 14.2 million after CHF 25.4 million in 2009. Besides the lower profit for the period, the lower cashflow was mainly attributable to a build-up in inventories. This was also a consequence of the fourth quarter's below average sales development.

Cashflow from investing activities comprises the full takeover of Vigodent SA in the second half of the period under review in the amount of CHF 6.0 million. Investments in machines and equipment amounted to CHF 1.8 million as well as investments in intangible assets of CHF 1.6 million, especially for the installation of a Group-wide ERP system. SAP was introduced successfully in Switzerland at the end of 2010. Germany will follow in 2011, with the US next in line. These investments streamline our organisational structures while also improving processes at Group management level.

With bank debts at CHF 34.1 million, COLTENE's healthy balance sheet continues to show a high equity ratio of 61.7%, which ensures financial stability and entrepreneurial independence.

The Board of Directors will propose the payment of a dividend in the amount of CHF 1.75 per share at a nominal value of CHF 0.10 to the Annual General Meeting on April 28, 2011. Based on the share price of CHF 57.00 (per December 30, 2010), this amounts to a dividend yield of approximately 3.1% and is equivalent to a payout ratio of 78.1% of the period's net profit. With this, the Board of Directors maintains its dividend policy and, based on COLTENE's successful business model, is convinced that it will be able to continue to pay attractive dividends in the future.

## CASHFLOW UND BILANZ

COLTENE hat in der sich langsam stabilisierenden Wirtschaftslage nachhaltig und kontinuierlich gewirtschaftet. Für das Geschäftsjahr 2010 generierte COLTENE einen Geldfluss aus operativer Tätigkeit von CHF 14,2 Mio. nach CHF 25,4 Mio. im Vorjahr. Neben dem reduzierten Periodengewinn war der Lageraufbau im Vergleich zum Vorjahr der Hauptgrund für den tieferen Geldfluss aus operativer Tätigkeit. Dies nicht zuletzt infolge des im Vergleich zu den Vorjahren unterdurchschnittlichen Umsatzes im vierten Quartal.

Der Mittelfluss aus Investitionstätigkeit zeigt im Berichtsjahr die Ausgaben für den vollständigen Erwerb von Vigodent SA in der zweiten Jahreshälfte in der Höhe von CHF 6,0 Mio., Investitionen in Maschinen und Anlagen von CHF 1,8 Mio. sowie Investitionen in immaterielle Anlagen von CHF 1,6 Mio., insbesondere für die Einrichtung eines gruppenweiten ERP-Systems. Ende 2010 wurde SAP in der Schweiz bereits erfolgreich eingeführt. In 2011 werden Deutschland und danach die USA folgen. Diese Investitionen straffen die Organisationsstrukturen und verbessern zusätzlich die Prozesse auf Gruppenleitungsstufe.

Bei Bankschulden von CHF 34,1 Mio. weist die gesunde Bilanz von COLTENE per Ende 2010 nach wie vor eine hohe Eigenkapitalquote von 61,7% aus. Dies garantiert weiterhin die finanzielle Stabilität und die unternehmerische Unabhängigkeit des Unternehmens.

Der Verwaltungsrat wird der Generalversammlung vom 28. April 2011 die Entrichtung einer Dividende von CHF 1.75 je Aktie im Nennwert von CHF 0.10 vorschlagen. Basierend auf einem Aktienkurs von CHF 57.00 (per 30. Dezember 2010) ergibt dies eine Dividendenrendite von rund 3,1%. Gemessen am Periodengewinn beträgt die Ausschüttungsquote 78,1%. Der Verwaltungsrat von COLTENE führt damit die bisherige Dividendenpolitik fort und ist aufgrund des erfolgreichen Geschäftsmodells von COLTENE überzeugt, auch in Zukunft weiterhin attraktive Dividenden ausbezahlen zu können.


Das PerFect TCS II ist ein Hochfrequenz-Elektrochirurgiegerät, das hilft Zahnfleisch mit grosser Effizienz, Präzision und weniger Blutungen als mit gewöhnlichen Skalpellen zu behandeln. Das Produkt eignet sich auch für weitere klinische Applikationen.
PerFect TCS II is a high frequency electrosurgery instrument, which helps to manage gingiva with greater efficiency, precision and less bleeding than a common scalpel. The product is also suited for other clinical applications.

## STRATEGY EXECUTION SUSTAINED GROWTH

COLTENE is striving to attain a broadly based and solid market position in the global dental market. In order to systematically recognise and leverage growth potential, COLTENE needs a comprehensive product portfolio which needs ongoing innovative expansion. Having built a strong proximity to local markets over the years enables COLTENE to align its product programme effectively with the true needs of dentists and laboratories and generate added value. This is the basis from which COLTENE wants to increase its market shares in emerging markets, while maintaining and – in some instances – even expanding its position in Europe and North America.

COLTENE has a viable company strategy in place, which is – thanks to its ability to expand – coupled with a global presence. The company can also boast financial stability and a clear management structure. These competitive strengths enable the company to capture new market shares in traditional and emerging markets like India, China and Brazil. On top of traditional marketing activities via distribution partners, COLTENE continues to successfully rely on practice-oriented workshops, establishing opinion leader networks and web-based training modules and seminars. The next generation of dentists is targeted and professionally trained via the Global Institute for Dental Education (gIDE). This global provider of dental training services is renowned internationally and in 2010 COLTENE organised various seminars in partnership with gIDE, thus deepening its brand awareness and product benefits among dentists across the globe.

## STRATEGIEUMSETZUNG NACHHALTIGES WACHSTUM

COLTENE strebt eine breite und solide abgestützte Positionierung im weltweiten Dentalmarkt an. Um Wachstumspotenziale systematisch erkennen und erschliessen zu können, benötigt COLTENE ein umfassendes Produktsortiment. Dieses gilt es permanent innovativ zu ergänzen. Durch die über die Jahre gewonnene Nähe zum Markt kann COLTENE das Produktprogramm auf die praktischen Bedürfnisse der Zahnärzte und Labors ausrichten und damit einen Zusatznutzen schaffen. Auf dieser Grundlage will COLTENE Marktanteile zum einen in den Schwellenländern erhöhen, zum anderen aber auch in Europa sowie in Nordamerika zumindest halten und punktuell weiter ausbauen.

COLTENE verfügt über eine entwicklungsfähige Unternehmensstrategie und dank hoher Expansionskraft über eine weltweite Präsenz. Zudem zeichnet sich das Unternehmen durch finanzielle Stabilität und durch eine klar strukturierte Management-Organisation aus. Diese Wettbewerbsvorteile ermöglichen es dem Unternehmen, in angestammten Märkten sowie in aufstrebenden Ländern wie Indien, China und Brasilien neue Marktanteile zu sichern. Neben der traditionellen Marktbearbeitung durch Distributionspartner setzt COLTENE mit Erfolg auf praxisorientierte Workshops, die Etablierung von Meinungsbildner-Netzwerken und auf webbasierte Ausbildungsmodule und -lehrgänge. Die nächste Generation von Zahnärzten wird zum Beispiel mittels Global Institute for Dental Education (gIDE) gezielt angesprochen und professionell geschult. Dieser globale Anbieter von zahnmedizinischen Schulungen geniesst international hohes Renommee. COLTENE organisierte in Zusammenarbeit mit gIDE weltweit verschiedene Seminare im Jahr 2010 und verankert somit den Bekanntheitsgrad und Nutzen der COLTENE Marke bei den Zahnärzten.

2010 präsentierte COLTENE eigene Produkte und langjährige Erfahrungen wiederum auf renommierten internationalen Medizinal- und Dentalmessen (unter anderem in São Paulo und Chicago) sowie auf verschiedenen regionalen und nationalen Messen in Thailand, den USA, Europa und Panama. Ferner organisierte das Unternehmen periodische Tagungen, um führende

COLTENE again showcased its products and long-standing expertise in 2010 at renowned international medical and dental trade shows, such as those in Chicago and Sao Paolo, as well as various regional and national trade shows in Thailand, USA, Europe and Panama. Moreover, the company regularly invites leading dentists to gain hands-on experience in COLTENE's world of products during meetings. In autumn 2010, more than 500 dental specialists took part in a restoration seminar in Santiago de Chile.

## ORGANISATION
## LEAN AND MARKET-FOCUSED STRUCTURES

COLTENE is continuously strengthening its presence in key markets and among key clients. Leaders with proven track records joined COLTENE's international management team in the USA, China and Brazil in 2010. At the same time, COLTENE maintains lean leadership processes, which are underpinned by the necessary IT investment such as the initiated Group-wide roll out of SAP. In Switzerland, the previous management company was merged with Coltène/Whaledent AG in Altstätten/St Gallen in the beginning of 2011.

Zahnärzte in praktischer Arbeit in die Produktwelt von COLTENE einzuführen. Im Herbst 2010 nahmen über 500 Dentalspezialisten am Restaurationen-Seminar in Santiago de Chile teil.

## ORGANISATION
## SCHLANKE UND MARKTNAHE STRUKTUREN

COLTENE verstärkt wie vorgehend erläutert die Präsenz in vielen Märkten und die Betreuung von Schlüsselkunden laufend. Im Berichtsjahr wurde das internationale Management-Team in den USA, in China und in Brasilien mit anerkannten Persönlichkeiten verstärkt. Gleichzeitig gestaltet COLTENE die Führungsprozesse so schlank wie möglich aus und unterstützt diese Prozesse mit entsprechenden Investitionen in die IT (Beginn der gruppenweiten SAP-Einführung). In der Schweiz wurde zu Beginn des Jahres 2011 die bisherige Management-Gesellschaft mit der Coltène/Whaledent AG in Altstätten/St. Gallen konzentriert.

COLTENE nahm an verschiedenen regionalen und nationalen Messen in Thailand, Singapur, Russland, China, USA und Europa teil.
COLTENE participated in several regional and national exhibitions in Thailand, Singapore, Russia, China, USA and Europe.

## OUTLOOK

With a clear strategic focus on dental consumables, a broad geographic reach – supported by a stable dental market – COLTENE is well positioned to achieve sustainable business success and continuous growth. The focus and expansion of the business activities in the emerging markets China and India will continue. These activities represent a focused investment into the future.

In 2011, the turnaround of Vigodent SA will be of particular importance with the goal clearly set on ensuring that the company contributes at both sales and profit levels in the next years.

With a management structure that is defined according to clear areas of responsibility, COLTENE will begin working toward its global objectives as a unified company and consistently transform the resulting improvements and synergies into effective actions to achieve its goals.

An additional key requirement for future success is to further focus and expand the company's key competencies, which may include both internal investments as well as acquisitions.

The Board of Directors and Management would like to take this opportunity to thank all business partners, shareholders and employees everywhere for their support and trust.

Nick Huber
Chairman of the Board of Directors

Andreas Meldau
Chief Executive Officer

## AUSBLICK

Mit der klaren Ausrichtung auf Verbrauchsmaterialien in der Zahnmedizin, der breiten geografischen Abstützung und einem stabilen Dentalmarkt im Rücken ist COLTENE gut positioniert, um ein nachhaltiges Geschäft und kontinuierliches Wachstum zu erzielen. Der Fokus und Ausbau der Geschäftstätigkeiten in den Schwellenländern China und Indien wird weiter vorangetrieben. Diese Aktivitäten stellen eine gezielte Investition in die Zukunft dar.

2011 wird dem Turnaround der Vigodent SA in Brasilien besondere Bedeutung zukommen mit dem Ziel, dass auch diese Gruppengesellschaft auf Umsatz- und Ergebnisebene in den nächsten Jahren einen entsprechenden Beitrag leistet.

Mit einer nach klaren Aufgabengebieten organisierten Management-Struktur wird COLTENE – mittels einheitlicher Umsetzung – die globalen Ziele in Angriff nehmen und daraus resultierende weitergehende Optimierungen und Synergien konsequent nutzen.

Ein weiteres wesentliches Erfordernis für eine erfolgreiche Zukunft wird sein, die Tätigkeiten in den Kernkompetenzen von COLTENE weiter zu fokussieren und auszubauen. Dazu sind gezielte interne Investitionen ebenso entscheidend wie Akquisitionen.

Verwaltungsrat und Management möchten die Gelegenheit nutzen, allen Geschäftspartnern, Aktionären und Mitarbeitern weltweit für ihre Unterstützung und für ihr Vertrauen herzlich zu danken.

Nick Huber
Präsident des Verwaltungsrats

Andreas Meldau
Chief Executive Officer

# Corporate Governance COLTENE Holding AG

The following chapter describes the principles of Corporate Governance applied at Group and senior management level within the COLTENE Group. The central elements are contained in the Articles of Incorporation and organizational regulations and are based on the guidelines and recommendations set out in the "Swiss Code of Best Practice for Corporate Governance" published by economiesuisse. To make orientation easier, order and sequence of the individual sections are generally following those used in the "Guidelines concerning information on corporate governance" published by SIX Swiss Exchange.

All information is valid as at December 31, 2010, unless otherwise stated. Significant changes that have occurred between that date and the copy deadline for this report have also been indicated as appropriate.

## 1 GROUP STRUCTURE AND SHAREHOLDERS

### 1.1 GROUP STRUCTURE

#### 1.1.1 OPERATIVE GROUP STRUCTURE

COLTENE Group is targeting the markets for dental consumables. The company evolved from the Health Care Division of the former Gurit-Heberlein AG and was incorporated as per December 15, 2005, under the name Medisize Holding AG and listed as an independent company on June 23, 2006, on SIX Swiss Exchange. Medisize was operating with two segments in the dental and medical consumables markets. Effective as at April 30, 2008, the medical segment was sold to the Finnish Medifiq Group and the Company name was changed to COLTENE Holding AG.

The organization of COLTENE Group can be described as follows:

#### 1.1.2 LEGAL STRUCTURE OF SUBSIDIARIES

Of all the companies consolidated, COLTENE Holding AG (the COLTENE Group's holding company) is the only one listed. It is headquartered in Altstätten/SG; COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2010, the market capitalization amounted to CHF 240 million. Information on the companies belonging to the COLTENE Group, which are not listed, is shown on page 52 of the Financial Report.

### 1.2 MAJOR SHAREHOLDERS

On December 31, 2010, the following shareholders held more than 3% of the voting stock of COLTENE Holding AG:

**Huwa Finanz- und Beteiligungs AG,** Heerbrugg, Bahnhofstrasse 2, 9435 Heerbrugg, holds 772,855 registered shares. This equals voting rights of 18.32%. Huwa Finanz- und Beteiligungs AG is under control of Hans Huber, Appenzell/AI (source: according to share register).

**FMR LLC,** 82 Devonshire Street, Boston, MA 02109/ USA, held directly and indirectly over Fidelity Management & Research Company, Fidelity Management Trust Company as well as Pyramis Global Advisors Trust Company LLC and Pyramis Global Advisors LLC a total of 421,500 registered shares equalling 9.99% of the voting rights in COLTENE Holding AG since a sale on December 7, 2010. Of that 9.75% stem from the share ownership of FA Small Cap Fund managed by Fidelity Management & Research Company.

**Tweedy, Browne Company LLC** reported on February 5, 2008, the possession of 218,560 registered shares since January 29, 2008, representing 5.18% of the voting rights through various funds or managed accounts. Of the shares, 186,990 shares belong to Tweedy, Browne Global Fund, Inc. This fund had reached the new 3% reporting threshold already before December 1, 2007.

**Lincoln Vale European Partners GP LLC,** Lincoln North, 55 Old Bedford Road, Lincoln, MA 01773, USA, holds since a sale on March 16, 2010 with 209,200 registered shares a total of 4.96% of the voting rights of COLTENE Holding AG through its investment fund Lincoln Vale European Partners Master Fund, L.P.

**Schroder Investment Management Limited,** 31 Gresham Street, London, EC2V 7QA, Great Britain, reduced its holdings of registered shares of COLTENE Holding AG on October 23, 2007 to 175,783 shares, which represented 4.17% of the voting rights.

**Orange European Smallcap Fund N.V.,** an investment fund of Kempen Capital Management N.V., Beethovenstraat 300, 1077 Amsterdam, holds 160,130 shares or 3.80% of the voting rights since a purchase on June 3, 2009.

**Robert Heberlein,** Zumikon, held directly and indirectly through Burix Holding AG, Zurich, which he controls, 145,903 registered shares, representing 3.46% of the voting rights (source: according to Corporate Governance disclosures).

**Credit Suisse Asset Management Funds AG,** Kalandergasse 4, 8045 Zurich, holds 128,466 shares or 3.04% of the voting rights since a purchase on October 12, 2009.

### 1.3 CROSS-SHAREHOLDING

COLTENE Holding AG has no cross-shareholding arrangements with other companies.

## 2 CAPITAL STRUCTURE

Information about the capital structure can be found in COLTENE Holding AG's Articles of Incorporation, in the financial statements of COLTENE Holding AG as well as in the Investor Relations section on page 60 of this Report. The Articles of Incorporation in German as well as an inofficial translation in English are available on the website at www.COLTENE.com/index_en.php?TPL=10209.

### 2.1 CAPITAL

Details on the capital are included in the notes to COLTENE Holding AG's financial statements on page 56.

### 2.2 AUTHORIZED OR CONTINGENT CAPITAL IN PARTICULAR

COLTENE Holding AG has no authorized or contingent capital.

### 2.3 CHANGES IN CAPITAL

The following changes in equity have occurred during the last three financial years.

| IN CHF 1000 | 31.12.2010 | 31.12.2009 | 31.12.2008 |
|---|---|---|---|
| Share capital | 422 | 422 | 422 |
| General reserves | 18015 | 18015 | 18015 |
| Treasury stock reserves | 3010 | 3010 | 3010 |
| Net result | 30458 | 28087 | 30064 |
| **Total** | **51905** | **49534** | **51511** |

Based on the AGM decision on April 16, 2008, the company reduced the par value of the shares to CHF 0.10 each. The company paid the capital reduction of CHF 4.90 per shares to its shareholders on July 14, 2008. The total amount of the capital reduction paid was TCHF 22,585.

Based on the AGM's decision on October 2, 2008, the company repurchased 461,000 shares for CHF 107.10 each on December 9, 2008. The total amount paid for the share repurchase was TCHF 31,982. In addition the company paid 35% witholding tax (TCHF 17,264) on January 8, 2009.

### 2.4 SHARES AND PARTICIPATION CERTIFICATES

The company's share capital consists of 4,219,000 registered shares with a par value of CHF 0.10 each. The shares are traded in the main section of SIX Swiss Exchange (security no. 2.534.325, ISIN CH0025343259, symbol CLTN). All shares are fully paid up and entitled to dividends. COLTENE Holding AG has not issued any participation certificates.

### 2.5 PROFIT-SHARING CERTIFICATES

COLTENE Holding AG has not issued any profit-sharing certificates.

### 2.6 RESTRICTIONS ON TRANSFERABILITY OF SHARES AND NOMINEE REGISTRATIONS

According to §4 of the Articles of Incorporation, only individuals who are registered in the share register may be recognized as the owners or beneficiaries of traded shares. Registration of ownership may be refused only in cases where the purchaser does not expressly declare that he has acquired the shares for his or her own account. The Board of Directors may cancel a registration of a shareholder or nominee in the share register, after hearing the respective parties, if the entry was made based on false declarations. The relevant party is to be immediately informed of this cancellation. The Board of Directors may define principles for the registration of fiduciaries or nominees and stipulate the necessary rules to guarantee compliance with the afore-mentioned principles.

### 2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

COLTENE Holding AG has no outstanding convertible bonds or options.

## 3 BOARD OF DIRECTORS

On December 31, 2010, the Board of Directors of COLTENE Holding AG consisted of five members.

### 3.1 MEMBERS OF THE BOARD OF DIRECTORS

The personal details together with the other activities and vested interests of individual members of the Board of Directors are listed below:

**Nick Huber**

- Chairman of the Board of Directors (year of first election: 2005)
- Businessman
- Non-executive member
- Swiss citizen, 46

**Professional background (main stages)**

- 1990 – 1995 Account Manager, IBM (Schweiz) AG, Zurich/ZH
- 1995 – 2005 Divisional Head, SFS Unimarket AG, Heerbrugg/SG
- Since 2005 member of the Executive Management of SFS Services AG, Heerbrugg/SG

**Other important activities and vested interests**

- Member of the Board of Directors of Alpha Rheintal Bank, Heerbrugg/SG
- Member of the Board of Directors of Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG
- Member of the Board of Directors of Orell Füssli Holding AG, Zurich/ZH

**Robert Heberlein**

- Member of the Board of Directors (year of first election: 2005)
- Attorney-at-law
- Non-executive member
- Swiss citizen, 70

**Professional background (main stages)**

- 1977 – 2008 Partner, Lenz & Staehelin, Zurich/ZH
- Since 2009 Counsel of Lenz & Staehelin, Zurich/ZH

**Other important activities and vested interests**

- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG
- Member of the Board of Directors of Geberit AG, Jona/SG

**Erwin Locher**

- Member of the Board of Directors (year of first election: 2009)
- Economics, University Basel, MBA, University of Toronto (Rotman)/University St Gallen
- Non-executive member
- Swiss citizen, 58

**Professional background (main stages)**

- 1979 – 1982 Sandoz AG, Basel/BS, Internal Auditor
- 1982 – 1986 Mibelle AG, Buchs/AG, (subsidiary of Migros), Head Logistics
- 1986 – 1987 Zellweger AG, Uster/ZH, Treasurer
- 1987 – 1991 Mibelle AG, Buchs/AG, (subsidiary of Migros), Vice President Finance

» 1991–1996 Allo Pro AG, Baar/ZG (subsidiary of Sulzer Medica), Vice President Finance, then President
» 1996–2004 Mathys Medical AG, Bettlach/SO, CEO and President Synthes Division

Other important activities and vested interests

» Member of the Board of Directors of Thommen Medical AG, Waldenburg/BL
» Advisor at Biomedinvestor AG, Basel/BS
» President Medtech Switzerland, Bern/BE

**Matthew Robin**

» Member of the Board of Directors (year of first election: 2006)
» M. Eng. in Chemical Engineering, Imperial College, University of London
» Non-executive member
» British and Swiss citizen, 46

Professional background (main stages)

» 1987–1998 Lonza Fine Chemicals, various functions in the USA and in Switzerland (last function: Business Director US Custom Manufacturing)
» 1998–2003 Disetronic, Burgdorf/BE (last function: Head Disetronic Injection Systems)
» 2003–2006 Ypsomed Holding AG, Burgdorf/BE, CEO
» 2007–2011 Tecan Holding AG, Männedorf/ZH, Divisional Head Liquid Handling & Robotics

Other important activities and vested interests

» Matthew Robin has no other important activities and vested interests.

**Jerry Sullivan**

» Member of the Board of Directors (year of first election: 2008)
» Bachelor of arts
» Non-executive member
» American citizen, 66

Professional background (main stages)

» 1981–1992 President and CEO, Whaledent International Inc., USA
» 1992–2002 Managing Director, Coltène/Whaledent Inc. Cuyahoga Falls, Ohio/USA
» 2003–2006 CEO Gurit Heberlein Dental Care, Wattwil/SG
» 2006–2008 CEO COLTENE Holding AG (former Medisize Holding AG), Wattwil/SG

Other important activities and vested interests

» Jerry Sullivan has no other important activities and vested interests.

## 3.2 ELECTION AND TERM OF OFFICE

The members of the Board of Directors are elected by the shareholders for a period of one year. At the end of their term of office, members may be re-elected. There is no limit to the period of office or age of members of the Board of Directors. The members of the Board of Directors are elected person by person.

## 3.3 INTERNAL ORGANIZATION

### 3.3.1 ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for the management of the company and the supervision of the persons in charge of the management. The Board of Directors represents the company and takes care of all matters which are not delegated by law, the Articles of Incorporation or the organizational regulations to another body.

The Board of Directors' main duties can be summarized as follows:

» determination and formulation of the business strategy
» purchase and sale of participations or establishment and liquidation of Group companies
» approval of real estate transactions exceeding CHF 200,000 in value
» definition of COLTENE Group's finance strategy
» determination of financial accounting and reporting, financial control and financial planning
» definition of COLTENE Group's organizational structure
» appointment of the persons in charge of the management and their supervision
» approval of the auditor's report and annual report as well as preparation of the general meeting of the shareholders and the execution of its resolutions

### 3.3.2 MEMBERSHIP OF THE COMMITTEES OF THE BOARD OF DIRECTORS, THEIR DUTIES AND RESPONSIBILITIES

The Board of Directors has delegated the operational management to the Executive Management Board headed by the Chief Executive Officer. The Chairman of the Board of Directors organizes and manages the work of the Board of Directors.

The Board has formed permanent committees:

### AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Chairman: Robert Heberlein
Members: Nick Huber, Erwin Locher, Matthew Robin, Jerry Sullivan

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory duties. More specifically, the Audit and Corporate Governance Committee has the following main tasks and duties to perform:

- approval of the auditing program and audit fees and form a judgment of the effectiveness of the external audits
- review, amendment and approval of the risk management assessment and system as well as control the fulfillment of defined measures
- review and assessment of the effectiveness of the internal control system and control the fulfillment and effectiveness of corrective actions
- review of the company and the consolidated financial statements as well as interim statements intended for publication
- regularly review of the principles concerning Corporate Governance
- proposal to the Board of Directors of amendments to the Articles of Incorporation or internal regulations

### COMPENSATION AND NOMINATION COMMITTEE

Chairman: Matthew Robin
Members: Robert Heberlein, Nick Huber, Erwin Locher, Jerry Sullivan

The Nomination and Compensation Committee carries out the following duties:

- determination of the remuneration of the members of the Board of Directors
- definition of the principles for the remuneration of the members of the Executive Management Board and submission of these to the Board of Directors for approval
- definition of principles for the selection of candidates for election or re-election to the Board of Directors
- preparation of the selection and assessment of the candidates for the position of the CEO
- approval of appointments of division heads and other members of the senior management
- approval of the remuneration to be paid to the senior management
- approval of the general guidelines for the Human Resources management of the Group

### 3.3.3 WORKING METHODS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors meets annually for at least four ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board of Directors is entitled to request an immediate meeting, provided that he names its purpose. In 2010, the Board of Directors met eight times. The Audit and Corporate Governance Committee met one time and discussed committee specific topics during selected Board of Directors meetings. The Nomination and Compensation Committee met two times in 2010.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants at least seven days in advance of the date set for the meeting.

As a rule, the Chief Executive Officer and the Chief Financial Officer attend meetings of the Board of Directors. In order to ensure that the Board of Directors has sufficient information to make decisions, other members of staff or third parties may also be invited to attend.

The Board of Directors is quorate if all members have been duly invited and the majority of its members take part in the decision-making process. Members may participate in deliberations and the passing of resolutions by telephone, by video conference or other suitable electronic media if all participants are in agreement. The decisions of the Board of Directors are taken on the basis of the votes submitted. In the event of a tie, the Chairman has the casting vote. Decisions may also be made in writing.

Proposals may also be sent to all members and they are regarded as passed if the majority of members agree unconditionally and no member insists on discussion of the issues in question in a formal meeting. Members of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of persons close to them.

All proposals and decisions are entered in the minutes to the meeting. The minutes also contain a summary of important requests to speak and any deliberations.

### 3.4 DEFINITION OF AREAS OF RESPONSIBILITY

The areas of responsibility between the Board of Directors and the Executive Management are defined in COLTENE Holding AG's organizational regulations. Executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group is, as far as permissible by law, delegated to the Executive Management.

Apart from decisions which, according to article 716a of the Swiss Code of Obligations, are part of its indefeasible and non-transferable duties, the Board of Directors has reserved for itself the duties listed under 3.3.1.

### 3.5 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS EXECUTIVE MANAGEMENT

As a rule, the Executive Management updates the Board of Directors on operations and COLTENE Group's financial position every month. In addition, the CEO and CFO report on business and all matters of relevance to the Board of Directors at each meeting of the Board of Directors. Every member of the Board of Directors has the right to ask any member of the Executive Management for information about matters within his remit, even outside meetings. The Chairman of the Board of Directors is also informed by the CEO about all businesses and issues of a fundamental nature or of special importance.

## 4 EXECUTIVE MANAGEMENT

On December 31, 2010, COLTENE Holding AG's Executive Management consisted of the CEO and the CFO.

### 4.1 MEMBERS OF THE EXECUTIVE MANAGEMENT

The personal details together with the other activities and vested interests of individual members of the Executive Management are listed below:

**Andreas Meldau**

» Chief Executive Officer COLTENE Group
» Lic. iur. University Zurich, SVM Diploma University of St Gallen
» Swiss citizen, 52 years

**Professional background (main stages)**

» 1985 – 1990 Sales Manager NCR/AT&T, Wallisellen/ZH
» 1990 – 1992 Martin Engineering, Egg/ZH
» 1993 – 1999 CEO AVL Medical Instruments Schaffhausen/SH
» 1999 – 2002 CEO redIT Services, Zug/ZG
» 2002 – 2006 CEO Coltène/Whaledent EMEA
» 2007 – 2008 COO Medisize Dental
» Since 2008 CEO COLTENE Group (former Medisize Holding AG)

**Hans Grüter**

» Chief Financial Officer COLTENE Group
» PhD Business Administration University Zurich, AMP Wharton
» Swiss citizen, 51 years

**Professional background (main stages)**

» 1996 – 1998 CFO, Melcher AG, Uster/ZH
» 1998 – 2001 Divisional President Europe, Uster/ZH, Power One Inc., Camarillo, USA
» 2002 – 2006 CFO Wicor Holding AG (Weidmann Group), Rapperswil/SG
» Since 2006 CFO COLTENE Group (former Medisize Holding AG)

### 4.2 MANAGEMENT CONTRACTS

No agreements pertaining to the provision of managerial services exist between COLTENE Holding AG and other companies or natural persons outside COLTENE Group.

## 5 COMPENSATION, SHAREHOLDINGS AND LOANS

The Chairman of the Board of Directors and all members of the Board of Directors are paid for their services with a yearly fixed amount in cash. In addition, all members of the Board of Directors receive a fixed number of shares having a restriction period of three years. The yearly fixed amount in cash and the number of shares awarded are determined by the Compensation and Nomination Committee once a year.

The compensations of the Chief Executive Officer and of the Chief Financial Officer are determined by the Board of Directors on the recommendation of the Compensation and Nomination Committee.

Apart from their basic salary, the members of the Executive Management receive a performance- and success-related bonus. The basic salary takes into account the functional value of the position, the individual qualifications required and local employment conditions. Starting from the fiscal year 2008, a bonus and share participation program has been put in place for the members of the Executive Management as well as a limited number of key managers. This program replaced existing bonus schemes and is a function of a) the economic profit of the actual year, b) the increase of economic profit compared over the prior year as well as c) the growth rate of net sales (all being subject to a watermark mechanism). Depending on the seniority of a participant, 20% of the bonus is allocated in shares at a fixed share price benchmarked to the SPI. Total bonus, including shares (if any), is capped depending on the seniority between 40%–100% of the fixed salary of any participant.

Starting from the fiscal year 2010, the function parameters of this program have been changed. The performance is measured to targets to key performance indicators (KPI) such as EBIT and net sales, as well as to the fullfillment of personal targets. KPI's account for 75% and personal targets for 25%. The program is defined and reviewed by the Compensation and Nomination Committee on an annual basis.

For a summary of the remunerations paid during the year under review, refer to page 57 of the Financial Report.

No exit remuneration to a person leaving office during the year under review, and no remuneration to former members of governing bodies was paid during the year under review. No loans, securities, advances or credits have been granted to members of the Board of Directors or members of the Executive Management or parties closely linked to any of them.

In addition, on December 31, 2010, there were no options on shares of COLTENE Holding AG issued.

Lenz & Staehelin, attorneys-at-law, in which Robert Heberlein, member of the Board of Directors, is, since January 1, 2009, a counsel, acted as legal advisor of COLTENE Holding AG in 2010 and presented COLTENE Holding AG with fee invoices totalling CHF 100,876.

## 6 SHAREHOLDERS' PARTICIPATION RIGHTS

Details of shareholders' participation rights can be found in the Articles of Incorporation of COLTENE Holding AG. The Articles of Incorporation in German are available on the website at www.COLTENE.com/index_de.php?TPL=10209.

### 6.1 VOTING RIGHT RESTRICTIONS AND REPRESENTATION

The Articles of Incorporation contain no restrictions on voting rights. Every registered share represented at the General Meeting is entitled to one vote. A shareholder may vote his own shares or be represented at the General Meeting by way of a written proxy.

### 6.2 STATUTORY QUORUMS

Unless otherwise determined by law, a General Meeting convened in accordance with the Articles of Incorporation is quorate regardless of the number of shareholders attending or the number of shares represented. To be valid and subject to statutory provisions, resolutions require an absolute majority of the votes submitted.

Important decisions of the General Meeting as defined in article 704 §1 of the Swiss Code of Obligations require at least two thirds of the votes present and the absolute majority of the par value of shares represented.

### 6.3 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS

The ordinary General Meeting of the Shareholders takes place annually within six months of the end of the company's financial year. Extraordinary General Meetings can be called by decision of the General Meeting, the Board of Directors, at the request of the auditors, or if shareholders representing at least a tenth of the Company capital submit a request in writing, stating the purpose, to the Board of Directors.

The invitation to the General Meeting of Shareholders is published in the Swiss Official Gazette of Commerce. All shareholders whose addresses are registered in the share register are notified by a letter.

### 6.4 AGENDA

The Articles of Incorporation contain no regulations relating to agendas that differ from those set forth by the law.

### 6.5 ENTRIES IN THE SHARE REGISTER

Shareholders and/or beneficiaries of registered shares are entitled to vote if they are registered in the share register at the time of the General Meeting of Shareholders. The Board of Directors shall determine and indicate in the invitation to any General Meeting of Shareholders the relevant cut-off date for registrations in the share register that shall be relevant for the eligibility of any shareholder to participate in and vote at such General Meeting.

## 7 CHANGES OF CONTROL AND DEFENSE MEASURES

### 7.1 PUBLIC PURCHASE OFFERS

The Articles of Incorporation of COLTENE Holding AG do not stipulate an alleviation or exemption for the duty to submit a public offer according to articles 32 and 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) (Bundesgesetz über die Börsen und den Effektenhandel, BEHG).

### 7.2 CLAUSES ON CHANGES OF CONTROL

No change of ownership clauses are in effect at December 31, 2010, at COLTENE Group and senior management level.

## 8 AUDITORS

### 8.1 DURATION OF MANDATE AND LEAD AUDITOR'S TERM OF OFFICE

PricewaterhouseCoopers AG, St Gallen (PwC), has been COLTENE Holding AG's statutory auditor since the foundation of the Company (December 15, 2005) and also serves as Group auditors. Lorenz Lipp is lead auditor since December 15, 2005.

The Audit and Corporate Governance Committee ensures that the lead auditor is rotated at least every seven years.

### 8.2 AUDITING FEES

The total sum charged for auditing services during the year under review by PricewaterhouseCoopers AG in its capacity as COLTENE Group's statutory auditor amounted to CHF 417,737.

Audit Services are defined as the standard audit work performed each year in order to issue opinions on the parent company and consolidated financial statements of the Group, to issue opinions relating to the effectiveness of the Group's internal controls over financial reporting, and to issue reports on local statutory financial statements. Also included are audit services that are only provided by the Group auditor, such as auditing of non-recurring transactions and implementation of new accounting policies, as well as audits of accounting infrastructure system controls.

### 8.3 ADDITIONAL FEES

Fees for additional services supplied by the auditors during the year under review amounted to CHF 98,295, of which fees for ERP implementation consulting amounted to CHF 15,000, fees for tax advisory (tax compliance, tax return etc.) to CHF 56,846 and fees for legal advisory to CHF 26,449.

### 8.4 SUPERVISORS AND CONTROL INSTRUMENTS PERTAINING TO THE AUDITORS

As explained in section 3.3.2., the Board of Directors has established an Audit and Corporate Governance Committee to monitor the external auditors (statutory and COLTENE Group auditors).

The Audit and Corporate Governance Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of PwC. During 2010, the Audit and Corporate Governance Committee held one meeting. At this meeting, PwC participated during the discussion of agenda items that dealt with accounting, financial reporting or auditing matters and any other matters relevant for their audit.

As part of its duties, the Audit and Corporate Governance Committee also assesses the services and fees charged by the external auditors as well as their independence from the entire Board of Directors and COLTENE management. Criteria applied for the performance assessment include technical and operational competence, independent and objective view, sufficient resources employed, focus on areas of significant risk to COLTENE Holding AG, willingness to probe and challenge, ability to provide effective, practical recommendations and open and effective communication and coordination with the Audit and Corporate Governance Committee.

On an annual basis, the Audit and Compliance Committee and PwC discuss PwC's independence from COLTENE Group and COLTENE management.

Based on the outcome of the performance of PwC, the Audit and Corporate Governance Committee decides on its recommendation to the Board of Directors whether PwC should be proposed to the Annual General Meeting for re-election. Based on the recommendation by the Audit and Corporate Governance Committee the Board of Directors nominates an independent auditor for election at the Annual General Meeting.

The Audit and Corporate Governance Committee recommended to the Board of Directors the approval, and the Board of Directors approved the Annual Report for the year ended December 31, 2010, including the audited financial statements.

## 9 INFORMATION POLICY

COLTENE Holding AG provides its shareholders with information in the form of the Annual Report and Half-year Report. Important events are published immediately through press releases and/or letters to shareholders. Further information can be requested at the contact address indicated on page 61.

## 10 INTERNET

Shareholders and other interested parties can obtain information about COLTENE Group on the Internet at www.coltene.com and subscribe to a news service. For details refer to page 60.

## 11 AD HOC PUBLICITY

COLTENE Holding AG maintains regular contact with the financial world in general and with important investors. At the same time, it abides by the legally prescribed principle of treating all parties equally as regards communication. Relevant new facts are published openly and are available to all interested parties.

For important dates of publications this year, the following year and contact addresses refer to pages 60 and 61.

# Financials

# GROUP INCOME STATEMENT

| IN CHF 1000 | REF. | 2010 | 2009 |
|---|---|---|---|
| **Net sales** | **1** | **153 578** | **151 385** |
| Changes in inventories of finished goods and work in progress | | 931 | –2 512 |
| Work performed by entity and capitalized | | 49 | 96 |
| Raw material and consumables used | 2 | –45 093 | –40 730 |
| Personnel expenses | 3 | –55 321 | –53 879 |
| Other operating expenses | 5 | –30 981 | –29 675 |
| Depreciation and amortization | 6 | –4 722 | –4 348 |
| **Operating profit (EBIT)** | | **18 441** | **20 337** |
| Financial income | 7 | 1 242 | 656 |
| Financial expenses | 7 | –2 677 | –372 |
| Share of loss of associates | 7, 17 | –838 | –210 |
| Impairment on investments in associates | 7, 17 | –2 957 | 0 |
| **Net profit before tax expenses** | | **13 211** | **20 411** |
| Tax expenses | 8 | –3 997 | –4 054 |
| **Net profit continuing operations** | **10** | **9 214** | **16 357** |
| Profit from discontinued operations | 25 | 71 | 0 |
| **Profit for the period** | | **9 285** | **16 357** |
| Earnings per share | 10 | CHF 2.24 | CHF 3.94 |
| Diluted earnings per share | 10 | CHF 2.24 | CHF 3.94 |
| Earnings per share from continuing operations | 10 | CHF 2.22 | CHF 3.94 |
| Diluted earnings per share from continuing operations | 10 | CHF 2.22 | CHF 3.94 |

The notes are part of the COLTENE Group financial statements.

# GROUP STATEMENT OF COMPREHENSIVE INCOME

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Profit for the period** | **9 285** | **16 357** |
| Other comprehensive income for the period: | | |
| Exchange differences on translating foreign operations, before and net of tax | –9 302 | –944 |
| **Comprehensive income for the period** | **–17** | **15 413** |
| Profit for the period attributable to the owner of the parent | 9 285 | 16 357 |
| Comprehensive income for the period attributable to the owner of the parent | –17 | 15 413 |

The notes are part of the COLTENE Group financial statements.

# GROUP STATEMENT OF FINANCIAL POSITION

| IN CHF 1000 | REF. | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 4 133 | 5 880 |
| Accounts receivable from deliveries and sales | 11 | 33 088 | 35 640 |
| Tax receivables | | 108 | 7 |
| Other receivables and prepaid expenses | 12 | 3 789 | 2 591 |
| Inventories | 13 | 32 469 | 27 296 |
| **Current assets** | | **73 587** | **71 414** |
| Property, plant and equipment | 1, 14 | 31 680 | 32 978 |
| Financial assets | 15 | 5 | 5 |
| Intangible assets | 1, 16 | 50 310 | 43 615 |
| Investments in associates | 17 | 0 | 7 738 |
| Deferred tax assets | 9 | 3 106 | 1 428 |
| **Non-current assets** | | **85 101** | **85 764** |
| **Total assets** | | **158 688** | **157 178** |
| **Liabilities** | | | |
| Current bank loans | 18 | 34 072 | 22 879 |
| Accounts payable to suppliers | 19 | 8 612 | 6 069 |
| Other accounts payable and accruals | 20 | 9 378 | 7 634 |
| Tax liabilities | | 1 553 | 2 827 |
| Other short-term provisions | 21 | 192 | 149 |
| **Current liabilities** | | **53 807** | **39 558** |
| Other long-term liabilities | 22 | 14 | 0 |
| Deferred tax liabilities | 9 | 6 290 | 6 026 |
| Other long-term provisions | 21 | 729 | 868 |
| **Non-current liabilities** | | **7 033** | **6 894** |
| **Total liabilities** | | **60 840** | **46 452** |
| Share capital | | 415 | 415 |
| Currency translation adjustments | | –26 042 | –16 740 |
| Retained earnings | | 123 475 | 127 051 |
| **Total equity** | **23** | **97 848** | **110 726** |
| **Total liabilities and equity** | | **158 688** | **157 178** |

The notes are part of the COLTENE Group financial statements.

# GROUP CASH FLOW STATEMENT

| IN CHF 1000 | REF. | 2010 | 2009 |
|---|---|---|---|
| Net profit continuing operations | | 9 214 | 16 357 |
| Depreciation and amortization | 6, 14, 16 | 4 722 | 4 348 |
| Other non-cash items | | 8 605 | 4 955 |
| Change in accounts receivable from deliveries and sales | | 2 666 | 3 320 |
| Change in inventories | | –5 116 | 3 846 |
| Change in other current assets | | –814 | 828 |
| Change in current liabilities | | 378 | –3 968 |
| Interest paid | | –673 | –348 |
| Interest received | | 22 | 16 |
| Income tax paid | | –4 832 | –4 000 |
| **Cash flow from operating activities** | | **14 172** | **25 354** |
| Purchase of property, plant and equipment | | –1 801 | –6 246 |
| Proceeds from sale of property, plant and equipment | | 102 | 30 |
| Purchase of intangible assets | | –1 636 | –1 288 |
| Purchase of associates | 17, 24 | 0 | –7 948 |
| Acquisition of subsidiaries – net of cash | 17, 24 | –5 973 | 0 |
| Discontinued operations | 25 | –59 | –1 238 |
| **Cash flow from investing activities** | | **–9 367** | **–16 690** |
| Proceeds from loans and financial liabilities | | 23 770 | 39 894 |
| Repayments of loans and financial liabilities | | –17 076 | –18 466 |
| Dividend to shareholders | 23 | –12 862 | –17 840 |
| Share repurchase | 23 | 0 | –17 264 |
| Payments for transactions according to IAS 32.37 | 23 | 0 | –110 |
| Purchase of treasury stock | | –124 | –96 |
| **Cash flow from financing activities** | | **–6 292** | **–13 882** |
| Exchange rate differences | | –260 | –23 |
| **Change in cash and cash equivalents** | | **–1 747** | **–5 241** |
| Cash and cash equivalents at beginning of year | | 5 880 | 11 121 |
| Cash and cash equivalents at end of year | | 4 133 | 5 880 |

The notes are part of the COLTENE Group financial statements.

# STATEMENT OF CHANGES IN EQUITY

| IN CHF 1000 | REF. | SHARE CAPITAL | CURRENCY TRANSLATION ADJUSTMENTS | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|
| **01.01.2009** | | **415** | **–15 796** | **128 542** | **113 161** |
| Comprehensive income for the year | | 0 | –944 | 16 357 | 15 413 |
| Share-based transactions with management | 27 | 0 | 0 | 105 | 105 |
| Dividend distribution | 23 | 0 | 0 | –17 840 | –17 840 |
| Change in treasury stock | | 0 | 0 | –113 | –113 |
| **31.12.2009** | | **415** | **–16 740** | **127 051** | **110 726** |
| Comprehensive income for the year | | 0 | –9 302 | 9 285 | –17 |
| Share-based transactions with management | 27 | 0 | 0 | 121 | 121 |
| Dividend distribution | 23 | 0 | 0 | –12 862 | –12 862 |
| Change in treasury stock | | 0 | 0 | –120 | –120 |
| **31.12.2010** | | **415** | **–26 042** | **123 475** | **97 848** |

The notes are part of the COLTENE Group financial statements.

# NOTES TO GROUP FINANCIAL STATEMENTS

## REPORTING ENTITY

COLTENE Holding AG (former Medisize Holding AG) – the holding company of the COLTENE Group ("the Group") – is a stock corporation according to 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. The Group was originally active in the dental and medical markets. COLTENE Holding AG was established to integrate the former Health Care division of Gurit Holding AG under one company as well as to list COLTENE Holding AG as an independent company at the SIX Swiss Exchange on June 23, 2006. After the sale of the entire medical business on April 30, 2008, the Group is fully focused on the dental business.

## OPERATING SEGMENTS AND PRODUCTS

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

## PRINCIPLES OF CONSOLIDATION

### GENERAL REMARKS

The Group financial statements were compiled in compliance with the consolidation and valuation principles described as follows as well as in accordance with the International Financial Reporting Standards (IFRS). The figures are based on the historical cost convention and were modified according to the revaluation of certain financial assets carried at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates which could impact the assets, liabilities and contingent liabilities at the balance sheet date as well as income and expenses of the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If at a later moment of time such judgments and assumptions made by management based on the best information available at the time when books were closed differ from the actual circumstances, the original judgments and assumptions made are changed for the year in which the respective circumstances have changed.

The International Accounting Standards Board (IASB) issued the following new standards and interpretations to be applied for annual periods beginning on or after January 1, 2010:

- IFRS 3 (Revised) – Business Combinations (effective as from July 1, 2009)
- IAS 27 (Revised) – Consolidated and Separate Financial Statements (effective as from July 1, 2009)
- IFRS 2 (Revised) – Share-based Payment (effective as from January 1, 2010)
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective as from July 1, 2009)
- IFRIC 18 – Transfers of Assets from Customers (effective as from July 1, 2009)

In addition, few standards have changed on July 1, 2009, due to the annual improvement project 2007 to 2009, including for example IAS 39 (Amendment) – Financial Instruments: Recognition and Measurement.

IFRS 3 (Revised) requires the Group to include in the purchase consideration the estimated amount of any contingent considerations and the measurement to fair value, through the income statement, of any interest in an acquired company that had been previously held. Furthermore, transaction costs are expensed as incurred and no longer form part of the acquisition price. IAS 39 (Amendment) requires adoption from January 1, 2010. It requires that any options, including those concerning Vigodent, related to potential acquisitions which up to December 31, 2009, do not require recognition, are recorded at their fair values and subsequent fair value adjustments through the income statement.

The revised standard was applied to the acquisition of the controlling interest in Vigodent SA on October 29, 2010. This acquisition has occurred in stages. The revised standard requires goodwill to be determined only at the aquisition date rather than at the previous stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value, with any gain or loss recorded in the income statement.

Currently, the following new standards as well as amendments to existing standards and interpretations are published but not early adopted:

- IAS 24 (Revised) – Related Party Disclosures (effective as from January 1, 2011)
- IAS 32 (Amendment) – Financial Instruments: Presentation (effective as from February 1, 2010)
- IFRS 9 – Financial Instruments: Classification and Measurement (effective as from January 1, 2013)
- IFRIC 14 (Amendment) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as from January 1, 2011)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective as from July 1, 2010)

The Group does not anticipate any significant impact of these changes on future consolidated financial statements.

The Group financial statements are based on the individual financial statements of the Group's subsidiaries, prepared according to identical guidelines as of December 31. The Group financial statements were prepared in accordance with Swiss company law and the accounting principles of the listing regulations of the SIX Swiss Exchange.
If no information to the contrary is provided, the applicable currency unit shall be thousand Swiss francs (TCHF). Swiss francs are the functional currency of the Holding company as well as the reporting currency of the Group.

The COLTENE Holding AG Board of Directors authorized these financial statements on February 24, 2011, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on April 28, 2011.

## COMPANIES CONSOLIDATED

Group subsidiaries, controlled directly or indirectly by COLTENE Holding AG, are fully consolidated. Subsidiaries are fully consolidated as of the date on which control was transferred to the Group. Subsidiaries are considered to be de-consolidated as of the date on which control ceases. The major companies consolidated are shown in the summary provided on page 52.

Within the scope of consolidation, the following changes took place in 2010:
Vigodent SA Indústria e Comércio, Bonsucesso/ Rio de Janeiro, was fully acquired October 29, 2010, COLTENE do Brasil Participacões Ltda., São Paulo, was founded September 27, 2010.

Within the scope of consolidation, the following changes took place in 2009:
Coltène/Whaledent Privat Limited, Mumbai, was founded November 18, 2008, and started operations March 2009.

## CONSOLIDATION METHOD AND GOODWILL

The Group applies the purchase price method to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed upon the date of exchange. Identifiable assets acquired and (contingent) liabilities assumed are measured initially at fair value on the date of acquisition, irrespective of the extent of any minority interest. Acquisition-related costs are expensed as incurred.

The positive difference of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the negative difference is accounted for in the Group income statement.

Goodwill from acquisitions prior to December 31, 1994, was charged to equity. Goodwill from acquisitions after January 1, 1995, and prior to March 31, 2004, has been amortized on a straight-line basis over the useful life not to exceed 20 years.

Purchases from minority interests may result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

The assets, liabilities as well as the earnings and expenses of the consolidated subsidiaries are recorded in their entirety in the consolidated financial statements. The share of profit and equity to which third-party shareholders are entitled is shown separately in the Group statement of financial position and income statement. Intra-Group transactions were eliminated thereof. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In 2010 the following changes in investments in associates took place:
Vigodent SA Indústria e Comércio, Bonsucesso/Rio de Janeiro, was fully acquired October 29, 2010, (see notes to Group financial statements, note 24).

In 2009 the following changes in investments in associates took place:
40% of Vigodent SA Indústria e Comércio, Bonsucesso/Rio de Janeiro was acquired on July 1, 2009 (see notes to Group financial statements, note 17).

## PRINCIPLES OF VALUATION

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilites on the statement of financial position.

### ACCOUNTS RECEIVABLE

Accounts receivable in respect of deliveries and services and other accounts receivable are initially recognized at fair value and subsequently measured at amortized cost, minus provisions for impairment. Provisions for impairment are made when it is objectively foreseeable that less than the full original value can be collected. Provisions for impairment correspond to the difference between the carrying amount and the present value of estimated future cash flows.

### INVENTORIES

Inventories are stated at the lower of weighted average cost and net realizable value. The cost of finished goods and work in progress comprises design costs, raw material, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Value adjustments are made for obsolete and slow moving items.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment take into account the categories listed in the following:

- Machinery and equipment
- Land
- Buildings (including installations)
- Assets under construction

Machinery and equipment are stated at purchase cost less depreciation on a straight-line basis over the useful life of normally five to ten years, 15 years in exceptional cases. Buildings are stated at historical cost less depreciation on a straight-line basis over the useful life of 40 to 50 years. Land is stated at historical cost and is not depreciated.

Leases in which the company holds a significant portion of risks and rewards of ownership are classified as financial leases. The respective property, plant and equipment are carried as assets and depreciated. The corresponding leasing obligations are shown as liabilities. Leasing installments are distributed accordingly, either as capital repayments or interest expenses.

## FINANCIAL ASSETS

### » CLASSIFICATION

The Group classifies its financial assets as follows:

- At fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. In the current and prior reporting periods, the Group only held financial assets at fair value through profit or loss as well as loans and receivables.

### » FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category has two subcategories, i. e. financial assets held for trading, and assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or by management, if so designated. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months following the financial position date.

### » LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Receivables are included in current assets, except for maturities greater than twelve months following the balance sheet date. These loans and receivables are classified as non-current financial assets.

### » RECOGNITION

Regular purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Investments are derecognized when rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### » SUBSEQUENT MEASUREMENT/IMPAIRMENT

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from fair value changes are presented in the income statement as financial income or financial expense in the period in which they arise. Loans and receivables are carried at amortized cost using the effective interest method.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active as well as for unlisted securities, the Group establishes fair value by means of specific valuation techniques: recent at arm's length transactions, reference to other basically identical instruments, discounted cash flow analysis, and option pricing models. On each financial position date, the Group shall determine whether there is objective evidence that financial assets were impaired. In the case of an impairment of the financial assets, the respective expenses will be taken into account in the income statement.

## INTANGIBLE ASSETS

### » GOODWILL

Goodwill is the difference of the costs of acquisition over the Group's share of the fair value of the identifiable net assets acquired and represents the future economic benefit, which can not be recognized as a separate asset. Goodwill is carried in the currency of the acquired business and tested annually for impairment and carried at cost less accumulated impairment losses. For purposes of the impairment test, goodwill is allocated to the cash-generating unit "the Group". As Vigodent SA was aquired shorthly before the year-end, Vigodent SA was exceptionally considered as a cash-generating unit for 2010.

### » INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets contain patents, software and others. They are stated at historical costs less amortization on a straight-line basis over the useful life normally not exceeding seven years. Intangible assets resulting from purchase price allocations such as trademarks, brandnames or customer relations are amortized up to 25 years.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization or depreciation and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each statement of financial position date.

## BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

## PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources which can be reliably estimated will be required to settle the obligation. Such provisions are made to cover guarantee obligations and liability claims where these are not insured. Provisions for restructuring measures are made as soon as the corresponding decision is taken and communicated.

## POST-EMPLOYMENT BENEFITS

The Group maintains various pension fund schemes according to state law and other legal requirements according to the respective local regulations. The non-governmental pension plans are mostly organized in form of legally independent pension funds; contributions are paid both by employer and employee. All pension plans outside Switzerland are accounted for as defined contribution plans.

The Swiss pension plan administrated by an independent insurance company is accounted for as defined benefit plans according to IAS 19. The pension liability resulting from defined benefit plans is calculated by independent actuaries yearly using the "projected unit credit method." Actuarial gains and losses are charged or credited on a straight-line basis to income over the employee's expected average remaining working lives, when they exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the beginning of the period ("corridor approach").

## SHARE-BASED PAYMENTS

All members of the Board of Directors are paid for their services with a yearly fixed amount in cash. In addition, all members of the Board of Directors receive a fixed number of shares having a restriction period of three years. The yearly fixed amount in cash and the number of shares awarded are determined by the Compensation and Nomination Committee from time to time.

Starting from the fiscal year 2008, a bonus and share participation program has been put in place for the members of the Executive Management as well as a limited number of key managers. This program replaced existing bonus schemes and is a function of a) the economic profit of the actual year, b) an increase of economic profit compared to the prior year as well as c) the net sales growth rate (all being subject to a watermark mechanism). Depending on the seniority of a participant, 20% of the bonus is allocated in shares at a fixed share price benchmarked to the SPI. Total bonus, including shares (if any), is capped depending on the seniority between 40%–100% of the fixed salary of any participant.

Starting from the fiscal year 2010, the function parameters of this program have been changed. The performance is measured to targets to key performance indicators (KPI) such as EBIT and net sales, as well as to the fullfillment of personal targets. KPI's account for 75% and personal targets for 25%. The program is defined and reviewed by the Compensation and Nomination Committee on an annual basis.

## TAXES

All taxes payable on income for the financial year are provided for in full on financial position date and in due compliance with the applicable tax laws. According to the liability method, deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements at enacted or substantially enacted tax rates on financial position date is provided in full. Deferred tax assets are recognized to the extent that future taxable profit will be available. No provisions are recognized for non-reclaimable withholding taxes on retained earnings at subsidiaries as such dividends are not foreseen for the immediate future.

## NET SALES

Net sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Net sales are shown net of value-added tax, rebates and discounts and after eliminating sales within the Group. The Group recognizes net sales when the amount of net sales can be reliably measured, it is probable that future economic benefits will flow to a Group entity and when specific criteria have been met, for example risks and rewards of ownership have been transferred to the customer. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## REPAIR AND MAINTENANCE COSTS

Repair and maintenance costs are recognized in the income statement when they occur. Expenses increasing the value of assets are recognized as property, plant and equipment and depreciated accordingly.

## RESEARCH AND DEVELOPMENT

Research costs are expensed as they occur. Development costs are capitalized if they can be determined accurately and if it can be safely assumed that the project in question will be completed successfully and result in future benefits. Development costs capitalized are amortized on a straight-line basis and over a maximum period of five years.

## EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of shares in issue during the year excluding shares purchased by the Group and held as treasury shares.

## DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

## FOREIGN CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). Transactions conducted in foreign currencies are converted into the functional currency at the exchange rate applicable on the transaction date. Accounts receivable and payable in foreign currencies are shown at the year-end exchange rate. Gains and losses are reported in the income statement.

The financial positions and statements of income statements of foreign subsidiaries were converted into Swiss francs (presentation currency) at the rate applicable at year-end respectively at the average exchange rate for the year. Differences resulting from the conversion of shareholders' equity and the income statements are absorbed under shareholders' equity and have no effect on the profit for the period. These conversion differences are only carried forward as of January 1, 1994. In the event of the sale of a subsidiary, prorated foreign currency differences are taken into account as part of the capital gain or loss resulting from the sale. Goodwill from acquisition of foreign companies and fair-value adjustments of assets and liabilities in connection with acquisitions are also converted at year-end rates.

The most important exchange rates are listed below:

| | 31.12.2010 | ϕ 2010 | 31.12.2009 | ϕ 2009 | 31.12.2008 |
|---|---|---|---|---|---|
| 1 USD | 0.9406 | 1.0433 | 1.0380 | 1.0857 | 1.0561 |
| 1 EUR | 1.2465 | 1.3833 | 1.4877 | 1.5102 | 1.4888 |

## FINANCIAL RISK MANAGEMENT

Financial risk management is ensured according to the principles defined by Group management. These principles define how credit, interest and currency risk are to be managed. Additional rules governing the management of liquid and financial assets were also defined. The subsidiaries manage their financial risk according to the defined risk policies, the aim consisting in minimizing the above-mentioned risk, including hedging costs. If appropriate, derivative financial instruments are used to hedge certain risk positions. The Group does not apply hedge accounting. Derivative financial instruments are only agreed upon with first class counterparties (banks with rating A or better).

### CREDIT RISK

There is no substantial credit risk concentration in the Group. Group subsidiaries, however, have relationships with certain key accounts (see notes to the Group financial statements, note 1). Management regularly assesses the credit potential of all counterparties (especially key accounts) on the basis of experiences and expectations. If appropriate, management also applies credit insuring instruments, for example credit limits.

### LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of bank credit lines and the ability to close out market positions. Group management monitors rolling forecasts of the Group's liquidity reserve (comprises unused credit lines [see notes to the Group financial statements, note 18] and cash and cash equivalents) on the basis of expected cash flow.

### INTEREST RISK

Sales and operating cash flow do not depend on market rate changes. The Group undertakes no substantial interest bearing activities. Bank loans are subject to fixed as well as variable interest rates, with management deciding upon the interest rate risk to be taken in every individual case. For further details see note 18 of the notes to Group financial statements.

If the interest rates had been higher by 50 bps for 2010 with all other variables held constant, net profit for the year would have been TCHF 121 (previous year TCHF 131) lower, as a result of higher interest expenses on current bank loans. If the interest rates had been lower by 50 bps for 2009 with all other variables held constant, net profit for the year would have been TCHF 121 (previous year TCHF 131) higher, as a result of lower interest expenses on current bank loans.

### CURRENCY RISK

The Group is internationally active and thus exposed to currency fluctuations mainly in EUR and USD. If possible and feasible the currency risk is reduced by matching the currency in- and outflows. The remaining exposure is not further reduced by financial instruments. Risk associated with the conversion of the foreign currency financial positions of subsidiaries is not hedged.

At 31 December 2010, if the CHF had weakened by 5% against the USD with all other variables held constant, net profit for the year would have been TCHF 72 lower (previous year TCHF 142), mainly as a result of foreign exchange gains/losses on translation of USD denominated accounts receivables from deliveries and sales, accounts payables to supplier, current bank loans and intercompany loans. Net profit is less sensitive to movement in CHF/USD exchange rates in 2010 than 2009 mainly because of the reduced and more balanced current bank loans and intercompany loans in USD. At 31 December 2010, if the CHF had strengthened by 5% against the USD, the net profit would have been TCHF 72 higher (previous year TCHF 142). The same sensitivity analysis (+/– 5%) for EUR results in a change of net profit of TCHF +/– 121 (previous year TCHF +/– 194). Net profit is less sensitive to movement in CHF/EUR exchange rates in 2010 than in 2009 mainly because of the decreased accounts receivables from deliveries and sales in EUR.

At 31 December 2010, if the CHF had weakened by 5% against the USD with all other variables held constant, equity at the year would have been TCHF 1951 lower (previous year TCHF 2084), mainly as a result of the conversion of the financial statements of foreign subsidiaries. If the CHF had strengthened by 5% against the USD, the equity would have been TCHF 1951 higher (previous year TCHF 2084).

## CAPITAL RISK MANAGEMENT

The Group's objective when managing the capital is to assure the Group's ability to maintain going concern of the Group, to support the Group's strategy (especially potential acquisition), to provide attractive returns to shareholders and to aim for an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may propose to adjust the dividend policy, to return capital to shareholders or issue new shares. In line with industry measures, the Group monitors the capital basis with the two ratios interest bearing debt divided by EBITDA and total equity divided by total liabilities and equity. These ratios were at December 31 as follows:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Interest bearing debt | 34 086 | 22 879 |
| EBITDA | 23 163 | 24 685 |
| **Debt ratio** | **1.5** | **0.9** |
| **Equity ratio in %** | **61.7%** | **70.4%** |

Targets for these ratios are for debt ratio below three times and for equity ratio above 40%. Group management would allow these ratios to be higher respectively lower for a short period of time in case strong evidence is given that the targets can again be achieved in a reasonable time frame.

## MAIN SOURCES OF UNCERTAINTIES

The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates rarely correspond to the related actual results. The estimates and assumptions bearing a significant risk of entailing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following sections.

### GOODWILL

The Group's goodwill is tested annually for impairment using discounted cash flow projections. These calculations require the use of estimates regarding projected sales, product prices and costs, interest rate as well as tax rate.

### PROPERTY, PLANT AND EQUIPMENT

The Group assets are reviewed annually for impairment. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the assets and its eventual disposal. Factors such as changes in the planned use of buildings, machinery, or equipment, the closure of facilities or technical obsolescence can lead to shortened useful life or impairment.

# NOTES TO GROUP FINANCIAL STATEMENTS

## 1 ENTITY-WIDE INFORMATION

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

| NET SALES GEOGRAPHICAL AREAS IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Switzerland | 3328 | 2993 |
| Germany, Austria | 23326 | 22781 |
| Great Britain, Ireland | 7655 | 8769 |
| France | 7257 | 7325 |
| Other Europe | 21537 | 23484 |
| Russia and other CIS | 4496 | 4247 |
| Middle East and Africa | 6468 | 6733 |
| North America | 54363 | 52329 |
| Brazil | 3025 | 1677 |
| Other South America | 7829 | 7316 |
| China | 2933 | 1851 |
| India | 2345 | 1217 |
| Other Far East, Oceania | 9016 | 10663 |
| **Net sales** | **153578** | **151385** |

| NET SALES PRODUCTS AND SERVICES IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Restoration | 33517 | 32369 |
| Impression | 29370 | 29953 |
| Endodontics | 25846 | 27313 |
| Hygiene and Surgical | 17272 | 16725 |
| Units/Accessories | 12077 | 10768 |
| Rotary | 12127 | 11900 |
| Laboratory | 7441 | 6728 |
| Miscellaneous | 15928 | 15629 |
| **Net sales** | **153578** | **151385** |

One customer group qualifies as a major customer – over 10% of net sales – with net sales of TCHF 30,599 (previous year TCHF 33,995) corresponding to 19.9% of Group net sales (previous year 22.5%).

The property, plant and equipment and the intangible assets by geographical areas are as follows:

| PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREAS IN CHF 1000 | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Switzerland | 11725 | 12770 |
| Germany | 984 | 1490 |
| Other Europe | 295 | 403 |
| China | 19 | 19 |
| India | 52 | 56 |
| USA | 15846 | 18240 |
| Brazil | 2759 | 0 |
| **Property, plant and equipment** | **31680** | **32978** |

| INTANGIBLE ASSETS GEOGRAPHICAL AREAS IN CHF 1000 | 31.12.2010 | 31.12.2009 |
|---|---|---|
| Switzerland | 7697 | 6345 |
| Germany | 18835 | 22538 |
| Other Europe | 116 | 137 |
| China | 7 | 10 |
| India | 4 | 6 |
| USA | 13017 | 14579 |
| Brazil | 10634 | 0 |
| **Intangible assets** | **50310** | **43615** |

## 2 RAW MATERIAL AND CONSUMABLES USED

Raw material and consumables used amounted to 29.4% (previous year 26.9%) of net sales.

## 3 PERSONNEL EXPENSES

The average workforce amounted to 786 employees (previous year 767).

Detailed information on personnel expenses:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Wages and salaries | 44321 | 44502 |
| Expenses for defined benefit plans | 707 | 836 |
| Expenses for defined contribution plans | 1833 | 1940 |
| Other personnel expenses | 8460 | 6601 |
| **Total** | **55321** | **53879** |

Personnel expenses include TCHF 121 (previous year TCHF 105) for share-based transactions with management.

For information on expenses for post-employment benefits according to IAS 19, please refer to note 4.

## 4 PENSION LIABILITIES

No short-term payables against pension plans exist (previous year TCHF 4). Defined benefit plans exist for the Swiss Group companies. Detailed information on the defined benefit plans:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Pension costs** | | |
| Current service cost | 644 | 814 |
| Interest expenses | 397 | 450 |
| Expected return on plan assets | –342 | –428 |
| Recognized actuarial losses | 8 | 0 |
| **Total** | **707** | **836** |
| | | |
| Actual return on plan assets | 395 | 50 |
| Expected contribution for 2011/2010 | 1 383 | 1 262 |
| | | |
| **Change in pension liabilities** | | |
| Balance 1.1. | 14 421 | 13 838 |
| Current service cost | 644 | 814 |
| Interest expenses | 397 | 450 |
| Employee contributions | 569 | 543 |
| Paid pensions from plans with separated assets | –893 | –1 533 |
| Actuarial losses | 1 514 | 309 |
| **Balance 31.12.** | **16 652** | **14 421** |
| | | |
| **Change in plan assets** | | |
| Balance 1.1. | 12 426 | 12 574 |
| Employee contributions | 569 | 543 |
| Employer contributions | 812 | 792 |
| Paid pensions from plans with separated assets | –893 | –1 533 |
| Expected return on plan assets | 342 | 428 |
| Actuarial gains and losses | 52 | –378 |
| **Balance 31.12.** | **13 308** | **12 426** |
| | | |
| **Details to plan assets** | | |
| Receivables from insurance company | 13 308 | 12 426 |
| **Total** | **13 308** | **12 426** |

No investments were made in COLTENE Holding AG.

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Assets and liabilities included in balance sheet** | | |
| Liabilities of plans with separated assets | 16 652 | 14 421 |
| Plan assets | 13 308 | 12 426 |
| **Underfunding** | **3 344** | **1 995** |
| Not recognized actuarial losses | –2 956 | –1 502 |
| **Net amount** | **388** | **493** |
| **Changes in net amount** | | |
| Balance 1.1. | 493 | 449 |
| Expenses for defined benefit plans | 707 | 836 |
| Employers contributions | –812 | –792 |
| **Balance 31.12.** | **388** | **493** |
| **Actuarial assumptions** | | |
| Discount rate | 2.75% | 3.25% |
| Expected return on plan assets | 2.75% | 3.40% |
| Future salary increase | 1.50% | 1.50% |
| Inflation | 0.75% | 0.75% |
| Future pension increase | 0.00% | 0.00% |
| Mortality | BVG 2005 | BVG 2005 |

| IN CHF 1000 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Other information** | | | | | |
| Experience adjustments on plan assets | 53 | –378 | –97 | –269 | –1 685 |
| Experience adjustments on pension liabilities | 7 | 38 | –105 | 2 583 | 2 406 |
| **Over–/underfunding** | | | | | |
| Liabilities of plans with separated assets | 16 652 | 14 421 | 13 838 | 35 200 | 38 818 |
| Plan assets | 13 308 | 12 426 | 12 574 | 35 355 | 35 855 |
| Over-/underfunding | 3 344 | 1 995 | 1 264 | –155 | 2 963 |

The pension liabilities are reported in other long-term provisions.

## 5 OTHER OPERATING EXPENSES

Other operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs. In 2010, TCHF 4534 (previous year TCHF 3609) were spent on research and development and accounted for as such in the income statement. Other operating expenses include gains from sales of property, plant and equipment of TCHF 10 (previous year TCHF 8). Other operating expenses contain TCHF 284 (previous year TCHF 0) for acquisition-related costs, which previously would have been included in the consideration for the business combination. For business combinations see note 24 of the notes to Group financial statements.

## 6 DEPRECIATION AND AMORTIZATION

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Depreciation on property, plant and equipment | 4192 | 3880 |
| Amortization of intangible assets | 530 | 468 |
| **Total** | **4722** | **4348** |

## 7 FINANCIAL RESULT

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Interest income on cash and cash equivalents | 22 | 17 |
| Exchange rate differences (net) | 0 | 639 |
| Gain on call option associates | 1220 | 0 |
| **Total financial income** | **1242** | **656** |
| Interest expenses for bank overdrafts and loans | –739 | –372 |
| Exchange rate differences (net) | –1938 | 0 |
| **Total financial expenses** | **–2677** | **–372** |
| Share of loss of associates | –838 | –210 |
| Impairment on investments in associates | –2957 | 0 |
| **Total financial result (net)** | **–5230** | **74** |

For investments in associates see note 17 of the notes to Group financial statements.

## 8 TAX EXPENSES

Tax expenses comprise the following positions:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Taxes payable | 3609 | 3926 |
| Deferred taxes | 388 | 128 |
| **Total** | **3997** | **4054** |

Tax expenses can be analyzed as follows:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Net profit before tax expenses | 13211 | 20411 |
| Tax expenses at applicable tax rate of 27.96% (22.65%) | 3693 | 4623 |
| Effects of non-tax deductible expenses | 302 | 26 |
| Effects of tax exempt or reduced income | –360 | –308 |
| Effects of tax loss not capitalized in current year | 210 | 130 |
| Effects of change in tax rate of deferred taxes | 126 | –277 |
| Effects of tax adjustments for prior years by tax authorities | –4 | –232 |
| Current source tax not refundable | 0 | 271 |
| Other impacts | 30 | –179 |
| **Effective tax** | **3997** | **4054** |
| Effective tax rate in % | 30.26% | 19.86% |

The applicable tax rate represents a weighted average rate based on all Group companies.

The Group has the following tax relevant losses to be carried forward:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Tax losses capitalized** | | |
| Expiration within 1 year | 0 | 0 |
| Expiration between 1 and 5 years | 1 037 | 1 175 |
| Expiration over 5 years | 5 951 | 175 |
| **Total** | **6 988** | **1 350** |
| **Tax credits of capitalized tax losses** | | |
| Expiration within 1 year | 0 | 0 |
| Expiration between 1 and 5 years | 346 | 391 |
| Expiration over 5 years | 1 892 | 54 |
| **Total** | **2 238** | **445** |
| **Tax losses not capitalized** | | |
| Expiration within 1 year | 0 | 0 |
| Expiration between 1 and 5 years | 0 | 0 |
| Expiration over 5 years | 1 479 | 846 |
| **Total** | **1 479** | **846** |
| **Tax credits of not capitalized tax losses** | | |
| Expiration within 1 year | 0 | 0 |
| Expiration between 1 and 5 years | 0 | 0 |
| Expiration over 5 years | 397 | 211 |
| **Total** | **397** | **211** |

Tax liabilities comprise expected income tax payments based on taxable profit of the year as well as pending tax assessments.

## 9 DEFERRED TAXES

Deferred tax assets include the following positions:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| 1.1. | 1 428 | 674 |
| Change in scope | 1 493 | 0 |
| Additions | 442 | 806 |
| Reversals | –52 | –18 |
| Currency effects | –205 | –34 |
| **31.12.** | **3 106** | **1 428** |

Deferred tax liabilities include the following positions:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| 1.1. | 6 026 | 5 224 |
| Additions | 1 296 | 1 216 |
| Reversals | –553 | –300 |
| Currency effects | –479 | –114 |
| **31.12.** | **6 290** | **6 026** |

Deferred tax assets and liabilities are based on the valuation differences between Group valuation and tax valuations in the following financial position items:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| IN CHF 1000 | DEFERRED TAX ASSETS | DEFERRED TAX LIABILITIES | DEFERRED TAX ASSETS | DEFERRED TAX LIABILITIES |
| Receivables and accruals | 0 | 348 | 0 | 378 |
| Inventories | 495 | 486 | 614 | 410 |
| Property, plant and equipment | 0 | 5 633 | 0 | 5 503 |
| Intangible assets | 26 | 5 | 0 | 5 |
| Financial liabilities | 74 | 312 | 96 | 360 |
| Provisions | 848 | 81 | 984 | 81 |
| Deferred taxes from losses carried forward | 2 238 | 0 | 445 | 0 |
| Offset of deferred assets and liabilities | –575 | –575 | –711 | –711 |
| **Total** | **3 106** | **6 290** | **1 428** | **6 026** |

Deferred tax assets to be recovered after more than twelve months amount to TCHF 3106 (previous year TCHF 1428). There are no deferred tax assets to be recovered within twelve months (previous year TCHF 0).

Deferred tax liabilities to be recovered after more than twelve months amount to TCHF 5795 (previous year TCHF 5589). Deferred tax liabilities to be recovered within twelve months amount to TCHF 495 (previous year TCHF 437).

## 10 NET PROFIT

The net profit from continuing operations amounts to TCHF 9214 (previous year TCHF 16,357). The earnings per share (EPS) are calculated as follows:

| | 2010 | 2009 |
|---|---|---|
| Weighted number of shares issued at 31.12. | 4 149 000 | 4 149 000 |
| Earnings per share (based on profit for the period) | CHF 2.24 | CHF 3.94 |
| Diluted earnings per share (based on profit for the period) | CHF 2.24 | CHF 3.94 |
| Earnings per share from continuing operations | CHF 2.22 | CHF 3.94 |
| Diluted earnings per share from continuing operations | CHF 2.22 | CHF 3.94 |
| Earnings per share from discontinued operations | CHF 0.02 | CHF 0.00 |
| Diluted earnings per share from discontinued operations | CHF 0.02 | CHF 0.00 |

## 11 ACCOUNTS RECEIVABLE FROM DELIVERIES AND SALES

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Accounts receivable from deliveries and sales (gross) | 34 265 | 36 583 |
| Allowance | –1 177 | –943 |
| **Total** | **33 088** | **35 640** |

| **Accounts receivable from deliveries and sales by currency** | | |
|---|---|---|
| CHF | 4 711 | 4 692 |
| EUR | 10 286 | 13 314 |
| USD | 12 803 | 15 062 |
| Other currencies | 5 288 | 2 572 |
| **Total** | **33 088** | **35 640** |

| **Accounts receivable from deliveries and sales (gross) by maturity** | | |
|---|---|---|
| Not due | 26 243 | 27 748 |
| Past due 1 to 30 days | 3 924 | 4 744 |
| Past due 31 to 60 days | 604 | 953 |
| Past due 61 to 90 days | 537 | 285 |
| Past due 91 to 120 days | 742 | 588 |
| Past due over 120 days | 2 215 | 2 265 |
| **Total** | **34 265** | **36 583** |

| **Accounts receivable from deliveries and sales by maturity** | | |
|---|---|---|
| Not due | 26 100 | 27 591 |
| Past due 1 to 30 days | 3 896 | 4 737 |
| Past due 31 to 60 days | 564 | 948 |
| Past due 61 to 90 days | 481 | 222 |
| Past due 91 to 120 days | 603 | 432 |
| Past due over 120 days | 1 444 | 1 710 |
| **Total** | **33 088** | **35 640** |

| **Change in allowance** | | |
|---|---|---|
| 1.1. | 943 | 506 |
| Change in scope | 324 | 0 |
| Additions | 152 | 531 |
| Used | –180 | –78 |
| Reversals | 0 | –8 |
| Currency effects | –62 | –8 |
| **31.12.** | **1 177** | **943** |

No collaterals exist in both reporting periods. The change in the allowance due to addition or reversal is included in other operating expenses.

As per December 31, 2010, accounts receivable from deliveries and sales of TCHF 2231 are pledged as securities for bank loans (previous year TCHF 0).

## 12 OTHER RECEIVABLES AND ACCRUALS

These items include:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Other receivables | 2 862 | 1 201 |
| Prepaid expenses | 927 | 1 390 |
| **Total** | **3 789** | **2 591** |

Financial instruments:
No open derivative financial instruments exist as per December 31, 2010, or as per December 31, 2009.

## 13 INVENTORIES

Inventories are as follows:

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Raw materials | 13 976 | 10 391 |
| Trade merchandise | 791 | 658 |
| Work in progress | 6 504 | 5 668 |
| Finished goods | 11 198 | 10 579 |
| **Total** | **32 469** | **27 296** |

| **Change in allowance** | | |
|---|---|---|
| 1.1. | 4 805 | 4 649 |
| Change in scope | 287 | 0 |
| Additions | 1 155 | 1 675 |
| Used | –1 081 | –710 |
| Reversals | –219 | –759 |
| Currency effects | –256 | –50 |
| **31.12.** | **4 691** | **4 805** |

No inventories are pledged or measured at selling price less variable selling expenses (net realizable value).

## 14 PROPERTY, PLANT AND EQUIPMENT

| IN CHF 1000 | MACHINERY AND EQUIPMENT | LAND | BUILDINGS (INCL. INST.) | ASSETS UNDER CONSTRUCTION | TOTAL |
|---|---|---|---|---|---|
| **Gross values** | | | | | |
| **Value 31.12.2008** | **35 827** | **1 416** | **37 726** | **2 283** | **77 252** |
| Additions | 1 810 | 0 | 926 | 3 511 | 6 247 |
| Disposals | –107 | 0 | –295 | 0 | –402 |
| Currency effects | –473 | –19 | –227 | 20 | –699 |
| Reclassification | 5 162 | 0 | 115 | –5 277 | 0 |
| **Value 31.12.2009** | **42 219** | **1 397** | **38 245** | **537** | **82 398** |
| Change in scope | 1 150 | 297 | 1 405 | 0 | 2 852 |
| Additions | 1 112 | 10 | 508 | 492 | 2 122 |
| Disposals | –1 009 | 0 | –1 639 | 0 | –2 648 |
| Currency effects | –3 851 | –110 | –1 537 | –2 | –5 500 |
| Reclassification | 690 | 0 | 213 | –916 | –13 |
| **Value 31.12.2010** | **40 311** | **1 594** | **37 195** | **111** | **79 211** |
| **Accumulated depreciation** | | | | | |
| **Value 31.12.2008** | **26 355** | **321** | **19 458** | **0** | **46 134** |
| Depreciation | 2 189 | 63 | 1 628 | 0 | 3 880 |
| Disposals | –86 | 0 | –217 | 0 | –303 |
| Currency effects | –198 | –8 | –85 | 0 | –291 |
| **Value 31.12.2009** | **28 260** | **376** | **20 784** | **0** | **49 420** |
| Depreciation | 2 489 | 61 | 1 642 | 0 | 4 192 |
| Disposals | –966 | 0 | –1 584 | 0 | –2 550 |
| Currency effects | –2 764 | –41 | –726 | 0 | –3 531 |
| **Value 31.12.2010** | **27 019** | **396** | **20 116** | **0** | **47 531** |
| **Net values** | | | | | |
| Value 31.12.2008 | 9 472 | 1 095 | 18 268 | 2 283 | 31 118 |
| Value 31.12.2009 | 13 959 | 1 021 | 17 461 | 537 | 32 978 |
| **Value 31.12.2010** | **13 292** | **1 198** | **17 079** | **111** | **31 680** |

Leased property, plant and equipment amount to TCHF 72 (previous year TCHF 0).

Contractual Commitments:
As per December 31, 2010, contractual commitments to acquire machinery and equipment of TCHF 609 were entered upon (previous year TCHF 498).

Pledged assets:
No property, plant and equipment are pledged for as per December 31, 2010, or as per December 31, 2009.

Fire insurance values:
Fire insurance values of property, plant and equipment amount to TCHF 88,524 (previous year TCHF 89,174).

## 15 FINANCIAL ASSETS

Financial assets consist of TCHF 1 securities (previous year TCHF 1) and of TCHF 4 loans (previous year TCHF 4).

## 16 INTANGIBLE ASSETS

Goodwill is allocated to the Group's cash-generating units (CGUs), which is the Group in total. As Vigodent SA was aquired shorthly before the year-end, Vigodent SA was exceptionally considered as a cash-generating unit for 2010.

These impairment tests for goodwill are based on the discounted cash flow method and on approved budgets and business plans for the next three years. Cash flow after this period is extrapolated by the rates given below. The value in use is the basis to calculate the recoverable amount.

Following assumptions were made:

| | 2010 | 2009 |
|---|---|---|
| **CGU Group** | | |
| Long-term growth rate | 2.5% | 2.5% |
| Gross profit margin | 70–72% | 70–72% |
| Discount rate | 8.5% | 8.5% |
| **CGU Vigodent** | | |
| Long-term growth rate | 2.5% | n/a |
| Gross profit margin | 61–63% | n/a |
| Discount rate | 12.5% | n/a |

The long-term growth rates used are consistent with the forecasts included in industry reports. Gross profit is defined as net sales less raw material and consumables used and less changes in inventories of finished goods and work in progress. The gross profit margin is calculated in percentage of net sales. Management determined the gross profit margin based on past performance and its expectations. The discount rates used are pre-tax and reflect specific risks relating to the dental industry.

Based on these calculations, there was no need for any impairment adjustments. Even in case of a reasonably possible change in the key assumptions, there will be no need for any impairment adjustments.

| IN CHF 1000 | GOODWILL | OTHER INTANGIBLE ASSETS | TOTAL |
|---|---|---|---|
| **Gross values** | | | |
| **Value 31.12.2008** | **40 967** | **4 908** | **45 875** |
| Additions | 0 | 1 180 | 1 180 |
| Currency effects | –248 | –41 | –289 |
| **Value 31.12.2009** | **40 719** | **6 047** | **46 766** |
| Change in scope | 7 340 | 3 570 | 10 910 |
| Additions | 0 | 1 531 | 1 531 |
| Disposals | 0 | –164 | –164 |
| Currency effects | –5 021 | –398 | –5 419 |
| Reclassification | 0 | 13 | 13 |
| **Value 31.12.2010** | **43 038** | **10 599** | **53 637** |
| **Accumulated amortization** | | | |
| **Value 31.12.2008** | **0** | **2 705** | **2 705** |
| Amortization | 0 | 468 | 468 |
| Currency effects | 0 | –22 | –22 |
| **Value 31.12.2009** | **0** | **3 151** | **3 151** |
| Amortization | 0 | 530 | 530 |
| Disposals | 0 | –164 | –164 |
| Currency effects | 0 | –190 | –190 |
| **Value 31.12.2010** | **0** | **3 327** | **3 327** |
| **Net values** | | | |
| Value 31.12.2008 | 40 967 | 2 203 | 43 170 |
| Value 31.12.2009 | 40 719 | 2 896 | 43 615 |
| **Value 31.12.2010** | **43 038** | **7 272** | **50 310** |

As per December 31, 2010, contractual commitments to acquire intangible assets of TCHF 238 exist (previous year TCHF 0).

## 17 INVESTMENTS IN ASSOCIATES

As per December 31, 2010, no investments in associates exist.

On July 1, 2009, COLTENE Holding AG acquired 40% of Vigodent SA Indústria e Comércio, Bonsucesso/ Rio de Janeiro, Brazil. Vigodent SA manufactures restorative and prosthetic dental consumables and distributes a wide range of dental consumables in the Latin American markets. In 2009, payments made for this acquisition amount to TCHF 7948.

On October 29, 2010, the Group acquired the remaining 60% of Vigodent SA for TCHF 5913.

The Group's share of loss of associates for 2010 was TCHF 838 (previous year TCHF 210).

As the result of Vigodent SA was below our expectations – the transition to COLTENE business standards takes longer than originally foreseen – the business plan for Vigodent was updated. Based on this updated business plan an impairment of TCHF 1972 on the investments in associates was made. At October 29, 2010, the investment was measured at fair value – based on the purchase price of the acquired 60% of Vigodent – and as a consequence additional TCHF 985 were impaired.

According to the Share Purchase Agreement, COLTENE Holding AG had a call option to purchase the remaining 60% of Vigodent SA. The positive call option value of TCHF 1220 was recognized as financial income at acquisition date.

Summary financial information to the investments in associates, not adjusted for the percentage ownership held by the Group, is shown in the table below.

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Ownership** | **100%** | **40%** |
| Current assets | n/a | 5213 |
| Non-current assets | n/a | 2375 |
| **Total assets** | **n/a** | **7588** |
| Current liabilities | n/a | 3907 |
| Non-current liabilities | n/a | 1375 |
| **Total liabilities** | **n/a** | **5282** |
| Net sales (from 1.1.2010 to 29.10.2010 and from 1.7.2009 to 31.12.2009) | 9346 | 6405 |
| Expenses (from 1.1.2010 to 29.10.2010 and from 1.7.2009 to 31.12.2009) | –11442 | –6929 |
| **Loss for the period (from 1.1.2010 to 29.10.2010 and from 1.7.2009 to 31.12.2009)** | **–2096** | **–524** |

## 18 BANK LOANS

The following tables show details of current bank loans as well as of non-current bank loans. Book values are equal to fair values.

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Current bank loans** | | |
| Unsecured bank loans | 31841 | 22879 |
| Secured bank loans | 2231 | 0 |
| **Total** | **34072** | **22879** |

| IN CHF 1000 | CURRENCY | INTEREST RATE | MATURITY | 2010 |
|---|---|---|---|---|
| **Current bank loans** | | | | |
| Unsecured bank loan | CHF | 0.93% | 31.01.11 | 6000 |
| Unsecured bank loan | USD | 1.04% | 31.01.11 | 4891 |
| Unsecured bank loan | CHF | 0.93% | 28.02.11 | 5100 |
| Unsecured bank loan | CHF | 0.95% | 28.02.11 | 2000 |
| Unsecured bank loan | USD | 1.10% | 28.02.11 | 3950 |
| Unsecured bank loan | CHF | 1.05% | 14.03.11 | 2500 |
| Unsecured bank loan | CHF | 0.78% | 31.03.11 | 3500 |
| Partly secured bank loan | BRL | 21.60% | 29.04.11 | 94 |
| Unsecured bank loan | BRL | 12.96% | 09.06.11 | 1770 |
| Partly secured bank loan | BRL | 24.00% | 20.06.11 | 176 |
| Unsecured bank loan | BRL | 24.00% | 30.06.11 | 172 |
| Unsecured bank loan | BRL | 12.96% | 04.08.11 | 282 |
| Unsecured bank loan | BRL | 12.96% | 30.09.11 | 675 |
| Unsecured bank loan | BRL | 18.00% | 28.10.11 | 366 |
| Unsecured bank loan | INR | 11.50% | 01.12.11 | 358 |
| Unsecured bank loan | BRL | 27.36% | 14.01.12 | 90 |
| Secured bank loan | BRL | 22.80% | n/a | 1139 |
| Secured bank loan | BRL | 18.84% | n/a | 987 |
| Secured bank loan | BRL | 17.40% | n/a | 2 |
| Secured bank loan | BRL | 22.80% | n/a | 20 |
| **Total** | | | | **34072** |

| IN CHF 1000 | CURRENCY | INTEREST RATE | MATURITY | 2009 |
|---|---|---|---|---|
| **Current bank loans** | | | | |
| Unsecured bank loan | CHF | 0.75% | 01.02.10 | 1 300 |
| Unsecured bank loan | USD | 1.17% | 01.02.10 | 3 192 |
| Unsecured bank loan | CHF | 1.05% | 26.02.10 | 3 000 |
| Unsecured bank loan | CHF | 1.15% | 01.03.10 | 1 800 |
| Unsecured bank loan | USD | 1.10% | 01.03.10 | 4 878 |
| Unsecured bank loan | CHF | 0.97% | 31.03.10 | 3 000 |
| Unsecured bank loan | USD | 1.33% | 01.06.10 | 5 709 |
| **Total** | | | | **22 879** |

Total uncommitted credit lines amount to TCHF 95,511 (previous year TCHF 94,877) of which 36% are used (previous year 24%). Covenants exist and the conditions of the convenants are met for both periods.

The Group intends to repay the current bank loans of TCHF 34,072 and the interest of TCHF 172 within less than twelve months and to finance cash needs by renewing existing bank loans and by closing additional bank loans out of existing credit lines.

## 19 ACCOUNTS PAYABLE TO SUPPLIERS

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| **Accounts payable to suppliers by currency** | | |
| CHF | 2 789 | 1 801 |
| EUR | 1 475 | 1 067 |
| USD | 3 503 | 2 983 |
| Other currencies | 845 | 218 |
| **Total** | **8 612** | **6 069** |

All accounts payable to suppliers fall due and will be paid within 120 days.

## 20 OTHER ACCOUNTS PAYABLE AND ACCRUALS

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Other accounts payable | 3 813 | 2 426 |
| Short-term financial leasing | 28 | 0 |
| Accruals | 5 537 | 5 208 |
| **Total** | **9 378** | **7 634** |

## 21 PROVISIONS

Reserves for guarantees were made according to estimates based on experience for guarantee claims that cannot be insured or are most probably based on the assessment of special cases. The provisions for pension plans and other social security include future pension claims, termination benefits and age-related part-time work agreements, promised pension or capital payments to the extent to which these payables are not included or reinsured by a legally separate fund.

The other provisions mainly cover the risk of litigation. A capital outflow is expected in the next two to five years. Provisions developed as follows:

| IN CHF 1000 | GUARANTEE | PENSION PLANS & SOCIAL SECURITY | OTHER | TOTAL |
|---|---|---|---|---|
| **31.12.2008** | **156** | **604** | **433** | **1 193** |
| Amount used | –7 | –5 | –60 | –72 |
| Reversals | 0 | 0 | –149 | –149 |
| Additions | 0 | 44 | 0 | 44 |
| Currency effects | 0 | 0 | 1 | 1 |
| **31.12.2009** | **149** | **643** | **225** | **1 017** |
| Change in scope | 62 | 0 | 0 | 62 |
| Reversals | 0 | –104 | –28 | –132 |
| Additions | 7 | 11 | 19 | 37 |
| Currency effects | –26 | –26 | –11 | –63 |
| **31.12.2010** | **192** | **524** | **205** | **921** |
| Short-term provisions | | | | |
| 31.12.2009 | 149 | 0 | 0 | 149 |
| **Short-term provisions** | | | | |
| **31.12.2010** | **192** | **0** | **0** | **192** |
| Long-term provisions | | | | |
| 31.12.2009 | 0 | 643 | 225 | 868 |
| **Long-term provisions** | | | | |
| **31.12.2010** | **0** | **524** | **205** | **729** |

## 22 FINANCIAL LEASING AND OPERATING LEASING

Financial leasing commitments and operating leasing and rental commitments not recognized in the balance sheet are as follows:

| | OPERATING LEASING | | FINANCIAL LEASING | |
|---|---|---|---|---|
| IN CHF 1000 | 2010 | 2009 | 2010 | 2009 |
| No later than 1 year | 988 | 1 310 | 32 | 0 |
| Later than 1 year and no later 5 years | 2 468 | 3 146 | 19 | 0 |
| Later than 5 years | 514 | 1 228 | 0 | 0 |
| Interest included in above payments | 0 | 0 | –9 | 0 |
| **Total** | **3 970** | **5 684** | **42** | **0** |
| Total over 1 year | 2 982 | 4 374 | 19 | 0 |

Several operating and financial leasing contracts for property, plant and equipment exist.

The short-term financial leasing liabilities of TCHF 28 (previous year TCHF 0) are reported in other accounts payable and accruals. The long-term financial leasing liabilities of TCHF 14 (previous year TCHF 0) are reported in other long-term liabilites.

## 23 EQUITY

The share capital represents the capital of COLTENE Holding AG adjusted by treasury stock. Treasury stock on December 31, 2010, included 70,000 shares (previous year 70,000).

The outstanding capital consists of 4,219,000 (previous year 4,219,000) registered shares of CHF 0.10 (previous year CHF 0.10) par value per share. All shares are issued; there is no additional conditional or approved capital.

The payment of a dividend of CHF 1.75 per share will be proposed to the Annual General Meeting on April 28, 2011.

Based on the AGM decision on April 28, 2010, the company paid a dividend of CHF 3.10 (previous year CHF 4.30) per share, less 35% withholding tax, to its shareholders on May 5, 2010. The total amount of the gross dividend paid was TCHF 12,862 (previous year TCHF 17,840).

Based on the AGM decision on October 2, 2008, the company repurchased 461,000 shares for CHF 107.10 each on December 9, 2008. The total amount paid for the share repurchase was TCHF 31,982. In addition the company paid 35% witholding tax (TCHF 17,264) on January 8, 2009.

For services related to the par value reduction and to the share repurchase the Group paid in 2010 TCHF 0 (previous year TCHF 110).

## 24 BUSINESS COMBINATIONS

On October 29, 2010, COLTENE acquired the remaining 60% of Vigodent SA, Bonsucesso/Rio de Janeiro, Brazil, to increase its share in Vigodent to 100%. Vigodent SA manufactures restorative and prosthetic dental consumables and distributes a wide range of dental consumables in the Latin American markets. The details to the purchase price are shown in the table below.

| IN CHF 1000 | FAIR VALUE |
|---|---|
| Accounts receivable from deliveries and sales | 2 647 |
| Other receivables and prepaid expenses | 624 |
| Inventories | 3 055 |
| Property, plant and equipment | 2 852 |
| Financial assets | 2 |
| Intangible assets | 3 570 |
| Deferred tax assets | 1 493 |
| Current bank loans | –5 537 |
| Accounts payable to suppliers | –2 826 |
| Other accounts payable and accruals | –2 007 |
| Other short-term provisions | –62 |
| Other long-term liabilities | –16 |
| **Net assets acquired** | **3 795** |
| Goodwill | 7 340 |
| **Total purchchase consideration for 100%** | **11 135** |
| Thereof cash paid to the seller for 60% | –5 973 |
| Thereof fair value of investments in associates 40% | –3 942 |
| Thereof fair value of call option | –1 220 |

Acquisition-related costs of TCHF 284 have been recognised in the consolidated income statement as operating expenses, which previously would have been included in the consideration for the business combination.

The goodwill is justified by the acquired business and by the expected synergies. Between the date of the acquisition and December 31, 2010, Vigodent SA contributed TCHF 1961 to the net sales and TCHF –874 to the net profit.

In 2009 no acquisitions were made. For investments in associates see note 17 of the notes to Group financial statements.

## 25 DISCONTINUED OPERATIONS

On April 30, 2008, COLTENE Holding AG sold its entire Medical segment by transferring the shares of the two subsidiaries Medisize Schweiz AG and Medisize Medical Business Beheer B.V. together with all its subsidiaries to Medifiq Healthcare Corporation. The results of this transaction are presented as discontinued operations in the statement of comprehensive income and in cash flow statement.

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Gain on sale of discontinued operations | 77 | 0 |
| Income tax on gain on sale of discontinued operations | –6 | 0 |
| **Profit from discontinued operations** | **71** | **0** |
| **Cash flow from discontinued operations** | | |
| Net cash flow from investing activities | –59 | –1 238 |
| **Net cash flow from discontinued operations** | **–59** | **–1 238** |

In 2010 accrued liabilities of TCHF 59 (previous year TCHF 1238) were paid and unused accrued liabilites of TCHF 77 (previous year TCHF 0) were recognized as gain on sale of discountinued operations. The main payment for 2009 of TCHF 1144 was made to tax authorities.

## 26 CONTINGENT LIABILITIES

On April 30, 2008, COLTENE Holding AG sold its entire Medical segment by transferring the shares of the two subsidiaries Medisize Schweiz AG and Medisize Medical Business Beheer B.V. together with its subsidiaries to Medifiq Healthcare Corporation. Consequently, the Group signed a sale and purchase agreement in which the Group represents and warrants to the buyer a comprehensive catalogue of items to an extent generally in line with industry standard for such kind of transactions.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than provided for. With regard to operating activities, the Group has no contingent liabilities resulting from bills of exchange, letter of credits or guarantees.

## 27 TRANSACTION WITH RELATED PARTIES

| IN CHF 1000 | 2010 | 2009 |
|---|---|---|
| Key management compensation: | | |
| Salaries and other short-term employee benefits | 1 703 | 1 714 |
| Share-based payments | 88 | 79 |
| Post-employment benefits | 125 | 88 |
| **Total** | **1 916** | **1 881** |
| Transactions with associates (Vigodent SA): | | |
| Net sales (from 1.1.2010 to 29.10.2010 and from 1.7.2009 to 31.12.2009) | 526 | 1 193 |
| Accounts receivable from deliveries and sales | n/a | 1 422 |
| Other transactions with related parties (Lenz & Staehelin, attorneys-at-law): | | |
| Advisory fees | 101 | 222 |

There are no receivables or payables in relation to material shareholders or key management. For further details concerning the remuneration to the Board of Directors and Executive Management see notes to COLTENE Holding AG on page 57.

## 28 SUBSEQUENT EVENTS

The Board of Directors authorized the Group financial statements on February 24, 2011, 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.

# MAJOR GROUP COMPANIES

| COMPANY | ACTIVITY | REGISTERED CAPITAL | GROUP OWNERSHIP 2010 | GROUP OWNERSHIP 2009 |
|---|---|---|---|---|
| Coltène/Whaledent AG, Altstätten CH | Production and sales of dental specialities | CHF 1 600 000 | 100% | 100% |
| Coltène/Whaledent Vertriebsservice und Marketing GmbH, Altstätten CH | Sales services and marketing of dental specialities | CHF 20 000 | 100% | 100% |
| Coltène/Whaledent GmbH + Co. KG, Langenau DE | Production and sales of dental specialities | EUR 1 850 000 | 100% | 100% |
| Dentalia Kft., Bicske HUN | Production and sales of dental specialities | HUF 3 000 000 | 100% | 100% |
| Endodent Inc., Duarte CA/USA | Production and sales of dental specialities | USD 30 000 | 100% | 100% |
| Coltène/Whaledent Ltd., Burgess Hill GB | Sales of dental specialities | GBP 200 000 | 100% | 100% |
| Coltène/Whaledent S.à.r.l., Le Mans FR | Sales of dental specailities | EUR 503 000 | 100% | 100% |
| Coltène/Whaledent Dental Materials & Equipment Trading Co., Ltd, Beijing CN | Sales of dental specailities | CNY 5 000 000 | 100% | 100% |
| Coltène/Whaledent Private Limited, Mumbai IN | Sales of dental specailities | INR 19 800 000 | 100% | 100% |
| Coltène/Whaledent Inc., Cuyahoga Falls, OH/USA | Production and sales of dental specialities | USD 5 000 000 | 100% | 100% |
| COLTENE Services AG, Dübendorf CH | Management company | CHF 250 000 | 100% | 100% |
| Vigodent SA Indústria e Comércio, Rio de Janeiro BR | Production and sales of dental specialities | BRL 7 383 711 | 100% | 40% |

PRICEWATERHOUSECOOPERS

**Report of the statutory auditor to the General Meeting of COLTENE Holding AG, Altstätten**

## REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of COLTENE Holding AG, which comprise the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes (pages 26 to 52), for the year ended December 31, 2010.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2010, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

## REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

| | |
|---|---|
| Lorenz Lipp | Werner Frei |
| Audit expert | Audit expert |
| Auditor in charge | |

St Gallen, February 24, 2011

# BALANCE SHEET COLTENE HOLDING AG

| IN CHF | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 6 317 | 26 898 |
| Other receivables from third parties | 7 290 | 5 754 |
| Other receivables from subsidiaries | 1 708 830 | 747 547 |
| Prepaid expenses and accrued income | 34 270 | 18 113 |
| **Current assets** | **1 756 707** | **798 312** |
| Loans to subsidiaries | 53 429 280 | 50 248 956 |
| Investment in associate | 0 | 7 947 510 |
| Investments in subsidiaries | 22 031 114 | 10 983 604 |
| Own shares | 3 010 000 | 3 010 000 |
| **Non-current assets** | **78 470 394** | **72 190 070** |
| **Total assets** | **80 227 101** | **72 988 382** |
| **Liabilities** | | |
| Bank loans | 27 941 170 | 22 879 317 |
| Accruals and provisions | 381 171 | 575 176 |
| **Current liabilities** | **28 322 341** | **23 454 493** |
| Share capital | 421 900 | 421 900 |
| Statutory reserves | 18 014 757 | 18 014 757 |
| Reserves for treasury stock | 3 010 000 | 3 010 000 |
| Net income brought forward | 30 458 103 | 28 087 232 |
| **Total equity** | **51 904 760** | **49 533 889** |
| **Total liabilities and equity** | **80 227 101** | **72 988 382** |

# INCOME STATEMENT COLTENE HOLDING AG

| IN CHF | 2010 | 2009 |
|---|---|---|
| Income from investments | 15 000 000 | 14 918 910 |
| Financial income | 1 802 495 | 2 600 219 |
| **Total income** | **16 802 495** | **17 519 129** |
| Financial expenses | –302 098 | –380 256 |
| Administrative expenses | –1 182 765 | –1 127 808 |
| Tax expenses | –85 062 | –148 044 |
| **Total expenses** | **–1 569 925** | **–1 656 108** |
| **Profit of the year** | **15 232 570** | **15 863 021** |

# NOTES TO COLTENE HOLDING AG

| IN CHF | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **1 Contingent liabilities** | | |
| Warrants Medifiq Healthcare Corporation (see notes to the Group financial statements, note 26) | p.m. | p.m. |
| Purchase price for 60% of Vigodent's share capital (see notes to the Group financial statements, note 17) | n/a | 10 291 |
| Joint and several liability for VAT liabilities of COLTENE Holding AG, Altstätten, Coltène/Whaledent AG, Altstätten, Coltène/Whaledent Vertriebsservice und Marketing GmbH, Altstätten, COLTENE Services AG, Dübendorf | p.m. | p.m. |
| **2 Significant investments** | | |
| see list on page 52 | | |
| **3 Treasury stock** | | |
| Total at 31.12. | | |
| 70 000 (70 000) shares par value CHF 0.10 (CHF 0.10) | 3 010 000 | 3 010 000 |
| Purchases: 2121 (2100) shares at an average price of | 58.64 | 45.96 |
| Share-based transactions with management: 2121 (2100) shares at an average price of | 58.64 | 45.96 |
| **4 Significant shareholders** | | |
| The company is aware of the following registered shareholders who own over 3% of the shares | | |
| Huwa Finanz- und Beteiligungs AG, Heerbrugg | 18.32% | 17.00% |
| FMR Corp., Boston/USA | 9.99% | 11.11% |
| Tweedy, Browne Company LLC, New York/USA | 5.18% | 5.18% |
| Lincoln Vale European Partners Master Fund L.P., Lincoln/USA | 4.96% | 5.59% |
| Schroder Investments Management Limited, London/UK | 4.17% | 4.17% |
| Orange European Smallcap Fund N.V., Amsterdam/NL | 3.80% | 3.80% |
| Robert Heberlein, Zumikon | 3.46% | 3.45% |
| Credit Suisse Asset Management Funds AG, Zurich | 3.04% | 3.04% |
| **5 Share capital** | | |
| The nominal capital at 31.12. consisted of 4 219 000 (4 219 000) registered shares par value CHF 0.10 (CHF 0.10) | 421 900 | 421 900 |
| **6 Statutory reserves carried forward** | | |
| Statutory reserves at 1.1. | 18 014 757 | 18 014 757 |
| Statutory reserves at 31.12. | 18 014 757 | 18 014 757 |
| **7 Net income brought forward** | | |
| Net income at 1.1. | 28 087 232 | 30 064 632 |
| Dividend distribution | –12 861 699 | –17 840 421 |
| Profit of the year | 15 232 570 | 15 863 021 |
| Net income at 31.12. | 30 458 103 | 28 087 232 |
| **8 Number of shares held by Board of Directors** | | |
| Nick Huber, Chairman | 800 | 550 |
| Robert Heberlein, Member | 145 903 | 145 653 |
| Erwin Locher, Member since April 17, 2009 | 5 177 | 5 000 |
| Matthew Robin, Member | 750 | 500 |
| Jerry Sullivan, Member | 177 | 0 |
| Total | 152 807 | 151 703 |
| **9 Number of shares held by Executive Management** | | |
| Andreas Meldau, Chief Executive Officer | 1 243 | 891 |
| Dr. Hans Grüter, Chief Financial Officer | 2 132 | 1 841 |
| Total | 3 375 | 2 732 |

## 10 Remuneration to Board of Directors

| | BASE REMUNERATION | | VARIABLE REMUNERATION | | OTHER REMUNERATION | | TOTAL |
|---|---|---|---|---|---|---|---|
| 2010 | IN CASH | IN SHARES | IN CASH | IN SHARES | SOCIAL SECURITY | OTHER BENEFITS | |
| Nick Huber, Chairman | 100 000 | 12 489 | 0 | 0 | 7 244 | 0 | 119 733 |
| Robert Heberlein, Member | 80 000 | 12 489 | 0 | 0 | 4 026 | 0 | 96 515 |
| Erwin Locher, Member since April 17, 2009 | 80 000 | 8 842 | 0 | 0 | 5 721 | 0 | 94 563 |
| Matthew Robin, Member | 80 000 | 12 489 | 0 | 0 | 5 956 | 0 | 98 445 |
| Jerry Sullivan, Member | 80 000 | 8 842 | 0 | 0 | 0 | 0 | 88 842 |
| Total | 420 000 | 55 151 | 0 | 0 | 22 947 | 0 | 498 098 |

| | BASE REMUNERATION | | VARIABLE REMUNERATION | | OTHER REMUNERATION | | TOTAL |
|---|---|---|---|---|---|---|---|
| 2009 | IN CASH | IN SHARES | IN CASH | IN SHARES | SOCIAL SECURITY | OTHER BENEFITS | |
| Nick Huber, Chairman | 100 000 | 9 603 | 0 | 0 | 7 058 | 0 | 116 661 |
| Robert Heberlein, Member | 80 000 | 9 603 | 0 | 0 | 3 872 | 0 | 93 475 |
| Erwin Locher, Member since April 17, 2009 | 56 767 | 0 | 0 | 0 | 3 656 | 0 | 60 423 |
| Matthew Robin, Member | 80 000 | 9 603 | 0 | 0 | 5 770 | 0 | 95 373 |
| Jerry Sullivan, Member | 81 317 | 0 | 0 | 0 | 0 | 0 | 81 317 |
| Total | 398 084 | 28 809 | 0 | 0 | 20 356 | 0 | 447 249 |

## 11 Remuneration to Executive Management

| | BASE REMUNERATION | | VARIABLE REMUNERATION | | OTHER REMUNERATION | | TOTAL |
|---|---|---|---|---|---|---|---|
| 2010 | IN CASH | IN SHARES | IN CASH | IN SHARES | SOCIAL SECURITY | OTHER BENEFITS | |
| Andreas Meldau, Chief Executive Officer | 373 563 | 0 | 170 545 | 17 952 | 124 086 | 49 572 | 735 718 |
| Other members of the Executive Management | 360 000 | 0 | 157 782 | 14 841 | 122 912 | 26 492 | 682 027 |
| Total | 733 563 | 0 | 328 327 | 32 793 | 246 998 | 76 064 | 1 417 745 |

| | BASE REMUNERATION | | VARIABLE REMUNERATION | | OTHER REMUNERATION | | TOTAL |
|---|---|---|---|---|---|---|---|
| 2009 | IN CASH | IN SHARES | IN CASH | IN SHARES | SOCIAL SECURITY | OTHER BENEFITS | |
| Andreas Meldau, Chief Executive Officer | 377 842 | 0 | 213 195 | 15 019 | 114 283 | 33 150 | 753 489 |
| Other members of the Executive Management | 360 000 | 0 | 177 256 | 15 019 | 98 660 | 29 022 | 679 957 |
| Total | 737 842 | 0 | 390 451 | 30 038 | 212 943 | 62 172 | 1 433 446 |

## 12 Risk management

The Group identifies, records and assesses the business risks for the entire Group according to the Group's Risk Management Policy and in line with the Group's Internal Control System Policy. Measures to regulate, monitor and reduce selected risks are defined and the implementation is controlled. The Board of Directors is in charge of supervising the risk management process.

# PROPOSAL FOR THE ALLOCATION OF NET INCOME

| IN CHF | 2010 | 2009 |
|---|---|---|
| Net income carried forward from the previous year | 15 225 533 | 12 224 211 |
| Profit of the year | 15 232 570 | 15 863 021 |
| Available net income | 30 458 103 | 28 087 232 |
| Distribution of dividend of CHF 1.75 per share (CHF 3.10 per share) | –7 383 250 | –13 078 900 |
| To be carried forward | 23 074 853 | 15 008 332 |

PRICEWATERHOUSECOOPERS

**Report of the statutory auditor to the General Meeting of COLTENE Holding AG, Altstätten**

## REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of COLTENE Holding AG, which comprise the balance sheet, income statement and notes (pages 54 to 58), for the year ended December 31, 2010.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended December 31, 2010, comply with Swiss law and the company's articles of incorporation.

## REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

| | |
|---|---|
| Lorenz Lipp | Werner Frei |
| Audit expert | Audit expert |
| Auditor in charge | |

St Gallen, February 24, 2011

## 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

## 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

## IMPORTANT DATES

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

### MARCH 17, 2011

Presentation of annual results 2010
Financial analysts' and media conference
Publication of Annual Report 2010

### APRIL 28, 2011

General Meeting of the Shareholders, at COLTENE Holding AG, Altstätten/SG

### AUGUST 19, 2011

Presentation of half-year results 2011
Conference Call/Webcast
Publication of Half-year Report 2011

### END OF MARCH 2012

Presentation of annual results 2011
Financial analysts' and media conference
Publication of Annual Report 2011

### APRIL 2012

General Meeting of the Shareholders

## 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.

## KEY FIGURES PER SHARE

| | |
|---|---|
| Price at year end | 57.00 |
| Highest price | 63.00 |
| Date | 17.02.2010 |
| Lowest price | 50.15 |
| Date | 01.07.2010 |
| Earnings per share | 2.24 |
| Equity per share | 23.58 |
| Dividend per share | 1.75 |
| Taxable value | 57.00 |

# Important Addresses

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