

Geschäftsbericht
Annual Report

2008

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



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	2008	2007
Nettoumsatz / Net sales	166 419	168 110
Betriebserfolg (EBIT) / Operating profit	24 922	25 678
In % vom Nettoumsatz / In % of net sales	15.0%	15.3%
Ergebnis aus weitergeführter Tätigkeit / Net profit continuing operations	17 682	18 551
Ergebnis aus nicht weitergeführter Tätigkeit / Profit from discontinued operations	30 388	7 744
Periodenergebnis / Profit for the period	48 070	26 295
Geldfluss aus Betriebstätigkeit / Cash flow from operating activities*	18 526	16 999
Investitionen (ohne Beteiligungen) / Investments (without subsidiaries)*	6 253	2 900
Free Cashflow / Free cash flow*	12 273	14 099
Total Aktiven / Total assets	161 472	247 568
Bankdarlehen / Bank loans	2 640	36 555
Eigenkapital / Shareholder's equity	113 161	165 665
In % der total Aktiven / In % of total assets	70.1%	66.9%
Dividende pro Aktie / Dividend per share	CHF 4.30	CHF 4.30
Anzahl Mitarbeiter / Employees	751	686

* Aus weitergeführter Tätigkeit / From continuing operations

VERWALTUNGSRAT / BOARD OF DIRECTORS

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

UNTERNEHMENSLEITUNG / GROUP MANAGEMENT

Andreas Meldau, CEO
Dr. Hans Grüter, CFO

Bericht des Verwaltungsrats und der Unternehmensleitung Report of the Board of Directors and Group Management	02–13
Corporate Governance	14–22
Financials	23–57
Investor Relations	58
Important Addresses	59

Gesunde Geschäftsentwicklung trotz schwächerer Konjunktur

- Weiterer Umsatz- und EBIT-Zuwachs im zweiten Halbjahr
- Solide EBIT-Marge von 15,0% für das ganze Jahr
- Beinahe schuldenfreie Bilanz mit hohem Eigenfinanzierungsgrad
- Antrag auf Auszahlung einer unveränderten Dividende von CHF 4.30



Andreas Meldau, CEO; Nick Huber, Präsident des Verwaltungsrates/Chairman of the Board of Directors; Dr. Hans Grüter, CFO

- Further sales and EBIT growth in second half year
 - Solid full year EBIT margin of 15.0%
- Nearly debtfree balance sheet with high equity ratio
 - Proposal to pay out steady dividend of CHF 4.30

Sound business development despite weaker economic conditions

VORBEMERKUNG

Nach einer eingehenden Analyse der relevanten Marktbedingungen und Trends sowohl im Medizinal- als auch im Dentalbereich entschied der Verwaltungsrat von Medisize Holding AG am 27. Februar 2008, die gesamten Medizinalaktivitäten der Gruppe an Medifiq Healthcare OY, Finnland, für CHF 105 Mio. zu veräussern. Nach dem Verkauf änderte die Medisize Holding AG ihren Namen in COLTENE Holding AG, womit die strategische Ausrichtung auf das seit Jahrzehnten unter dem Namen Coltène/Whaledent am Markt bekannte Dentalgeschäft klar zum Ausdruck kommt. Im vorliegenden Geschäftsbericht wird das Medizinalgeschäft als nicht weitergeführte Tätigkeit ausgewiesen.

NOTE

Following a thorough analysis of the relevant market conditions and trends in both the medical and dental businesses, the Board of Directors of Medisize Holding AG decided on February 27, 2008, to sell the Group's Medical business to Medifiq Healthcare OY, Finland, for CHF 105 million. Following the sale, Medisize Holding AG changed its name to COLTENE Holding AG which best reflects the company's focus on the dental market where it has operated successfully for decades under the brand Coltène/Whaledent. The medical business is considered as discontinued operations in this report.

DEAR SHAREHOLDERS

COLTENE reports solid results for the fiscal year 2008. Despite the notable global downturn at the end of the year, consolidated sales remained nearly constant at CHF 166.4 million after attaining CHF 168.1 million in the prior year. Excluding unfavourable exchange rate effects, COLTENE was even able to achieve overall growth of 4.1%. In Swiss francs COLTENE had increased consolidated sales in the first half year by 1.0%; in the second half sales dropped by 2.9% over the strong prior year period. Compared with the first six months of the year under review, the second half showed a 3.2% sales increase which was even more pronounced in local currency terms. This is a very positive performance in light of the accelerated global downturn which started in the third quarter of 2008.

Based solely on continued operations in the global Dental business, COLTENE achieved profits for the fiscal year 2008 of CHF 17.7 million. This equals earnings per share of CHF 3.88 after CHF 4.00 in 2007. Including a profit contribution of CHF 30.4 million from the sale of the Medical business at end-April, COLTENE reports profits of CHF 48.1 million for 2008, which equates to earnings per share of CHF 10.55 after CHF 5.67 in 2007.

AN UNSERE AKTIONÄRINNEN UND AKTIONÄRE

COLTENE hat im Geschäftsjahr 2008 solide Resultate erzielt. Trotz des gegen Ende des Jahres weltweit spürbaren wirtschaftlichen Abschwungs blieb der konsolidierte Umsatz mit CHF 166,4 Mio. nach CHF 168,1 Mio. im Vorjahr praktisch stabil. Unter Ausschluss der teils deutlich nachteiligen Währungsentwicklungen konnte COLTENE gesamthaft um 4,1% zulegen. Nachdem im ersten Halbjahr der in Schweizer Franken konsolidierte Umsatz ein Wachstum von 1,0% gezeigt hatte, gingen die Verkäufe im zweiten Halbjahr gegenüber dem starken Vorjahr um 2,9% zurück. Im Vergleich mit den ersten sechs Monaten des Jahres resultierte in der zweiten Jahreshälfte jedoch ein 3,2%iger Umsatzanstieg, der in Lokalkährungen noch deutlicher ausfiel. Angesichts der vom dritten Quartal 2008 an weltweit spürbaren Rezession ist dies eine sehr positive Leistung.

Aus fortgeführter Tätigkeit – somit allein auf die Leistung des weltweiten Dentalgeschäfts abstellend – weist COLTENE für das Geschäftsjahr 2008 einen Gewinn von CHF 17,7 Mio. aus. Dies entspricht einem Gewinn je Aktie von CHF 3.88 nach CHF 4.00 im Vorjahr. Einschliesslich des Gewinnbeitrags von CHF 30,4 Mio. aus dem per Ende April verkauften Medizinalgeschäft weist COLTENE einen Jahresgewinn von CHF 48,1 Mio. aus. Dies entspricht einem Gewinn je Aktie von CHF 10.55 nach CHF 5.67 im Jahr 2007.

EBIT for 2008 remained stable over 2007 reaching around CHF 25 million so that COLTENE was also able to maintain a nearly constant EBIT margin of 15.0%.

As a result of our continued international expansion, the operational results were impacted by higher personnel and marketing costs as well as special effects. These items amounted to a total of CHF 0.9 million: The creation of a new management team led by CEO Andreas Meldau last spring had triggered a contractual payment of CHF 0.9 million to former CEO Jerry Sullivan.

COLTENE has a robust business model in place which enables us to deliver a sound performance in the dental market even under difficult economic conditions. The Board of Directors will thus propose to the Annual General Meeting of Shareholders the payment of an unchanged dividend of CHF 4.30 per share at nominal CHF 0.10.

Der im Jahr 2008 erwirtschaftete EBIT lag mit rund CHF 25 Mio. fast auf Vorjahreshöhe, so dass auch die EBIT-Marge mit 15,0% praktisch gehalten werden konnte.

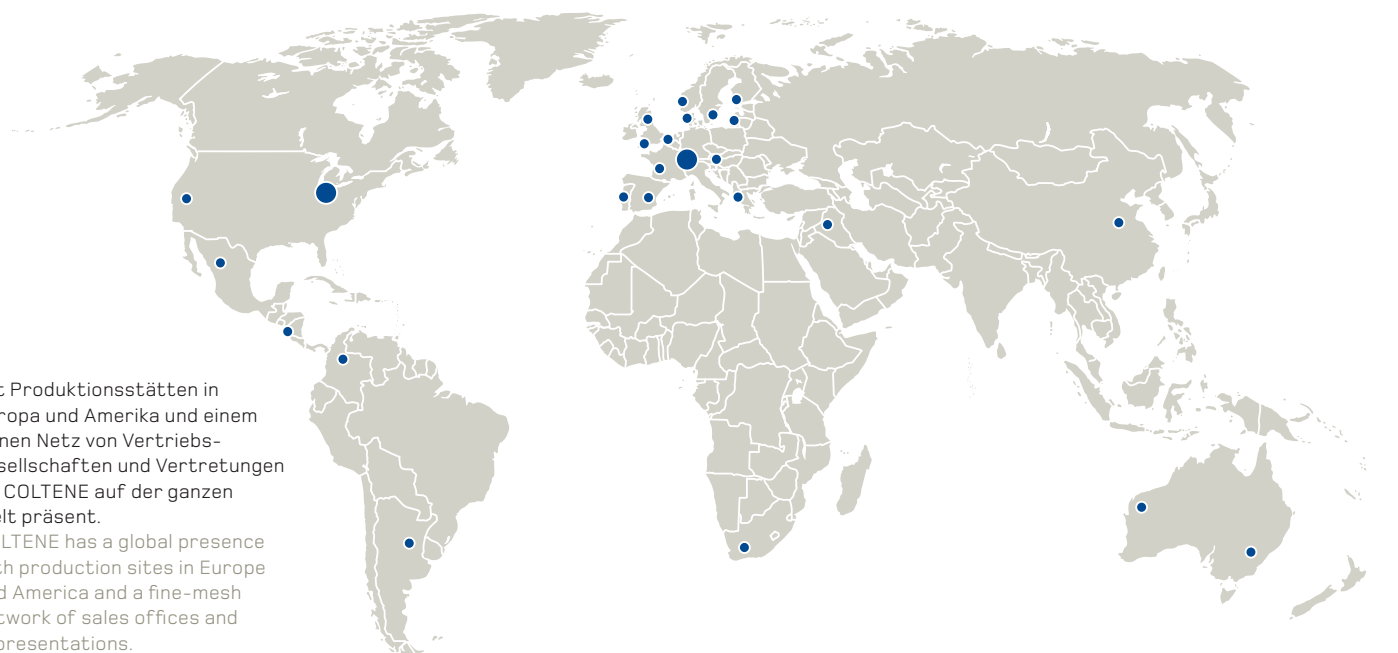
Das operative Ergebnis wurde im Zuge der konsequent vorangetriebenen internationalen Expansion zum einen durch höhere Aufwendungen für Personal und Marketing, zum anderen durch Sondereffekte von gesamthaft CHF 0,9 Mio. belastet: Bei der Formierung des neuen Managementteams geführt von CEO Andreas Meldau, wurde im Frühling eine vertragliche Zahlung von CHF 0,9 Mio. an den früheren CEO Jerry Sullivan ausgelöst.

COLTENE verfügt über ein solides Geschäftsmodell, welches auch im widrigen Wirtschaftsklima eine gesunde Performance im Dentalmarkt ermöglicht. Der Verwaltungsrat schlägt deshalb der Generalversammlung die Entrichtung einer gleichbleibenden Dividende von CHF 4.30 je Namenaktie zu nominal CHF 0.10 vor.

COLTENE: WELTWEITE PRÄSENZ COLTENE GLOBAL PRESENCE

Mit Produktionsstätten in Europa und Amerika 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 and America and a fine-mesh network of sales offices and representations.



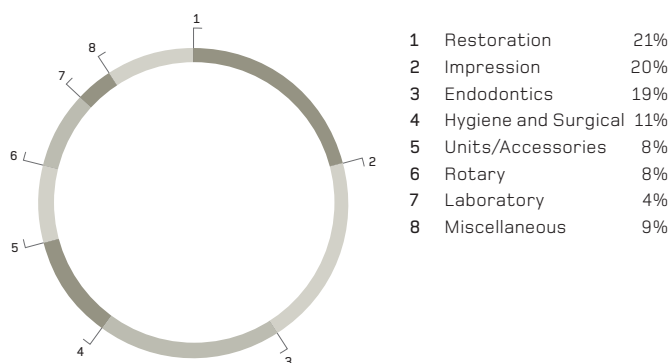
SALES DEVELOPMENT

On a year-on-year basis, the consolidated sales of CHF 166.4 million remained nearly constant. By contrast, an exchange rate comparison at constant rates which was based on the conversion of foreign subsidiaries showed an increase of 4.1%. An expanded comparison, including in particular the Swiss subsidiary, results in an even higher performance increase of 5.5%.

Dynamic sales development in Emerging Markets

COLTENE achieved remarkable growth in Emerging Markets last year. Sales in China doubled driven by investments in marketing and distribution (see also entity-wide information on page 36), which demonstrates that we are reaping the rewards of our targeted market penetration and the establishment of our own sales company during the last two years. COLTENE wants to repeat this success rapidly and tap into the Indian market, where COLTENE is already posting double-digit sales growth, however from a low level. Overall, BRIC countries posted highly dynamic growth rates. Owing to a product offering tailored to regional needs coupled with the rising disposable incomes of a growing middle class in Brazil, we achieved a consolidated sales increase in excess of 50 percent. Russia, too, posted outstanding growth standing at a good 30%. Sales across Latin America further accelerated despite the region's already dynamic growth in previous years. Far Eastern sales were adversely affected by a very difficult Australian market. Asia and Latin America remain attractive growth markets in the Dental business.

NETTOUMSATZ NACH PRODUKTEN UND DIENSTLEISTUNGEN 2008 NET SALES BY PRODUCTS AND SERVICES 2008



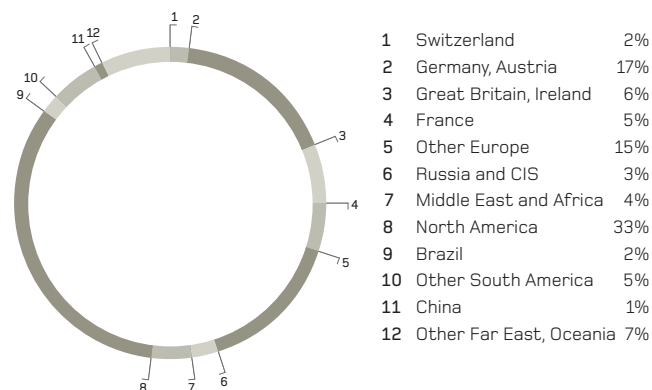
UMSATZENTWICKLUNG

Im Jahresvergleich ist der konsolidierte Umsatz mit CHF 166,4 Mio. annähernd gleich geblieben. Ein zu konstanten Kursen vorgenommener Währungsvergleich basierend auf der Umrechnung der ausländischen Tochtergesellschaften zeigt demgegenüber ein Plus von 4,1%. Eine erweiterte, insbesondere die schweizerische Tochtergesellschaft einbeziehende Analyse zeigt sogar eine um 5,5% höhere Marktleistung.

Dynamische Umsatzentwicklung in den Schwellenländern

COLTENE verzeichnete 2008 vor allem in den Schwellenländern ein beachtliches Wachstum: In China hat sich der Umsatz dank den Investitionen in Marketing und Vertrieb verdoppelt (siehe gruppenweite Information Seite 36); die gezielte Markterschliessung und der Aufbau einer eigenen Niederlassung in den letzten beiden Jahren haben sich folglich gelohnt. Diesen Erfolg will COLTENE mit der zügigen Bearbeitung des indischen Marktes wiederholen; dort stiegen die Verkäufe bereits zweistellig, wenngleich noch auf tiefem Niveau. BRIC-Staaten entwickelten sich insgesamt sehr dynamisch: Dank speziell auf die Verhältnisse in diesen Regionen zugeschnittener Produktangebote und aufgrund der steigenden individuellen Einkommen wachsender Bevölkerungsschichten stieg in Brasilien der konsolidierte Umsatz um mehr als die Hälfte, und auch in Russland resultierte ein hervorragender zweistelliger Zuwachs von gut 30%. Der Umsatz im übrigen Lateinamerika konnte ebenfalls weiter gesteigert werden, obschon das Wachstum bereits in den Jahren zuvor stark

NETTOUMSATZ NACH GEOGRAFISCHEN REGIONEN 2008 NET SALES BY GEOGRAPHIC REGIONS 2008



Germany, a key market, saw growth in Swiss francs of 3%, adjusted for exchange rate effects the increase would have been twice as high, clearly outstripping the overall market trend. Adjusted for exchange rate effects, France delivered a 10% increase. The British pound came under intense pressure in 2008. While consolidated sales statistics for this market show a double-digit decline, the performance measured in British pounds was in line with the COLTENE Group's average performance. Sales in our home market Switzerland were also up significantly in 2008. Adjusted for exchange rate effects, the remaining European countries achieved growth in line or slightly above last year's level. Eastern Europe delivered better sales growth while Southern Europe, especially Italy, showed unsatisfactory growth rates. In light of Italy's potential market size, COLTENE plans to kick-start growth with targeted initiatives this year.

North America is currently a tough market for most dental providers. In the US and Canada, private consumption was down significantly last year, which also impacted the Dental business where not only esthetically demanding tooth procedures but overall dental sales came under pressure. Despite a difficult market environment, COLTENE is well positioned in this market and was able to maintain sales in local currency terms, which is a solid performance in the current environment.

zugenommen hatte. Der Umsatz im übrigen Fernen Osten war negativ beeinflusst durch einen sehr schwierigen Markt in Australien. Sowohl Asien wie auch Lateinamerika bleiben unverändert attraktive Wachstumsmärkte im Dentalbereich.

Im wichtigen Markt Deutschland stellt das in Schweizer Franken ausgewiesene Wachstum von 3% währungsbereinigt eine gut doppelt so hohe Zunahme dar und liegt damit klar über dem Markt. In Frankreich resultierte zu vergleichbaren Wechselkursen sogar ein über 10%iger Zuwachs. 2008 kam in Grossbritannien das britische Pfund massiv unter Druck: Während die konsolidierte Umsatzstatistik für diesen Markt einen zweistelligen Rückgang der Verkäufe anzeigt, liegt die Marktleistung, in Pfund gerechnet, im Durchschnitt der COLTENE-Gruppe. Ein klares Plus wies 2008 auch der Heimmarkt Schweiz aus. Das übrige Europa war währungsbereinigt in den meisten Ländern auf Vorjahresniveau oder leicht darüber. Osteuropa konnte besser zulegen, während Südeuropa, vor allem Italien, in 2008 eine unbefriedigende Entwicklung vorwies. COLTENE will aufgrund der potentiellen Marktgrösse in diesem Land zusätzliches Wachstum mit entsprechenden Initiativen im laufenden Jahr neu ankurbeln.

Nordamerika ist zurzeit für die meisten Dentalanbieter ein sehr schwieriger Markt. In den USA und Kanada gingen die privaten Konsumausgaben 2008 deutlich zurück, was sich ebenfalls auf den Dentalmarkt übertrug, wo nicht nur ästhetisch anspruchsvolle Zahnversorgungen, sondern auch der breite Absatz von Dentalprodukten unter Druck gerieten. Trotz des schwierigen Marktumfeldes ist COLTENE gut positioniert und hat in Lokalwährungen den Umsatz halten können, was einer soliden Marktpformance in diesem Umfeld entspricht.



Hartmetallbohrer wie beispielsweise der Speedster™ ergänzen das bisherige Sortiment von Diamantbohrern ideal.
Carbide burs such as Speedster™ ideally complement the existing diamond bur product range.

Innovation rate drives growth

COLTENE serves dentists and dental labs with a comprehensive product portfolio of dental consumables as well as products, applications and devices that go hand in hand with a comfortable, safe and state-of-the-art patient treatment. Innovation and continuous product improvements play a key role in our success. COLTENE continuously expands its technological platform and thus its ability to innovate through internal development and targeted acquisitions. A look at our key product groups (see also entity-wide information on page 36) reveals that our biggest increase occurred in rotary instruments. We successfully integrated the product range of rotary instruments following the acquisition of Cutting Edge Instruments, Inc. (CEI) in early 2007, which complemented our diamond rotary instrument product range. Sales of this product range increased by 30%.

Our broad product offering in hygiene and surgery materials also delivered a gratifying sales increase. Adjusted for currency effects, the remaining product groups including endodontic/root canal treatment, impression and filling materials as well as lab auxiliaries oscillated in narrow spreads around last year's sales rates.

In 2008, COLTENE was again able to record notable achievements with select products and innovations. Our success in rotary instruments is not least attributable to CEI's carbide rotary product range, which enables dentists to perform faster and more precise treatment thanks to a unique grinding technology. A telling example of our strategy to provide a continuous product offering is One Coat 7.0, which saw the release of the seventh generation product to the market in 2008. This easy-to-use and universally applicable adhesive technology has enjoyed long-standing popularity in restorative dental treatment.

Dentists can't always achieve the desired result in one session so temporary solutions offer patients comfort between treatments. One of these temporary solution providers is TempoSIL2, which enables optimal temporary adhesion on different surfaces.

Innovationsrate als Wachstumstreiber

COLTENE bedient Zahnärzte und Zahnlabors mit einem umfassenden Produktsortiment an Verbrauchsmaterialien sowie Produkten, Applikationen und Geräten zur komfortablen, sicheren Versorgung von Patienten nach neuestem technischem Stand. Innovationen und kontinuierliche Produktverbesserungen spielen dabei eine sehr wichtige Rolle. Die technologische Plattform und damit die Innovationskraft von COLTENE werden sowohl mit interner Entwicklungsarbeit als auch mit gezielten Akquisitionen erweitert. Ein Blick auf die wichtigsten Produktgruppen (siehe auch gruppenweite Informationen Seite 36) zeigt im Bereich der rotierenden Instrumente den stärksten Zuwachs. Das Produktprogramm der zu Beginn 2007 akquirierten, auf Hartmetallbohrer spezialisierten Gesellschaft Cutting Edge Instruments, Inc. (CEI), wurde als Ergänzung zu den Diamantbohrern erfolgreich integriert. Die Umsätze in diesem Produktbereich legten 2008 um über 30% zu.

Eine breite Produktpalette liess auch die Verkäufe von Hygiene- und Chirurgiematerialien erfreulich steigen. Währungsbereinigt schwankten die übrigen Produktgruppen Endodontie/Wurzelkanalbehandlung, Abformmaterialien, Füllmaterialien sowie Labor- und Kleingeräte in engen Bandbreiten um die Vorjahreszahlen.



Die neueste Weiterentwicklung bei den Adhäsiv-Systemen ist ein Einflaschensystem One Coat 7.0. Das Produkt gewährleistet einen hervorragenden Haftverbund auf Schmelz und Dentin.

The latest development in the adhesive technology is a single-bottle One Coat 7.0, which is designed to deliver effortless bonding on enamel and dentin.

Implantation technology is an additional growth market for COLTENE. A healthy, natural tooth is deeply anchored in the jaw-bone but adjusts with bite movement. By contrast, implants are fixed to the bone which is why the bite geometry must be aligned perfectly making a fully accurate impression essential to treatment success. Renowned universities state that COLTENE's AFFINIS impression materials are especially apt as they deliver extremely accurate impressions in all dimensions.

In the next treatment step, ParaCore Automix is the material of choice for dentists. The dual-cure core resin cement provides both good retention to secure the restoration as well as a secure sealing of the prepared tooth. ParaCore Automix is one of the few products on the market which qualifies for three different functions: a) crown and bridge cementation, b) core build ups and c) post cementation.

Auch in diesem Berichtsjahr konnte COLTENE wiederum spezielle Erfolge mit ausgewählten Produkten und Innovationen verzeichnen. Der bereits angesprochene Markterfolg bei den Bohrern geht unter anderem auf die Hartmetallbohrer von CEI zurück, die dank ihrer speziellen Fräsgeometrie Zahnärzten rascheres und genaueres Arbeiten ermöglichen. Ein schönes Beispiel für die kontinuierliche Sortimentspolitik von COLTENE ist One Coat 7.0, das 2008 in der siebten Produktgeneration auf den Markt gebracht wurde. Dieses in der Handhabung einfache, heute universell einsetzbare Bonding-System ist in der restaurativen Zahnmedizin seit Jahren sehr beliebt.

Nicht bei jeder ersten Zahnversorgung kann der Zahnarzt direkt die endgültige Restauration in einer Sitzung erreichen. Temporäre Lösungen bieten dem Patienten in der Zwischenzeit Komfort. Auf solche Zwischenschritte zielt TempoSIL2 ab, das eine optimale Adhäsion auf unterschiedlichen Oberflächen garantiert und als vorübergehendes Bindemittel zwischen verschiedenen Materialien dient.

Die Implantattechnik ist ein weiterer Wachstumsmarkt für COLTENE. Ein gesunder, natürlicher Zahn ist zwar fest im Kiefer verankert, gibt aber dem Bissdruck minimal nach. Ein Implantat ist dagegen starr mit dem Knochen verbunden. Die Bissgeometrie muss daher exakt stimmen. Dazu ist vor der Behandlung ein hoch präziser Gebissabdruck unerlässlich. Nach Auffassung führender Universitäten eignen sich dazu die ideal abgestimmten AFFINIS-Abformmaterialien perfekt und führen zu dimensionsgetreuen Abformungen.

Für den Zahnarzt ist im nächsten Arbeitsschritt ParaCore Automix das Produkt der Wahl. Der dualhärtende Resin-zement bietet einerseits gute Haftwerte zur Befestigung der Restauration und andererseits eine sichere Versiegelung des geschliffenen Zahnes. ParaCore Automix eignet sich als eines der wenigen Produkte auf dem Markt für drei verschiedene Funktionen: a) die Zementierung von Kronen und Brücken, b) die Rekonstruktion von Stumpfaufbauten und c) die Zementierung von Wurzelstiften.



Der Erfolg in der rekonstruktiven Zahnmedizin wird durch den optimalen Einsatz von provisorischen Zementen mitbestimmt. Das neue TempoSIL 2 hat eine verbesserte Adhäsion an unterschiedlichen Oberflächen, wie natürlicher Zahn, Stumpfaufbaumaterial, Metall oder Zirkon. Die einzigartige Formulierung ermöglicht einen randdichten Verschluss und lässt sich einfach und rückstandslos von der Präparation und Restauration lösen.

The success in restorative dentistry is determined by the ideal application of temporary cements. New TempoSIL 2 exhibits improved adhesion on various surfaces, such as natural teeth, core build up material, metal or zirconia. The unique formulation delivers an impermeable marginal seal; yet it can be easily removed from the preparation and restoration without leaving any residue.



Um passgenaue Rekonstruktionen anzufertigen, sind AFFINIS-Abformmaterialien unerlässlich, denn sie gewährleisten Abformungen mit einer perfekten Wiedergabe der Konturen. AFFINIS impression materials are essential in restorative dentistry to achieve perfect fit for the final restoration.

ParaCore Automix, der dualhärtende Resinzement ist hervorragend für die Sicherheit beim Zementieren von Kronen/Brücken, Wurzelstiften und für Stumpfaufbauten geeignet.

ParaCore Automix is a dual-cure resin cement that is preeminently suitable to secure cementation of crowns/bridges, root canal posts and for core build ups.

Für Zementierungen definitiver Restaurationen werden mit dem ParaCore Automix klinisch perfekte Resultate erzielt.

For the cementation of permanent restorations, ParaCore Automix delivers clinically perfect results.



PROFITABILITY

Maintaining solid levels in EBIT and profit

COLTENE closed its first year as a pure play global dental specialist reporting solid results. Gross margin remained at a constantly high level of 72.5% after last year's level of 72.1%. The slight increase in personnel costs over 2007 is attributable to the market entry in China and other emerging markets coupled with the now complete expansion of our Group Management team. The costs also include a one-time contractual payment to former CEO Jerry Sullivan following the formation of the new management team in the first half of 2008. EBIT practically remained constant at prior year levels with CHF 24.9 million, as did the EBIT margin standing at 15.0% compared with 15.3% in 2007, a very attractive level compared with the overall dental industry.

The 2008 financial results were significantly impacted by exchange rate losses amounting to CHF 2.0 million. Following lower tax payments of CHF 5.1 million compared with CHF 6.5 million in 2007, COLTENE achieved a profit from continued operations of CHF 17.7 million compared with CHF 18.6 million last year.

The sale of the Medical business concluded at end-April resulted in an additional profit contribution from discontinued operations amounting to CHF 30.4 million. COLTENE thus achieved overall net profits of CHF 48.1 million after CHF 26.3 million in 2007. COLTENE

ERTRAGSLAGE

Gehaltene solide Werte bei EBIT und Gewinn

Ihr erstes Jahr als ausschliesslich auf den weltweiten Dentalmarkt fokussiertes Unternehmen schloss COLTENE mit einem soliden Resultat ab. Die Bruttomarge blieb mit 72,5% gegenüber 72,1% im Vorjahr konstant hoch. Die im Jahresvergleich leicht gestiegenen Personalkosten entsprechen zum einen der Markterschliessung in China und anderen aufstrebenden Märkten sowie Ergänzungen im mittlerweile voll besetzten erweiterten Gruppenmanagement. Zum andern gehen sie auf eine im ersten Halbjahr durch die neue Zusammensetzung des Managements vertraglich ausgelöste Summe an den früheren CEO der Medisize Holding zurück. Der Betriebsgewinn (EBIT) stellte sich mit CHF 24,9 Mio. praktisch auf Vorjahreshöhe ein. Mit 15,0% blieb somit auch die EBIT-Marge gegenüber 15,3% im Jahr 2007 stabil und im Branchenvergleich auf sehr attraktiver Höhe.

Das Finanzresultat wurde 2008 besonders von Währungsverlusten im Umfang von CHF 2,0 Mio. beeinflusst. Nach tieferen Steuerzahlungen von CHF 5,1 Mio. gegenüber CHF 6,5 Mio. im Vorjahr resultierte ein Gewinn aus weitergeführter Tätigkeit von CHF 17,7 Mio. Im Vorjahr hatte der Vergleichswert CHF 18,6 Mio. betragen.

Aus dem Ende April erfolgten Verkauf des Medizinalgeschäfts stammt in der Jahresrechnung ein zu-

thus nearly doubled earnings per share from CHF 5.67 in 2007 to CHF 10.55 in 2008. Based exclusively on profit from continued operations, this resulted in earnings per share of CHF 3.88 after CHF 4.00 in the prior year.

The Board of Directors decided to pay back the bulk of the proceeds from the sale of the medical business to the shareholders. Besides a significantly increased dividend and a par value reduction, a bigger portion of the proceeds was paid back by means of a capital redemption program. In this context, the share capital of COLTENE Holding AG was reduced from 4,680,000 to now 4,219,000 registered shares.

CASH FLOWS AND BALANCE SHEET

High equity capital ratio and stable cash flows permit steady dividend payment

COLTENE has repeatedly proven its ability to generate strong cash flows in the Dental business, maintain an attractive level even under difficult conditions, as well as successfully integrate acquisitions. For fiscal year 2008 COLTENE generated a cash flow excluding the discontinued operations of 18.5 million after CHF 17.0 million last year.

Capital investments amounted to CHF 6.1 million in 2008. For end 2008, our balance sheet showed almost no financial debt. The financial soundness and independence of our company is confirmed by another marked increase of our equity capital ratio which stood at about 70% after an already impressive 67% in 2007.

At the end of December 2008, shareholders' equity stood at CHF 113.5, well below the previous year's level of CHF 165.7. Starting from the previous year's value, equity increased due to the net profit for the year 2008 including currency effects by CHF 39.9 million and decreased by payments to shareholders totalling to CHF 92.4 million as a consequence of the dividend payment, the par value reduction and the capital redemption program.

sätzlicher Gewinnbeitrag aus nicht weitergeführter Tätigkeit von insgesamt CHF 30,4 Mio. Der Nettogewinn von COLTENE beträgt für das abgelaufene Geschäftsjahr total CHF 48,1 Mio. nach CHF 26,3 Mio. im Jahr 2007. Somit ergibt sich für 2008 ein fast verdoppelter Gewinn je Aktie von CHF 10.55 nach CHF 5.67 im Vorjahr. Allein aus weitergeführter Tätigkeit resultierte für 2008 je Aktie ein Gewinn von CHF 3.88 nach CHF 4.00 im Vorjahr.

Der Verwaltungsrat hatte beschlossen, den Grossteil des Gewinns aus dem Verkauf des Medizinalgeschäfts an die Aktionäre auszuzahlen. Neben deutlich höheren Dividenden und einer Nennwertrückzahlung erfolgte dieser Mittelrückfluss auch über eine Kapitalherabsetzung. In diesem Zusammenhang reduzierte sich die Anzahl ausstehender Aktien von 4 680 000 auf 4 219 000 Titel.

CASHFLOW UND BILANZ

Hoher Eigenfinanzierungsgrad und stabiler Cashflow erlauben gehaltene Dividende

COLTENE hat wiederholt die Fähigkeit bewiesen, im Dentalgeschäft einen starken Cashflow zu generieren, die EBIT-Marge auch in schwierigen Marktlagen auf attraktivem Niveau zu halten und Akquisitionen erfolgreich zu integrieren. Für das Geschäftsjahr 2008 generierte COLTENE einen operativen Cashflow ohne nicht fortgeführte Bereiche von CHF 18,5 Mio. nach CHF 17,0 Mio. im Vorjahr.

Die Investitionssumme betrug für Sachanlagen 2008 CHF 6,1 Mio. Ende 2008 wies die Bilanz so gut wie keine Finanzschulden auf. Die finanzielle Stabilität und die Unabhängigkeit des Unternehmens werden eindrücklich von einem weiter gestärkten Eigenfinanzierungsgrad von rund 70% nach bereits beachtlichen 67% im Vorjahr bestätigt.

Das Eigenkapital liegt per Ende Dezember 2008 mit CHF 113,5 Mio. klar unter dem Wert der Vorjahresperiode von CHF 165,7 Mio. Ausgehend vom Vorjahreswert hat sich das Eigenkapital im Wesentlichen um den Gewinn des Jahres 2008 inklusive Währungseinflüssen um CHF 39,9 Mio. erhöht und durch die Auszahlung von insgesamt CHF 92,4 Mio. an die Aktionäre über die Ausschüttung der Dividende, eine Nominalwertreduktion und ein Aktienrückkaufprogramm reduziert.

Steady dividend payment

The Board of Directors will propose to the Annual General Meeting on April 17, 2009 the payment of a dividend of CHF 4.30 per share now at a par value of CHF 0.10. Given the share price of CHF 43.00 (per December 30, 2008) this amounts to a dividend yield of 10%. Overall, COLTENE plans to share profits with shareholders in the amount of CHF 18.1 million for 2008 – which is even slightly more than profits from continued operations.

The Board of Directors believes to be able to propose attractive dividend payments going forward, whilst taking into consideration the growth strategy and the sustainable corporate development of COLTENE.

Ausschüttung einer gehaltenen Dividende

Der Verwaltungsrat wird der Generalversammlung vom 17. April 2009 die Entrichtung einer im Betrag gehaltenen Dividende von CHF 4.30 je Aktie im Nennwert von nunmehr CHF 0.10 vorschlagen. Basierend auf einem Aktienkurs von CHF 43.00 (per 30. Dezember 2008) ergibt dies eine Dividendenrendite von 10%. Insgesamt plant COLTENE, für das Geschäftsjahr CHF 18,1 Mio. – oder leicht mehr als den gesamten Gewinn aus fortgeführter Betriebstätigkeit – als Gewinnbeteiligung auszuschütten.

Der Verwaltungsrat ist zuversichtlich, auch in Zukunft eine attraktive Dividende zur Auszahlung vorschlagen zu können, die der Wachstumsstrategie und der nachhaltigen Unternehmensentwicklung Rechnung trägt.



Zahnärzte und Zahntechniker lernen neue Produkte am liebsten in der direkten Anwendung kennen.

Dentists and dental technicians like to familiarize themselves with the latest products first-hand.



STRATEGY EXECUTION

Actively expanding our position in traditional and emerging markets

COLTENE plans to maintain if not expand its market shares in both Europe and North America. In spring 2008, over 300 of leading dentists from around the world visited the Swiss Symposium on Esthetic Dentistry in Montreux which offered a prime platform to showcase our expertise in dental technology. New opportunities are primarily opening up in emerging markets such as China, India, Brazil and regions such as Eastern Europe and the Middle East. Setting up local sales companies and expanding our personnel in China and India enabled us to achieve significant sales increases in these markets. In June 2008, COLTENE made its first appearance at the leading Dental exhibition Sino Dental in Beijing. A delegation of high-level Indian dentists visited COLTENE in Switzerland in September 2008 and enjoyed an introduction to our products. In the fiercely competitive North American market, COLTENE now banks on a new series of web based training modules to specifically target the next generation of dentists. The complete and state-of-the-art product offering and recent product launches are significantly boosting sales. Our product offering enables us to achieve attractive sales even in specialty markets such as implants.

Complete Management-Team

COLTENE was able to complete its extended management team in the course of 2008: Michael Nordahl assumed the position of General Manager Emerging Markets, Eric Schriver heads the US business while Werner Mannschedel heads the European operations. Stephan Lampl was appointed Vice President Global Marketing. The Board of Directors and our executive management team are convinced that our company can successfully maintain its course even in difficult waters under the guidance of CEO Andreas Meldau and CFO Dr. Hans Grüter.

STRATEGIEUMSETZUNG

Aktiver Ausbau der Stellung in traditionellen und aufstrebenden Märkten

COLTENE beabsichtigt die Marktanteile in Europa und Nordamerika zu halten und wo möglich auszubauen. Das wiederum von über 300 führenden Zahnärzten aus der ganzen Welt besuchte Swiss Symposium on Esthetic Dentistry in Montreux bot im Frühling 2008 eine hervorragende Plattform, die Kompetenz von COLTENE in der Dentaltechnik aufzuzeigen. Neue Chancen ergeben sich vor allem in aufstrebenden Märkten wie beispielsweise China, Indien, Brasilien und in Regionen wie Osteuropa oder dem Nahen Osten. Eine Organisation vor Ort und die Erhöhung der Anzahl von Mitarbeitern in China und Indien hat deutliche Umsatzsteigerungen in diesen Märkten ermöglicht. Im Juni 2008 hatte COLTENE einen bedeutenden Auftritt an der wichtigen Dentalmesse Sino Dental in Beijing. Eine hochkarätige Delegation führender indischer Zahnärzte besuchte im September 2008 COLTENE in der Schweiz und liess sich dort in praktischer Arbeit in die Produktwelt von COLTENE einführen. Im hart umkämpften Markt Nordamerika setzt COLTENE neu auch auf Web-basierte Ausbildungsmodule, um die junge Generation von Zahnärzten gezielt zu erreichen. Das umfassende und moderne Sortiment und die neuen Produktlancierungen stützen den Absatz. Die ausgewogene Produktpalette ermöglicht es dem Unternehmen, auch in Sondermärkten wie z.B. der Implantologie gute Umsätze zu erzielen.

Vollständiges Managementteam

COLTENE konnte während des Geschäftsjahres 2008 das erweiterte Managementteam vervollständigen: Michael Nordahl wurde zum General Manager Emerging Markets ernannt, Eric Schriver zeichnet für das amerikanische, Werner Mannschedel für das europäische Geschäft verantwortlich. Stephan Lampl wurde zum neuen Leiter des Globalen Marketings ernannt. Verwaltungsrat und Management sind davon überzeugt, dass das neue Managementteam unter Leitung von CEO Andreas Meldau und CFO Dr. Hans Grüter das Unternehmen auch in anspruchsvollen Zeiten gut auf Kurs halten kann.

OUTLOOK

With the exclusive focus on the global Dental business, COLTENE operates in a long-term growth business which benefits from demographic developments in traditional markets and the rising disposable incomes in emerging markets. In light of the deepening global downturn, a drop in health-related expenditures may be possible as patients postpone routine dental checks or prefer cheaper treatments. Still, COLTENE is broadly positioned on the dental market so that unfavourable developments in individual markets should not fully impact profitability. Looking ahead at 2009, COLTENE expects only limited growth.

We want to take this opportunity to thank our staff for their commitment, achievements and many significant contributions to our success. We look forward to tackle future challenges together. We also want to thank our business partners, employees and shareholders for their continued trust in our company.



Nick Huber
Chairman of the Board of Directors



Andreas Meldau
Chief Executive Officer

AUSBLICK

Mit der Ausrichtung auf den globalen Dentalmarkt ist COLTENE langfristig in einem Wachstumsmarkt tätig, der von der demografischen Entwicklung in den traditionellen Märkten sowie von steigenden verfügbaren Einkommen in den aufstrebenden Ländern profitiert. Vor dem Hintergrund einer weltweiten Rezession sind vorübergehend jedoch sinkende Gesundheitsausgaben denkbar, indem Patienten etwa Routinekontrollen hinausschieben oder günstigere Zahnversorgungen vorziehen. COLTENE ist im Dentalmarkt jedoch sehr breit aufgestellt, so dass nachteilige Entwicklungen in Einzelmärkten nicht voll auf Umsatz und Ertrag durchschlagen sollten. COLTENE erwartet für 2009 ein sehr zurückhaltendes Wachstum.

Wir möchten bei dieser Gelegenheit allen Mitarbeitenden für ihr Engagement, für die geleistete Arbeit und die vielen wichtigen Beiträge zum Geschäftserfolg danken. Wir freuen uns darauf, die nächsten Herausforderungen in der Unternehmensgeschichte von COLTENE anzugehen. Gleichzeitig möchten wir auch allen Geschäftspartnern, Mitarbeitenden und unseren Aktionären für das uns weiterhin entgegengebrachte Vertrauen danken.



Nick Huber
Präsident des Verwaltungsrates



Andreas Meldau
Chief Executive Officer

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, 2008, 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 (formerly SWX 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 Medifq Group and the company name was changed to COLTENE Holding AG. The medical business is thus recorded as discontinued operations.

The organization of COLTENE Group can be described as follows.

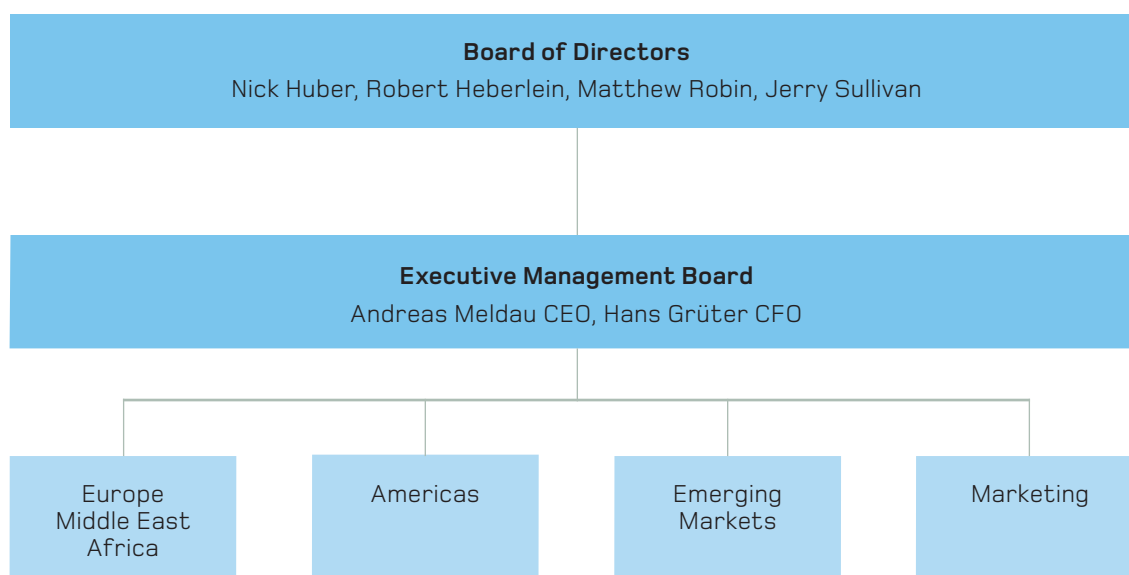
1.1.2 LEGAL STRUCTURE OF SUBSIDIARIES

Of all the companies consolidated, COLTENE Holding AG (the COLTENE Group's holding company) is the only one listed. It is headquartered in Wattwil/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, 2008, the market capitalization amounted to CHF 181 million. Information on the companies belonging to the COLTENE Group, which are not listed, is shown on page 50 of the financial report.

1.2 MAJOR SHAREHOLDERS

On December 31, 2008, 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 517,875 registered shares as at December 31, 2008. This



equals voting rights of 12.27%. Huwa Finanz- und Beteiligungs AG is under control of Hans Huber, Appenzell/AI.

FMR Corp., 82 Devonshire Street, Boston, MA 02109/USA, held directly and indirectly 468,701 registered shares as at April 15, 2008, through Fidelity Management & Research Company and Fidelity Management Trust Company. This equals 11.11% of all voting rights in COLTENE Holding AG.

Litespeed Management LLC, 237 Park Avenue, Suite 900, New York, NY 10017/USA, being the fund manager of Litespeed Master Fund Ltd, holds 247,200 registered shares of COLTENE Holding AG as at December 11, 2006, which equals 5.86% of voting rights in COLTENE Holding AG.

Lincoln Vale European Partners GP LLC, Lincoln North, 55 Old Bedford Road, Lincoln, MA 01773, USA, held 235,835 registered shares on August 13, 2007, through its subsidiary Lincoln Vale European Master Fund L.P., Lincoln North, 55 Old Bedford Road, MA 01773, USA. This equals 5.59% of the voting rights.

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.

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.

Robert Heberlein, Zumikon, held directly and indirectly through Burix Holding AG, Zurich, which he controls, 145,403 registered shares as at December 31, 2008, representing 3.45% of the voting rights.

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 58 of this Report. The Articles of Incorporation in German as well as an unofficial translation in English are available on the website at <http://www.coltene.com/about/corporate-governance.html>

2.1 CAPITAL

Details on the capital are included in the notes to COLTENE Holding AG's financial statements on page 54.

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	31.12.2008	31.12.2007	31.12.2006
Share capital	422	23 400	23 400
Statutory reserves	18 015	26 088	26 686
Reserves for treasury stock	3 010	4 332	3 734
Net income brought forward	30 064	9 821	7 934
Total	51 511	63 641	61 754

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 the 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 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, 2008, the Board of Directors of COLTENE Holding AG consisted of four 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, Swiss citizen, 44
- » Non-executive member

Professional background (main stages)

- » 1990–1995 Account Manager, IBM (Schweiz) AG
- » 1995–2005 Divisional Head, SFS Unimarket AG
- » Since 2005 Member of the Executive Management of SFS Services AG

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

Robert Heberlein

- » Member of the Board of Directors (year of first election: 2005)
- » Attorney-at-law, Swiss citizen, 68
- » Non-executive member

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

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, 44

Professional background (main stages)

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

Jerry Sullivan

- » Member of the Board of Directors (year of first election: 2008)
- » Bachelor of arts
- » Non-executive member
- » American citizen, 64

Professional background (main stages)

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

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 establishments 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, 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, amend and approve of the risk management assessment and system as well as control the fulfillment of defined measures
- » review and assess 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, 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 them 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 HR 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 2008, the Board of Directors met seven times. The Audit and Corporate Governance Committee met two times in 2008 and the Nomination and Compensation Committee met two times in 2008 as well.

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 Board 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 Board.

Apart from decisions which, according to Art. 716a of the Swiss Code of Obligations, are part of its infeasible 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 BOARD

As a rule, the Executive Management Board 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 Board 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 business and issues of a fundamental nature or of special importance.

4 GROUP MANAGEMENT

On December 31, 2008, COLTENE Holding AG's Executive Management Board consisted of the CEO and the CFO.

4.1 MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

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

Andreas Meldau

Chief Executive Officer COLTENE Group
Lic. iur. University Zurich,
SVM Diploma University of St. Gallen
Swiss citizen, 50 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
- » 1999–2002 CEO redIT Services, Zug
- » 2002–2006 CEO Coltène/Whaledent EMEA
- » 2007–2008 COO Medisize Dental
- » Since 2008 CEO COLTENE Group

Hans Grüter

Chief Financial Officer COLTENE Group
PhD Business Administration University Zurich,
AMP Wharton
Swiss citizen, 49 years

Professional background (main stages)

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

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 except one member for 2008 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.

The amount paid to the Chief Executive Officer is determined by the Compensation and Nomination Committee; the amounts paid to other members of the Executive Management Board are the responsibility of the Chief Executive Officer, subject to approval of the Compensation and Nomination Committee.

Apart from their basic salary, the members of the Executive Management Board 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 board as well as a limited number of key managers. This program is replacing 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. Total bonus, including shares (if any), is capped depending on the seniority between 40% to 100% of the fixed salary of any participant. The program is defined and reviewed by the Compensation and Nomination Committee and is initially fixed for a period of three years.

For a summary of the remunerations paid during the year under review, refer to pages 54–55 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 except to Jerry Sullivan. When he stepped down from his position as CEO of COLTENE Group a contractual benefit in the amount of CHF 881,000 was paid and charged to personnel expenses. No loans, securities, advances or credits have been granted to members of the Board of Directors or members of the Executive Management Board or parties closely linked to any of them.

In addition, on December 31, 2008, 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 2008 and presented COLTENE Holding AG with fee invoices totalling approximately CHF 534,000.

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 <http://www.coltene.com/about/corporate-governance.html>.

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 Art. 704 para. 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 CONVOCAION OF THE GENERAL MEETING OF THE 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 the 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 already registered in the share register at the time when invitations are sent out to the General Meeting of the Shareholders.

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 Art. 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, 2008, 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, 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 auditor in charge.

8.2 AUDITING FEES

The total sum charged during the year under review by PricewaterhouseCoopers AG in its capacity as COLTENE Group's statutory auditor amounted to CHF 426,712.

8.3 ADDITIONAL FEES

Fees for additional services (e.g. management and IT consultancy, tax and legal advisory services) supplied by the auditors during the year under review amounted to CHF 2,144,938.

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). 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. Generally, the auditors participate in two meetings of the Audit and Corporate Governance Committee/Board of Directors per year.

9 INFORMATION POLICY

COLTENE Holding AG provides its shareholders with information in the form of the Annual Report, half-yearly report and quarterly sales updates. Important events are published immediately through press releases and/or letters to shareholders. Further information can be demanded at the contact address indicated on page 59.

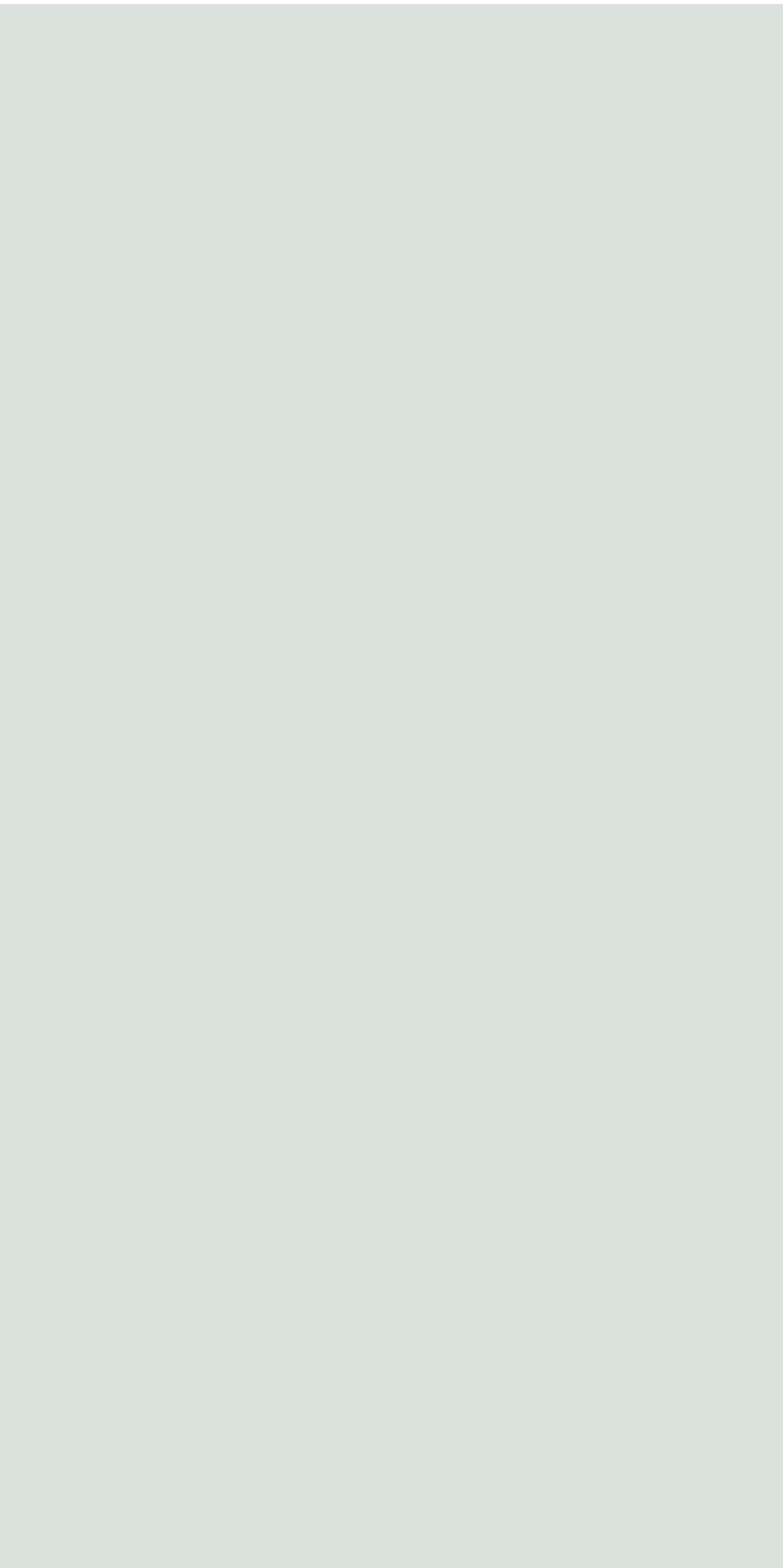
10 INTERNET

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 58.

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 for publications this year, the following year and contact addresses refer to pages 58–59.



Group Financial Statements 24–51

Statements on COLTENE Holding AG 52–57

GROUP INCOME STATEMENT

IN CHF 1000	REF.	2008	2007*
Net sales	1	166 419	168 110
Raw material and consumables used	2	-45 698	-46 859
Personnel expenses	3	-57 355	-56 171
Other operating expenses	5	-8 019	-8 492
Marketing and administrative expenses	5	-26 210	-26 502
Other income and expenses	6	3	1
Depreciation and amortization	7	-4 218	-4 409
Operating profit (EBIT)		24 922	25 678
Financial income	8	617	369
Financial expenses	8	-2 730	-997
Net profit before tax expenses		22 809	25 050
Tax expenses	9	-5 127	-6 499
Net profit continuing operations	11	17 682	18 551
Profit from discontinued operations	25	30 388	7 744
Profit for the period		48 070	26 295
Earnings per share	11	CHF 10.55	CHF 5.67
Diluted earnings per share	11	CHF 10.55	CHF 5.67
Earnings per share from continuing operations	11	CHF 3.88	CHF 4.00
Diluted earnings per share from continuing operations	11	CHF 3.88	CHF 4.00

*2007 figures have been re-presented due to the disposal of the medical business (see notes to the Group financial statements, note 25).

The notes are part of the Group financial statements.

GROUP BALANCE SHEET

IN CHF 1000	REF.	31.12.2008	31.12.2007*
Assets			
Cash and cash equivalents		11 121	13 367
Accounts receivable from deliveries and sales	12	39 661	52 279
Tax receivables		4	12
Other receivables and accruals	13	3 425	5 464
Inventories	14	32 294	49 846
Current assets		86 505	120 968
Property, plant and equipment	1, 15	31 118	57 596
Financial assets	16	5	5
Intangible assets	1, 17	43 170	67 081
Deferred tax assets	10	674	1 918
Non-current assets		74 967	126 600
Total assets		161 472	247 568
Liabilities			
Current bank loans	18	2 640	26 054
Accounts payable to suppliers	19	8 057	8 861
Other accounts payable and accruals	20	27 214	16 882
Tax liabilities		3 983	3 221
Other short-term provisions	21	289	222
Current liabilities		42 183	55 240
Non-current bank loans	18	0	10 501
Other long-term liabilities	22	0	10 124
Deferred tax liabilities	10	5 224	4 565
Other long-term provisions	21	904	1 473
Non-current liabilities		6 128	26 663
Total liabilities		48 311	81 903
Share capital		415	23 129
Currency translation adjustments		-15 796	-7 651
Retained earnings		128 542	150 187
Total equity	23	113 161	165 665
Total liabilities and equity		161 472	247 568

*Figures as per 31.12.2007 including discontinued operations.

The notes are part of the Group financial statements.

GROUP CASH FLOW STATEMENT

IN CHF 1000	REF.	2008	2007*
Net profit continuing operations		17 682	18 551
Depreciation and amortization	7	4 218	4 409
Other non-cash items		5 018	7 619
Change in accounts receivable from deliveries and sales		-2 378	-3 772
Change in inventories		-5 374	-508
Change in other current assets		522	-342
Change in current liabilities		1 541	-1 869
Interest paid		-365	-458
Interest received		616	314
Income tax paid		-2 954	-6 945
Discontinued operations	25	1 619	12 044
Cash flow from operating activities		20 145	29 043
Purchase of property, plant and equipment		-6 138	-2 271
Proceeds from sale of property, plant and equipment		121	32
Purchase of financial assets		-1	-4
Purchase of intangible assets		-235	-657
Acquisition of subsidiaries – net of cash	24	0	-9 202
Discontinued operations	25	92 760	-3 270
Cash flow from investing activities		86 507	-15 372
Proceeds from loans and financial liabilities		8 595	10 706
Repayments of loans and financial liabilities		-41 793	-20 693
Dividend to shareholders	23	-19 563	-7 413
Nominal value reduction	23	-22 585	0
Share repurchase	23	-31 982	0
Payments for transactions according to IAS 32.37	23	-256	0
Purchase of treasury stock		-5 575	-1 325
Proceeds from sale of treasury stock		4 831	651
Discontinued operations	25	257	-2 035
Cash flow from financing activities		-108 071	-20 109
Exchange rate differences		-827	-142
Change in cash and cash equivalents		-2 246	-6 580
Cash and cash equivalents at beginning of year		13 367	19 947
Cash and cash equivalents at end of year		11 121	13 367

*2007 figures have been re-presented due to the disposal of the medical business (see notes to the Group financial statements, note 25).

The notes are part of the Group financial statements.

STATEMENT OF CHANGES IN EQUITY

IN CHF 1000	REF.	SHARE CAPITAL	CURRENCY TRANSLATION ADJUSTMENTS	RETAINED EARNINGS	TOTAL
01.01.2007		23 175	-5 912	131 933	149 196
Net profit		0	0	26 295	26 295
Exchange differences		0	-1 739	0	-1 739
<i>Total income and expenses for the year</i>		<i>0</i>	<i>-1 739</i>	<i>26 295</i>	<i>24 556</i>
Dividend distribution	23	0	0	-7 413	-7 413
Change in treasury stock		-46	0	-628	-674
<i>Total transactions with shareholders</i>		<i>-46</i>	<i>0</i>	<i>-8 041</i>	<i>-8 087</i>
31.12.2007		23 129	-7 651	150 187	165 665
Net profit		0	0	48 070	48 070
Exchange differences		0	-8 145	0	-8 145
<i>Total income and expenses for the year</i>		<i>0</i>	<i>-8 145</i>	<i>48 070</i>	<i>39 925</i>
Share-based transactions with management	27	0	0	71	71
Dividend distribution	23	0	0	-19 563	-19 563
Nominal value reduction	23	-22 932	0	0	-22 932
Share repurchase	23	-46	0	-49 200	-49 246
Direct equity transactions according to IAS 32.37	23	0	0	-366	-366
Change in treasury stock		264	0	-657	-393
<i>Total transactions with shareholders</i>		<i>-22 714</i>	<i>0</i>	<i>-69 715</i>	<i>-92 429</i>
31.12.2008		415	-15 796	128 542	113 161

The notes are part of the 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 Wattwil, 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 (former SWX 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

Operating segments are defined on the basis of the business activities from which the Group earns revenues and incurs expenses. After the sale of the medical business on April 30, 2008, COLTENE is a one segment company. The one segment 'Dental' was defined in line with the management structure, the organizational setup, the reporting and allocation of resources by the chief decision maker and the products of the Group.

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.

PRINCIPLES OF CONSOLIDATION

GENERAL REMARKS

The Group financial statements were compiled in compliance with the consolidation and valuation principles described in the following 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 interpretations to be applied for annual periods beginning on or after January 1, 2008:

- » IFRIC 11 – Group and Treasury Share Transactions (effective as from March 1, 2007)
- » IFRIC 12 – Service Concession Arrangements (effective as from January 1, 2008)
- » IFRIS 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as from January 1, 2008)

The application of these new interpretations has no impact on the consolidated financial statements 2008.

Future changes include IFRS 8, which was early adopted in 2006. Currently, the following new standards as well as amendments to existing standards and interpretations are published but not early adopted.

- » IFRS 2 (Amendment) – Share-based Payment (effective as from January 1, 2009)
- » IFRS 3 (Revised) – Business Combinations (effective as from July 1, 2009)
- » IAS 1 (Revised) – Presentation of Financial Statements (effective as from January 1, 2009)
- » IAS 23 (Amendment) – Borrowing Costs (effective as from January 1, 2009)
- » IAS 27 (Revised) – Consolidated and Separate Financial Statements (effective as from July 1, 2009)
- » IFRIC 13 – Customer Loyalty Programs (effective as from July 1, 2008)
- » IFRIC 15 – Agreements for the Construction of Real Estates (effective as from January 1, 2009)

- » IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective as from October 1, 2008)
- » 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)

The Group is currently assessing the impact of these changes on future consolidated financial statements.

In addition, 20 standards will change on January 1, 2009, respectively on July 1, 2009, due to the annual improvement project 2007 to 2009. These changes are small and will not be relevant for the 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 19, 2009, for issue. The financial statements remain to be approved of by the Annual General Meeting of Shareholders scheduled to take place on April 17, 2009.

COMPANIES CONSOLIDATED

Group subsidiaries, controlled directly or indirectly by COLTENE Holding AG, are fully consolidated. Subsidiaries are fully consolidated as of 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 companies consolidated are shown in the summary provided on page 50.

Within the scope of consolidation, the following changes took place in 2008:

Medisize Schweiz AG, Nürensdorf, was sold April 30, 2008.

Medisize Business Beheer B.V., Hillegom, together with all its subsidiaries was sold April 30, 2008.

Coltène/Whaledent Dental Materials & Equipment Trading Co., Ltd., Beijing, was founded June 5, 2008.

Within the scope of consolidation, the following changes took place in 2007:

On January 19, 2007, Coltène/Whaledent Inc. acquired most assets of CEI Cutting Edge Instruments Inc., Bridgewater Corners, Vermont, USA.

Medisize Management Services AG, Nürensdorf, was founded January 29, 2007.

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, including the costs directly attributable to the acquisition. 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.

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 balance sheet and income statement. Intra-Group transactions were eliminated thereof.

PRINCIPLES OF VALUATION

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of money at bank and at hand as well as other easily marketable receivables with an original maturity of three months or less.

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 value adjustments. Value adjustments are made when it is objectively foreseeable that less than the full original value can be collected. Value adjustments 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 average cost price or manufacturing cost and net realizable value. 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 is 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 balance sheet 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 (and 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 balance sheet 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 'Dental'.

» 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.

IMPAIRMENT OF ASSETS

Assets that are subject to amortization or depreciation are periodically reviewed for impairment or reviewed 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.

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 10% the higher of 10% of defined benefit obligation and 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 except one for 2008 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 board as well as a limited number of key managers. This program is replacing 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. Total bonus, including shares (if any), is capped depending on the seniority between 40% to 100% of the fixed salary of any participant. The program is defined and reviewed by the Compensation and Nomination Committee and is initially fixed for a period of three years.

TAXES

All taxes payable on income for the financial year are provided for in full on balance sheet 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 balance sheet 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

Revenues from deliveries and services to third parties are recognized on the date of the delivery or service. Sales taxes and rebates are deducted to obtain net sales figures.

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.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised 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

Transactions conducted in foreign currencies are converted 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 balance sheets and income statements of foreign subsidiaries were converted into Swiss francs 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 income statement. 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 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:

	31.12.2008	Ø 2008	31.12.2007	Ø 2007	31.12.2006
1 USD	1.0561	1.0831	1.1267	1.2004	1.2250
1 EUR	1.4888	1.5874	1.6587	1.6432	1.6080

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.

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. No sensitivity analysis is provided as changes in interest rates have minor impacts on the net profit. For further details see note 18 of the notes to Group financial statements.

CURRENCY RISK

The Group is internationally active and thus exposed to currency fluctuations mainly in EUR and USD. When necessary, the local operations make use of derivative financial instruments to minimize potential currency risks. Risk associated with the conversion of the foreign currency balance sheets of subsidiaries, however, is not hedged.

At 31 December 2008, 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 506 lower (previous year TCHF 68), 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 more sensitive to movement in CHF/USD exchange rates in 2008 than 2007 mainly because of the increased intercompany loans in USD. If the CHF had strengthened by 5% against the USD, the net profit would have been TCHF 506 higher (previous year TCHF 68). The same sensitivity analysis (+/- 5%) for EUR results in a change of net profit of TCHF +/- 213 (previous year TCHF +/- 1001). Net profit is less sensitive to movement in CHF/EUR exchange rates in 2008 than in 2007 mainly because of the repayment of the intercompany loans in EUR.

At 31 December 2008, if the CHF had weakened by 5% against the USD with all other variables held constant, equity at the year would have been TCHF 2582 lower (previous year TCHF 2074), 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 2582 higher (previous year TCHF 2074).

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	2008	2007
Interest bearing debt	2 640	46 679
EBITDA	29 140	44 834
Debt ratio	0.1	1.0
Equity ratio in %	70.1%	66.9%

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

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.

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, projection period as well as interest 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		
	2008	2007
Switzerland	3 280	3 111
Germany, Austria	27 977	27 075
Great Britain, Ireland	9 240	10 663
France	9 092	8 413
Other Europe	25 806	27 398
Russia and CIS	5 086	4 090
Middle East and Africa	7 004	6 270
North America	54 875	59 563
Brazil	3 259	2 027
Other South America	7 996	7 575
China	1 926	956
Other Far East, Oceania	10 878	10 969
Net sales	166 419	168 110

NET SALES PRODUCTS AND SERVICES IN CHF 1000		
	2008	2007
Restoration	35 179	36 609
Impression	33 374	35 077
Endodontics	30 994	33 350
Hygiene and Surgical	18 699	17 651
Units/Accessories	13 397	14 250
Rotary	13 114	9 752
Laboratory	6 452	6 460
Miscellaneous	15 210	14 961
Net sales	166 419	168 110

One customer qualifies as a major customer – over 10% of net sales – with net sales of TCHF 33,983 (previous year TCHF 36,476) corresponding to 20.4% of Group net sales (previous year 21.7%).

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

PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREAS IN CHF 1000		
	31.12.2008	31.12.2007
Switzerland	13 265	30 749
Germany	1 769	2 552
Other Europe	415	10 752
China	21	0
USA	15 648	13 543
Property, plant and equipment	31 118	57 596

INTANGIBLE ASSETS GEOGRAPHICAL AREAS IN CHF 1000		
	31.12.2008	31.12.2007
Switzerland	5 307	5 648
Germany	22 618	25 414
Other Europe	140	20 072
USA	15 105	15 947
Intangible assets	43 170	67 081

2 RAW MATERIAL AND CONSUMABLES USED

Raw material and consumables used amounted to 27.5% (previous year 27.9%) of net sales. This item also includes changes in finished goods and goods in progress amounting to TCHF –1540 (previous year TCHF –587).

3 PERSONNEL EXPENSES

The pro rata average workforce amounted to 751 employees (previous year, pro rata 686).

Detailed information on personnel expenses:

IN CHF 1000	2008	2007
Wages and salaries	47 662	46 799
Expenses for defined benefit plans	813	633
Expenses for defined contribution plans	1 747	1 660
Other personnel expenses	7 133	7 079
Total	57 355	56 171

When Jerry Sullivan stepped down from his position as CEO of the former Medisize Group, he received a contractual benefit in the amount of TCHF 881 during the reporting period. The contractual benefit was charged to personnel expenses.

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

4 PENSION LIABILITIES

Short-term payables against pension plans amount to TCHF 1 (previous year TCHF 98). Defined benefit plans exist for the Swiss Group companies and in 2007 also for the Irish company. Detailed information on the defined benefit plans:

IN CHF 1000	2008	2007
Pension costs		
Current service cost	876	581
Interest expenses	410	325
Expected return on plan assets	-400	-346
Overfunding not recognized	-73	73
Pension costs medical business	-45	438
Total	768	1071
Actual return on plan assets	303	1236
Expected contribution for 2009/2008	1325	2900

Change in pension liabilities

Balance 1.1.	35 200	38 818
Disposal of medical business	-22 588	0
Exchange rate differences	0	419
Current service cost	876	1123
Interest expenses	410	1320
Employee contributions	546	1298
Paid pensions from plans with separated assets	-501	-5 128
Actuarial gains and losses	-105	-2 581
Other impacts	0	-69
Balance 31.12.	13 838	35 200

Change in plan assets

Balance 1.1.	35 355	35 855
Disposal of medical business	-23 923	0
Exchange rate differences	0	379
Employee contributions	546	1298
Employer contributions	794	1784
Paid pensions from plans with separated assets	-501	-5 128
Expected return on plan assets	400	1505
Actuarial gains and losses	-97	-269
Other impacts	0	-69
Balance 31.12.	12 574	35 355

Details to plan assets

Equity instruments	0	7 300
Debt instruments	0	756
Property	0	3 211
Receivables from insurance company	12 574	24 088
Total	12 574	35 355

No investments were made in COLTENE Holding AG.

IN CHF 1000	2008	2007
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Assets and liabilities included in balance sheet

Liabilities of plans with separated assets	13 838	35 200
Plan assets	12 574	35 355
Over-/underfunding	1264	-155
Not recognized actuarial gains or losses	-815	1042
Overfunding not recognized	0	73
Net amount	449	960

Changes in net amount

Balance 1.1.	960	1661
Disposal of medical business	-530	0
Exchange rate differences	0	12
Expenses for defined benefit plans	813	1071
Employers contributions	-794	-1784
Balance 31.12.	449	960

Actuarial assumptions

Discount rate	3.25%	3.99%
Expected return on plan assets	3.50%	4.71%
Future salary increase	1.50%	2.40%
Inflation	0.75%	1.32%
Future pension increase	0.75%	0.50%
Mortality	BVG 2005	

IN CHF 1000	2008	2007	2006	2005
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Other information

Experience adjustments on plan assets	-97	-269	-1685	882
Experience adjustments on pension liabilities	-105	2 583	2 406	554

Over-/underfunding

Liabilities of plans with separated assets	13 838	35 200	38 818	37 184
Plan assets	12 574	35 355	35 855	34 952
Over-/underfunding	1264	-155	2 963	2 232

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

5 OTHER OPERATING, MARKETING AND ADMINISTRATIVE EXPENSES

Operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs. In 2008, TCHF 4156 (previous year TCHF 4425) were spent on research and development and accounted for as such in the income statement.

6 OTHER INCOME AND EXPENSES

This item includes gains from sales of property, plant and equipment of TCHF 3 (previous year TCHF 1).

7 DEPRECIATION AND AMORTIZATION

IN CHF 1000	2008	2007
Depreciation on property, plant and equipment	3732	3896
Amortization of intangible assets	486	513
Total	4218	4409

8 FINANCIAL EXPENSES AND FINANCIAL INCOME

IN CHF 1000	2008	2007
Interest income on cash and cash equivalents	617	369
Total financial income	617	369
Interest expenses for bank overdrafts and loans	-410	-791
Loss on cash equivalents	-362	0
Exchange rate differences (net)	-1958	-206
Total financial expenses	-2730	-997
Total financial result (net)	-2113	-628

9 TAX EXPENSES

Tax expenses comprise the following positions:

IN CHF 1000	2008	2007
Taxes payable	4065	7114
Deferred taxes	1062	-615
Total	5127	6499

Tax expenses can be analyzed as follows:

IN CHF 1000	2008	2007
Net profit before tax expenses	22809	25050
Tax expenses at applicable tax rate of 23.66% (32.12%)	5396	8046
Effects of non-tax deductible expenses	3	14
Effects of tax-exempt or -reduced income	-366	-963
Effects of tax loss not capitalized in current year	229	27
Effects of change in tax rate of deferred taxes	-240	-836
Effects of tax adjustments for prior years by tax authorities	0	25
Current source tax not refundable	0	180
Other impacts	105	6
Effective tax	5127	6499
Effective tax rate in %	22.48%	25.94%

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	2008	2007
Tax losses capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	5 143
Expiration over 5 years	65	0
Total	65	5 143

Tax credits of capitalized tax losses

Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	1 183
Expiration over 5 years	15	0
Total	15	1 183

Tax losses not capitalized

Expiration within 1 year	23	43
Expiration between 1 and 5 years	40	3 414
Expiration over 5 years	355	23 842
Total	418	27 299

Tax credits of not capitalized tax losses

Expiration within 1 year	8	14
Expiration between 1 and 5 years	13	798
Expiration over 5 years	89	6 099
Total	110	6 911

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

10 DEFERRED TAXES

Deferred tax assets include the following positions:

IN CHF 1000	2008	2007
1.1.	1 918	2 389
Change in scope	-1 103	0
Additions	8	235
Reversals	-102	-225
Reclassification	0	-419
Currency effects	-47	-62
31.12.	674	1 918

Deferred tax liabilities include the following positions:

IN CHF 1000	2008	2007
1.1.	4 565	5 900
Change in scope	-141	0
Additions	2 039	250
Reversals	-1 031	-952
Reclassification	0	-419
Currency effects	-208	-214
31.12.	5 224	4 565

In the previous year, no deferred taxes were made for temporary differences on investments of TCHF 2703. Deferred tax assets and liabilities are based on the valuation differences between Group valuation and tax valuations in the following balance sheet items:

	2008		2007	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
IN CHF 1000				
Receivables and accruals	14	509	7	345
Inventories	0	79	0	6
Property, plant and equipment	0	4 379	0	6 633
Intangible assets	0	5	0	10
Financial assets	0	258	0	0
Financial liabilities	87	0	3 271	114
Provisions	659	95	0	0
Deferred taxes from losses carried forward	15	0	1 183	0
Offset of deferred assets and liabilities	-101	-101	-2 543	-2 543
Total	674	5 224	1 918	4 565

11 NET PROFIT

The net profit from continuing operations amounts to TCHF 17,682 (previous year TCHF 18,551). The earnings per share (EPS) are calculated as follows:

	2008	2007
Weighted number of shares issued at 31.12.	4 555 988	4 634 829
Earnings per share	CHF 10.55	CHF 5.67
Diluted earnings per share	CHF 10.55	CHF 5.67
Earnings per share from continuing operations	CHF 3.88	CHF 4.00
Diluted earnings per share from continuing operations	CHF 3.88	CHF 4.00
Earnings per share from discontinued operations	CHF 6.67	CHF 1.67
Diluted earnings per share from discontinued operations	CHF 6.67	CHF 1.67

12 ACCOUNTS RECEIVABLE FROM DELIVERIES AND SALES

IN CHF 1000	2008	2007
Accounts receivable from deliveries and sales (gross)	40 167	53 811
Allowance	-506	-1 532
Total	39 661	52 279

Accounts receivable from deliveries and sales by currency

CHF	7 379	5 790
EUR	14 433	27 503
USD	16 289	15 890
Other currencies	1 560	3 096
Total	39 661	52 279

Accounts receivable from deliveries and sales by maturity

Not due	22 679	29 081
Past due 1 to 30 days	7 796	11 622
Past due 31 to 60 days	5 101	6 238
Past due 61 to 90 days	1 596	3 027
Past due 91 to 120 days	1 179	1 240
Past due over 120 days	1 310	1 071
Total	39 661	52 279

Change in Allowance

1.1.	1 532	1 285
Change in scope	-298	0
Additions	0	497
Used	-61	-238
Reversals	-621	-14
Currency effects	-46	2
31.12.	506	1 532

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

13 OTHER RECEIVABLES AND ACCRUALS

These items include:

IN CHF 1000	2008	2007
Other receivables	2 318	2 073
Prepaid expenses	1 107	3 391
Total	3 425	5 464

Financial instruments:

No open derivative financial instruments exist as per December 31, 2008, or as per December 31, 2007.

14 INVENTORIES

Inventories are as follows:

IN CHF 1000	2008	2007
Raw materials	13 914	18 804
Trade merchandise	319	8 841
Goods in progress	7 336	11 258
Finished goods	10 725	10 943
Total	32 294	49 846

Change in Allowance

1.1.	7 686	6 234
Change in scope	-1 679	0
Additions	1 358	2 147
Used	-1 502	0
Reversals	-1 138	-690
Reclassification	151	0
Currency effects	-227	-5
31.12.	4 649	7 686

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

15 PROPERTY, PLANT AND EQUIPMENT

IN CHF 1000	MACHINERY AND EQUIPMENT	LAND	BUILDINGS (INCL. INST.)	ASSETS UNDER CONSTRUCTION	TOTAL
Gross values					
Value 31.12.2006	81 605	4 161	54 666	1 135	141 567
Change in scope	2 330	0	74	0	2 404
Additions	2 022	0	491	2 894	5 407
Disposals	-548	0	-81	0	-629
Currency effects	84	-94	-561	12	-559
Reclassification	-6 889	0	9 415	-2 669	-143
Value 31.12.2007	78 604	4 067	64 004	1 372	148 047
Change in scope	-40 967	-2 581	-23 492	-1 075	-68 115
Additions	4 116	13	503	2 225	6 857
Disposals	-2 887	0	-1 481	0	-4 368
Currency effects	-2 865	-83	-1 874	-44	-4 866
Reclassification	-174	0	66	-195	-303
Value 31.12.2008	35 827	1 416	37 726	2 283	77 252
Accumulated depreciation					
Value 31.12.2006	61 836	232	20 398	0	82 466
Depreciation	5 811	69	2 579	0	8 459
Disposals	-531	0	-70	0	-601
Currency effects	95	-23	55	0	127
Reclassification	-7 524	0	7 524	0	0
Value 31.12.2007	59 687	278	30 486	0	90 451
Change in scope	-31 088	0	-10 481	0	-41 569
Depreciation	3 322	63	1 839	0	5 224
Disposals	-2 792	0	-1 458	0	-4 250
Currency effects	-2 437	-20	-962	0	-3 419
Reclassification	-337	0	34	0	-303
Value 31.12.2008	26 355	321	19 458	0	46 134
Net values					
Value 31.12.2006	19 769	3 929	34 268	1 135	59 101
Value 31.12.2007	18 917	3 789	33 518	1 372	57 596
Value 31.12.2008	9 472	1 095	18 268	2 283	31 118

There are no leased property, plant and equipment (previous year TCHF 10,123).

Contractual Commitments:

As per December 31, 2008, contractual commitments to acquire machinery and equipment of TCHF 2535 were entered upon (previous year TCHF 0).

Pledged assets:

Pledged assets (real estate for mortgages) are as follows:

IN CHF 1000	2008	2007
Book value	0	9 305
Maximum credit line	0	2 000
Loans contracted	0	2 000

Fire insurance values:

Fire insurance values of property, plant and equipment amount to TCHF 89,526 (previous year TCHF 187,218).

16 FINANCIAL ASSETS

Financial assets consist of TCHF 1 securities (previous year TCHF 3) and of TCHF 4 loans (previous year TCHF 2).

17 INTANGIBLE ASSETS

Impairment test for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs), which is the Group in total. For the previous year the CGUs were defined according to the operating segments 'Dental' and 'Medical.'

IN CHF 1000	2008	2007
Dental	40 967	44 438
Medical	0	16 092
Total	40 967	60 530

The impairment test for goodwill is 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:

	2008	2007
Long-term growth rate	2.5%	3.5%
Gross profit margin	60–62%	50–62%
Discount rate	7.9%	7.9%

The long-term growth rates used are consistent with the forecasts included in industry reports. 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 relevant segments.

Based on these calculations, there was no need for the COLTENE Group to make 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 31.12.2006	57 397	9 273	66 670
Change in scope	3 044	2 089	5 133
Additions	0	790	790
Disposals	0	-18	-18
Currency effects	89	86	175
Reclassification	0	143	143
Value 31.12.2007	60 530	12 363	72 893
Change in scope	-15 688	-7 478	-23 166
Additions	0	451	451
Currency effects	-3 875	-428	-4 303
Value 31.12.2008	40 967	4 908	45 875
Accumulated amortization			
Value 31.12.2006	0	4 616	4 616
Amortization	0	1 145	1 145
Disposals	0	-18	-18
Currency effects	0	69	69
Value 31.12.2007	0	5 812	5 812
Change in scope	0	-3 593	-3 593
Amortization	0	675	675
Currency effects	0	-189	-189
Value 31.12.2008	0	2 705	2 705
Net values			
Value 31.12.2006	57 397	4 657	62 054
Value 31.12.2007	60 530	6 551	67 081
Value 31.12.2008	40 967	2 203	43 170

TCHF 0 (previous year TCHF 143) are reclassified from property, plant and equipment. In 2008, TCHF 4156 (previous year TCHF 4425) were spent on research and development and accounted for as such in the income statement.

18 BANK LOANS

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

IN CHF 1000	2008	2007
Current bank loans		
Unsecured bank facility	0	235
Unsecured bank loans	2 640	23 819
Secured bank loan (mortgages)	0	2 000
Total	2 640	26 054

Non-current bank loans

Unsecured bank loans	0	10 501
Total	0	10 501

IN CHF 1000	CURRENCY	INTEREST RATE	MATURITY	2008
Current bank loans				
Unsecured bank loan	USD	1.49%	30.01.09	2 640
Total				2 640

IN CHF 1000	CURRENCY	INTEREST RATE	MATURITY	2007
Current bank loans				
Unsecured bank loan	CHF	2.99%	31.01.08	4 300
Unsecured bank loan	CHF	3.45%	31.01.08	2 300
Unsecured bank loan	CHF	3.51%	31.01.08	1 200
Unsecured bank loan	EUR	5.13%	31.01.08	8 335
Unsecured bank loan	EUR	5.34%	31.01.08	614
Unsecured bank loan	USD	6.00%	10.04.08	5 070
Unsecured bank loan	CHF	3.30%	02.06.08	1 500
Secured bank loan (mortgages)	CHF	3.10%	30.06.08	2 000
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.08	500
Unsecured bank facility	EUR	5.75%		235
Total				26 054

Non-current bank loans

Unsecured bank loan (revolving credit facility)	USD	6.39%	31.01.09	5 633
		LIBOR +		
Unsecured bank loan	CHF	0.65%	22.11.09	361
Unsecured bank loan (revolving credit facility)	USD	5.86%	31.03.10	4 507
Total				10 501

Total credit lines amount to TCHF 95,000 (previous year TCHF 119,503) of which 3% are used (previous year 31%). Covenants exist and the conditions of the covenants are met for both periods.

19 ACCOUNTS PAYABLE TO SUPPLIERS

IN CHF 1000	2008	2007
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Accounts payable to suppliers by currency

CHF	2 765	1 635
EUR	1 339	3 884
USD	3 663	2 768
Other currencies	290	574
Total	8 057	8 861

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

20 OTHER ACCOUNTS PAYABLE AND ACCRUALS

IN CHF 1000	2008	2007
Other accounts payable	20 167	4 801
Accruals	7 047	11 918
Short-term financial leasing liabilities	0	163
Total	27 214	16 882

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 litigations. 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
31.12.2006	162	2060	255	2477
Amount used	-2	-766	0	-768
Additions	0	0	156	156
Reversal	0	-139	-55	-194
Currency effects	6	18	0	24
31.12.2007	166	1173	356	1695
Change in scope	0	-469	-104	-573
Amount used	0	-192	0	-192
Additions	8	125	191	324
Currency effects	-18	-33	-10	-61
31.12.2008	156	604	433	1193
Short-term provisions				
31.12.2007	166	0	56	222
Short-term provisions				
31.12.2008	156	0	133	289
Long-term provisions				
31.12.2007	0	1173	300	1473
Long-term provisions				
31.12.2008	0	604	300	904

22 OTHER LONG-TERM LIABILITIES

This item includes non-current lease commitments of TCHF 0 (previous year TCHF 10,124).

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

	OPERATING LEASING		FINANCIAL LEASING	
IN CHF 1000	2008	2007	2008	2007
No later than 1 year	1311	1412	0	583
Later than 1 year and no later 5 years	3430	3583	0	2258
Later than 5 years	1763	2657	0	13503
Interest included in above payments	0	0	0	-6057
Total	6504	7652	0	10287
Total over 1 year				
	5193	6240	0	15761

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

The short-term financial leasing liabilities are reported in other accounts payable and accruals.

23 EQUITY

The share capital shows the capital of COLTENE Holding AG; adjusted by treasury stock. Treasury stock on December 31, 2008, included 70,000 shares (previous year 54,156).

The outstanding capital consists of 4,219,000 (previous year 4,680,000) registered shares of CHF 0.10 (previous year CHF 5.00) par value per share. All shares are issued; there is no additional conditional or approved capital.

The payment of a dividend of CHF 4.30 per share will be proposed to the Annual General Meeting on April 17, 2009.

Based on the AGM decision on April 16, 2008, the company paid a dividend of CHF 4.30 (previous year CHF 1.60) per share, less 35% withholding tax, to its shareholders on April 21, 2008. The total amount of the gross dividend paid was TCHF 19,563 (previous year TCHF 7413).

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 share to its shareholders on July 14, 2008. The total amount of the capital reduction paid was TCHF 22,585.

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% withholding 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 2008 TCHF 256. Net of tax the total expenses for these services amount to TCHF 366. The expenses are disclosed as direct equity transactions according to IAS 32.37.

24 CASH FLOW FROM INVESTING ACTIVITIES

In 2008 no acquisitions were made.

On January 19, 2007, COLTENE acquired most assets of CEI Cutting Edge Instruments Inc. (CEI), Bridge-water Corners, Vermont, USA. CEI specializes in the development and production of carbide burs and expands the existing product offering of the dental segment. The details to the purchase price are shown in the table below.

IN CHF 1000	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
Accounts receivable from deliveries and sales	343	343
Other receivables and accruals	31	31
Inventories	983	1393
Property, plant and equipment	289	2404
Intangible assets	0	2089
Accounts payable to suppliers	-191	-191
Net assets acquired	1455	6069
Goodwill		3044
Total purchase consideration		9113
Cash paid to the seller		-9087
Direct cost relating to the acquisition		-115
Cash outflow on acquisition		-9202

The goodwill is justified by the expected synergies and by the acquired business. Between the date of the acquisition and December 31, 2007, CEI contributed TCHF 4299 to the net sales and TCHF -67 to the net profit of COLTENE Group.

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. Financial information for the period to the date of disposal is set out below. The income statement and cash flow statement distinguish discontinued operations from continuing operations. Comparative figures have been re-presented.

IN CHF 1000	1 HY 2008 4 MONTHS	2007 12 MONTHS
Profit from discontinued operations		
Net sales	35 009	106 122
Expenses	-33 357	-97 718
Profit before income tax from discontinued operations	1 652	8 404
Income tax	-233	-660
Profit after income tax from discontinued operations	1 419	7 744
Gain on sale of discontinued operations	30 113	0
Income tax on gain on sale of discontinued operations	-1 144	0
Gain after income tax on sale of discontinued operations	28 969	0
Profit from discontinued operations	30 388	7 744
Cash flow from discontinued operations		
Net cash flow from operating activities	1 619	12 044
Net cash flow from investing activities	92 760	-3 270
Net cash flow from financing activities	257	-2 035
Exchange rate differences on cash disposed of	-77	147
Net cash flow from discontinued operations	94 559	6 886
Effect of disposal on the financial position		
Cash and cash equivalents	5 092	
Accounts receivable from deliveries and sales	15 324	
Other current assets	2 087	
Inventories	19 289	
Property, plant and equipment	26 546	
Intangible assets	19 573	
Deferred tax assets	1 103	
Accounts payable to suppliers	-4 890	
Other current liabilities	-5 027	
Other long-term liabilities	-10 062	
Deferred tax liabilities	-141	
Other long-term provisions	-526	
Net identifiable assets and liabilities	68 368	
Consideration received, satisfied in cash	103 339	
Costs of disposal, satisfied in cash	-4 765	
Cash disposed of	-5 092	
Net cash inflow	93 482	

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. 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

Key management compensations are as follows:

IN CHF 1000	2008	2007
Compensations	3 287	2 463
Share-based payments	71	0
Contribution to pension funds	89	71
Total	3 447	2 534

There are no receivables or payables in relation to material shareholders or key management. No transactions were made with related parties. For further details concerning the remuneration to the Board of Directors and Group management see pages 54 – 55.

28 SUBSEQUENT EVENTS

The Board of Directors authorized the Group financial statements on February 19, 2009, for issue. As per this date, the Board of Directors and Group management were unaware of any important events subsequent to the closing of books.

MAJOR GROUP COMPANIES

COMPANY	ACTIVITY	REGISTERED CAPITAL	GROUP OWNERSHIP
Coltène/Whaledent AG, Altstätten CH	Production and sales of dental specialities	CHF 1600 000	100%
Coltène/Whaledent Vertriebsservice und Marketing GmbH, Altstätten CH	Sales services and marketing of dental specialities	CHF 20 000	100%
Coltène/Whaledent GmbH + Co. KG, Langenau DE	Production and sales of dental specialities	EUR 1850 000	100%
Dentalia Kft., Bicske HUN	Production and sales of dental specialities	HFT 3 000 000	100%
Endodent Inc., Duarte CA/USA	Production and sales of dental specialities	USD 30 000	100%
Coltène/Whaledent Ltd., Burgess Hill GB	Sales of dental specialities	GBP 200 000	100%
Coltène/Whaledent S.à.r.l., Le Mans FR	Sales of dental specialities	EUR 503 000	100%
Coltène/Whaledent Dental Materials & Equipment Trading Co., Ltd, Beijing CN	Sales of dental specialities	CNY 5 000 000	100%
Coltène/Whaledent Inc., Cuyahoga Falls, OH/USA	Production and sales of dental specialities	USD 5 000 000	100%
COLTENE Services AG, Dübendorf CH	Management company	CHF 250 000	100%

Report of the statutory auditor to the general meeting of COLTENE Holding AG, Wattwil

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 balance sheet, income statement, cash flow statement, statement of recognized income and expense/statement of changes in equity and notes (pages 24 to 50), for the year ended December 31, 2008.

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, 2008, 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 19, 2009

BALANCE SHEET COLTENE HOLDING AG

IN CHF	31.12.2008	31.12.2007
Assets		
Cash and cash equivalents	3 007 638	522 051
Other receivables from third parties	105 360	1 026
Other receivables from subsidiaries	742 242	0
Prepaid expenses and accrued income	53 221	328 570
Current assets	3 908 461	851 647
Loans to subsidiaries	55 232 506	51 586 896
Investments in subsidiaries	10 983 604	24 926 805
Own shares	3 010 000	4 332 480
Non-current assets	69 226 110	80 846 181
Total assets	73 134 571	81 697 828
Liabilities		
Bank loans	2 640 375	16 748 740
Other liabilities to third parties	17 264 450	0
Other liabilities to subsidiaries	0	1 008 646
Accruals and provisions	1 718 457	299 941
Total liabilities	21 623 282	18 057 327
Share capital	421 900	23 400 000
Statutory reserves	18 014 757	26 087 520
Reserves for treasury stock	3 010 000	4 332 480
Net income brought forward	30 064 632	9 820 501
Total equity	51 511 289	63 640 501
Total liabilities and equity	73 134 571	81 697 828

INCOME STATEMENT COLTENE HOLDING AG

IN CHF	2008	2 007
Income from investments	25 000 000	8 483 720
Gain on sale of investments	62 012 799	0
Financial income	3 439 181	3 421 711
Total income	90 451 980	11 905 431
Financial expenses	-1 129 999	-1 004 055
Administrative expenses	-6 637 495	-1 384 081
Depreciation	-2 308 619	-75 572
Tax expenses	-1 111 417	-141 694
Total expenses	-11 187 530	-2 605 402
Profit of the year	79 264 450	9 300 029

NOTES TO COLTENE HOLDING AG

IN CHF	31.12.2008	31.12.2007
1 Contingent liabilities		
Warranty liabilities	0	10 500 000
Group credits (general contracts)	0	31 408 330
2 Significant investments		
see list on page 50		
3 Treasury stock		
70 000 (54 156) shares par value CHF 0.10 (CHF 5.00)	3 010 000	4 332 480
Purchases: 76 240 (16 507) shares at an average price of	73.12	80.26
Sales: 60 396 (7 342) shares at an average price of	79.99	88.67
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	12.27%	10.00%
FMR Corp., Boston/USA	11.11%	5.62%
Litespeed Management LLC, New York/USA	5.86%	5.28%
Lincoln Vale European Partners Master Fund L.P., Lincoln/USA	5.59%	5.04%
Tweedy, Browne Company LLC, New York/USA	5.18%	4.67%
3V Asset Management AG, Zürich	below 3%	3.95%
Schroder Investments Management Limited, London/UK	4.17%	3.76%
Robert Heberlein, Zumikon	3.45%	below 3%
5 Share capital		
The nominal capital at 31.12. consisted of		
4 219 000 (4 680 000) registered shares par value CHF 0.10 (CHF 5.00)	421 900	23 400 000
6 Statutory reserves carried forward		
Statutory reserves at 1.1.	26 087 520	26 685 747
Change	-8 072 763	-598 227
Statutory reserves at 31.12.	18 014 757	26 087 520
7 Net income brought forward		
Net income at 1.1.	9 820 501	7 933 862
Dividend distribution	-9 820 501	-7 413 390
Profit of the year	79 264 450	9 300 029
Share repurchase	-49 199 818	0
Net income at 31.12.	30 064 632	9 820 501
8 Remuneration to Board of Directors		
Dr. Paul Hält, Chairman until 16.4.2008		
(previous year including 500 shares of the share program)	64 463	229 932
Nick Huber, Chairman since 16.4.2008, Member until 16.4.2008		
(previous year including 250 shares of the share program)	101 118	106 983
Robert Heberlein, Member		
(previous year including 250 shares of the share program)	83 361	105 004
Dr. Walter Känel, Member until 16.4.2008		
(previous year including 250 shares of the share program)	20 170	105 004
Matthew Robin, Member		
(previous year including 250 shares of the share program)	85 152	106 983
Jerry Sullivan, Member since 16.4.2008	97 218	0
Total	451 482	653 906

NOTES TO COLTENE HOLDING AG

IN CHF	31.12.2008	31.12.2007
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9 Remuneration to Group management

Jerry Sullivan, Chief Executive Officer until 16.4.2008	1871590	1116732
Other members of the Group management	1123674	763074
Total	2995264	1879806

10 Number of shares held by Board of Directors

Dr. Paul Hält, Chairman until 16.4.2008	n.a.	1100
Nick Huber, Chairman since 16.4.2008, Member until 16.4.2008 (previous year inclusive shares Huwa Finanz- und Beteiligungs AG, Heerbrugg)	300	468300
Robert Heberlein, Member	145403	120400
Dr. Walter Känel, Member until 16.4.2008	n.a.	11750
Matthew Robin, Member	250	250
Jerry Sullivan, Member since 16.4.2008	0	n.a.
Total	145953	601800

11 Number of shares held by Group management

Andreas Meldau, Chief Executive Officer since 16.4.2008, Chief Operating Officer until 16.4.2008	500	500
Dr. Hans Grüter, Chief Financial Officer	1450	400
Total	1950	900

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 to supervise the risk management process.

PROPOSAL FOR THE ALLOCATION OF NET INCOME

IN CHF	2008	2007
Net income carried forward from the previous year	0	520 472
Profit of the year	79 264 450	9 300 029
Share repurchase	-49 199 818	0
Available net income	30 064 632	9 820 501
Out of statutory reserves	0	10 303 499
Distribution of dividend of CHF 4.30 per share (CHF 4.30 per share)	-18 141 700	-20 124 000
To be carried forward	11 922 932	0

Report of the statutory auditor to the general meeting of COLTENE Holding AG, Wattwil

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 52 to 56), for the year ended December 31, 2008.

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, 2008, 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 19, 2009

Investor Relations

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 thus 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

IMPORTANT DATES

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

MARCH 18, 2009

Presentation of annual results 2008
Financial analysts' and media conference
Publication of Annual Report 2008

APRIL 17, 2009

General Meeting of the Shareholders, at
Coltène\Whaledent AG, Altstätten/SG

END OF APRIL 2009

3-months report 2009

END OF AUGUST 2009

Half-year report 2009, shareholders' letter

END OF OCTOBER 2009

9-months report 2009

END OF MARCH 2010

Presentation of annual results 2009
Financial analysts' and media conference
Publication of Annual Report 2009

APRIL 2010

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 publications/downloads section at www.coltene.com/investor-relations/news_en.html.

KEY FIGURES PER SHARE

Price at year end	43.00
Highest price	74.86
Date	30.4.2008
Lowest price	41.15
Date	23.12.2008
Earnings per share	10.55
Equity per share	27.27
Dividend per share	4.30
Taxable value	43.00

Important Addresses

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