

Geschäftsbericht  
Annual Report

2009

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



## COLTENE – ein weltweit erfolgreicher Dentspezialist

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  | 2009     | 2008     |
|--|----------|----------|
| Nettoumsatz/Net sales  | 151 385  | 166 419  |
| Betriebserfolg (EBIT)/Operating profit   | 20 337   | 24 922   |
| In % vom Nettoumsatz/In % of net sales   | 13.4%    | 15.0%    |
| Ergebnis aus weitergeführter Tätigkeit/Net profit continuing operations          | 16 357   | 17 682   |
| Ergebnis aus nicht weitergeführter Tätigkeit/Profit from discontinued operations | 0        | 30 388   |
| Periodenergebnis/Profit for the period   | 16 357   | 48 070   |
| Geldfluss aus Betriebstätigkeit/Cash flow from operating activities*             | 25 354   | 18 526   |
| Investitionen (ohne Beteiligungen)/Investments (without subsidiaries)*           | 7 504    | 6 253    |
| Free Cashflow/Free cash flow*  | 17 850   | 12 273   |
| Total Aktiven/Total assets   | 157 178  | 161 472  |
| Bankdarlehen/Bank loans  | 22 879   | 2 640    |
| Eigenkapital/Shareholder's equity  | 110 726  | 113 161  |
| In % des Totals der Aktiven/In % of total assets                                 | 70.4%    | 70.1%    |
| Dividende pro Aktie/Dividend per share   | CHF 3.10 | CHF 4.30 |
| Anzahl Mitarbeiter/Employees   | 767      | 751      |

\* Aus weitergeführter Tätigkeit/From continuing operations

### VERWALTUNGSRAT / BOARD OF DIRECTORS

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

### UNTERNEHMENSLEITUNG / EXECUTIVE MANAGEMENT

Andreas Meldau, CEO  
Dr. Hans Grüter, CFO

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## Gutes Ergebnis in einem schwierigen Geschäftsumfeld

- Starkes zweites Halbjahr führt zu 13,4% EBIT-Marge für das ganze Jahr
- Umsatzrückgang um 9,0% auf 151,4 Mio. CHF im Jahr 2009 bzw. von 6,5% bei vergleichbaren Währungskursen
- Ergebnis aus weitergeführter Tätigkeit 7,5% unter Vorjahr
- Free Cashflow (vor Investition in Beteiligungen) beträgt 11,8% vom Umsatz
- Hoher Eigenfinanzierungsgrad von 70,4% und geringe Nettoverschuldung
- Ergebnis pro Aktie aus weitergeführter Tätigkeit steigt von CHF 3.88 auf CHF 3.94 in 2009
- Antrag auf Auszahlung einer Dividende von CHF 3.10 je Aktie



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

- Strong second half of 2009 leads to EBIT margin of 13.4% for full fiscal year
  - Sales decline by 9.0% to CHF 151.4 million or by 6.5% at constant currency rates respectively
  - Net profit from continuing operations is 7.5% below previous year
  - Free cash flow (before investments in associates) is 11.8% of sales
    - Strong equity ratio of 70.4% and low net debt level
    - Earnings per share from continuing operations increase from CHF 3.88 to CHF 3.94 in 2009
    - Proposal to pay dividend of CHF 3.10 per share

**Positive result in a difficult business environment**

## DEAR SHAREHOLDERS

COLTENE achieved a respectable result in 2009. Despite the globally difficult economic environment, COLTENE was able to largely close a sales gap that originated in the first quarter of the year. As the economic uncertainty in the markets led to inventory reductions in the dental distribution networks, the traditional end-of-quarter sales boost practically failed to occur at the end of March 2009. End consumption of dental consumables, however, remained virtually stable, allowing the producing dental industry to return to normal sales volumes during the remainder of year. However in the dental industry, validated or even official market data and growth rates are only available for some of the more mature markets such as the U.S., UK and Germany. While the sales gap compared with the same period of the previous year stood at 20.0% at the end of March 2009 the difference had decreased to 14.9% by mid-year, and to 10.5% after nine months. On December 31, 2009 consolidated sales for the fiscal year stood at CHF 151.4 million, which is 9.0% or – at constant currency exchange rates – 6.5% below the prior year.

Focusing on business from continuing operations – i. e. taking only the performance of the dental business into consideration for the previous year – COLTENE showed a profit of CHF 16.4 million for 2009 after CHF 17.7 million in 2008. As the share capital of COLTENE Holding AG had been reduced from 4,680,000 to 4,219,000 registered shares in the context of a share buyback program concluded on December 9, 2008, the weighted and fully diluted earnings per share for 2009 amounts to CHF 3.94. This is slightly better than the CHF 3.88 recorded in 2008. Comparing full profits for the period, i. e. including the extraordinary earnings contribution from the sale of the medical business at the end of April 2008, earnings per share for 2008 amounted to CHF 10.55 while the 2009 figure remains the same.

## AN UNSERE AKTIONÄRINNEN UND AKTIONÄRE

COLTENE hat im Geschäftsjahr 2009 ein respektables Resultat erzielt. Trotz der weltweit schwierigen Wirtschaftslage konnte COLTENE bis Ende 2009 eine im ersten Quartal entstandene Umsatzlücke gegenüber Vorjahr zu einem beachtlichen Teil wieder schliessen. Im März 2009 war das sonst typische Quartalsendgeschäft aufgrund der wirtschaftlichen Verunsicherung an den Märkten und der damit verbundenen Lagerabbauten im Dentalhandel praktisch ausgeblieben. Der Endkonsum von dentalen Verbrauchsmaterialien blieb indessen nahezu stabil, so dass sich die Verkäufe der produzierenden Dentalindustrie im Jahresverlauf wieder normalisieren konnten. Allerdings sind gesicherte beziehungsweise offizielle Marktdaten und Wachstumsraten nur für einen Teil der Dentalmärkte, vor allem für die traditionellen und reifen Märkte wie etwa die USA, Grossbritannien oder Deutschland, verfügbar. Hatte die Umsatzdifferenz zum Vorjahr Ende März 2009 noch bei 20,0% und zur Jahresmitte bei 14,9% gelegen, betrug der Rückstand nach drei Quartalen nur noch 10,5%. Am 31. Dezember 2009 lag der konsolidierte Umsatz des Berichtsjahres mit CHF 151,4 Mio. um 9,0% – oder zu vergleichbaren Währungskursen – um 6,5% tiefer als im Vorjahr.

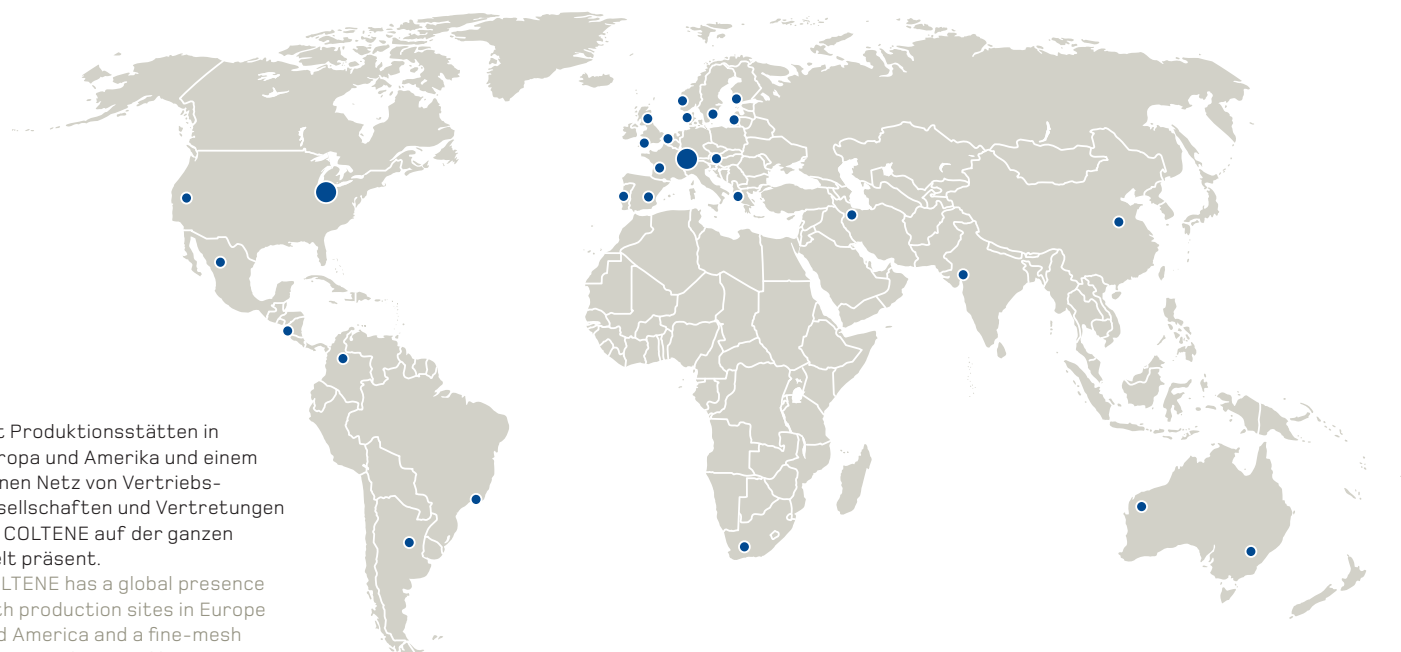
Bei einem Vergleich des Umsatzes aus weitergeführter Tätigkeit – also auch im Vorjahr nur die Leistung des Dentalgeschäfts berücksichtigend – weist COLTENE für das Geschäftsjahr 2009 einen Gewinn von CHF 16,4 Mio. nach CHF 17,7 Mio. im Vorjahr aus. Unter Berücksichtigung der durch das Aktienrückkaufprogramm per 9. Dezember 2008 von 4 680 000 auf 4 219 000 reduzierten Anzahl ausstehender Aktien ergibt dies für das Berichtsjahr 2009 gewichtet und voll verwässert einen gegenüber CHF 3.88 für das Jahr 2008 leicht auf CHF 3.94 verbesserten Gewinn je Aktie. Bei einer Gegenüberstellung mit dem Periodengewinn des Vorjahres einschliesslich des ausserordentlichen Gewinnbeitrags des per Ende April 2008 veräusserten Medizinalgeschäfts lautet der Vergleichswert je Aktie für 2008 CHF 10.55, während der Vergleichswert für 2009 gleich bleibt.

EBIT fell from CHF 24.9 million in the previous year to CHF 20.3 million in 2009. Having rapidly taken measures to reduce costs in spring, COLTENE was still able to achieve an EBIT margin of 13.4% compared with 15.0% in the previous year – a figure which is within its targeted corridor. COLTENE's business model has proven itself effective even in difficult economic times, as highlighted by an impressively increased cash flow from operating activities of continuing operations of CHF 25.4 million after CHF 18.5 million in the prior year. Continuous progress was made in managing net working capital, resulting in lower accounts receivable and inventories. At year-end, COLTENE showed a sound balance sheet as highlighted by a strong equity ratio of 70.4%, increasing compared with the end of 2008. Despite this challenging year, COLTENE presents itself as a healthy and successful company. The Board of Directors will thus propose to the Annual General Meeting of Shareholders on April 28, 2010 the payment of a cash dividend of CHF 3.10 per share at a par value of CHF 0.10 each. This corresponds to a payout ratio of 80.0% of net profit.

Der EBIT fiel im Geschäftsjahr 2009 mit CHF 20,3 Mio. gegenüber CHF 24,9 Mio. aus dem Vorjahr tiefer aus. Dank der im Frühling rasch ergriffenen Massnahmen zur Kostensenkung konnte COLTENE die EBIT-Marge mit 13,4% gegenüber 15,0% im Vorjahr jedoch gut im angepeilten Zielkorridor halten. Das Geschäftsmodell von COLTENE hat sich also auch in einem wirtschaftlich schwierigen Umfeld als tragfähig erwiesen, wie auch der gestiegene operative Cash-flow aus weitergeführter Tätigkeit von CHF 25,4 Mio. nach CHF 18,5 Mio. im Vorjahr eindrücklich bestätigt. Das Umlaufvermögen wurde 2009 zunehmend erfolgreich bewirtschaftet, so dass per Ende Jahr tiefere Zahlungsausstände und Lagerbestände resultierten. Per Jahresende weist COLTENE eine unverändert gesunde Bilanz aus, wie die solide, leicht höher als im Vorjahr liegende Eigenkapitalquote von 70,4% beweist. Trotz des anspruchsvollen Geschäftsjahres präsentiert sich COLTENE als gesunde und erfolgreiche Gesellschaft. Der Verwaltungsrat schlägt deshalb der Generalversammlung vom 28. April 2010 die Entrichtung einer Dividende von CHF 3.10 je Namenaktie zu nominal CHF 0.10 vor. Dies entspricht einer Gewinnausschüttungsquote von 80,0% des Ergebnisses.

#### 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

Consolidated sales decreased 9.0% from CHF 166.4 million in the previous year to CHF 151.4 million in 2009. At constant exchange rates, the sales decline was only 6.5%. Until the end of the year, COLTENE could clearly narrow the sales gap that opened up towards the end of March 2009, when the traditional end-of-quarter sales boost was considerably lower than in previous years. The rising uncertainty in the markets had led to considerable stock consolidations throughout the distribution network. Having experienced similar inventory reductions in North America in previous years, the effect now also became visible in equal measure in Europe. Sales of dental products to the end consumer market, however, remained largely stable. This allowed COLTENE to narrow an initial sales gap of 20% to less than half in the subsequent quarters of 2009.

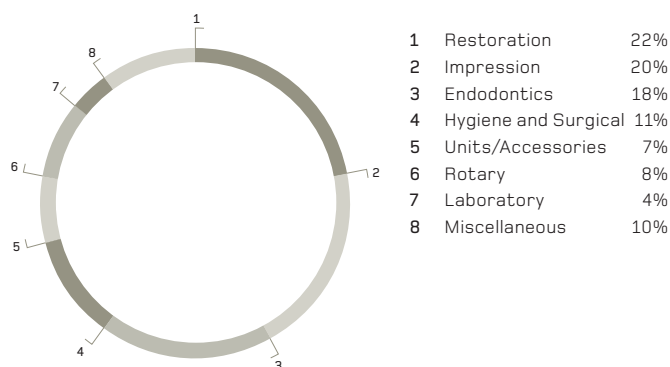
While the inventory reductions at dental distributors mentioned above were most noticeable in Germany, France and Southern Europe, COLTENE achieved positive growth rates with over 10% in Great Britain, over 5% in Scandinavia and the Middle East, and a plus of 12% in Eastern Europe, all of which were recorded on a currency-adjusted basis.

## UMSATZENTWICKLUNG

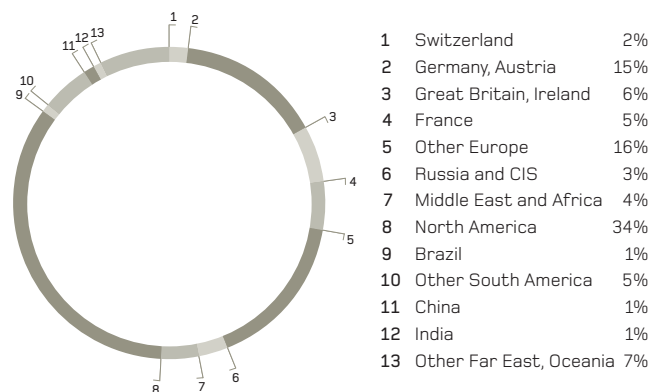
Der konsolidierte Umsatz von COLTENE ging von CHF 166,4 Mio. im Vorjahr um 9,0% auf CHF 151,4 Mio. im Berichtsjahr zurück. Währungsbereinigt machte der Umsatzrückgang nur 6,5% aus. Damit konnte COLTENE bis zum Jahresende eine Umsatzlücke, die sich im ersten Quartal geöffnet hatte, zu einem guten Teil wieder schliessen. Ende März war das sonst übliche Quartalsschlussgeschäft als Folge der Verunsicherung an den Märkten und massiver Lagerabbauten im Handel wesentlich tiefer ausgefallen. Nachdem ein Lagerabbau im Dentalhandel in den vergangenen Jahren vorab in Nordamerika zu beobachten gewesen war, machte sich dieser Effekt nun gleichermassen in Europa bemerkbar. Der Absatz von Dentalprodukten im Endverbrauchermarkt blieb dabei weitgehend stabil, so dass COLTENE in der Folge von Quartalsende zu Quartalsende die anfängliche Lücke von 20% zum Vorjahr per 31. Dezember 2009 auf weniger als die Hälfte schliessen konnte.

Der erwähnte Lagerabbau im Dentalhandel war in Europa vor allem in Deutschland, Frankreich und Südeuropa spürbar. Positive Wachstumsraten konnte COLTENE währungsbereinigt demgegenüber in Grossbritannien mit Zuwächsen von über 10%, in Skandinavien und dem Nahen Osten von über 5% und in Osteuropa mit einem Plus von mehr als 12% erzielen.

**NETTOUMSATZ NACH PRODUKTEN  
UND DIENSTLEISTUNGEN 2009**  
NET SALES BY PRODUCTS  
AND SERVICES 2009



**NETTOUMSATZ NACH  
GEOGRAFISCHEN REGIONEN 2009**  
NET SALES BY  
GEOGRAPHIC REGIONS 2009



In 2009, COLTENE reports single-digit lower sales figures for North America compared with 2008. This is quite a good result in view of the difficult economic environment in North America. The result is also in line with the market's general sales development for dental consumables.

#### Varying developments in emerging countries

Across all countries, COLTENE registered the strongest growth in India in 2009: Supported by a stable economic climate, the successful establishment of COLTENE's own subsidiary coupled with a focused marketing approach led to a doubling of sales revenues.

Sales generated with Chinese distribution partners remained roughly at the previous year's level. This is a remarkable result given that the majority of the local distribution partners was only contracted in the second half of 2008 and first had to be introduced to and equipped with initial stocks of COLTENE products. Sales recorded during the year under review largely reflect end market demand of distributors based on existing, traditional sales channels. The end market sales of the Chinese distributors are a clear indication that the set-up of COLTENE's own Chinese subsidiary and the focused marketing efforts are all well worth while.



Eine perfekte AFFINIS-Abformung ist der Schlüssel zu passgenauen Restaurationen. Sie bildet die Grundlage für das erfolgreiche Teamwork zwischen Zahnarzt und Zahntechniker. A perfect AFFINIS impression is the key to accurate restorations. It is the basis for the successful teamwork between dentist and dental technician.

In Nordamerika lagen die Verkäufe per Ende Jahr im einstelligen Prozentbereich unter Vorjahr. Dies ist gemessen an der wirtschaftlich schwierigen Situation dieser Region ein gutes Resultat und liegt im Trend der Absatzentwicklung für Consumables für diesen Markt.

#### Unterschiedliche Entwicklung in den Schwellenländern

Über alle Ländermärkte betrachtet, verzeichnete COLTENE 2009 in Indien das stärkste Wachstum: Dort hat sich der Umsatz nach dem erfolgreichen Aufbau der eigenen Niederlassung dank intensiver Marktbearbeitung und einer stabilen Konjunkturlage verdoppelt.

In China blieb der im Geschäft mit den Handelspartnern fakturierte Umsatz etwa auf Vorjahresniveau. Dies ist im Jahresvergleich deshalb beachtlich, weil die grosse Mehrheit der lokalen Handelspartner erst im zweiten Halbjahr 2008 unter Vertrag genommen worden war und zuerst mit den COLTENE Produkten vertraut gemacht und mit Anfangslagerbeständen ausgerüstet werden musste. Der im Berichtsjahr verzeichnete Umsatz spiegelt aufgrund der bestehenden, traditionellen Absatzkanäle die Nachfrage der Distributoren wider. Aufgrund der Absatzzahlen der Distributoren im Handel mit den Endkunden ist nachverfolgbar, dass sich der konsequent vorangetriebene Marktausbau der Tochtergesellschaft in China entsprechend gelohnt hat.

In den übrigen Ländern des Fernen Ostens konnte der Umsatz in Schweizer Franken um über 4% gesteigert werden, obwohl sich die Kurse einiger lokaler Währungen gegenüber dem Schweizer Franken nachteilig entwickelten.

Der in Brasilien erzielte Umsatz von COLTENE in 2009 zeigt gegenüber dem Vorjahr klare Abweichungen. Hauptgrund ist die Umsatzentwicklung, die das Innenverhältnis zwischen COLTENE und Vigodent SA widerspiegelt. So hatte COLTENE Ende 2008 beispielsweise für zwei Produktlancierungen anlässlich der grössten Jahresmesse im Januar 2009 namhafte Mengen an Restaurations- und Abformmaterialien an Vigodent geliefert. Diese Produktneuheiten und weitere gezielte Aktivitäten haben im brasilianischen Markt den geplanten Erfolg gezeigt und die Absatzzahlen für COLTENE Produkte bei Vigodent um gut 20% wachsen lassen.

Sales generated in the remaining countries of the Far East increased by over 4%, although the Swiss Franc exchange rates for some of the local currencies developed unfavorably.

The sales volume achieved in 2009 in Brazil shows clear variances compared with the prior year. The main reason for this sales trend was that the development essentially reflects intra-Group relations between COLTENE and Vigodent SA. For example, COLTENE shipped considerable amounts of restoration and impression materials to Vigodent towards the end of 2008 in order to prepare the launch of two new products at the biggest local annual exhibition in January 2009. These product novelties and additional targeted activities yielded the intended success in the Brazilian market and increased the sales figures for COLTENE products at Vigodent by about 20%.

In the rest of Latin America, 2009 sales volumes fell a little short of the previous year's figures. Yet, the focused product range allows COLTENE to generate solid revenue and to specifically target selected market areas.

Sales achieved in the CIS region (former Soviet Union) decreased compared with the preceding year. This was mainly due to the economic downturn in Ukraine, whereas in Russia COLTENE was able to maintain its sales level, including open orders at year-end.

#### PROFITABILITY

COLTENE closed fiscal year 2009 with a respectable result. Rapid and decisive actions effectively reduced ongoing personnel costs. In addition, personnel cost development also reflects the ongoing expansion in India and China. The additional cost-saving measures introduced at the end of the first quarter are increasingly bearing fruit as shown by other operating costs, which were significantly reduced by CHF 4.6 million year-on-year. Supported by such measures, the decrease in EBIT could be contained to 18.4%, down from CHF 24.9 million to CHF 20.3 million. Year-on-year, the EBIT margin decreased by just 1.6 percentage points to 13.4% and was kept well within the targeted EBIT margin corridor of 10–14%. In a sector and a general industry comparison COLTENE still shows an attractive EBIT margin.



SYNERGY D6 Flow hat eine standfeste Konsistenz, fließt leicht unter Druck und erleichtert so die direkte und punktgenaue Applikation. Damit ist SYNERGY D6 FLOW die ideale Ergänzung für alle anderen SYNERGY D6 Produkte. SYNERGY D6 Flow is stable, yet flows gently under pressure to ensure easy handling and precision application. This makes it the perfect complement to all other SYNERGY D6 products.

Der Umsatz im übrigen Lateinamerika verharrte 2009 knapp unter Vorjahresniveau. Die fokussierte Produktpalette ermöglicht es COLTENE, in diesen Märkten weiterhin solide Umsätze zu erzielen und gezielte Verkaufsgebiete stärker anzugehen.

In der GUS-Region (frühere Sowjetunion) blieb der Umsatz hinter Vorjahr zurück, was in erster Linie durch den Wirtschaftseinbruch in der Ukraine verursacht war. In Russland dagegen konnte COLTENE – inklusive der per Jahresende offenen Aufträge – das Verkaufsniveau vom Vorjahr halten.

#### ERTRAGSLAGE

COLTENE schloss das Geschäftsjahr 2009 mit einem respektablen Resultat ab. Die laufenden Personalkosten konnten dank rasch ergriffener Massnahmen spürbar reduziert werden, zeigen jedoch auch den weiteren Aufbau in Indien und China. Mit den zusätzlichen – am Ende des ersten Quartals eingeleiteten – Kosteneinsparungen konnten die Betriebskosten um CHF 4,6 Mio. bedeutend reduziert werden. Der Betriebsgewinn (EBIT) sank als Folge dieser Kosteneinsparungsmassnahmen trotz Umsatzverlust weniger stark, nämlich von CHF 24,9 Mio. auf CHF 20,3 Mio. oder um 18,4%. Die EBIT-Marge reduzierte sich gegenüber Vorjahr leicht um nur 1,6 Prozentpunkte auf 13,4% und konnte dank der getroffenen Massnahmen gut im Zielkorridor von 10–14% gehalten werden. Im Branchen- und allgemeinen Industrievergleich weist COLTENE unverändert eine attraktive EBIT-Marge aus.

The financial result was slightly positive, compared with a loss of CHF 2.1 million in 2008. It includes a CHF 0.6 million lower interest income and exchange rate gains of CHF 0.6 million, after this position had diminished the previous year's result by approximately CHF 2 million. Interest expenses were brought just below CHF 0.4 million.

Since July 1, 2009, COLTENE holds a 40% participation in the Brazilian corporation Vigodent. This company achieved sales of CHF 6.4 million in the second half of 2009. Due to the gradual integration of Vigodent into the COLTENE Group, accompanied by the adoption of certain new business standards and accounting principles, Vigodent closed that same period with a loss of CHF 0.5 million. Accordingly, COLTENE reported a share loss of associates of CHF 0.2 million in its financial statements.

After somewhat lower tax expenses of CHF 4.1 million after CHF 5.1 million in 2008, COLTENE achieved a profit from continuing operations of CHF 16.4 million. Considering only comparable activities, i. e. based exclusively on its dental business, earnings per share for 2009 were CHF 3.94, up from CHF 3.88, recorded in the previous year. This figure compares with earnings per share of CHF 10.55 for 2008, which included the earnings contribution from the sale of the medical business at the end of April 2008.

#### CASH FLOWS AND BALANCE SHEET

The company has impressively demonstrated that adversity in the market place can be overcome successfully by combining rapid and decisive cost reduction measures, a cautiously managed balance sheet and a continued broad focus on growth projects. In 2009, COLTENE generated a cash flow from operating activities of continuing operations of CHF 25.4 million after CHF 18.5 million in the prior year. After showing the important proceeds from the sale of the medical business in 2008, cash flow from investing activities now contain for the year under review the payments for the acquisition of the minority stake in Vigodent and for a Group-wide ERP system.

Per saldo schloss die Finanzrechnung 2009 leicht positiv ab, nachdem im Vorjahr ein Minus von CHF 2,1 Mio. resultiert hatte. Die Finanzrechnung weist bei einem um CHF 0,6 Mio. tieferen Zinsertrag für 2009 Währungsgewinne von CHF 0,6 Mio. aus, nachdem die Währungsentwicklung im Vorjahr das Resultat fast um CHF 2 Mio. geschmälert hatte. Die Zinskosten konnten leicht auf unter CHF 0,4 Mio. reduziert werden.

Seit dem 1. Juli 2009 hält COLTENE eine 40%ige Beteiligung an der brasilianischen Gesellschaft Vigodent. Diese Gesellschaft erzielte im zweiten Halbjahr 2009 einen Umsatz von CHF 6,4 Mio. Aufgrund der schrittweisen Integration von Vigodent in den COLTENE Verbund und damit einhergehender Anpassungen sowie Angleichungen im Rechnungswesen schliesst Vigodent diesen Zeitraum mit einem Verlust von CHF 0,5 Mio. ab. Entsprechend weist COLTENE in der Finanzrechnung einen Verlustanteil von CHF 0,2 Mio. auf Beteiligungen aus.

Nach etwas tieferem Steueraufwand von CHF 4,1 Mio. nach CHF 5,1 Mio. im Jahr 2008 resultierte ein Gewinn aus weitergeführter Tätigkeit von CHF 16,4 Mio. Auf direkt mit dem Vorjahr vergleichbarer Basis resultierte allein aus den Aktivitäten im Dentalbereich für 2009 je Aktie ein leicht höherer Gewinn von CHF 3.94 nach CHF 3.88 im Vorjahr. Dieser Wert vergleicht sich unter Einrechnung des Gewinnbeitrags aus dem im Vorjahr per Ende April 2008 veräusserten Medizinalgeschäft mit einem Gewinn je Aktie von CHF 10.55.

#### CASHFLOW UND BILANZ

Das Unternehmen hat in der schwierigen wirtschaftlichen Marktlage eindrücklich bewiesen, dass man Veränderungen im Markt mit rasch ergriffenen Kostensenkungsmassnahmen, einer umsichtig bewirtschafteten Bilanz und der breiten Ausrichtung auf Wachstumsprojekte erfolgreich begegnen kann. 2009 generierte COLTENE einen operativen Cashflow aus weitergeführter Tätigkeit von CHF 25,4 Mio. nach CHF 18,5 Mio. im Vorjahr. Nachdem 2008 durch den Verkauf des Medizinalgeschäfts der Gesellschaft ein hoher Mittelbetrag zugeflossen war, zeigt der Mittelfluss aus Investitionstätigkeit im Berichtsjahr die Ausgaben für den Erwerb der Minderheitsbeteiligung an Vigodent sowie für ein gruppenweites ERP-System.

Purchase of property, plant and equipment remained almost at the previous year's level and totalled CHF 6.2 million. Cash flow from financing activities show – among others – on one hand the dividend payment of CHF 17.8 million for fiscal year 2008 and, on the other hand, an additional CHF 17.3 million. This represents, in the context of the share buyback program concluded in 2008, the payment of the federal withholding tax which was due early 2009. At the end of the reporting year, COLTENE's healthy balance sheet still featured a very solid equity ratio of 70.4% and bank loans of CHF 22.9 million. Preserving its financial independence in such a strong manner guarantees COLTENE a high degree of entrepreneurial freedom going forward.

The Board of Directors will propose to the Annual General Meeting on April 28, 2010 the payment of a dividend of CHF 3.10 per share at par value of CHF 0.10 each. Calculated at a share price of CHF 54.50 (as per December 30, 2009) this amounts to a dividend yield of 5.7%. As a percentage of the profit for the period, this reflects a total payout ratio of 80.0%. The Board of Directors of COLTENE maintains its dividend policy. Based on the company's successful business model, the Board remains confident that COLTENE will continue to be able to pay attractive dividends in the years to come.

Die Investitionssumme für Sachanlagen blieb im Berichtsjahr mit CHF 6,2 Mio. nahezu auf Vorjahreshöhe. Der Mittelfluss aus Finanzierungstätigkeit zeigt zum einen die Dividendenzahlung für das Jahr 2008 von insgesamt CHF 17,8 Mio. Zum anderen wurden weitere CHF 17,3 Mio. Anfang Jahr im Rahmen des im Dezember 2008 abgeschlossenen Aktienrückkaufsprogramms an den Staat in Form von Verrechnungssteuern abgeführt. Per Ende 2009 weist die grundsätzliche Bilanz von COLTENE nach wie vor eine sehr hohe Eigenkapitalquote von 70,4% bei geringer Verschuldung durch Bankdarlehen von CHF 22,9 Mio. aus. Die so eindrücklich gewährte finanzielle Unabhängigkeit garantiert COLTENE auch in Zukunft ein hohes Mass an unternehmerischem Spielraum.

Der Verwaltungsrat wird der Generalversammlung vom 28. April 2010 die Entrichtung einer Dividende von CHF 3.10 je Aktie im Nennwert von CHF 0.10 vorschlagen. Basierend auf einem Aktienkurs von CHF 54.50 (per 30. Dezember 2009) ergibt dies eine Dividendenrendite von rund 5,7%. Gemessen am Periodengewinn beträgt die Ausschüttungsquote 80,0%. Der Verwaltungsrat von COLTENE führt damit die bisherige Dividendenpolitik fort und ist aufgrund des erfolgreichen Geschäftsmodells von COLTENE überzeugt, auch in Zukunft weiterhin attraktive Dividenden ausbezahlen zu können.



Die sehr dünnen Folienscheiben haben auf beiden Seiten Schleifpartikel und eine abgedeckte Mandrellaufnahme. SwissFlex Scheiben ermöglichen ein effizientes, sicheres Finieren und Polieren von Restaurationen, ohne angrenzende Zähne zu gefährden.

With polishing particles on either side of the ultra-thin foils and a plastic disc-center covering the mandrel, SwissFlex Discs allow for an efficient and safe finishing and polishing of restorations without jeopardizing adjacent teeth.

## STRATEGY EXECUTION

COLTENE's corporate strategy is firmly based on three strong growth pillars: geographic expansion, acquisitions and innovation. The establishment of own subsidiaries in India and China as well as the ongoing targeted expansion of the Group's businesses in Asia, Latin America and Eastern Europe underpin COLTENE's market position in these growth markets.

At half-year 2009, COLTENE announced plans to acquire Brazilian company Vigodent in two steps. Through its participation in this long-time distribution partner, COLTENE is able to considerably expand its market position in Latin America's biggest dental market. In addition, Vigodent develops and produces own dental consumables, mainly in prosthetics and restoration and these products complement COLTENE's market offering. With its production capacity, Vigodent will also serve as an expansion platform for future growth in the emerging markets. COLTENE's current 40% stake in Brazilian Vigodent significantly supports the company's strategy to increase its market share in Brazil, the rest of South America and other emerging regions. The two parties have also firmly planned and contractually agreed that COLTENE will acquire the company in its entirety over the next two years, thus achieving two strategic objectives at the same time: a growing geographic reach and a focused expansion of its product range.

Besides geographic expansion, innovation remains an important growth driver. COLTENE's own development work and the integration of new technologies continuously broaden the company's product range. COLTENE services dentists and dental laboratories with consumables, hygienic products and equipment for safe and state-of-the-art patient treatment.

The overall sales decrease of 2009 showed in lower sales volumes practically in all product segments. In the product category of impression materials, the addition-curing, so-called A-Silicones achieved some 4% higher sales figures. COLTENE launched three new products in this area, including – as an industry first – an Affinis impression material which is fully autoclavable at 134 °C, the new tray material Affinis 360 Putty and the new application system Affinis Precious Nano for 1 ml cartridges. In Composite Filling Materials, growth resulted from demand for esthetic

## STRATEGIEUMSETZUNG

Die Unternehmensstrategie von COLTENE beruht bekanntermassen auf den drei Wachstumspfeilern geografische Expansion, Akquisition und Innovation. Der unter anderem mit der Eröffnung eigener Niederlassungen in Indien und China konsequent vorangetriebene Auf- und Ausbau sowie die stetige Weiterentwicklung der Geschäfte in Asien, Lateinamerika und Osteuropa festigten die Marktstellung des Unternehmens in diesen Wachstumsmärkten.

Zum Halbjahr 2009 konnte COLTENE zudem die in zwei Stufen geplante Übernahme von Vigodent in Brasilien bekannt geben. Mit der Beteiligung an diesem lang-jährigen Vertriebspartners erfährt die Marktposition von COLTENE im grössten Dentalmarkt Lateinamerikas eine markante Stärkung. Zudem entwickelt und produziert Vigodent eigene Produkte vorwiegend im Prothetik- und Restaurationsbereich, die ergänzend zum COLTENE Portfolio vermarktet werden können. Vigodent dient schliesslich mit seinen Produktionskapazitäten auch als Expansionsbasis für das weitere Wachstum in den aufstrebenden Märkten. Die Kooperation mit der brasilianischen Vigodent, an der COLTENE derzeit einen Anteil von 40% hält, unterstützt daher in starkem Masse das Ziel, in Brasilien und dem restlichen Südamerika und anderen aufstrebenden Regionen weitere Marktanteile zu gewinnen. Fest geplant und vertraglich verbindlich geregelt ist die in den nächsten ein bis zwei Jahren erfolgende vollständige Übernahme dieser Gesellschaft. Mit dieser Akquisition setzt COLTENE zwei strategische Zielsetzungen gleichzeitig um, nämlich eine geografische Expansion und eine gezielte Sortimentserweiterung.

Neben der geografischen Expansion bleibt die Innovationskraft ein wichtiger Wachstumspfeiler. Mit eigener Entwicklungsarbeit und der Integration neuer Technologien wird das umfassende Produktsortiment kontinuierlich erweitert. COLTENE bedient Zahnärzte und Zahnlabors mit Verbrauchsmaterialien, Hygieneprodukten und Apparaturen zur sicheren Versorgung von Patienten nach neuestem technischem Stand.

Der 2009 verzeichnete Umsatzrückgang zeigte sich bei sämtlichen Produktsegmenten in tieferen Absatzzahlen. Mit einem Zuwachs um 4% haben sich bei den Abformmaterialien jedoch die Umsätze der additions-



Als erste nicht erwärmt fließfähige Guttapercha, die nicht schrumpft, ist GuttaFlow ein neuartiges Füllsystem für die Obturation von Wurzelkanälen, das zwei Produkte in einem vereint: Guttapercha in Form von Pulver mit einer Korngrösse kleiner als 30 µm und Sealer.

Being the first non-heated free-flow gutta-percha that does not shrink, GuttaFlow is a novel filling system for root canals, that combines two products in one: gutta-percha in powder form with a particle size of less than 30 µm and sealer.

tooth restoration using products such as Brilliant New Line and ParaCore, as well as the whole Synergy-D6 product family. This product range benefited from the introduction of Synergy D6 Flow. This innovative flow version of the product ideally complements the existing offering in filling therapy. ParaCore is a dual cure core and resin cement with an integrated easy and reliable bond system which makes this versatile product suitable for three indications: post cementation, core build-ups, and crown/bridge cementation. The laboratory segment developed well with over 4% increase, especially in the field of impression materials. The new Diatech-branded SwissFlex Polishing System allows dentists to shape a tooth restoration very precisely and to provide it with the decisive final touch.

Dentists and dental labs like to use the best available, high-quality products for comfortable and safe treatment of their patients. Accordingly, COLTENE again scored new achievements targeting implant-based therapies. According to renowned researchers and universities, AFFINIS impression materials are especially suitable for the production of highly accurate impressions, an essential prerequisite for successful implants.

COLTENE has a successful corporate strategy, the power to innovate and a global presence. In addition, the company can boast financial stability. These strengths enable COLTENE to sustainably protect its market shares in traditional markets and to gain further shares in emerging markets such as India, China, Brazil and Eastern Europe. In addition to its traditional marketing activities in North America,

vernetzenden, so genannten A-Silikone gut entwickelt. Hier wurden im vergangenen Jahr mit einem weltweit erstmalig bei 134 °C sterilisierbaren Affinis Abformmaterial, dem neuen Löffelmaterial Affinis 360 Putty und dem Applikationssystem Affinis Precious Nano für Kartuschen von 1 ml gleich drei neue Produkte lanciert. Auch im Bereich der Komposit-Füllmaterialien konnten im Bereich der ästhetischen Zahnrestoration mit den Produkten Brilliant New Line und ParaCore sowie vor allem bei der Synergy-D6-Produktfamilie mit der Einführung der neuen Flow-Version gewisse Zuwächse erzielt werden. Synergy D6 Flow ist eine ideale Ergänzung in der Füllungstherapie. ParaCore ist ein dual-härtendes, universales Befestigungskomposit, das bereits ein einfaches, verlässliches Bond-System umfasst und so als Multitalent für drei Indikationen geeignet ist, Stiftzementierung, Stumpfaufbau sowie Kronen- und Brücken-Zementierung. Gut entwickelt hat sich mit über 4% Zuwachs auch das Laborsegment – speziell im Abformbereich. Das neue SwissFlex-Poliersystem der Marke Diatech ermöglicht es dem Zahnarzt, die Zahnrestauration sehr präzise zu formen und mit dem entscheidenden Feinschliff zu versehen.

Zahnärzte und Zahnlabors benötigen zur komfortablen und sicheren Versorgung ihrer Patienten modernste und qualitativ hochwertige Produkte. Spezielle Erfolge konnte COLTENE auch im Berichtsjahr wieder bei der Implantattechnik verzeichnen. Die AFFINIS-Abformmaterialien eignen sich nach Auffassung führender Wissenschaftler und Universitäten hervorragend zur Erstellung hoch präziser Gebissabdrücke – eine unerlässliche Voraussetzung für Implantate.

COLTENE verfügt über eine erfolgreiche Unternehmensstrategie, hohe Innovationskraft und eine weltweite Präsenz. Zudem zeichnet sich das Unternehmen durch seine finanzielle Stabilität aus. Diese Stärken ermöglichen es COLTENE, in den traditionellen Märkten die Marktanteile nachhaltig zu sichern und vor allem in aufstrebenden Märkten wie etwa Indien, China, Brasilien sowie Osteuropa neue hinzuzugewinnen. Im hart umkämpften nordamerikanischen Markt setzt COLTENE neben der traditionellen Marktbearbeitung durch Distributionspartner mit Erfolg auf webbasierte Ausbildungsmodule und -lehrgänge, um die junge und die nächste Generation

COLTENE is now shoring up its position in this fiercely contested market by offering web based training and educational modules. In this way COLTENE can gain access to current and future generations of dentists. The Global Institute for Dental Education (gIDE) is the worldwide leading provider of dental training in over one hundred countries with renowned professors from Europe, the U.S., Australia and Asia. The comprehensive and modern product range and the high innovation pace support the sale of COLTENE products through such emerging sales channels.

The company showcased its broad product and service offering with tremendous success at renowned medical and dental exhibitions: In March 2009, COLTENE participated at IDS in Cologne, one of the world's most important dental exhibitions. On an area covering 20 soccer fields, over 1,800 companies presented themselves to an expert audience. COLTENE also took part in several regional and national exhibitions and trade shows in Singapore, Russia, China, USA, Europe and Latin America. Finally COLTENE periodically organizes workshops to introduce the company's product offering to leading dentists.

von Zahnärzten gezielt anzusprechen. Das Global Institute for Dental Education (gIDE) ist der weltweit führende Anbieter von zahnmedizinischen Schulungen in über hundert Ländern mit renommierten Professoren aus Europa, den USA, Australien und Asien. Das umfassende und moderne Produktsortiment und die hohe Innovationskadenz unterstützen den Absatz von COLTENE Produkten über solch neue Kanäle.

COLTENE präsentierte 2009 sein Leistungsspektrum wiederum mit grossem Erfolg auf renommierten Medizinal- und Dentalmessen: So nahm COLTENE an der IDS in Köln teil, einer der wichtigsten Messen der Dentalwelt. Auf einer 20 Fussballfelder messenden Fläche stellten im März 2009 über 1 800 Firmen einem fachkundigen Publikum ihre Spezialitäten vor. COLTENE nahm ferner an verschiedenen regionalen und nationalen Messen in Singapur, Russland, China, USA, Europa und Lateinamerika teil. Schliesslich organisiert COLTENE periodisch Tagungen, um führende Zahnärzte in praktischer Arbeit in die Produktwelt von COLTENE einzuführen.



Die Internationale Dental-Schau IDS findet alle zwei Jahre in Köln statt und vereinte 2009 wiederum über 1800 Firmen aus 57 Ländern. COLTENE präsentierte dort einem fachkundigen Publikum ein überzeugendes Angebot. The International Dental Show (IDS) unites every second year over 1,800 companies from 57 countries in Cologne. COLTENE presented its convincing product range to a professional audience.

## OUTLOOK

With a targeted focus on dentistry, COLTENE is active in a stable mid- to longer-term growth market. The company benefits from the continuous growth of the middle classes in emerging markets where more and more people can afford state-of-the-art Western style dental treatment. The company also benefits from the growing demand for esthetically appealing dentistry and, especially in the traditional markets, from an ageing population which retains its natural dentition. However, last year's recession has shown that temporary and short-term sales decreases or even sinking healthcare spending can occur as a result of market consolidation. COLTENE's broad positioning in the dental industry enables the company to mitigate significantly adverse effects from individual markets on its sales and profits. In 2010, COLTENE will further optimize and enhance internal procedures and processes with a view to remaining an attractive and profitable company while maintaining an appealing dividend policy.

## THANK YOU

We would like to thank all our staff for their commitment and outstanding dedication. We look forward to continuing our work and to tackling challenges together. We also extend our sincere thanks to our business partners and shareholders for their continued trust in COLTENE.



Nick Huber  
Chairman of the Board of Directors



Andreas Meldau  
Chief Executive Officer

## AUSBLICK

Mittel- bis langfristig ist COLTENE mit der gezielten Ausrichtung auf die Zahnheilkunde in einem stabilen Wachstumsmarkt tätig. Das Unternehmen profitiert von der kontinuierlichen Zunahme der Mittelschichten in den Schwellenländern, die sich eine Zahnversorgung nach westlichem Muster leisten können und wollen, der steigenden Bedeutung ästhetisch überzeugender Zahnmedizin und in den traditionellen Märkten nicht zuletzt von der wachsenden älteren Bevölkerung mit natürlichem Gebiss. Die Rezession im vergangenen Jahr hat indessen gezeigt, dass vorübergehend und kurzfristig auch Umsatzrückgänge durch Marktkonsolidierungen und sogar sinkende Gesundheitsausgaben denkbar sind. COLTENE ist im Dentalmarkt jedoch breit aufgestellt, so dass nachteilige Entwicklungen in Einzelmärkten nicht voll auf Umsatz und Ertrag durchschlagen. COLTENE wird 2010 ihre internen Abläufe und Prozesse weiter optimieren und verfeinern, um auch künftig ein attraktives Unternehmen mit einer nachhaltig soliden Geschäftsentwicklung und einer unverändert attraktiven Dividendenrendite zu bleiben.

## DANK

Wir möchten allen Mitarbeiterinnen und Mitarbeitern herzlich für ihr Engagement und die ausgezeichnete Arbeit danken. Wir freuen uns auf die weitere Zusammenarbeit und auf das gemeinsame Meistern neuer Herausforderungen. Gleichzeitig möchten wir allen Geschäftspartnern und vor allem unseren Aktionären für das COLTENE 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, 2009, 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 Altstätten/SG; COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2009, the market capitalization amounted to CHF 230 million. Information on the companies belonging to the COLTENE Group, which are not listed, is shown on page 54 of the financial report.

#### 1.2 MAJOR SHAREHOLDERS

On December 31, 2009, 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 632,875 registered shares as at December 31, 2009. This equals voting rights of 15.01%. 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.

**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.

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

**Robert Heberlein**, Zumikon, held directly and indirectly through Burix Holding AG, Zurich, which he controls, 145,653 registered shares as at December 31, 2008, representing 3.45% of the voting rights.

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

### 1.3 CROSS-SHAREHOLDING

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

## 2 CAPITAL STRUCTURE

Information about the capital structure can be found in COLTENE Holding AG's Articles of Incorporation, in the financial statements of COLTENE Holding AG as well as in the Investor Relations section on page 62 of this Report. The Articles of Incorporation in German as well as an unofficial translation in English are available on the website at [www.COLTENE.com/index\\_en.php?TPL=10209](http://www.COLTENE.com/index_en.php?TPL=10209).

### 2.1 CAPITAL

Details on the capital are included in the notes to COLTENE Holding AG's financial statements on page 58.

### 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             | 31.12.2009    | 31.12.2008    | 31.12.2007    |
|-------------------------|---------------|---------------|---------------|
| Share capital           | 422           | 422           | 23 400        |
| General reserves        | 18 015        | 18 015        | 26 088        |
| Treasury stock reserves | 3 010         | 3 010         | 4 332         |
| Net result              | 28 087        | 30 064        | 9 821         |
| <b>Total</b>            | <b>49 534</b> | <b>51 511</b> | <b>63 641</b> |

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

Based on the AGM 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.

### 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, 2009, the Board of Directors of COLTENE Holding AG consisted of five members.

## 3.1 MEMBERS OF THE BOARD OF DIRECTORS

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

### Nick Huber

- » Chairman of the Board of Directors (year of first election: 2005)
- » Businessman
- » Non-executive member
- » Swiss citizen, 45

### 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
- » Non-executive member
- » Swiss citizen, 69

### Professional background (main stages)

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

### Other important activities and vested interests:

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

### Erwin Locher

- » Member of the Board of Directors (year of first election: 2009)
- » Economics, University Basel, MBA, University of Toronto (Rotman)/University St. Gallen
- » Non-executive member
- » Swiss citizen, 57

### Professional background (main stages)

- » 1979–1982 Sandoz AG, Basel, Internal Auditor
- » 1982–1986 Mibelle AG (subsidiary of Migros), Head Logistics
- » 1986–1987 Zellweger AG, Treasurer
- » 1987–1991 Mibelle AG (subsidiary of Migros), Vice President Finance
- » 1991–1996 Allo Pro AG (subsidiary of Sulzer Medica), Vice President Finance, then President
- » 1996–2004 Mathys Medical AG, CEO and President Synthes Division

#### Other important activities and vested interests:

- » Member of the Board of Directors of Thommen Medical AG
- » Consulting functions at Biomedinvestor AG

#### 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, 45

#### 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/BE (last function: Head Disetronic Injection Systems)
- » 2003–2006 Ypsomed Holding AG, Burgdorf/BE, CEO
- » Since 2007 Tecan Holding AG, Männedorf/ZH, 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, 65

#### 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 COLTENE Holding AG (former 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, Erwin Locher, Matthew Robin, Jerry Sullivan

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

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

#### COMPENSATION AND NOMINATION COMMITTEE

Chairman: Matthew Robin

Members: Robert Heberlein, Nick Huber, Erwin Locher, Jerry Sullivan

The nomination and compensation committee carries out the following duties:

- » determination of the remuneration of the members of the Board of Directors
- » definition of the principles for the remuneration of the members of the Executive Management Board and submission of these to the Board of Directors for approval
- » definition of principles for the selection of candidates for election or re-election to the Board of Directors
- » preparation of the selection and assessment of the candidates for the position of the CEO
- » approval of appointments of division heads and other members of the senior management
- » approval of the remuneration to be paid to the senior management
- » approval of the general guidelines for the 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 2009, the Board of Directors met eight times. The Audit and Corporate Governance Committee met two times in 2009 and the Nomination and Compensation Committee met two times in 2009 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 are defined in COLTENE Holding AG's organizational regulations. Executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group is, as far as permissible by law, delegated to the Executive Management.

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

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

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

## 4 EXECUTIVE MANAGEMENT

On December 31, 2009, COLTENE Holding AG's Executive Management consisted of the CEO and the CFO.

### 4.1 MEMBERS OF THE EXECUTIVE MANAGEMENT

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

#### Andreas Meldau

- » Chief Executive Officer COLTENE Group
- » Lic. iur. University Zurich, SVM Diploma University of St. Gallen
- » Swiss citizen, 51 years

### Professional background (main stages)

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

#### Hans Grüter

- » Chief Financial Officer COLTENE Group
- » PhD Business Administration University Zurich, AMP Wharton
- » Swiss citizen, 50 years

### Professional background (main stages)

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

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

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

Starting from the fiscal year 2010, the function parameters of this program have been changed. The performance is measured to targets to key performance indicators such as EBIT and net sales. The program is defined and reviewed by the Compensation and Nomination Committee on an annual basis.

For a summary of the remunerations paid during the year under review, refer to pages 58–59 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. In 2008 a contractual benefit in the amount of CHF 881,000 was paid to Jerry Sullivan and charged to personnel expenses when he stepped down from his position as CEO of COLTENE Group. No loans, securities, advances or credits have been granted to members of the Board of Directors or members of the Executive Management or parties closely linked to any of them.

In addition, on December 31, 2009, 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 2009 and presented COLTENE Holding AG with fee invoices totalling approximately CHF 222,000.

## 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 [www.COLTENE.com/index\\_de.php?TPL=10209](http://www.COLTENE.com/index_de.php?TPL=10209).

### **6.1 VOTING RIGHT RESTRICTIONS AND REPRESENTATION**

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

### **6.2 STATUTORY QUORUMS**

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

Important decisions of the General Meeting as defined in 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 registered in the share register at the time of the General Meeting of the Shareholders. The board of directors shall determine and indicate in the invitation to any general meeting of the shareholders the relevant cut-off date for registrations in the share register that shall be relevant for the eligibility of any shareholder to participate in and vote at such general meeting.

## 7 CHANGES OF CONTROL AND DEFENSE MEASURES

### 7.1 PUBLIC PURCHASE OFFERS

The Articles of Incorporation of COLTENE Holding AG do not stipulate an alleviation or exemption for the duty to submit a public offer according to 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, 2009, at COLTENE Group and senior management level.

## 8 AUDITORS

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

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

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

### 8.2 AUDITING FEES

The total sum charged for auditing services during the year under review by PricewaterhouseCoopers AG in its capacity as COLTENE Group's statutory auditor amounted to CHF 377,688.

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

### 8.3 ADDITIONAL FEES

Fees for additional services supplied by the auditors during the year under review amounted to CHF 188,071, of which fees for acquisition advisory (financial due diligence and related audits) amounted to CHF 147,843, fees for tax advisory (tax compliance, tax return etc.) to CHF 23,822 and fees for legal advisory to CHF 16,406.

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

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

The Audit and Corporate Governance Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of PwC. During 2009, the Audit and Corporate Governance Committee held two meetings. At each of these meetings, PwC participated during the discussion of agenda items that dealt with accounting, financial reporting or auditing matters and any other matters relevant for their audit.

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

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

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

The Audit and Corporate Governance Committee recommended to the Board of Directors the approval, and the Board of Directors approved the Annual Report for the year ended December 31, 2009, including the audited financial statements.

#### 9 INFORMATION POLICY

COLTENE Holding AG provides its shareholders with information in the form of the Annual Report and Half-year Report. Important events are published immediately through press releases and/or letters to shareholders. Further information can be requested at the contact address indicated on page 63.

#### 10 INTERNET

Shareholders and other interested parties can obtain information about COLTENE Group on the Internet at [www.coltene.com](http://www.coltene.com) and subscribe to a news service. For details refer to page 62.

#### 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 62–63.



|                                    |       |
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# GROUP INCOME STATEMENT

| IN CHF 1000   | REF.      | 2009           | 2008*          |
|---|-----------|----------------|----------------|
| <b>Net sales</b>  | <b>1</b>  | <b>151 385</b> | <b>166 419</b> |
| Changes in inventories of finished goods and work in progress | 2         | -2 512         | 1 540          |
| Work performed by entity and capitalized                      |           | 96             | 60             |
| Raw material and consumables used                             | 2         | -40 730        | -47 238        |
| Personnel expenses  | 3         | -53 879        | -57 355        |
| Other operating expenses                                      | 5         | -29 675        | -34 286        |
| Depreciation and amortization                                 | 6         | -4 348         | -4 218         |
| <b>Operating profit (EBIT)</b>                                |           | <b>20 337</b>  | <b>24 922</b>  |
| Financial income  | 7         | 656            | 617            |
| Financial expenses  | 7         | -372           | -2 730         |
| Share of loss of associates                                   | 7         | -210           | 0              |
| <b>Net profit before tax expenses</b>                         |           | <b>20 411</b>  | <b>22 809</b>  |
| Tax expenses  | 8         | -4 054         | -5 127         |
| <b>Net profit continuing operations</b>                       | <b>10</b> | <b>16 357</b>  | <b>17 682</b>  |
| Profit from discontinued operations                           | 25        | 0              | 30 388         |
| <b>Profit for the period</b>                                  |           | <b>16 357</b>  | <b>48 070</b>  |
| Earnings per share  | 10        | CHF 3.94       | CHF 10.55      |
| Diluted earnings per share                                    | 10        | CHF 3.94       | CHF 10.55      |
| Earnings per share from continuing operations                 | 10        | CHF 3.94       | CHF 3.88       |
| Diluted earnings per share from continuing operations         | 10        | CHF 3.94       | CHF 3.88       |

\*2008 figures have been re-presented.

The notes are part of the COLTENE Group financial statements.

# GROUP STATEMENT OF COMPREHENSIVE INCOME

| IN CHF 1000   | REF. | 2009          | 2008          |
|---|------|---------------|---------------|
| <b>Profit for the period</b>  |      | <b>16 357</b> | <b>48 070</b> |
| Other comprehensive income for the period:                                    |      |               |               |
| Exchange differences on translating foreign operations, before and net of tax |      | -944          | -8 145        |
| <b>Comprehensive income for the period</b>                                    |      | <b>15 413</b> | <b>39 925</b> |
| Profit for the period attributable to the owner of the parent                 |      | 16 357        | 48 070        |
| Comprehensive income for the period attributable to the owner of the parent   |      | 15 413        | 39 925        |

The notes are part of the COLTENE Group financial statements.

# GROUP STATEMENT OF FINANCIAL POSITION

| IN CHF 1000                                   | REF.      | 31.12.2009     | 31.12.2008     |
|---|-----------|----------------|----------------|
| <b>Assets</b>                                 |           |                |                |
| Cash and cash equivalents                     |           | 5 880          | 11 121         |
| Accounts receivable from deliveries and sales | 11        | 35 640         | 39 661         |
| Tax receivables                               |           | 7              | 4              |
| Other receivables and prepaid expenses        | 12        | 2 591          | 3 425          |
| Inventories                                   | 13        | 27 296         | 32 294         |
| <b>Current assets</b>                         |           | <b>71 414</b>  | <b>86 505</b>  |
| Property, plant and equipment                 | 1,14      | 32 978         | 31 118         |
| Financial assets                              | 15        | 5              | 5              |
| Intangible assets                             | 1,16      | 43 615         | 43 170         |
| Investments in associates                     | 17        | 7 738          | 0              |
| Deferred tax assets                           | 9         | 1 428          | 674            |
| <b>Non-current assets</b>                     |           | <b>85 764</b>  | <b>74 967</b>  |
| <b>Total assets</b>                           |           | <b>157 178</b> | <b>161 472</b> |
| <b>Liabilities</b>                            |           |                |                |
| Current bank loans                            | 18        | 22 879         | 2 640          |
| Accounts payable to suppliers                 | 19        | 6 069          | 8 057          |
| Other accounts payable and accruals           | 20        | 7 634          | 27 214         |
| Tax liabilities                               |           | 2 827          | 3 983          |
| Other short-term provisions                   | 21        | 149            | 289            |
| <b>Current liabilities</b>                    |           | <b>39 558</b>  | <b>42 183</b>  |
| Deferred tax liabilities                      | 9         | 6 026          | 5 224          |
| Other long-term provisions                    | 21        | 868            | 904            |
| <b>Non-current liabilities</b>                |           | <b>6 894</b>   | <b>6 128</b>   |
| <b>Total liabilities</b>                      |           | <b>46 452</b>  | <b>48 311</b>  |
| Share capital                                 |           | 415            | 415            |
| Currency translation adjustments              |           | -16 740        | -15 796        |
| Retained earnings                             |           | 127 051        | 128 542        |
| <b>Total equity</b>                           | <b>23</b> | <b>110 726</b> | <b>113 161</b> |
| <b>Total liabilities and equity</b>           |           | <b>157 178</b> | <b>161 472</b> |

The notes are part of the COLTENE Group financial statements.

# GROUP CASH FLOW STATEMENT

| IN CHF 1000   | REF.      | 2009           | 2008            |
|---|-----------|----------------|-----------------|
| Net profit continuing operations                        |           | 16 357         | 17 682          |
| Depreciation and amortization                           | 6, 14, 16 | 4 348          | 4 218           |
| Other non-cash items                                    |           | 4 955          | 5 018           |
| Change in accounts receivable from deliveries and sales |           | 3 320          | -2 378          |
| Change in inventories                                   |           | 3 846          | -5 374          |
| Change in other current assets                          |           | 828            | 522             |
| Change in current liabilities                           |           | -3 968         | 1 541           |
| Interest paid   |           | -348           | -365            |
| Interest received                                       |           | 16             | 616             |
| Income tax paid   |           | -4 000         | -2 954          |
| Discontinued operations                                 | 25        | 0              | 1 619           |
| <b>Cash flow from operating activities</b>              |           | <b>25 354</b>  | <b>20 145</b>   |
| Purchase of property, plant and equipment               |           | -6 246         | -6 138          |
| Proceeds from sale of property, plant and equipment     |           | 30             | 121             |
| Purchase of financial assets                            |           | 0              | -1              |
| Purchase of intangible assets                           |           | -1 288         | -235            |
| Purchase of associates                                  | 17        | -7 948         | 0               |
| Discontinued operations                                 | 25        | -1 238         | 92 760          |
| <b>Cash flow from investing activities</b>              |           | <b>-16 690</b> | <b>86 507</b>   |
| Proceeds from loans and financial liabilities           |           | 39 894         | 8 595           |
| Repayments of loans and financial liabilities           |           | -18 466        | -41 793         |
| Dividend to shareholders                                | 23        | -17 840        | -19 563         |
| Nominal value reduction                                 | 23        | 0              | -22 585         |
| Share repurchase  | 23        | -17 264        | -31 982         |
| Payments for transactions according to IAS 32.37        | 23        | -110           | -256            |
| Purchase of treasury stock                              |           | -96            | -5 575          |
| Proceeds from sale of treasury stock                    |           | 0              | 4 831           |
| Discontinued operations                                 | 25        | 0              | 257             |
| <b>Cash flow from financing activities</b>              |           | <b>-13 882</b> | <b>-108 071</b> |
| Exchange rate differences                               |           | -23            | -827            |
| <b>Change in cash and cash equivalents</b>              |           | <b>-5 241</b>  | <b>-2 246</b>   |
| Cash and cash equivalents at beginning of year          |           | 11 121         | 13 367          |
| Cash and cash equivalents at end of year                |           | 5 880          | 11 121          |

The notes are part of the COLTENE Group financial statements.

# STATEMENT OF CHANGES IN EQUITY

| IN CHF 1000                                       | REF. | SHARE<br>CAPITAL | CURRENCY<br>TRANSLATION<br>ADJUSTMENTS | RETAINED<br>EARNINGS | TOTAL          |
|---|------|------------------|--|----------------------|----------------|
| <b>01.01.2008</b>                                 |      | <b>23 129</b>    | <b>-7 651</b>                          | <b>150 187</b>       | <b>165 665</b> |
| Comprehensive income for the year                 |      | 0                | -8 145                                 | 48 070               | 39 925         |
| Share-based transactions with management          |      | 0                | 0                                      | 71                   | 71             |
| Dividend distribution                             | 23   | 0                | 0                                      | -19 563              | -19 563        |
| Nominal value reduction                           |      | -22 932          | 0                                      | 0                    | -22 932        |
| Share repurchase                                  |      | -46              | 0                                      | -49 200              | -49 246        |
| Direct equity transactions according to IAS 32.37 |      | 0                | 0                                      | -366                 | -366           |
| Change in treasury stock                          |      | 264              | 0                                      | -657                 | -393           |
| <b>31.12.2008</b>                                 |      | <b>415</b>       | <b>-15 796</b>                         | <b>128 542</b>       | <b>113 161</b> |
| Comprehensive income for the year                 |      | 0                | -944                                   | 16 357               | 15 413         |
| Share-based transactions with management          | 27   | 0                | 0                                      | 105                  | 105            |
| Dividend distribution                             | 23   | 0                | 0                                      | -17 840              | -17 840        |
| Change in treasury stock                          |      | 0                | 0                                      | -113                 | -113           |
| <b>31.12.2009</b>                                 |      | <b>415</b>       | <b>-16 740</b>                         | <b>127 051</b>       | <b>110 726</b> |

The notes are part of the COLTENE Group financial statements.

# NOTES TO GROUP FINANCIAL STATEMENTS

## REPORTING ENTITY

COLTENE Holding AG (former Medisize Holding AG) – the holding company of the COLTENE Group (“the Group”) – is a stock corporation according to Swiss Code of Obligations. The company’s legal domicile is in Altstätten, Switzerland. COLTENE Holding AG was founded in accordance with Swiss company law on December 15, 2005. The Group was originally active in the dental and medical markets. COLTENE Holding AG was established to integrate the former Health Care division of Gurit Holding AG under one company as well as to list COLTENE Holding AG as an independent company at the SIX Swiss Exchange on June 23, 2006. After the sale of the entire medical business on April 30, 2008, the Group is fully focused on the dental business.

## OPERATING SEGMENTS AND PRODUCTS

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

## PRINCIPLES OF CONSOLIDATION

### GENERAL REMARKS

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

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

The International Accounting Standards Board (IASB) issued the following new standards and interpretations to be applied for annual periods beginning on or after January 1, 2009:

- » IAS 1 (Revised) – Presentation of Financial Statements (effective as from January 1, 2009)
- » IFRS 2 (Amendment) – Share-based Payment (effective as from January 1, 2009)
- » IFRS 7 (Amendment) – Financial Instruments – Disclosures (effective as from January 1, 2009)
- » IAS 23 (Amendment) – Borrowing Costs (effective as from January 1, 2009)
- » IAS 32 (Amendment) – Financial Instruments: Presentation (effective as from January 1, 2009)
- » IAS 39 and IFRIC 9 (Amendment) – Embedded Derivatives (beginning on or after January 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)

Except for IAS 1 (Revised) – Presentation of Financial Statements the application of these new standards and interpretations has no impact on the consolidated financial statements 2009. As a result of IAS 1, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. IFRS 8 – Operating Segments 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 3 (Revised) – Business Combinations (effective as from July 1, 2009)
- » IAS 24 (Revised) – Related Party Disclosures (effective as from January 1, 2011)
- » IAS 27 (Revised) – Consolidated and Separate Financial Statements (effective as from July 1, 2009)
- » IAS 32 (Amendment) – Financial Instruments: Presentation (effective as from February 1, 2010)
- » IFRS 2 (Revised) – Share-based Payment (effective as from January 1, 2010)
- » IFRS 9 – Financial Instruments: Classification and Measurement (effective as from January 1, 2013)
- » IFRIC 14 (Amendment) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as from January 1, 2011)
- » IFRIC 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)
- » IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective as from July 1, 2010)

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

The following new standards and interpretations which, based on a Group analysis, are the only ones of significance to the Group, have not yet been adopted but require to be adopted by January 1, 2010:

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

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

The COLTENE Holding AG Board of Directors authorized these financial statements on February 24, 2010, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on April 28, 2010.

## COMPANIES CONSOLIDATED

Group subsidiaries, controlled directly or indirectly by COLTENE Holding AG, are fully consolidated. Subsidiaries are fully consolidated as of the date on which control was transferred to the Group. Subsidiaries are considered to be de-consolidated as of the date on which control ceases. The companies consolidated are shown in the summary provided on page 54.

Within the scope of consolidation, the following changes took place in 2009:

Coltène/Whaledent Privat Limited, Mumbai, was founded November 18, 2008, and started operations March 2009.

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.

## 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 statement of financial position and income statement. Intra-Group transactions were eliminated thereof. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## ASSOCIATES

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

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

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

In 2008 no changes in investments in associates took place.

## PRINCIPLES OF VALUATION

### CASH AND CASH EQUIVALENTS

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

### ACCOUNTS RECEIVABLE

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

### INVENTORIES

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

## PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

## FINANCIAL ASSETS

### » CLASSIFICATION

The Group classifies its financial assets as follows:

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

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

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

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

#### » LOANS AND RECEIVABLES

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

#### » RECOGNITION

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

#### » SUBSEQUENT MEASUREMENT/IMPAIRMENT

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

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

#### INTANGIBLE ASSETS

##### » GOODWILL

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

##### » 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 NON-FINANCIAL ASSETS

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

#### BORROWINGS

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

#### PROVISIONS

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

#### POST-EMPLOYMENT BENEFITS

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

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

#### SHARE-BASED PAYMENTS

All members of the Board of Directors are paid for their services with a yearly fixed amount in cash. In addition, all members of the Board of Directors 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 Management as well as a limited number of key managers. This program replaced existing bonus schemes and is a function of a) the economic profit of the actual year, b) an increase of economic profit compared to the prior year as well as c) the net sales growth rate (all being subject to a watermark mechanism). Depending on the seniority of a participant, 20% of the bonus is allocated in shares at a fixed share price benchmarked to the SPI. Total bonus, including shares (if any), is capped depending on the seniority between 40% to 100% of the fixed salary of any participant.

Starting from the fiscal year 2010, the function parameters of this program have been changed. The performance is measured to targets to key performance indicators such as EBIT and net sales. The program is defined and reviewed by the Compensation and Nomination Committee on an annual basis.

#### TAXES

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

#### NET SALES

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

#### REPAIR AND MAINTENANCE COSTS

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

#### RESEARCH AND DEVELOPMENT

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

#### EARNINGS PER SHARE

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

#### DIVIDEND DISTRIBUTION

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

## FOREIGN CURRENCY

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

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

The most important exchange rates are listed below:

|       | 31.12.2009 | Ø 2009 | 31.12.2008 | Ø 2008 | 31.12.2007 |
|-------|------------|--------|------------|--------|------------|
| 1 USD | 1.0380     | 1.0857 | 1.0561     | 1.0831 | 1.1267     |
| 1 EUR | 1.4877     | 1.5102 | 1.4888     | 1.5874 | 1.6587     |

## FINANCIAL RISK MANAGEMENT

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

### CREDIT RISK

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

### LIQUIDITY RISK

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

## INTEREST RISK

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

If the interest rates had been higher by 50 bps for 2009 with all other variables held constant, net profit for the year would have been TCHF 131 (previous year TCHF 53) lower, as a result of higher interest expenses on current bank loans. If the interest rates had been lower by 50 bps for 2009 with all other variables held constant, net profit for the year would have been TCHF 131 (previous year TCHF 53) higher, as a result of lower interest expenses on current bank loans.

## CURRENCY RISK

The Group is internationally active and thus exposed to currency fluctuations mainly in EUR and USD. 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 financial positions of subsidiaries, however, is not hedged.

At 31 December 2009, 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 142 lower (previous year TCHF 506), mainly as a result of foreign exchange gains/losses on translation of USD denominated accounts receivables from deliveries and sales, accounts payables to supplier, current bank loans and intercompany loans. Net profit is less sensitive to movement in CHF/USD exchange rates in 2009 than 2008 mainly because of the increased current bank loans in USD leading to more balanced assets and liabilities. If the CHF had strengthened by 5% against the USD, the net profit would have been TCHF 142 higher (previous year TCHF 506). The same sensitivity analysis (+/- 5%) for EUR results in a change of net profit of TCHF +/- 194 (previous year TCHF +/- 213). Net profit is less sensitive to movement in CHF/EUR exchange rates in 2009 than in 2008 mainly because of the decreased accounts receivables from deliveries and sales in EUR.

At 31 December 2009, if the CHF had weakened by 5% against the USD with all other variables held constant, equity at the year would have been TCHF 2084 lower (previous year TCHF 2582), 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 2084 higher (previous year TCHF 2582).

## 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              | 2009         | 2008         |
|--------------------------|--------------|--------------|
| Interest bearing debt    | 22 879       | 2 640        |
| EBITDA                   | 24 685       | 29 140       |
| <b>Debt ratio</b>        | <b>0.9</b>   | <b>0.1</b>   |
| <b>Equity ratio in %</b> | <b>70.4%</b> | <b>70.1%</b> |

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

## MAIN SOURCES OF UNCERTAINTIES

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

### GOODWILL

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

### PROPERTY, PLANT AND EQUIPMENT

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

# NOTES TO GROUP FINANCIAL STATEMENTS

## 1 ENTITY-WIDE INFORMATION

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

| NET SALES GEOGRAPHICAL AREAS IN CHF 1000 |                |                |
|--|----------------|----------------|
|  | 2009           | 2008           |
| Switzerland                              | 2 993          | 3 280          |
| Germany, Austria                         | 22 781         | 27 977         |
| Great Britain, Ireland                   | 8 769          | 9 240          |
| France                                   | 7 325          | 9 092          |
| Other Europe                             | 23 484         | 25 806         |
| Russia and CIS                           | 4 247          | 5 086          |
| Middle East and Africa                   | 6 733          | 7 004          |
| North America                            | 52 329         | 54 875         |
| Brazil                                   | 1 677          | 3 259          |
| Other South America                      | 7 316          | 7 996          |
| China                                    | 1 851          | 1 926          |
| India                                    | 1 217          | 661            |
| Other Far East, Oceania                  | 10 663         | 10 217         |
| <b>Net sales</b>                         | <b>151 385</b> | <b>166 419</b> |

| NET SALES PRODUCTS AND SERVICES IN CHF 1000 |                |                |
|---|----------------|----------------|
|   | 2009           | 2008           |
| Restoration                                 | 32 369         | 35 179         |
| Impression                                  | 29 953         | 33 374         |
| Endodontics                                 | 27 313         | 30 994         |
| Hygiene and Surgical                        | 16 725         | 18 699         |
| Units/Accessories                           | 10 768         | 13 397         |
| Rotary                                      | 11 900         | 13 114         |
| Laboratory                                  | 6 728          | 6 452          |
| Miscellaneous                               | 15 629         | 15 210         |
| <b>Net sales</b>                            | <b>151 385</b> | <b>166 419</b> |

One customer group qualifies as a major customer – over 10% of net sales – with net sales of TCHF 33,995 (previous year TCHF 33,983) corresponding to 22.5% of Group net sales (previous year 20.4%).

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

| PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREAS IN CHF 1000 |               |               |
|--|---------------|---------------|
|  | 31.12.2009    | 31.12.2008    |
| Switzerland  | 12 770        | 13 265        |
| Germany  | 1 490         | 1 769         |
| Other Europe   | 403           | 415           |
| China  | 19            | 21            |
| India  | 56            | 0             |
| USA  | 18 240        | 15 648        |
| <b>Property, plant and equipment</b>                         | <b>32 978</b> | <b>31 118</b> |
| INTANGIBLE ASSETS GEOGRAPHICAL AREAS IN CHF 1000             |               |               |
|  | 31.12.2009    | 31.12.2008    |
| Switzerland  | 6 345         | 5 307         |
| Germany  | 22 538        | 22 618        |
| Other Europe   | 137           | 140           |
| China  | 10            | 0             |
| India  | 6             | 0             |
| USA  | 14 579        | 15 105        |
| <b>Intangible assets</b>                                     | <b>43 615</b> | <b>43 170</b> |

## 2 RAW MATERIAL AND CONSUMABLES USED

Raw material and consumables used amounted to 26.9% (previous year 28.4%) of net sales. For both periods changes in inventories of finished goods and work in progress is reported separately in the Group income statement and is therefore no longer included in raw material and consumables used.

## 3 PERSONNEL EXPENSES

The average workforce amounted to 767 employees (previous year 751).

Detailed information on personnel expenses:

| IN CHF 1000                             | 2009          | 2008          |
|---|---------------|---------------|
| Wages and salaries                      | 44 502        | 47 662        |
| Expenses for defined benefit plans      | 836           | 813           |
| Expenses for defined contribution plans | 1 940         | 1 747         |
| Other personnel expenses                | 6 601         | 7 133         |
| <b>Total</b>                            | <b>53 879</b> | <b>57 355</b> |

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 previous 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 4 (previous year TCHF 1). Defined benefit plans exist for the Swiss Group companies. Detailed information on the defined benefit plans:

| IN CHF 1000                                    | 2009          | 2008          |
|--|---------------|---------------|
| <b>Pension costs</b>                           |               |               |
| Current service cost                           | 814           | 876           |
| Interest expenses                              | 450           | 410           |
| Expected return on plan assets                 | -428          | -400          |
| Overfunding not recognized                     | 0             | -73           |
| Pension costs medical business                 | 0             | -45           |
| <b>Total</b>                                   | <b>836</b>    | <b>768</b>    |
| Actual return on plan assets                   | 50            | 303           |
| Expected contribution for 2010/2009            | 1262          | 1325          |
| <b>Change in pension liabilities</b>           |               |               |
| Balance 1.1.                                   | 13 838        | 35 200        |
| Disposal of medical business                   | 0             | -22 588       |
| Current service cost                           | 814           | 876           |
| Interest expenses                              | 450           | 410           |
| Employee contributions                         | 543           | 546           |
| Paid pensions from plans with separated assets | -1533         | -501          |
| Actuarial gains and losses                     | 309           | -105          |
| <b>Balance 31.12.</b>                          | <b>14 421</b> | <b>13 838</b> |
| <b>Change in plan assets</b>                   |               |               |
| Balance 1.1.                                   | 12 574        | 35 355        |
| Disposal of medical business                   | 0             | -23 923       |
| Employee contributions                         | 543           | 546           |
| Employer contributions                         | 792           | 794           |
| Paid pensions from plans with separated assets | -1533         | -501          |
| Expected return on plan assets                 | 428           | 400           |
| Actuarial losses                               | -378          | -97           |
| <b>Balance 31.12.</b>                          | <b>12 426</b> | <b>12 574</b> |
| <b>Details to plan assets</b>                  |               |               |
| Receivables from insurance company             | 12 426        | 12 574        |
| <b>Total</b>                                   | <b>12 426</b> | <b>12 574</b> |

No investments were made in COLTENE Holding AG.

| IN CHF 1000 | 2009 | 2008 |
|-------------|------|------|
|-------------|------|------|

#### Assets and liabilities included in balance sheet

|  |             |             |
|--|-------------|-------------|
| Liabilities of plans with separated assets | 14 421      | 13 838      |
| Plan assets                                | 12 426      | 12 574      |
| <b>Underfunding</b>                        | <b>1995</b> | <b>1264</b> |
| Not recognized actuarial losses            | -1502       | -815        |
| <b>Net amount</b>                          | <b>493</b>  | <b>449</b>  |

#### Changes in net amount

|                                    |            |            |
|------------------------------------|------------|------------|
| Balance 1.1.                       | 449        | 960        |
| Disposal of medical business       | 0          | -530       |
| Expenses for defined benefit plans | 836        | 813        |
| Employers contributions            | -792       | -794       |
| <b>Balance 31.12.</b>              | <b>493</b> | <b>449</b> |

#### Actuarial assumptions

|                                |          |          |
|--------------------------------|----------|----------|
| Discount rate                  | 3.25%    | 3.25%    |
| Expected return on plan assets | 3.40%    | 3.50%    |
| Future salary increase         | 1.50%    | 1.50%    |
| Inflation                      | 0.75%    | 0.75%    |
| Future pension increase        | 0.00%    | 0.75%    |
| Mortality                      | BVG 2005 | BVG 2005 |

| IN CHF 1000 | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------|------|------|------|------|------|
|-------------|------|------|------|------|------|

#### Other information

|   |      |      |       |       |     |
|---|------|------|-------|-------|-----|
| Experience adjustments on plan assets         | -378 | -97  | -269  | -1685 | 882 |
| Experience adjustments on pension liabilities | 38   | -105 | 2 583 | 2 406 | 554 |

#### Over-/underfunding

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| Liabilities of plans with separated assets | 14 421 | 13 838 | 35 200 | 38 818 | 37 184 |
| Plan assets                                | 12 426 | 12 574 | 35 355 | 35 855 | 34 952 |
| Over-/underfunding                         | 1995   | 1264   | -155   | 2963   | 2232   |

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

## 5 OTHER OPERATING EXPENSES

Other operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs. In 2009, TCHF 3609 (previous year TCHF 4156) were spent on research and development and accounted for as such in the income statement. Other operating expenses include gains from sales of property, plant and equipment of TCHF 8 (previous year TCHF 3).

## 6 DEPRECIATION AND AMORTIZATION

| IN CHF 1000                                   | 2009         | 2008         |
|---|--------------|--------------|
| Depreciation on property, plant and equipment | 3 880        | 3 732        |
| Amortization of intangible assets             | 468          | 486          |
| <b>Total</b>                                  | <b>4 348</b> | <b>4 218</b> |

## 7 FINANCIAL RESULT

| IN CHF 1000                                     | 2009        | 2008          |
|---|-------------|---------------|
| Interest income on cash and cash equivalents    | 17          | 617           |
| Exchange rate differences (net)                 | 639         | 0             |
| <b>Total financial income</b>                   | <b>656</b>  | <b>617</b>    |
| Interest expenses for bank overdrafts and loans | -372        | -410          |
| Loss on cash equivalents                        | 0           | -362          |
| Exchange rate differences (net)                 | 0           | -1 958        |
| <b>Total financial expenses</b>                 | <b>-372</b> | <b>-2 730</b> |
| Share of loss of associates                     | -210        | 0             |
| <b>Total financial result (net)</b>             | <b>74</b>   | <b>-2 113</b> |

## 8 TAX EXPENSES

Tax expenses comprise the following positions:

| IN CHF 1000    | 2009         | 2008         |
|----------------|--------------|--------------|
| Taxes payable  | 3 926        | 4 065        |
| Deferred taxes | 128          | 1 062        |
| <b>Total</b>   | <b>4 054</b> | <b>5 127</b> |

Tax expenses can be analyzed as follows:

| IN CHF 1000   | 2009         | 2008         |
|---|--------------|--------------|
| Net profit before tax expenses                                | 20 411       | 22 809       |
| Tax expenses at applicable tax rate of 22.65% (23.66%)        | 4 623        | 5 396        |
| Effects of non-tax deductible expenses                        | 26           | 3            |
| Effects of tax exempt or reduced income                       | -308         | -366         |
| Effects of tax loss not capitalized in current year           | 130          | 229          |
| Effects of change in tax rate of deferred taxes               | -277         | -240         |
| Effects of tax adjustments for prior years by tax authorities | -232         | 0            |
| Current source tax not refundable                             | 271          | 0            |
| Other impacts   | -179         | 105          |
| <b>Effective tax</b>  | <b>4 054</b> | <b>5 127</b> |
| Effective tax rate in %                                       | 19.86%       | 22.48%       |

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                                      | 2009        | 2008       |
|--|-------------|------------|
| <b>Tax losses capitalized</b>                    |             |            |
| Expiration within 1 year                         | 0           | 0          |
| Expiration between 1 and 5 years                 | 1175        | 0          |
| Expiration over 5 years                          | 175         | 65         |
| <b>Total</b>                                     | <b>1350</b> | <b>65</b>  |
| <b>Tax credits of capitalized tax losses</b>     |             |            |
| Expiration within 1 year                         | 0           | 0          |
| Expiration between 1 and 5 years                 | 391         | 0          |
| Expiration over 5 years                          | 54          | 15         |
| <b>Total</b>                                     | <b>445</b>  | <b>15</b>  |
| <b>Tax losses not capitalized</b>                |             |            |
| Expiration within 1 year                         | 0           | 23         |
| Expiration between 1 and 5 years                 | 0           | 40         |
| Expiration over 5 years                          | 846         | 355        |
| <b>Total</b>                                     | <b>846</b>  | <b>418</b> |
| <b>Tax credits of not capitalized tax losses</b> |             |            |
| Expiration within 1 year                         | 0           | 8          |
| Expiration between 1 and 5 years                 | 0           | 13         |
| Expiration over 5 years                          | 211         | 89         |
| <b>Total</b>                                     | <b>211</b>  | <b>110</b> |

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

## 9 DEFERRED TAXES

Deferred tax assets include the following positions:

| IN CHF 1000      | 2009        | 2008       |
|------------------|-------------|------------|
| 1.1.             | 674         | 1918       |
| Change in scope  | 0           | -1103      |
| Additions        | 806         | 8          |
| Reversals        | -18         | -102       |
| Currency effects | -34         | -47        |
| <b>31.12.</b>    | <b>1428</b> | <b>674</b> |

Deferred tax liabilities include the following positions:

| IN CHF 1000      | 2009        | 2008        |
|------------------|-------------|-------------|
| 1.1.             | 5224        | 4565        |
| Change in scope  | 0           | -141        |
| Additions        | 1216        | 2039        |
| Reversals        | -300        | -1031       |
| Currency effects | -114        | -208        |
| <b>31.12.</b>    | <b>6026</b> | <b>5224</b> |

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

|  | 2009                      |                                | 2008                      |                                |
|--|---------------------------|--------------------------------|---------------------------|--------------------------------|
| IN CHF 1000                                | DEFERRED<br>TAX<br>ASSETS | DEFERRED<br>TAX<br>LIABILITIES | DEFERRED<br>TAX<br>ASSETS | DEFERRED<br>TAX<br>LIABILITIES |
| Receivables and accruals                   | 0                         | 378                            | 14                        | 509                            |
| Inventories                                | 614                       | 410                            | 0                         | 79                             |
| Property, plant and equipment              | 0                         | 5503                           | 0                         | 4379                           |
| Intangible assets                          | 0                         | 5                              | 0                         | 5                              |
| Financial assets                           | 0                         | 0                              | 0                         | 258                            |
| Financial liabilities                      | 96                        | 360                            | 87                        | 0                              |
| Provisions                                 | 984                       | 81                             | 659                       | 95                             |
| Deferred taxes from losses carried forward | 445                       | 0                              | 15                        | 0                              |
| Offset of deferred assets and liabilities  | -711                      | -711                           | -101                      | -101                           |
| <b>Total</b>                               | <b>1428</b>               | <b>6026</b>                    | <b>674</b>                | <b>5224</b>                    |

Deferred tax assets to be recovered after more than twelve months amount to TCHF 1428 (previous year TCHF 674). There are no deferred tax assets to be recovered within twelve months (previous year TCHF 0).

Deferred tax liabilities to be recovered after more than twelve months amount to TCHF 5589 (previous year TCHF 4737). Deferred tax liabilities to be recovered within twelve months amount to TCHF 437 (previous year TCHF 487).

## 10 NET PROFIT

The net profit from continuing operations amounts to TCHF 16,357 (previous year TCHF 17,682). The earnings per share (EPS) are calculated as follows:

|   | 2009     | 2008      |
|---|----------|-----------|
| Weighted number of shares issued at 31.12.                  | 4149000  | 4555988   |
| Earnings per share (based on profit for the period)         | CHF 3.94 | CHF 10.55 |
| Diluted earnings per share (based on profit for the period) | CHF 3.94 | CHF 10.55 |
| Earnings per share from continuing operations               | CHF 3.94 | CHF 3.88  |
| Diluted earnings per share from continuing operations       | CHF 3.94 | CHF 3.88  |
| Earnings per share from discontinued operations             | CHF 0.00 | CHF 6.67  |
| Diluted earnings per share from discontinued operations     | CHF 0.00 | CHF 6.67  |

## 11 ACCOUNTS RECEIVABLE FROM DELIVERIES AND SALES

| IN CHF 1000   | 2009          | 2008          |
|---|---------------|---------------|
| Accounts receivable from deliveries and sales (gross) | 36 583        | 40 167        |
| Allowance   | -943          | -506          |
| <b>Total</b>  | <b>35 640</b> | <b>39 661</b> |

### Accounts receivable from deliveries and sales by currency

|                  |               |               |
|------------------|---------------|---------------|
| CHF              | 4 692         | 7 379         |
| EUR              | 13 314        | 14 433        |
| USD              | 15 062        | 16 289        |
| Other currencies | 2 572         | 1 560         |
| <b>Total</b>     | <b>35 640</b> | <b>39 661</b> |

### Accounts receivable from deliveries and sales (gross) by maturity

|                         |               |               |
|-------------------------|---------------|---------------|
| Not due                 | 27 748        | 22 679        |
| Past due 1 to 30 days   | 4 744         | 7 967         |
| Past due 31 to 60 days  | 953           | 5 118         |
| Past due 61 to 90 days  | 285           | 1 617         |
| Past due 91 to 120 days | 588           | 1 252         |
| Past due over 120 days  | 2 265         | 1 534         |
| <b>Total</b>            | <b>36 583</b> | <b>40 167</b> |

### Accounts receivable from deliveries and sales by maturity

|                         |               |               |
|-------------------------|---------------|---------------|
| Not due                 | 27 591        | 22 679        |
| Past due 1 to 30 days   | 4 737         | 7 796         |
| Past due 31 to 60 days  | 948           | 5 101         |
| Past due 61 to 90 days  | 222           | 1 596         |
| Past due 91 to 120 days | 432           | 1 179         |
| Past due over 120 days  | 1 710         | 1 310         |
| <b>Total</b>            | <b>35 640</b> | <b>39 661</b> |

### Change in allowance

|                  |            |            |
|------------------|------------|------------|
| 1.1.             | 506        | 1 532      |
| Change in scope  | 0          | -298       |
| Additions        | 531        | 0          |
| Used             | -78        | -61        |
| Reversals        | -8         | -621       |
| Currency effects | -8         | -46        |
| <b>31.12.</b>    | <b>943</b> | <b>506</b> |

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

## 12 OTHER RECEIVABLES AND ACCRUALS

These items include:

| IN CHF 1000       | 2009         | 2008         |
|-------------------|--------------|--------------|
| Other receivables | 1 201        | 2 318        |
| Prepaid expenses  | 1 390        | 1 107        |
| <b>Total</b>      | <b>2 591</b> | <b>3 425</b> |

Financial instruments:

No open derivative financial instruments exist as per December 31, 2009, or as per December 31, 2008.

## 13 INVENTORIES

Inventories are as follows:

| IN CHF 1000       | 2009          | 2008          |
|-------------------|---------------|---------------|
| Raw materials     | 10 391        | 13 914        |
| Trade merchandise | 658           | 319           |
| Work in progress  | 5 668         | 7 336         |
| Finished goods    | 10 579        | 10 725        |
| <b>Total</b>      | <b>27 296</b> | <b>32 294</b> |

### Change in allowance

|                  |              |              |
|------------------|--------------|--------------|
| 1.1.             | 4 649        | 7 686        |
| Change in scope  | 0            | -1 679       |
| Additions        | 1 675        | 1 358        |
| Used             | -710         | -1 502       |
| Reversals        | -759         | -1 138       |
| Reclassification | 0            | 151          |
| Currency effects | -50          | -227         |
| <b>31.12.</b>    | <b>4 805</b> | <b>4 649</b> |

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

## 14 PROPERTY, PLANT AND EQUIPMENT

| IN CHF 1000                     | MACHINERY AND<br>EQUIPMENT | LAND         | BUILDINGS<br>(INCL. INST.) | ASSETS UNDER<br>CONSTRUCTION | TOTAL          |
|---------------------------------|----------------------------|--------------|----------------------------|------------------------------|----------------|
| <b>Gross values</b>             |                            |              |                            |                              |                |
| <b>Value 31.12.2007</b>         | <b>78 604</b>              | <b>4 067</b> | <b>64 004</b>              | <b>1 372</b>                 | <b>148 047</b> |
| 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           |
| <b>Value 31.12.2008</b>         | <b>35 827</b>              | <b>1 416</b> | <b>37 726</b>              | <b>2 283</b>                 | <b>77 252</b>  |
| Additions                       | 1 810                      | 0            | 926                        | 3 511                        | 6 247          |
| Disposals                       | -107                       | 0            | -295                       | 0                            | -402           |
| Currency effects                | -473                       | -19          | -227                       | 20                           | -699           |
| Reclassification                | 5 162                      | 0            | 115                        | -5 277                       | 0              |
| <b>Value 31.12.2009</b>         | <b>42 219</b>              | <b>1 397</b> | <b>38 245</b>              | <b>537</b>                   | <b>82 398</b>  |
| <b>Accumulated depreciation</b> |                            |              |                            |                              |                |
| <b>Value 31.12.2007</b>         | <b>59 687</b>              | <b>278</b>   | <b>30 486</b>              | <b>0</b>                     | <b>90 451</b>  |
| 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           |
| <b>Value 31.12.2008</b>         | <b>26 355</b>              | <b>321</b>   | <b>19 458</b>              | <b>0</b>                     | <b>46 134</b>  |
| Depreciation                    | 2 189                      | 63           | 1 628                      | 0                            | 3 880          |
| Disposals                       | -86                        | 0            | -217                       | 0                            | -303           |
| Currency effects                | -198                       | -8           | -85                        | 0                            | -291           |
| <b>Value 31.12.2009</b>         | <b>28 260</b>              | <b>376</b>   | <b>20 784</b>              | <b>0</b>                     | <b>49 420</b>  |
| <b>Net values</b>               |                            |              |                            |                              |                |
| 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         |
| <b>Value 31.12.2009</b>         | <b>13 959</b>              | <b>1 021</b> | <b>17 461</b>              | <b>537</b>                   | <b>32 978</b>  |

There are no leased property, plant and equipment (previous year TCHF 0).

#### Contractual Commitments:

As per December 31, 2009, contractual commitments to acquire machinery and equipment of TCHF 498 were entered upon (previous year TCHF 2535).

#### Pledged assets:

No assets are pledged for as per December 31, 2009, or as per December 31, 2008.

#### Fire insurance values:

Fire insurance values of property, plant and equipment amount to TCHF 89,174 (previous year TCHF 89,526).

### 15 FINANCIAL ASSETS

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

### 16 INTANGIBLE ASSETS

Goodwill is allocated to the Group's cash-generating units (CGUs), which is the Group in total.

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:

|                       | 2009   | 2008   |
|-----------------------|--------|--------|
| Long-term growth rate | 2.5%   | 2.5%   |
| Gross profit margin   | 70–72% | 70–72% |
| Discount rate         | 8.5%   | 7.9%   |

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

Based on these calculations, there was no need for 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 INTAN-<br>GIBLE ASSETS | TOTAL         |
|---------------------------------|---------------|------------------------------|---------------|
| <b>Gross values</b>             |               |                              |               |
| <b>Value 31.12.2007</b>         | <b>60 530</b> | <b>12 363</b>                | <b>72 893</b> |
| Change in scope                 | -15 688       | -7 478                       | -23 166       |
| Additions                       | 0             | 451                          | 451           |
| Currency effects                | -3 875        | -428                         | -4 303        |
| <b>Value 31.12.2008</b>         | <b>40 967</b> | <b>4 908</b>                 | <b>45 875</b> |
| Additions                       | 0             | 1 180                        | 1 180         |
| Currency effects                | -248          | -41                          | -289          |
| <b>Value 31.12.2009</b>         | <b>40 719</b> | <b>6 047</b>                 | <b>46 766</b> |
| <b>Accumulated amortization</b> |               |                              |               |
| <b>Value 31.12.2007</b>         | <b>0</b>      | <b>5 812</b>                 | <b>5 812</b>  |
| Change in scope                 | 0             | -3 593                       | -3 593        |
| Amortization                    | 0             | 675                          | 675           |
| Currency effects                | 0             | -189                         | -189          |
| <b>Value 31.12.2008</b>         | <b>0</b>      | <b>2 705</b>                 | <b>2 705</b>  |
| Amortization                    | 0             | 468                          | 468           |
| Currency effects                | 0             | -22                          | -22           |
| <b>Value 31.12.2009</b>         | <b>0</b>      | <b>3 151</b>                 | <b>3 151</b>  |
| <b>Net values</b>               |               |                              |               |
| Value 31.12.2007                | 60 530        | 6 551                        | 67 081        |
| Value 31.12.2008                | 40 967        | 2 203                        | 43 170        |
| <b>Value 31.12.2009</b>         | <b>40 719</b> | <b>2 896</b>                 | <b>43 615</b> |

## 17 INVESTMENTS IN ASSOCIATES

On July 1, 2009, COLTENE Holding AG acquired 40% of Vigodent SA Indústria e Comércio, Bonsucesso/Rio de Janeiro, Brazil. Vigodent SA manufactures restorative and prosthetic dental consumables and distributes a wide range of dental consumables in the Latin American markets. In 2009, payments made for this acquisition amount to TCHF 7948. Based on the Share Purchase Agreement, COLTENE Holding AG has the right to purchase the remaining 60% of Vigodent SA and the seller has the right to sell the remaining 60% of Vigodent SA. The call respectively put option period is from January 1, 2011 until December 31, 2013. The options are subject to the achievement of certain milestones. Exercise date and price are based on specific covenants and performance levels. Based on the current business plan the Group has a contingent liability of TCHF 10,291 for purchasing the remaining 60% in 2011. Declaration and distribution of dividends assume a qualified majority of the voting capital of the company.

The Group's share of loss of associates for 2009 was TCHF 210 (previous year TCHF 0). Summary financial information to the investments in associates, not adjusted for the percentage ownership held by the Group, is shown in the table below.

| IN CHF 1000  | 2009         |
|--|--------------|
| <b>Ownership</b>   | <b>40%</b>   |
| Current assets   | 5 213        |
| Non-current assets                                       | 2 375        |
| <b>Total assets</b>                                      | <b>7 588</b> |
| Current liabilities                                      | 3 907        |
| Non-current liabilities                                  | 1 375        |
| <b>Total liabilities</b>                                 | <b>5 282</b> |
| Net sales (from 1.7.2009 to 31.12.2009)                  | 6 405        |
| Expenses (from 1.7.2009 to 31.12.2009)                   | -6 929       |
| <b>Loss for the period (from 1.7.2009 to 31.12.2009)</b> | <b>-524</b>  |

As per December 31, 2008, no investments in associates exist.

## 18 BANK LOANS

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

| IN CHF 1000               | 2009          | 2008         |
|---------------------------|---------------|--------------|
| <b>Current bank loans</b> |               |              |
| Unsecured bank loans      | 22 879        | 2 640        |
| <b>Total</b>              | <b>22 879</b> | <b>2 640</b> |

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

| IN CHF 1000               | CURRENCY | INTEREST RATE | MATURITY | 2008         |
|---------------------------|----------|---------------|----------|--------------|
| <b>Current bank loans</b> |          |               |          |              |
| Unsecured bank loan       | USD      | 1.49%         | 30.01.09 | 2 640        |
| <b>Total</b>              |          |               |          | <b>2 640</b> |

Total uncommitted credit lines amount to TCHF 94,877 (previous year TCHF 95,000) of which 24% are used (previous year 3%). Covenants exist and the conditions of the covenants are met for both periods.

The Group intends to repay the current bank loans of TCHF 22,879 and the interest of TCHF 75 within less than six months. Between one and two years the Group expects to pay TCHF 10,291 for 60% of Vigodent's share capital (see notes to the Group financial statements, note 17). The Group intends to finance cash needs by renewing existing bank loans and by closing additional bank loans out of existing credit lines.

## 19 ACCOUNTS PAYABLE TO SUPPLIERS

| IN CHF 1000                                      | 2009        | 2008        |
|--|-------------|-------------|
| <b>Accounts payable to suppliers by currency</b> |             |             |
| CHF  | 1801        | 2765        |
| EUR  | 1067        | 1339        |
| USD  | 2983        | 3663        |
| Other currencies                                 | 218         | 290         |
| <b>Total</b>                                     | <b>6069</b> | <b>8057</b> |

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

## 20 OTHER ACCOUNTS PAYABLE AND ACCRUALS

| IN CHF 1000            | 2009        | 2008         |
|------------------------|-------------|--------------|
| Other accounts payable | 2426        | 20167        |
| Accruals               | 5208        | 7047         |
| <b>Total</b>           | <b>7634</b> | <b>27214</b> |

## 21 PROVISIONS

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

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

| IN CHF 1000                  | GUARANTEE  | PENSION PLANS & SOCIAL SECURITY | OTHER      | TOTAL       |
|------------------------------|------------|---------------------------------|------------|-------------|
| <b>31.12.2007</b>            | <b>166</b> | <b>1173</b>                     | <b>356</b> | <b>1695</b> |
| Change in scope              | 0          | -469                            | -104       | -573        |
| Amount used                  | 0          | -192                            | 0          | -192        |
| Additions                    | 8          | 125                             | 191        | 324         |
| Currency effects             | -18        | -33                             | -10        | -61         |
| <b>31.12.2008</b>            | <b>156</b> | <b>604</b>                      | <b>433</b> | <b>1193</b> |
| Amount used                  | -7         | -5                              | -60        | -72         |
| Reversals                    | 0          | 0                               | -149       | -149        |
| Additions                    | 0          | 44                              | 0          | 44          |
| Currency effects             | 0          | 0                               | 1          | 1           |
| <b>31.12.2009</b>            | <b>149</b> | <b>643</b>                      | <b>225</b> | <b>1017</b> |
| Short-term provisions        |            |                                 |            |             |
| 31.12.2008                   | 156        | 0                               | 133        | 289         |
| <b>Short-term provisions</b> |            |                                 |            |             |
| <b>31.12.2009</b>            | <b>149</b> | <b>0</b>                        | <b>0</b>   | <b>149</b>  |
| Long-term provisions         |            |                                 |            |             |
| 31.12.2008                   | 0          | 604                             | 300        | 904         |
| <b>Long-term provisions</b>  |            |                                 |            |             |
| <b>31.12.2009</b>            | <b>0</b>   | <b>643</b>                      | <b>225</b> | <b>868</b>  |

## 22 FINANCIAL LEASING AND OPERATING LEASING

As per December 31, 2009, no financial leasing commitments exist (previous year TCHF 0).

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

| OPERATING LEASING                      |             |             |
|--|-------------|-------------|
| IN CHF 1000                            | 2009        | 2008        |
| No later than 1 year                   | 1310        | 1311        |
| Later than 1 year and no later 5 years | 3146        | 3430        |
| Later than 5 years                     | 1228        | 1763        |
| Interest included in above payments    | 0           | 0           |
| <b>Total</b>                           | <b>5684</b> | <b>6504</b> |
|  |             |             |
| Total over 1 year                      | 4374        | 5193        |

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

## 23 EQUITY

The share capital represents the capital of COLTENE Holding AG adjusted by treasury stock. Treasury stock on December 31, 2009 included 70,000 shares (previous year 70,000).

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

The payment of a dividend of CHF 3.10 per share will be proposed to the Annual General Meeting on April 28, 2010.

Based on the AGM decision on April 17, 2009, the company paid a dividend of CHF 4.30 (previous year CHF 4.30) per share, less 35% withholding tax, to its shareholders on April 22, 2009. The total amount of the gross dividend paid was TCHF 17,840 (previous year TCHF 19,563).

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 2009 TCHF 110 (previous year 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 both reporting periods no acquisitions were made. For investments in associates see note 17 of the notes to Group financial statements.

## 25 DISCONTINUED OPERATIONS

On April 30, 2008, COLTENE Holding AG sold its entire Medical segment by transferring the shares of the two subsidiaries Medisize Schweiz AG and Medisize Medical Business Beheer B.V. together with all its subsidiaries to Medifq 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 statement of comprehensive income and cash flow statement distinguish discontinued operations from continuing operations. Comparative figures have been re-presented.

| IN CHF 1000   | 2009          | 2008          |
|---|---------------|---------------|
| <b>Profit from discontinued operations</b>                      |               |               |
| Net sales   | 0             | 35 009        |
| Expenses  | 0             | -33 357       |
| <b>Profit before income tax from discontinued operations</b>    | <b>0</b>      | <b>1 652</b>  |
| Income tax  | 0             | -233          |
| <b>Profit after income tax from discontinued operations</b>     | <b>0</b>      | <b>1 419</b>  |
| Gain on sale of discontinued operations                         | 0             | 30 113        |
| Income tax on gain on sale of discontinued operations           | 0             | -1 144        |
| <b>Gain after income tax on sale of discontinued operations</b> | <b>0</b>      | <b>28 969</b> |
| <b>Profit from discontinued operations</b>                      | <b>0</b>      | <b>30 388</b> |
| <b>Cash flow from discontinued operations</b>                   |               |               |
| Net cash flow from operating activities                         | 0             | 1 619         |
| Net cash flow from investing activities                         | -1 238        | 92 760        |
| Net cash flow from financing activities                         | 0             | 257           |
| Exchange rate differences on cash disposed of                   | 0             | -77           |
| <b>Net cash flow from discontinued operations</b>               | <b>-1 238</b> | <b>94 559</b> |
| <b>Effect of disposal on the financial position</b>             |               |               |
| Cash and cash equivalents                                       | 0             | 5 092         |
| Accounts receivable from deliveries and sales                   | 0             | 15 324        |
| Other current assets  | 0             | 2 087         |
| Inventories   | 0             | 19 289        |
| Property, plant and equipment                                   | 0             | 26 546        |
| Intangible assets   | 0             | 19 573        |
| Deferred tax assets   | 0             | 1 103         |
| Accounts payable to suppliers                                   | 0             | -4 890        |
| Other current liabilities                                       | 0             | -5 027        |
| Other long-term liabilities                                     | 0             | -10 062       |
| Deferred tax liabilities  | 0             | -141          |
| Other long-term provisions                                      | 0             | -526          |
| <b>Net identifiable assets and liabilities</b>                  | <b>0</b>      | <b>68 368</b> |
| Consideration received, satisfied in cash                       | 0             | 103 339       |
| Costs of disposal, satisfied in cash                            | 0             | -4 765        |
| Cash disposed of  | 0             | -5 092        |
| <b>Net cash inflow</b>  | <b>0</b>      | <b>93 482</b> |

In 2009 accrued liabilities of TCHF 1238 were paid. The main payment of TCHF 1144 was made to tax authorities.

## 26 CONTINGENT LIABILITIES

On April 30, 2008, COLTENE Holding AG sold its entire Medical segment by transferring the shares of the two subsidiaries Medisize Schweiz AG and Medisize Medical Business Beheer B.V. together with its subsidiaries to Medifiq Healthcare Corporation. Consequently, the Group signed a sale and purchase agreement in which the Group represents and warrants to the buyer a comprehensive catalogue of items to an extent generally in line with industry standard for such kind of transactions. With regard to operating activities, the Group has no contingent liabilities resulting from bills of exchange, letter of credits or guarantees.

## 27 TRANSACTION WITH RELATED PARTIES

| IN CHF 1000   | 2009         | 2008         |
|---|--------------|--------------|
| Key management compensation:  |              |              |
| Salaries and other short-term employee benefits                               | 1 714        | 2 406        |
| Termination benefits  | 0            | 881          |
| Share-based payments  | 79           | 71           |
| Contribution to pension funds   | 88           | 89           |
| <b>Total</b>  | <b>1 881</b> | <b>3 447</b> |
| Transactions with associates (Vigodent SA):                                   |              |              |
| Net sales (from 1.7.2009 to 31.12.2009)                                       | 1 193        | n.a.         |
| Accounts receivable from deliveries and sales                                 | 1 422        | n.a.         |
| Other transactions with related parties (Lenz & Staehelin, Attorneys-at-Law): |              |              |
| Advisory fees   | 222          | 534          |

There are no receivables or payables in relation to material shareholders or key management. For further details concerning the remuneration to the Board of Directors and Executive Management see notes to COLTENE Holding AG on pages 58 – 59.

## 28 SUBSEQUENT EVENTS

The Board of Directors authorized the Group financial statements on February 24, 2010, for issue. As per this date, the Board of Directors and Executive Management were unaware of any important events subsequent to the closing of books.

# MAJOR GROUP COMPANIES

| COMPANY  | ACTIVITY  | REGISTERED<br>CAPITAL | GROUP OWNERSHIP<br>2009 | GROUP OWNERSHIP<br>2008 |
|--|---|-----------------------|-------------------------|-------------------------|
| Coltène/Whaledent AG, Altstätten CH  | Production and sales of dental specialties            | CHF 1 600 000         | 100%                    | 100%                    |
| Coltène/Whaledent Vertriebsservice und<br>Marketing GmbH, Altstätten CH        | Sales services and marketing<br>of dental specialties | CHF 20 000            | 100%                    | 100%                    |
| Coltène/Whaledent GmbH + Co. KG,<br>Langenau DE                                | Production and sales of dental specialties            | EUR 1 850 000         | 100%                    | 100%                    |
| Dentalia Kft., Bicske HUN  | Production and sales of dental specialties            | HUF 3 000 000         | 100%                    | 100%                    |
| Endodent Inc., Duarte CA/USA   | Production and sales of dental specialties            | USD 30 000            | 100%                    | 100%                    |
| Coltène/Whaledent Ltd., Burgess Hill GB  | Sales of dental specialties                           | GBP 200 000           | 100%                    | 100%                    |
| Coltène/Whaledent S.à.r.l., Le Mans FR   | Sales of dental specialties                           | EUR 503 000           | 100%                    | 100%                    |
| Coltène/Whaledent Dental Materials &<br>Equipment Trading Co., Ltd, Beijing CN | Sales of dental specialties                           | CNY 5 000 000         | 100%                    | 100%                    |
| Coltène/Whaledent Private Limited, Mumbai IN                                   | Sales of dental specialties                           | INR 19 800 000        | 100%                    | 0%                      |
| Coltène/Whaledent Inc.,<br>Cuyahoga Falls, OH/USA                              | Production and sales of dental specialties            | USD 5 000 000         | 100%                    | 100%                    |
| COLTENE Services AG, Dübendorf CH  | Management company                                    | CHF 250 000           | 100%                    | 100%                    |
| Vigodent SA Indústria e Comércio,<br>Rio de Janeiro BR                         | Production and sales of dental specialties            | BRL 4 383 711         | 40%                     | 0%                      |

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

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

As statutory auditor, we have audited the consolidated financial statements of COLTENE Holding AG, which comprise the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and notes (pages 26 to 54), for the year ended December 31, 2009.

**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, 2009, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

**REPORT ON OTHER LEGAL REQUIREMENTS**

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

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

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

PricewaterhouseCoopers AG

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

St. Gallen, February 24, 2010

# BALANCE SHEET COLTENE HOLDING AG

| IN CHF                               | 31.12.2009        | 31.12.2008        |
|--------------------------------------|-------------------|-------------------|
| <b>Assets</b>                        |                   |                   |
| Cash and cash equivalents            | 26 898            | 3 007 638         |
| Other receivables from third parties | 5 754             | 105 360           |
| Other receivables from subsidiaries  | 747 547           | 742 242           |
| Prepaid expenses and accrued income  | 18 113            | 53 221            |
| <b>Current assets</b>                | <b>798 312</b>    | <b>3 908 461</b>  |
| Loans to subsidiaries                | 50 248 956        | 55 232 506        |
| Investment in associate              | 7 947 510         | 0                 |
| Investments in subsidiaries          | 10 983 604        | 10 983 604        |
| Own shares                           | 3 010 000         | 3 010 000         |
| <b>Non-current assets</b>            | <b>72 190 070</b> | <b>69 226 110</b> |
| <b>Total assets</b>                  | <b>72 988 382</b> | <b>73 134 571</b> |
| <b>Liabilities</b>                   |                   |                   |
| Bank loans                           | 22 879 317        | 2 640 375         |
| Other liabilities to third parties   | 0                 | 17 264 450        |
| Accruals and provisions              | 575 176           | 1 718 457         |
| <b>Total liabilities</b>             | <b>23 454 493</b> | <b>21 623 282</b> |
| Share capital                        | 421 900           | 421 900           |
| Statutory reserves                   | 18 014 757        | 18 014 757        |
| Reserves for treasury stock          | 3 010 000         | 3 010 000         |
| Net income brought forward           | 28 087 232        | 30 064 632        |
| <b>Total equity</b>                  | <b>49 533 889</b> | <b>51 511 289</b> |
| <b>Total liabilities and equity</b>  | <b>72 988 382</b> | <b>73 134 571</b> |

# INCOME STATEMENT COLTENE HOLDING AG

| IN CHF                      | 2009              | 2008               |
|-----------------------------|-------------------|--------------------|
| Income from investments     | 14 918 910        | 25 000 000         |
| Gain on sale of investments | 0                 | 62 012 799         |
| Financial income            | 2 600 219         | 3 439 181          |
| <b>Total income</b>         | <b>17 519 129</b> | <b>90 451 980</b>  |
| Financial expenses          | -380 256          | -1 129 999         |
| Administrative expenses     | -1 127 808        | -6 637 495         |
| Depreciation                | 0                 | -2 308 619         |
| Tax expenses                | -148 044          | -1 111 417         |
| <b>Total expenses</b>       | <b>-1 656 108</b> | <b>-11 187 530</b> |
| <b>Profit of the year</b>   | <b>15 863 021</b> | <b>79 264 450</b>  |

# NOTES TO COLTENE HOLDING AG

| IN CHF   | 31.12.2009  | 31.12.2008  |
|--|-------------|-------------|
| <b>1 Contingent liabilities</b>  |             |             |
| Warrants Medifiq Healthcare Corporation<br>(see notes to the Group financial statements, note 26)  | p.m.        | p.m.        |
| Purchase price for 60% of Vigodent's share capital<br>(see notes to the Group financial statements, note 17)   | 10 291      | n.a         |
| Joint and several liability for VAT liabilities of COLTENE Holding AG, Altstätten,<br>Coltène/Whaledent AG, Altstätten, Coltène/Whaledent Vertriebsservice und Marketing GmbH,<br>Altstätten, COLTENE Services AG, Dübendorf | p.m.        | n.a         |
| <b>2 Significant investments</b>   |             |             |
| see list on page 54  |             |             |
| <b>3 Treasury stock</b>  |             |             |
| Total at 31.12.  |             |             |
| 70 000 (70 000) shares par value CHF 0.10 (CHF 0.10)   | 3 010 000   | 3 010 000   |
| Purchases: 2100 (76 240) shares at an average price of   | 45.96       | 73.12       |
| Share-based transactions with management: 2100 (0) shares at an average price of   | 45.96       | 0           |
| Sales: 0 (60 396) shares at an average price of  | 0           | 79.99       |
| <b>4 Significant shareholders</b>  |             |             |
| The company is aware of the following registered shareholders who own over 3% of the shares  |             |             |
| Huwa Finanz- und Beteiligungs AG, Heerbrugg  | 15.01%      | 12.27%      |
| FMR Corp., Boston/USA  | 11.11%      | 11.11%      |
| Litespeed Management LLC, New York/USA   | below 3%    | 5.86%       |
| Lincoln Vale European Partners Master Fund L.P., Lincoln/USA   | 5.59%       | 5.59%       |
| Tweedy, Browne Company LLC, New York/USA   | 5.18%       | 5.18%       |
| Schroder Investments Management Limited, London/UK   | 4.17%       | 4.17%       |
| Kempen European Smallcap Fund N.V., Amsterdam/NL   | 3.80%       | below 3%    |
| Robert Heberlein, Zumikon  | 3.45%       | 3.45%       |
| Credit Suisse Asset Management Funds AG, Zurich  | 3.04%       | below 3%    |
| <b>5 Share capital</b>   |             |             |
| The nominal capital at 31.12. consisted of   |             |             |
| 4 219 000 (4 219 000) registered shares par value CHF 0.10 (CHF 0.10)  | 421900      | 421900      |
| <b>6 Statutory reserves carried forward</b>  |             |             |
| Statutory reserves at 1.1.   | 18 014 757  | 26 087 520  |
| Change   | 0           | -8 072 763  |
| Statutory reserves at 31.12.   | 18 014 757  | 18 014 757  |
| <b>7 Net income brought forward</b>  |             |             |
| Net income at 1.1.   | 30 064 632  | 9 820 501   |
| Dividend distribution  | -17 840 421 | -9 820 501  |
| Profit of the year   | 15 863 021  | 79 264 450  |
| Share repurchase   | 0           | -49 199 818 |
| Net income at 31.12.   | 28 087 232  | 30 064 632  |
| <b>8 Remuneration to Board of Directors</b>  |             |             |
| Dr. Paul Hälgi, Chairman until April 16, 2008  | 0           | 64 463      |
| Nick Huber, Chairman since April 16, 2008, member until April 16, 2008<br>(current year including 250 shares of the share program)   | 116 661     | 101 118     |
| Robert Heberlein, member (current year including<br>250 shares of the share program)   | 93 475      | 83 361      |
| Dr. Walter Känel, member until April 16, 2008  | 0           | 20 170      |
| Erwin Locher, member since April 17, 2009  | 60 423      | 0           |
| Matthew Robin, member (current year including 250 shares of the share program)   | 95 373      | 85 152      |
| Jerry Sullivan, member since April 16, 2008  | 81 317      | 97 218      |
| Total  | 447 249     | 451 482     |

# NOTES TO COLTENE HOLDING AG

| IN CHF | 31.12.2009 | 31.12.2008 |
|--------|------------|------------|
|--------|------------|------------|

## 9 Remuneration to Executive Management

|   |           |           |
|---|-----------|-----------|
| Jerry Sullivan, Chief Executive Officer until April 16, 2008  | n.a.      | 1871590   |
| Andreas Meldau, Chief Executive Officer since April 16, 2008,<br>Chief Operating Officer until April 16, 2008 | 753 489   | n.a.      |
| Other members of the Executive Management   | 679 957   | 1123 674  |
| Total   | 1 433 446 | 2 995 264 |

## 10 Number of shares held by Board of Directors

|  |         |         |
|--|---------|---------|
| Dr. Paul Hält, Chairman until April 16, 2008                           | n.a.    | n.a.    |
| Nick Huber, Chairman since April 16, 2008, member until April 16, 2008 | 550     | 300     |
| Robert Heberlein, member   | 145 653 | 145 403 |
| Dr. Walter Känel, member until April 16, 2008                          | n.a.    | n.a.    |
| Erwin Locher, member since April 17, 2009                              | 5 000   | n.a.    |
| Matthew Robin, member  | 500     | 250     |
| Jerry Sullivan, member since April 16, 2008                            | 0       | 0       |
| Total  | 151 703 | 145 953 |

## 11 Number of shares held by Executive Management

|   |       |       |
|---|-------|-------|
| Andreas Meldau, Chief Executive Officer since April 16, 2008,<br>Chief Operating Officer until April 16, 2008 | 891   | 500   |
| Dr. Hans Grüter, Chief Financial Officer  | 1 841 | 1 450 |
| Total   | 2 732 | 1 950 |

## 12 Risk management

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

# PROPOSAL FOR THE ALLOCATION OF NET INCOME

| IN CHF  | 2009        | 2008        |
|---|-------------|-------------|
| Net income carried forward from the previous year                   | 12 224 211  | 0           |
| Profit of the year  | 15 863 021  | 79 264 450  |
| Share repurchase  | 0           | -49 199 818 |
| Available net income  | 28 087 232  | 30 064 632  |
| Distribution of dividend of CHF 3.10 per share (CHF 4.30 per share) | -13 078 900 | -18 141 700 |
| To be carried forward   | 15 008 332  | 11 922 932  |

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

**REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS**

As statutory auditor, we have audited the financial statements of COLTENE Holding AG, which comprise the balance sheet, income statement and notes (pages 56 to 60), for the year ended December 31, 2009.

**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, 2009, comply with Swiss law and the company's articles of incorporation.

**REPORT ON OTHER LEGAL REQUIREMENTS**

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

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

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

PricewaterhouseCoopers AG

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

St. Gallen, February 24, 2010

# 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 consists of:

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

## STOCK MARKET TRADING

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

TELEKURS: CLTN

VALORENNUMMER: 2.534.325

ISIN: CH0025343259

## IMPORTANT DATES

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

### MARCH 18, 2010

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

### APRIL 28, 2010

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

### AUGUST 19, 2010

Half-year report 2010, shareholders' letter

### END OF MARCH 2011

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

### APRIL 2011

General Meeting of the Shareholders

## INTERNET/E-MAIL BULLETINS

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

## KEY FIGURES PER SHARE

|                    |            |
|--------------------|------------|
| Price at year end  | 54.50      |
| Highest price      | 56.85      |
| Date               | 12.10.2009 |
| Lowest price       | 37.70      |
| Date               | 8.6.2009   |
| Earnings per share | 3.94       |
| Equity per share   | 26.69      |
| Dividend per share | 3.10       |
| Taxable value      | 54.50      |

# Important Addresses

## COLTENE HOLDING AG

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