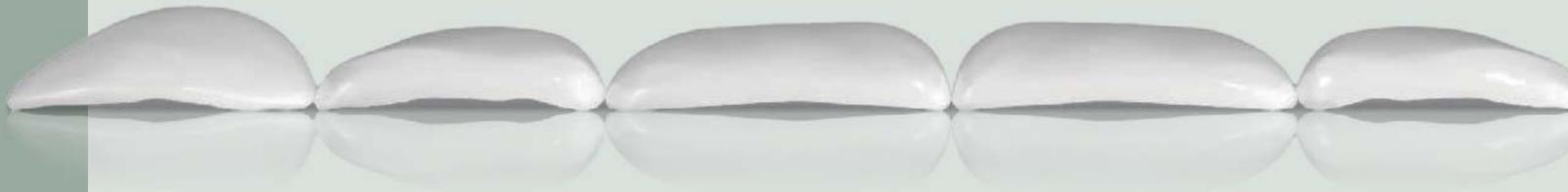


Annual Report

2011

Leveraging
the Group's Position



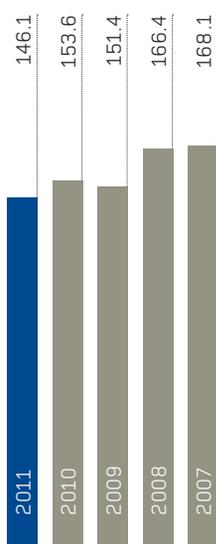
Achievements 2011

- » Revenue of **CHF 146.1 million**; reflecting organic growth of 1.6% at constant exchange rates to previous year
- » Emerging markets with strong revenue growth of **25.9%** (8.4% organic growth at constant exchange rates)
- » Operating profit (EBIT) down by 33.6% to **CHF 12.3 million** due to significant currency fluctuations and the now concluded restructuring of Vigodent in Brazil
- » Free cash flow, down slightly at **CHF 9.9 million**, remains at a healthy level
- » Strong equity ratio of **63.1%**
- » Proposed distribution of **CHF 1.10** per share out of the reserves from previous capital contributions

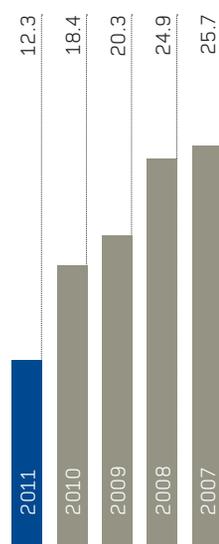
5-Years-Overview

(IN CHF MILLION, CONTINUING OPERATIONS)

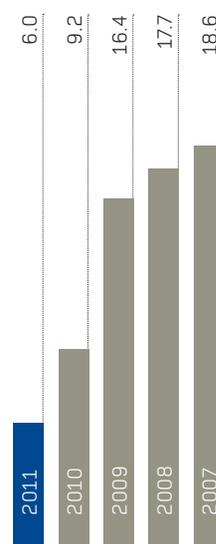
NET SALES



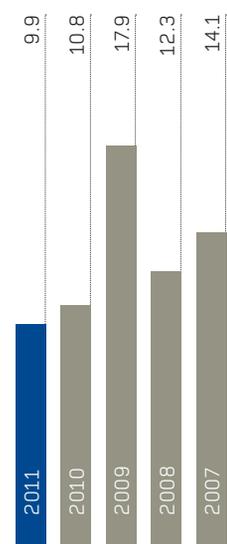
EBIT



NET PROFIT



FREE CASH FLOW



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Product Overview

COLTENE is an internationally leading developer, manufacturer, and seller of dental consumables and small equipment focusing on high-precision mechanical instruments and innovative, aesthetically-pleasing filling materials. In 1990, the Swiss Coltène AG joined forces with the American company Whaledent Inc., a producer of technical dental consumables. Since then, the combined Coltène/Whaledent brand has brought polymer chemistry-based impression and filling materials, a broad range of high-precision mechanical instruments, dental pins and posts, carbide and diamond burs and other rotary instruments, as well as a comprehensive offering in the area of hygiene and patient safety, to international markets through sales partners.



ADHESIVES/RESTORATIVES

The Coltène/Whaledent brands provide decades of know-how in producing a comprehensive range of essential and innovative restorative materials, such as Synergy D6 and Miris2 for outstanding aesthetics combined with clinically proven performance. To complement this range Coltène/Whaledent also supplies dentists with curing lights.



ENDODONTICS

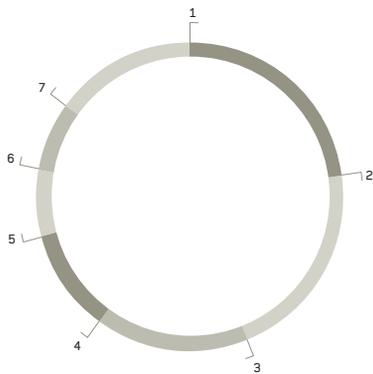
Coltène/Whaledent brands represent profound expertise in essential and reliable endodontic materials. Paper and Guttapercha points, GuttaFlow, RoekoSeal, ParaPost and ParaCore are clinically proven products that ensure for successful endodontic therapy.



PROSTHETICS

For over 45 years, we have specialized in the development and production of condensation- and additional-cured silicones for the dental dentistry, which are distributed globally through our different distribution channels. Two of our leading brands, SPEEDEX and AFFINIS, are used in several clinics and universities as their products of choice.

NET SALES BY PRODUCTS AND SERVICES 2011



1	Restoration	23%
2	Impression	21%
3	Endodontics	16%
4	Hygiene and Surgical	11%
5	Units/Accessories	7%
6	Rotary	7%
7	Laboratory and Miscellaneous	15%



ROTARY INSTRUMENTS

Rotary Instruments are sold under the company brands "Diatech" (global distribution, except for USA and Canada) as well as "Alpen" (USA and Canada). Both brands provide a complete range with clear advantages, such as the "multi-layer coating" for diamonds and "one piece construction" for carbides.



TREATMENT AUXILIARIES

Roeko and Hygenic treatment auxiliaries are products which make the daily work in a dental practice easier and more efficient. Roeko Luna cotton rolls, Surgitip aspirator tips and the complete range of Dental Dam products provide optimal moisture control in the oral cavity. Roeko Sintraumal surgical sutures and the antimicrobial, haemostatic sponge Gelatamp aid wound healing without complications. Coltène/Whaledent also manufactures scalers and electrosurgery devices.

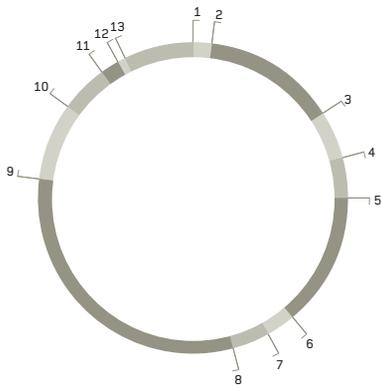


HYGIENE

Coltène/Whaledent Hygiene products make the dental office a much safer place. Sterile covers Steri-Quick and Steri-sleeve, Protecta surgical face masks and Rexam gloves provide infection control for the patient and dental team. Coltène/Whaledent also delivers expertise in manufacturing small equipment, such as ultrasonic cleaners.

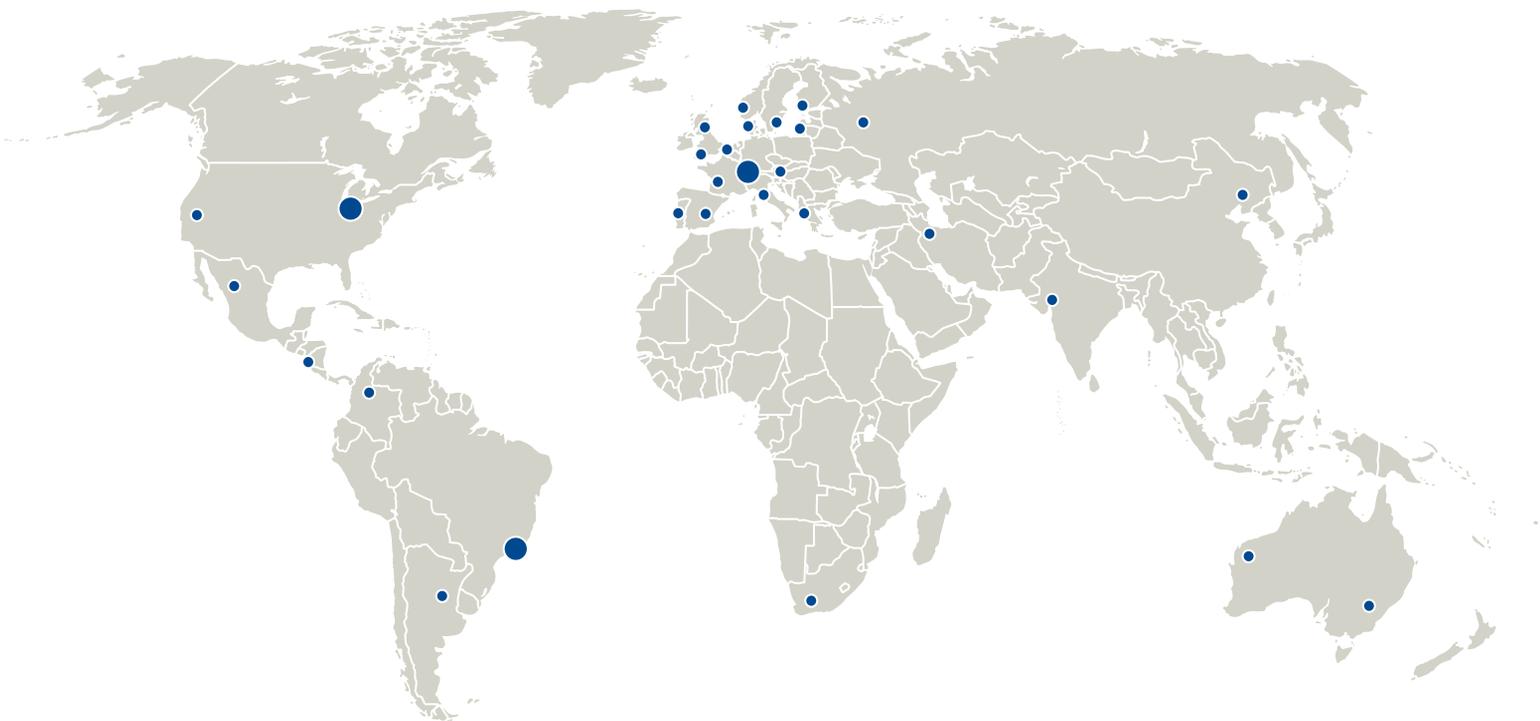
Global Footprint

NET SALES BY GEOGRAPHIC REGIONS 2011



1	Switzerland	2%
2	Germany, Austria	14%
3	Great Britain, Ireland	5%
4	France	4%
5	Other Europe	14%
6	Russia and other CIS	3%
7	Middle East and Africa	4%
8	North America	31%
9	Brazil	8%
10	Other South America	5%
11	China	2%
12	India	1%
13	Other Far East, Oceania	7%

COLTENE has state-of-the-art production facilities in the USA, in Switzerland, Germany, Hungary and Brazil and a fine-mesh network of sales offices and representatives. Dentists and dental labs use COLTENE products for traditional as well as implant-based therapies and dental restorations.





From left to right: Erwin Locher, CEO ad interim and Delegate of the Board; Nick Huber, Chairman of the Board; Dr Hans Grüter, CFO

DEAR SHAREHOLDERS

In the 2011 financial year COLTENE achieved solid market performance in local currencies despite the challenging market environment and the impact of significant currency fluctuations as well as the transition of Vigodent in Brazil, which was concluded at the end of 2011. In spite of inventory reductions at dealers, the Group organically grew by 1.6% at constant exchange rates. More importantly, COLTENE strengthened its presence in important markets worldwide in 2011 and is now well positioned to exploit the growth potential of many dynamic dental market segments. In the years ahead, the dental market will benefit from the increasing importance of oral hygiene and aesthetic dentistry driven by social/lifestyle factors as well as from global demographic and economic trends. A growing share of the world population is gaining access to modern dentistry and more people will therefore retain their own teeth for longer. With costs for dental care being shared between patients and public health insurance, this market is less dependent on government spending than the broad medical market.

In the 2011 reporting period, the Group concluded the reorganization of Vigodent in Brazil. After having achieved full organizational stability, the Brazilian subsidiary acquired back in 2009 will continue to penetrate this important consumer market. Brazil, one of the dynamic BRIC economies, offers promising business development prospects and opportunities for sustainable growth. The Brazilian subsidiary will also become a hub for supplying products to other emerging markets. COLTENE will concurrently strengthen and expand its distribution networks in the important Chinese and Indian markets.

Secondly, COLTENE launched innovative new products generating true customer benefits. “A smile to go” was the catchy slogan chosen for the market launch of a new composite veneer system called COMPONEER™. This system is specially designed for simple, safe, and time-saving restorations of front teeth, providing patients with a natural and aesthetic smile in just one treatment session. A second important product introduced to the market in 2011 is

HyFlex™ Controlled Memory NiTi. These endodontic files adjust to the given root canal anatomies and thus reduce the risks of displacement or perforation of the root canal.

Third, COLTENE concentrated in the reporting period on enhancing the brand name recognition of its broad product portfolio thereby tightening customer relations. In addition, the sales specialists intensified their ongoing dialogue to existing and new client groups aiming to learn more about their needs thereby making sure that the Company's offering generates added value and meets the requirements of the end users.

FOCUS ON ORGANIC GROWTH

In the first half of 2011, the Board of Directors reviewed the strategic positioning of the Group in the view of current industry trends and future market needs. New directives issued at the end of June reinforced COLTENE's business model, focusing on dental consumables and, in particular, on the Group's core competencies in the areas of restoration, aesthetics and endodontics. As key growth and profit drivers, the Company aims to maintain its close partnerships with customers and distributors and an uncompromising, market-oriented product management based on its strong, multi-layered distribution network. The directives also recognize COLTENE's significant organic growth potential. This potential is backed by the Company's broadly based organizational structure, its wide and versatile product range and portfolio development opportunities as well as its solid expertise in key state-of-the-art technologies.

With the acquisition of Vigodent, COLTENE has concluded a multi-year geographic expansion program. Today, the Group is well positioned in both traditional and emerging markets, the latter of which include Brazil, India and China, and it has achieved a balanced structure for generating sustainable future growth.

In the absence of extraordinary factors, COLTENE aims to achieve sales growth slightly above overall market rates in the years ahead.

MARTIN SCHAUFELBERGER APPOINTED NEW CEO

After the departure of Andreas Meldau in June 2011, the well established extended Executive Board comprising of Dr. Hans Grüter (CFO), Werner Mannschedel

(Operations) and Michael Nordahl (Business Development) ensured continuity in the Group's global leadership. In January 2012, the Board of Directors appointed Martin Schaufelberger as the new CEO of COLTENE. He will assume his new function as per June 1, 2012. Among his priority tasks are the implementation of enduring improvements to the operative processes, the technological basis and the market position of the Company, thereby continuing the successful development of the COLTENE Group and its worldwide business network. Erwin Locher, who is currently leading the Company on an ad interim basis, will continue to accompany the realignment of COLTENE's operational activities in his function as Delegate of the Board.

OUTLOOK:

FURTHER LEVERAGING THE GROUP'S POSITION

In 2012 the Board of Directors and Management are focusing on gradual improvement by building on the Company's global structure and core competencies. To this end, the Group aims to further leverage its brand with innovative solutions and its emerging market network with additional growth in less saturated markets. In parallel, COLTENE is setting about expanding its sales and lean manufacturing capabilities and multi-layer marketing organization. These combined strengths allow the Company to market its own and private label OEM products manufactured in the Group's highly automated production centers in Europe and the US via global, regional or local distribution partners to key opinion leaders and directly to dental practitioners.

Looking ahead, COLTENE is well positioned to seize and benefit from arising opportunities in the globally dynamic growing dental market. Management sees further growth potential, especially from new branded products in the aesthetic dentistry sector. Also the other product groups within the dental consumables segment are distinguished by a relative stability and are less dependent on economic cycles compared to the general dental market. While sales in traditional and emerging markets should increase thanks to newly launched products and certain operational improvements will flow through to the income statement, the Company will continue to trim dealer inventories in coordination with distributors in mature markets.

THANKS

On behalf of the Board of Directors and the Management we thank all our employees for their strong commitment and efforts, which have enhanced the Company's growth prospects and allowed it to exploit new opportunities to expand the Group's worldwide operations. We also thank our customers, business partners and suppliers for their excellent collaboration with our teams. Last but not least, we express our thanks to our shareholders for their continued confidence and trust in our business.

Yours sincerely



Nick Huber
Chairman of the Board



Erwin Locher
CEO ad interim and Delegate of the Board



smile to go

A SMILE TO GO

In 2011 COLTENE launched its new composite veneer system COMPONEER™, an innovative treatment for aesthetic dental restoration meeting medical and lifestyle demands – the promising new flagship product allowing dentists to extend their offering to customers. The unique one session-treatment is only one of the multiple benefits, with the leading slogan “a smile to go” being the perfect fit. COLTENE aims to further strengthen its position in the aesthetic dental restoration segment and with COMPONEER™ is on its way to achieving its target of being at the very top in the field of aesthetic products.

3 STEPS TO A BEAUTIFUL SMILE

1. The dentist checks the condition of the front teeth and recommends the right COMPONEER™ shade and shape.
2. Then the teeth are prepared for veneering with COMPONEER™. The teeth require very little preparation as the shells are so incredibly thin. In general, very little tooth structure is lost.
3. The dentist places the COMPONEER™ in the desired position and completes the final shaping of the tooth. At this point individual adjustments can be made to the desired shape and length on the spot. The final step is to polish the tooth to match the others. Done.

COMPONEER™

Direct Composite Veneering System.
The innovative and amazingly easy
restoration of anterior teeth.



“THE ADVANCED SYSTEM OFFERS
PATIENTS AND DENTISTS
NEW ECONOMICAL PERSPECTIVES,
ALL IN JUST A SINGLE SESSION.”

Dr Mario Besek

What are the advantages of COMPONEER™ compared to ordinary veneer systems?

Dr Mario Besek: “The polymerized, prefabricated nano-hybrid-composite enamel shells combine the advantages of direct composite restoration with the advantages of prefabricated veneers. The industrial process of manufacture ensures excellent homogeneity and stability of the material. This means that Componeer can be individually characterised and then repolished to its unique gloss.”

What makes COMPONEER™ so unique?

“COMPONEER™ is the first perfected system to allow amazingly easy restoration of anterior teeth with customized composite shells – a treatment that can be performed efficiently in just a single session.”

How do dentists and customers profit from the new system?

“Until now the dentist had to choose between a directly modelled composite restoration or an elaborate indirect veneer technology. As such, COMPONEER™ gives dentists and patients new economic perspectives.”

In what situations can COMPONEER™ be best used for?

“Whether for incisor extensions, the covering of massive discolouration or the closing of diastemas, aesthetic corrections can be carried out easily and fast with COMPONEER™. It’s a solution for all cases where the direct technique is too complicated and the indirect technique is not possible.”

Dr Mario Besek is a specialist in Preventive and Restorative Dentistry and co-owner of Swiss Dental Center, Zurich.

COLTENE has run its business successfully in a sustainable and consistent way. Whereas the economic environment brightened in the first six months of 2011, this trend reverted in the second half of the year in the light of the accentuated debt crisis and upcoming fears on a new cyclical downturn. In addition, the tremendous appreciation of the Swiss franc had a substantial impact on the operating results in 2011. While company earnings and costs are well balanced in the dollar areas, the lower translation rate for Euros into Swiss francs has led to significantly lower sales income. In response to this situation COLTENE has initiated measures to achieve a more flexible, currency-neutral allocation of Group functions between the various sites of the Group.

COLTENE achieved net sales in the financial year 2011 of CHF 146.1 million (2010: CHF 153.6 million), reflecting an expansion of the Group's turnover in local currencies by 7.8% and a decrease of 4.9% in reported Swiss francs. Supported by the geographic diversification, the Group grew organically by 1.6% in its traditional markets. 6.2 percentage points of the sales increase in local currencies was attributable to the acquisition of Vigodent in Brazil.

Both the translation rate effects (CHF 3.2 million) as well as Vigodent (CHF 2.2 million) negatively impacted the operational performance. Operating income (EBIT) decreased by 33.6% (16.3% at constant exchange rates) to CHF 12.3 million (2010: CHF 18.4 million). As a result, the EBIT margin declined to 8.4% in 2011 from 12.0% in 2010 (2011: 9.3% at constant exchange rates). Exchange rate losses and other financial expenses as part of the financial result increased by 10.7% to CHF 2.1 million compared to previous year. Interest expenses increased by CHF 0.5 million to CHF 1.2 million related to Vigodent being consolidated for twelve months compared to two months last year and higher average debt. At CHF 3.0 million, tax expenses were CHF 1.0 million lower than in the prior year. The effective tax rate of 33.5% is higher than last year's 30.3%. The effective tax rate is relatively high due to tax losses not capitalized in the current year. Net profit for the financial year 2011 amounted to CHF 6.0 million compared to CHF 9.3 million recorded in 2010. This is equivalent to earnings per registered share of CHF 1.44, down from CHF 2.24 last year.

In the fiscal year 2011, COLTENE generated CHF 14.6 million cash flow from operating activities, CHF 0.4 million above 2010. The lower net profit was compensated by a decrease of the inventory compared to an increase in the last year's period.

Cash flow from investing activities reached CHF 4.6 million. Investments in machines and equipment amounted to CHF 3.3 million, investments in intangible assets to CHF 1.3 million, in particular related to the extended installation of the Group-wide ERP system. After the successful introduction in Switzerland in 2010 and in Germany in 2011, it is now applied by all major COLTENE sites with exception of the US facilities, which will follow in 2012. Free cash flow was CHF 9.9 million, lower than in the previous year (2010: CHF 10.8 million) due to higher investments.

With bank debts at CHF 30.2 million, COLTENE's healthy balance sheet continues to show a high equity ratio of 63.1%, ensuring financial stability and entrepreneurial independence. The Board of Directors will propose to the Annual General Meeting on April 20, 2012, the distribution of CHF 1.10 per share out of the reserves from previous capital contributions. Based on the share price of CHF 31.85 (per December 30, 2011), this amounts to a yield of approximately 3.5% and is equivalent to a payout ratio of 76% of the period's net profit. With this, the Board of Directors maintains its dividend policy and, based on COLTENE's successful business model, is convinced that it will be able to continue to pay attractive dividends in the future.

REGIONAL BREAKDOWN: DIVERGENT DEVELOPMENTS

COLTENE's sales organization achieved good growth rates in local currencies in many countries but translation into Swiss francs resulted in negative trends in several geographic areas. Primarily due to the acquisition of Vigodent the Company's geographic sales split has further changed: In the financial year 2011, COLTENE achieved 26.5% of its Group sales in emerging economies, up from 20.0% a year ago. Organic growth in developed countries and above-average growth in emerging markets remain corporate objectives, albeit without disregarding any political and economic risks associated with new markets.

European countries showed divergent developments. Softening market conditions in **France** as well as in **Germany** and **Austria** were exacerbated by inventory destocking at distributors, while the **UK** and **Ireland** region reported solid 5.3% growth in local currency. In **Switzerland**, COLTENE topped sales of the previous year by 4.8%. The setting up of an own sales team in the **Other Europe** region resulted in an appealing sales growth of 4.6% in local currencies and noticeably contributed to the objective of returning to the traditional and positive sales levels of the Group's previous years.

North America, the largest market for COLTENE, recorded a slight sales decrease of 1.5% in local currency, which translated into a decline of 16.2% in Swiss francs. Even though the US and Canada further recovered from the region's persistently difficult economic environment, sales performance suffered from continued cuts in the dealers' inventories.

The consumer climate in Asia was depressed as a result of the slowed-down economies following the earthquake in Japan in spring and the massive floods in Thailand in summer 2011. **India** and **China** increased their sales in local currencies by 12.3% and 17.7%, respectively. COLTENE continues to expand and strengthen its distribution network in the dynamic Asian region as a source for future growth. Correspondingly, further important emerging regions such as **Other Far East/Oceania** and **Russia/CIS** reached pleasing growth rates of 21.9% and 18.2%, respectively, in local currencies, which were reduced to 8.5% and 7.5%, respectively, after translation in reported Swiss francs. The continued forging of close partnerships in Russia, among other countries, enables continued growth and reliable planning.

Sales volumes in the **Middle East** and **Africa** region decreased by 6.1% in local currencies and by 14.0% translated in Swiss francs respectively. **South America** (without Brazil) increased sales volume in local currencies by 6.7%, however after translation in Swiss francs reported a decline of 1.6%.

DYNAMIC BRAZILIAN OPERATIONS

In **Brazil**, COLTENE successfully completed the transition of Vigodent in 2011. Even though the results of the reorganization of the new subsidiary are not yet reflected in the financial figures, this achievement represents a major progress and clearly has to be considered an important step to a sustained positioning of the Group in the attractive Brazilian market. In the financial year 2011, COLTENE consolidated Vigodent's revenues into its sales on a full year basis for the first time. While the acquisition heavily weighed on the group's results, Brazil's contribution to the overall net sales reached 7.6% in 2011. Although Vigodent had a negative EBIT of CHF 2.2 million in fiscal year 2011, the now concluded repositioning offers an excellent platform to exploit the attractive opportunities of the Brazilian market offering promising growth for the years to come.

BREAKDOWN BY PRODUCT GROUP: INCREASING DEMAND FOR AESTHETIC DENTISTRY

Looking at the various product segments, sales growth resulted primarily from restoration, impression, and hygiene materials. Sales in endodontics were below expectations due to patent issues in the USA which have now been settled.

At the International Dental Show IDS in Cologne, Germany, in March 2011, COLTENE attracted considerable attention with its innovative products for esthetic dental restoration and root canal treatments – two of COLTENE's prime areas of competence. Among the innovative products introduced to the market at IDS were the new composite veneer system called COMPONEER™ and HyFlex™ Controlled Memory NiTi files. COMPONEER™ and HyFlex™ are flagship products that will generate considerable sales growth and enhance COLTENE's market position and its image among distributors and end users. Additional new products include the cordless handset CanalPro CL used for root canal preparations, and the impression material dispenser Sympress 2, which makes taking impressions even easier.

ORGANIZATION AND LEADERSHIP: CONSTANT IMPROVEMENTS

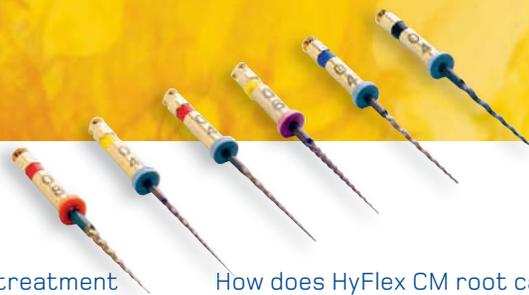
During the reporting period, COLTENE continued the roll-out of its group-wide ERP system. After being introduced in Switzerland in 2010, the implementation

of the new system was extended to include the German operations in 2011. The US operations will follow in 2012, after which all major sites of the Company worldwide will be connected. This new ERP system will improve operational processes and facilitate the lean management of group-wide projects as well as the exchange of information and know-how between the Group's subsidiaries.

Even a broadly based Group like COLTENE, with production sites in all major currency areas ranging from the USA and the European Union (with sites in Germany and Hungary) to Switzerland and Brazil, could not offset the tectonic shifts in the global currency landscape. Thanks to its investments in the Group-wide ERP system, COLTENE has been able to take steps to optimize the allocation of Group functions to specific currency areas. This should provide additional protection from negative currency effects and will help to lower the proportionately high Swiss franc cost base. As an initial measure logistics operations for products manufactured in Altstätten, Switzerland, were relocated to the COLTENE site in Langenau, Germany, effective as of February 2012.

HyFlexTM CM

Like a Phoenix
from the ashes...
the regenerative
NiTi File!



When is a root canal treatment required?

Prof. Dr. Gianluca Gambarini: "When a tooth is symptomatic due to pulpal and/or periodontal disease. Today, root canal therapy is still the best solution in the great majority of cases, due to many reasons: bet-

ter aesthetic in the anterior region, overall treatment time and costs, non-surgical approach, etc. The implant alternative should only be chosen when severe weakening of crowns or roots are present, or when previous iatrogenic errors make an endodontic re-treatment very unpredictable."

What are the biggest challenges when preparing a root canal?

"The anatomy of the root canal is the biggest challenge because we can only visualize it in 2D and not in 3D. Most of the iatrogenic errors are related to the misunderstanding of anatomical challenges and complexities. If clinicians were aware of these complexities before starting the procedure, most of the mistakes could easily be prevented."

How does HyFlex CM root canal instruments help overcome these challenges?

"HyFlex are instruments with excellent mechanical properties. Their increased flexibility and fracture resistance allow safer and efficient instrumentation also in complex canals... and we must remember that in many canals we are not able to visualize anatomical complexities, which are more common than expected!"

What do clinicians need from an endodontic manufacturer?

"A systematic, user-friendly approach aiming at simplifying procedures, while allowing high quality, predictable treatments. Basically, a file system such as the HyFlex CM that is safe, easy to understand and use with a root canal filling system such as the Hygienic Gutta-Percha Points that matches the preparation made by the file system. Moreover, due to the increased knowledge of anatomical irregularities and complexities innovative irrigating systems such as the CanalPro products are essential to assure proper canal debridement and disinfection."

Prof. Dr. Gambarini is Professor and Head of Endodontics; in Sapienza, University of Rome.

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, 2011, unless otherwise stated. Significant changes that have occurred between that date and the copy deadline for this report have also been indicated as appropriate.

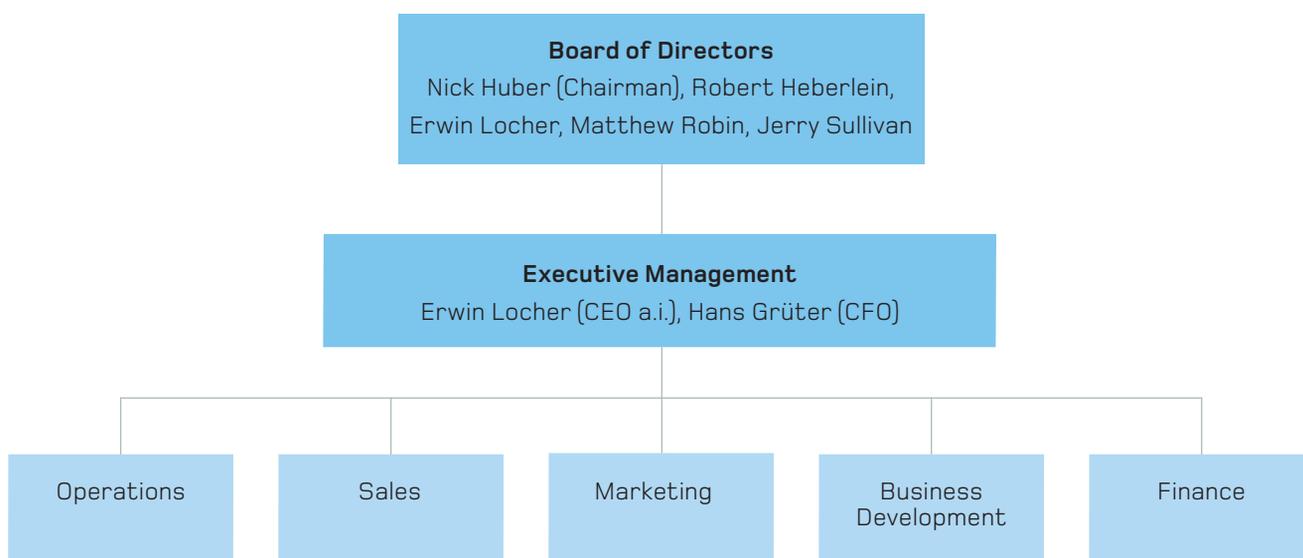
1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

1.1.1 OPERATIVE GROUP STRUCTURE

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

The organization of COLTENE Group can be described as follows:



1.1.2 LEGAL STRUCTURE OF SUBSIDIARIES

Of all the companies consolidated, COLTENE Holding AG (the COLTENE Group's holding company) is the only one listed. It is headquartered in Altstätten/SG; COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2011, the market capitalization amounted to CHF 134 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, 2011, the following shareholders held more than 3% of the voting stock of COLTENE Holding AG:

Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG, Bahnhofstrasse 2, 9435 Heerbrugg, holds 855,323 registered shares. This equals voting rights of 20.27%. Huwa Finanz- und Beteiligungs AG is under control of Hans Huber, Appenzell/AI (source: according to share register).

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

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

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

Robert Heberlein, Zumikon/ZH, held directly and indirectly through Burix Holding AG, Zurich, which he controls, 151.153 registered shares, representing 3.58% of the voting rights (source: according to Corporate Governance disclosures).

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

UBS Fund Management (Switzerland) AG, P.O. Box, 8098 Zurich, holds 126,978 shares or 3.01% of the voting rights since a purchase on May 27, 2011.

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 inofficial translation in English are available on the website at www.COLTENE.com/index_en.php?TPL=10209.

2.1 CAPITAL

Details on the capital are included in the notes to COLTENE Holding AG's financial statements on page 57.

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	31.12.2011	31.12.2010	31.12.2009
Share capital	422	422	422
Statutory reserves	84	18 015	18 015
Capital contribution reserve	13 417		
Reserves for treasury stock	3 240	3 010	3 010
Net income brought forward	30 422	30 458	28 087
Total	47 585	51 905	49 534

Based on the AGM's decision on April 28, 2011, the "Reserves from previous capital contributions" in the amount of TCHF 20,677 were set apart and presented separately through a transfer from the balance sheet item "Statutory reserves" in the amount of TCHF 17,930 and from the balance sheet item "Net income brought forward" in the amount of TCHF 2747 to a new balance sheet item "Capital contribution reserves". The AGM decided on April 28, 2011 to distribute to the shareholders CHF 1.75 out of the "Reserves from previous capital contributions". The total amount paid out was TCHF 7261.

2.4 SHARES AND PARTICIPATION CERTIFICATES

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

2.5 PROFIT-SHARING CERTIFICATES

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

2.6 RESTRICTIONS ON TRANSFERABILITY OF SHARES AND NOMINEE REGISTRATIONS

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

2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

COLTENE Holding AG has no outstanding convertible bonds or options.

3 BOARD OF DIRECTORS

On December 31, 2011, 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, 47

Professional background (main stages)

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

Other important activities and vested interests

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

Robert Heberlein

- » Member of the Board of Directors (year of first election: 2005)
- » Attorney-at-law
- » Non-executive member
- » Swiss citizen, 71

Professional background (main stages)

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

Other important activities and vested interests

- » Chairman of the Board of Directors of Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- » Member of the Board of Directors of Geberit AG, Jona/SG
- » Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

Erwin Locher

- » Member and Delegate of the Board of Directors (year of first election: 2009)
- » Economics, University Basel, MBA, University of Toronto (Rotman)/University St Gallen
- » Non-executive member (since July 1, 2011 CEO ad interim)
- » Swiss citizen, 59

Professional background (main stages)

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

Other important activities and vested interests

- » Member of the Board of Directors of Thommen Medical AG, Waldenburg/BL
- » President Medtech Switzerland, Bern

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, 47

Professional background (main stages)

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

Other important activities and vested interests

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

Jerry Sullivan

- » Member of the Board of Directors (year of first election: 2008)
- » Bachelor of arts
- » Non-executive member
- » American citizen, 67

Professional background (main stages)

- » 1981–1992 President and CEO, Whaledent International Inc., USA
- » 1992–2002 Managing Director, Coltène/Whaledent Inc., Cuyahoga Falls, Ohio/USA

- » 2003–2006 CEO Gurit Heberlein Dental Care, Wattwil/SG
- » 2006–2008 CEO COLTENE Holding AG (former Medisize Holding AG), Wattwil/SG

Other important activities and vested interests

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

3.2 ELECTION AND TERM OF OFFICE

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

3.3 INTERNAL ORGANIZATION

3.3.1 ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS

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

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

- » determination and formulation of the business strategy
- » purchase and sale of participations or establishment and liquidation of Group companies
- » approval of investments in and divestments of fixed assets 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

NOMINATION AND COMPENSATION COMMITTEE

Chairman: Matthew Robin

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

The Nomination and Compensation Committee carries out the following duties:

- » determination of the remuneration of the members of the Board of Directors
- » definition of the principles for the remuneration of the members of the Executive Management Board

and submission of these to the Board of Directors for approval

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

3.3.3 WORKING METHODS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors meets annually for at least four ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board of Directors is entitled to request an immediate meeting, provided that he names its purpose. In 2011, the Board of Directors met eight times. The Audit and Corporate Governance Committee met one time and discussed committee specific topics during selected Board of Directors meetings. The Nomination and Compensation Committee met one time in 2011.

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 and can be summarised as follows: With the exception of decisions which according to article 716a of the Swiss Code of Obligations are part of its infeasible and non-transferable duties, and those additional duties listed under 3.3.1, the Board of Directors has delegated the executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group, to the Executive Management.

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

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

4 EXECUTIVE MANAGEMENT

On December 31, 2011, 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 (until June 30, 2011)

- » Chief Executive Officer COLTENE Group
- » Lic. iur. University Zurich, SVM Diploma University of St Gallen
- » Swiss citizen, 53 years

Professional background (main stages)

- » 1985–1990 Sales Manager NCR/AT&T, Wallisellen/ZH
- » 1990–1992 Martin Engineering, Egg/ZH
- » 1993–1999 CEO AVL Medical Instruments Schaffhausen
- » 1999–2002 CEO redIT Services, Zug
- » 2002–2006 CEO Coltène/Whaledent EMEA
- » 2007–2008 COO Medisize Dental
- » 2008–2011 CEO COLTENE Group (former Medisize Holding AG)

Erwin Locher (since July 1, 2011)

- » Delegate of the Board of Directors and Chief Executive Officer ad interim, COLTENE Group
- » His personal details together with the other activities and vested interests are presented under section 3.1

Martin Schaufelberger (expected start June 1, 2012)

- » Designated Chief Executive Officer COLTENE Group
- » Electrical Engineer, Fachhochschule für Technik, Rapperswil, SG
- » MBA Marketing, City University of Seattle Switzerland, Zurich
- » Swiss citizen, 47 years

Professional background (main stages)

- » 1988–1998 Zellwegger Uster AG, Uster/ZH, various functions in Switzerland and Japan. Last function: General Manager Strategic Marketing
- » 1998–2001 Head Marketing and Sales Kunststoff Schwanden AG, Schwanden/GL
- » 2001–2007 Deputy CEO Kunststoff Schwanden AG, Schwanden/GL
- » 2007–2012 CEO Kunststoff Schwanden AG, Schwanden/GL

Hans Grüter

- » Chief Financial Officer COLTENE Group
- » PhD Business Administration University Zurich, AMP Wharton
- » Swiss citizen, 52 years

Professional background (main stages)

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

4.2 MANAGEMENT CONTRACTS

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

5 COMPENSATION, SHAREHOLDINGS, AND LOANS

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

The compensations of the Chief Executive Officer and of the Chief Financial Officer are determined by the Board of Directors on the recommendation of the Nomination and Compensation 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. A bonus and share participation program is in place for the members of the Executive Management as well as a limited number of key managers. The functional parameters of this program are measuring the performance to targets to key performance indicators (KPI) such as EBIT and net

sales, as well as to the fulfillment of personal targets. KPI's account for 75% and personal targets for 25%. 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% and 100% of the fixed salary of any participant. The program is defined and reviewed by the Nomination and Compensation Committee on an annual basis.

For a summary of the remunerations paid during the year under review, refer to page 59 of the Financial Report.

Apart of the ordinary pro rata salary and bonuses no exit remuneration to a person leaving office during the year under review, and no remuneration to former members of governing bodies was paid during the year under review. No loans, securities, advances or credits have been granted to members of the Board of Directors or members of the Executive Management or parties closely linked to any of them except a total of TCHF 58 as disclosed in note 27 of the notes to Group financials statements (previous year TCHF 0).

In addition, on December 31, 2011, there were no options on shares of COLTENE Holding AG issued.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

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

6.1 VOTING RIGHT RESTRICTIONS AND REPRESENTATION

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

6.2 STATUTORY QUORUMS

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

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

6.3 CONVOCAION OF THE GENERAL MEETING OF SHAREHOLDERS

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

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

6.4 AGENDA

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

6.5 ENTRIES IN THE SHARE REGISTER

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

7 CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 PUBLIC PURCHASE OFFERS

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

7.2 CLAUSES ON CHANGES OF CONTROL

No change of ownership clauses are in effect at December 31, 2011, 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 PwC in its capacity as COLTENE Group's statutory auditor amounted to CHF 343,125.

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 73,977, of which fees for tax advisory (tax compliance, tax return etc.) amounted to CHF 17,180 and fees for legal advisory to CHF 14,151 and other advisory CHF 42,646.

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 2011, the Audit and Corporate Governance Committee held one meeting. At this meeting, PwC participated during the discussion of agenda items that dealt with accounting, financial reporting or auditing matters and any other matters relevant for their audit. An additional meeting was held with the Chairman of the Audit and Corporate Governance Committee and PwC for audit planning purposes.

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 Corporate Governance Committee and PwC discuss PwC's independence from COLTENE Group and COLTENE management.

Based on the outcome of the performance of PwC as well as other criteria, 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, 2011, 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 62.

10 INTERNET

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

11 AD HOC PUBLICITY

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

For important dates of publications this year, the following year and contact addresses refer to pages 62 and 63.

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Statements on COLTENE Holding AG 56–61

GROUP INCOME STATEMENT

IN CHF 1000	REF.	2011	2010
Net sales	1	146 133	153 578
Changes in inventories of finished goods and work in progress		-1 126	931
Work performed by entity and capitalized		14	49
Raw material and consumables used	2	-43 379	-45 093
Personnel expenses	3	-53 651	-55 321
Other operating expenses	5	-30 807	-30 981
Depreciation and amortization	6	-4 934	-4 722
Operating profit (EBIT)		12 250	18 441
Financial income	7	92	1 242
Financial expenses	7	-3 342	-2 677
Share of loss of associates	7, 17	0	-838
Impairment on investments in associates	7, 17	0	-2 957
Net profit before tax expenses		9 000	13 211
Tax expenses	8	-3 012	-3 997
Net profit continuing operations	10	5 988	9 214
Profit from discontinued operations	25	0	71
Profit for the period		5 988	9 285
Earnings per share	10	CHF 1.44	CHF 2.24
Diluted earnings per share	10	CHF 1.44	CHF 2.24
Earnings per share from continuing operations	10	CHF 1.44	CHF 2.22
Diluted earnings per share from continuing operations	10	CHF 1.44	CHF 2.22

The notes are part of the COLTENE Group financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

IN CHF 1000	2011	2010
Profit for the period	5 988	9 285
Other comprehensive income for the period:		
Exchange differences on translating foreign operations, before and net of tax	-1 620	-9 302
Comprehensive income for the period	4 368	-17
Profit for the period attributable to the owner of the parent	5 988	9 285
Comprehensive income for the period attributable to the owner of the parent	4 368	-17

The notes are part of the COLTENE Group financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

IN CHF 1000	REF.	31.12.2011	31.12.2010
Assets			
Cash and cash equivalents		3 128	4 133
Accounts receivable from deliveries and sales	11	30 644	33 088
Tax receivables		173	108
Other receivables and prepaid expenses	12	3 256	3 789
Inventories	13	29 938	32 469
Current assets		67 139	73 587
Property, plant and equipment	1, 14	30 540	31 680
Financial assets	15	26	5
Intangible assets	1, 16	48 927	50 310
Deferred tax assets	9	3 255	3 106
Non-current assets		82 748	85 101
Total assets		149 887	158 688
Liabilities			
Current bank loans	18	30 177	34 072
Accounts payable to suppliers	19	5 601	8 612
Other accounts payable and accruals	20	10 681	9 378
Tax liabilities		761	1 553
Other short-term provisions	21	378	192
Current liabilities		47 598	53 807
Other long-term liabilities	22	0	14
Deferred tax liabilities	9	6 615	6 290
Other long-term provisions	21	1 082	729
Non-current liabilities		7 697	7 033
Total liabilities		55 295	60 840
Share capital		414	415
Currency translation adjustments		-27 662	-26 042
Retained earnings		121 840	123 475
Total equity	23	94 592	97 848
Total liabilities and equity		149 887	158 688

The notes are part of the COLTENE Group financial statements.

GROUP CASH FLOW STATEMENT

IN CHF 1000	REF.	2011	2010
Net profit continuing operations		5 988	9 214
Depreciation and amortization	6, 14, 16	4 934	4 722
Other non-cash items		6 987	8 605
Change in accounts receivable from deliveries and sales		1 448	2 666
Change in inventories		1 033	-5 116
Change in other current assets		482	-814
Change in current liabilities		-1 281	378
Interest paid		-1 195	-673
Interest received		92	22
Income tax paid		-3 905	-4 832
Cash flow from operating activities		14 583	14 172
Purchase of property, plant and equipment		-3 390	-1 801
Proceeds from sale of property, plant and equipment		58	102
Purchase of intangible assets		-1 277	-1 636
Proceeds of financial assets net		-27	0
Acquisition of subsidiaries – net of cash	17, 24	0	-5 973
Discontinued operations	25	0	-59
Cash flow from investing activities		-4 636	-9 367
Proceeds from loans and financial liabilities		25 340	23 770
Repayments of loans and financial liabilities		-28 542	-17 076
Dividend to shareholders	23	0	-12 862
Distribution to shareholders out of capital contribution reserves	23	-7 261	0
Purchase of treasury stock		-363	-124
Cash flow from financing activities		-10 826	-6 292
Exchange rate differences		-126	-260
Change in cash and cash equivalents		-1 005	-1 747
Cash and cash equivalents at beginning of year		4 133	5 880
Cash and cash equivalents at end of year		3 128	4 133

The notes are part of the COLTENE Group financial statements.

STATEMENT OF CHANGES IN EQUITY

IN CHF 1000	REF.	SHARE CAPITAL	CURRENCY TRANSLATION ADJUSTMENTS	RETAINED EARNINGS	TOTAL
01.01.2010		415	-16 740	127 051	110 726
Comprehensive income for the year		0	-9 302	9 285	-17
Share-based transactions with management	3, 27	0	0	121	121
Dividend distribution	23	0	0	-12 862	-12 862
Change in treasury stock		0	0	-120	-120
31.12.2010		415	-26 042	123 475	97 848
Comprehensive income for the year		0	-1 620	5 988	4 368
Share-based transactions with management	3, 27	0	0	120	120
Distribution out of capital contribution reserves	23	0	0	-7 261	-7 261
Change in treasury stock		-1	0	-482	-483
31.12.2011		414	-27 662	121 840	94 592

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, 2011:

- » IFRS 1 – First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures (effective as from July 1, 2010)
- » IAS 24 (Revised) – Related Party Disclosures (effective as from January 1, 2011)
- » IAS 32 (Amendment) – Financial Instruments: Presentation (effective as from February 1, 2010)
- » IFRIC 14 (Amendment) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as from January 1, 2011)
- » IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective as from July 1, 2010)

In addition, few standards have changed on July 1, 2010, or January 1, 2011, due to the different annual improvement projects.

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

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

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

- » IAS 1 revised – Presentation of financial statements (effective as from July 1, 2012)
- » IFRS 7 revised (Amendment) – Disclosure-Transfer of financial assets (effective as from July 1, 2011)
- » IFRS 9 – Financial Instruments: Classification and Measurement (effective as from January 1, 2015)
- » IAS 12 – Deferred Tax: Recovery of Underlying Assets (effective as from January 1, 2012)
- » IFRS 10 – Consolidated Financial Statements (effective as from January 1, 2013)
- » IFRS 11 – Joint Arrangements (effective as from January 1, 2013)
- » IFRS 12 – Disclosure of Interests in Other Entities (effective as from January 1, 2013)
- » IFRS 13 – Fair Value Measurement (effective as from January 1, 2013)
- » IAS 19 – Employee Benefits (effective as from January 1, 2013)
- » IAS 27 reissued – Separate Financial Statements (effective as from January 1, 2013)
- » IAS 28 reissued – Investments in Associates and Joint Ventures (effective as from January 1, 2013)

The Group does not anticipate any significant impact of these changes on future consolidated financial statements with the exception of IAS 19. In case of early adoption in 2011 the equity would have been reduced by CHF 4.0 million (see note 4).

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 21, 2012, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on April 20, 2012.

COMPANIES CONSOLIDATED

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

Within the scope of consolidation, the following changes took place in 2011:

COLTENE Service AG, Dübendorf was merged with Coltène/Whaledent AG as of January 1, 2011.

Within the scope of consolidation, the following changes took place in 2010:

Vigodent SA Indústria e Comércio, Bonsucesso/Rio de Janeiro, was fully acquired October 29, 2010, COLTENE do Brasil Participações Ltda., São Paulo, was founded September 27, 2010.

CONSOLIDATION METHOD AND GOODWILL

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

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

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

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

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

ASSOCIATES

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest

in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In 2010 the following changes in investments in associates took place:

Vigodent SA Indústria e Comércio, Bonsucesso/Rio de Janeiro, was fully acquired October 29, 2010 (see notes to Group financial statements, note 24).

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 at arm's length transactions, reference to other basically identical instruments, discounted cash flow analysis, and option pricing models. On each financial position date, the Group shall determine whether there is objective evidence that financial assets were impaired. In the case of an impairment of the financial assets, the respective expenses will be taken into account in the income statement.

INTANGIBLE ASSETS

» GOODWILL

Goodwill is the difference of the costs of acquisition over the Group's share of the fair value of the identifiable net assets acquired and represents the future economic benefit, which can not be recognized as a separate asset. Goodwill is carried in the currency of the acquired business and tested annually for impairment and carried at cost less accumulated impairment losses. For purposes of the impairment test, goodwill is allocated to the cash-generating unit Vigodent SA and "the Group". Vigodent SA was exceptionally considered as a cash-generating unit for 2010 and 2011. After full integration, Vigodent SA will disappear as cash-generating unit for 2012.

» INTANGIBLE ASSETS OTHER THAN GOODWILL

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

BORROWINGS

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

PROVISIONS

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

POST-EMPLOYMENT BENEFITS

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

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

SHARE-BASED PAYMENTS

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

A bonus and share participation program is in place for the members of the Executive Management as well as a limited number of key managers. The function parameters of this program are measuring the performance to targets to key performance indicators (KPI) such as EBIT and net sales, as well as to the fulfillment of personal targets. KPI's account for 75% and personal targets for 25%. 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% and 100% of the fixed salary of any participant.

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 shareholders 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 AND CAPITAL 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 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:

	31.12.2011	Ø 2011	31.12.2010	Ø 2010	31.12.2009
1 USD	0.9351	0.8854	0.9406	1.0433	1.0380
1 EUR	1.2167	1.2330	1.2465	1.3833	1.4877

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 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 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 2011 with all other variables held constant, net profit for the year would have been TCHF 177 (previous year TCHF 121) lower, as a result of higher interest expenses on current bank loans. If the interest rates had been lower by 50 bps for 2011 with all other variables held constant, net profit for the year would have been TCHF 177 (previous year TCHF 121) higher, as a result of lower interest expenses on current bank loans.

CURRENCY RISK

The Group is internationally active and thus exposed to currency fluctuations mainly in EUR and USD. If possible and feasible the currency risk is reduced by matching the currency in- and outflows. Starting from September 2011, the estimated EUR exposure is hedged by forwards. Forwards are placed on a rolling base at the end of each quarter. For the actual quarter 40% to 80% of the estimated exposure is hedged. For next quarter 20% to 60%, for the next to last quarter 0% to 40% and for the last quarter 0% to 20% is hedged. Hedges are made by Management based on approved guidelines by the Board of Directors. Risk associated with the conversion of the foreign currency financial positions of subsidiaries is not hedged.

At December 31, 2011, 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 14 higher (previous year TCHF 72 lower), 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 2011 than 2010 mainly because of the reduced net amount in USD. At December 31, 2011, if the CHF had strengthened by 5% against the USD, the net profit would have been TCHF 14 lower (previous year TCHF 72 higher). The same sensitivity analysis (+/- 5%) for EUR results in a change of net profit of TCHF +/- 85 (previous year TCHF +/- 121). Net profit is less sensitive to movement in CHF/EUR exchange rates in 2011 than in 2010 mainly because of the decreased accounts receivables from deliveries and sales in EUR.

At December 31, 2011, if the CHF had weakened by 5% against the USD with all other variables held constant, equity at the year would have been TCHF 1834 lower (previous year TCHF 1951), 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 1834 higher (previous year TCHF 1951). The same sensitivity analysis (+/- 5%) for EUR results in a change of equity of TCHF +/- 588 (previous year TCHF +/- 699).

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	2011	2010
Interest bearing debt	30 177	34 086
EBITDA	17 184	23 163
Debt ratio	1.8	1.5
Equity ratio in %	63.1%	61.7%

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		
	2011	2010
Switzerland	3 437	3 423
Germany, Austria	19 857	23 289
Great Britain, Ireland	7 166	7 827
France	6 255	7 396
Other Europe	20 375	21 856
Russia and other CIS	4 825	4 489
Middle East and Africa	5 890	6 852
North America	45 462	54 235
Brazil	11 087	3 048
Other South America	7 794	7 918
China	2 350	2 248
India	1 732	1 871
Other Far East, Oceania	9 903	9 126
Net sales	146 133	153 578

Sales figures by country restated due to an error in 2010. Originally reported: Switzerland 3328, Germany, Austria 23,326, Great Britain, Ireland 7655, France 7257, Other Europe 21,537, Russia and other CIS 4496, Middle East and Africa 6468, North America 54,363, Brazil 3025, Other South America 7829, China 2933, India 2345, Other Far East, Oceania 9016, Total net sales unchanged.

NET SALES PRODUCTS AND SERVICES IN CHF 1000		
	2011	2010
Restoration	33 968	33 517
Impression	30 070	29 370
Endodontics	23 561	25 846
Hygiene and Surgical	16 320	17 272
Units/Accessories	10 226	12 077
Rotary	10 067	12 127
Laboratory	7 389	7 441
Miscellaneous	14 532	15 928
Net sales	146 133	153 578

One customer group qualifies as a major customer – over 10% of net sales – with net sales of TCHF 30,437 (previous year TCHF 30,599) corresponding to 20.8% of Group net sales (previous year 19.9%).

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

PROPERTY, PLANT AND EQUIPMENT GEOGRAPHICAL AREAS IN CHF 1000		
	31.12.2011	31.12.2010
Switzerland	11 092	11 725
Germany	779	984
Other Europe	254	295
China	19	19
India	54	52
USA	15 207	15 846
Brazil	3 135	2 759
Property, plant and equipment	30 540	31 680

INTANGIBLE ASSETS GEOGRAPHICAL AREAS IN CHF 1000		
	31.12.2011	31.12.2010
Switzerland	8 301	7 697
Germany	18 358	18 835
Other Europe	105	116
China	7	7
India	6	4
USA	12 956	13 017
Brazil	9 194	10 634
Intangible assets	48 927	50 310

2 RAW MATERIAL AND CONSUMABLES USED

Raw material and consumables used amounted to 29.7% (previous year 29.4%) of net sales.

3 PERSONNEL EXPENSES

The average workforce amounted to 892 employees (previous year 786). The increase is mainly due to Vigodent being consolidated for twelve month in 2011 versus weighted average for two month in 2010.

Detailed information on personnel expenses:

IN CHF 1000	2011	2010
Wages and salaries	41 488	44 321
Expenses for defined benefit plans	956	707
Expenses for defined contribution plans	1 710	1 833
Other personnel expenses	9 497	8 460
Total	53 651	55 321

Personnel expenses include TCHF 120 (previous year TCHF 121) for share-based transactions with management.

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

4 PENSION LIABILITIES

No short-term payables against pension plans exist (previous year TCHF 4). Defined benefit plan exists for Coltène/Whaledent AG. Detailed information on the defined benefit plans:

IN CHF 1000	2011	2010
Pension costs		
Current service cost	748	644
Interest expenses	458	397
Expected return on plan assets	-366	-342
Recognized actuarial losses	116	8
Total	956	707
Actual return on plan assets	420	395
Expected contribution for 2011/2010	1372	1383

Change in pension liabilities

Balance 1.1.	16 652	14 421
Current service cost	748	644
Interest expenses	458	397
Employee contributions	576	569
Paid pensions from plans with separated assets	-2 832	-893
Actuarial losses	1 208	1 514
Balance 31.12.	16 810	16 652

Change in plan assets

Balance 1.1.	13 308	12 426
Employee contributions	576	569
Employer contributions	796	812
Paid pensions from plans with separated assets	-2 832	-893
Expected return on plan assets	366	342
Actuarial gains and losses	54	52
Balance 31.12.	12 268	13 308

Details to plan assets

Receivables from insurance company	12 268	13 308
Total	12 268	13 308

No investments were made in COLTENE Holding AG.

IN CHF 1000	2011	2010
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Assets and liabilities included in balance sheet

Liabilities of plans with separated assets	16 810	16 652
Plan assets	12 268	13 308
Underfunding	4 542	3 344
Not recognized actuarial losses	-3 994	-2 956
Net amount	548	388

Changes in net amount

Balance 1.1.	388	493
Expenses for defined benefit plans	956	707
Employers contributions	-796	-812
Balance 31.12.	548	388

Actuarial assumptions

Discount rate	2.25%	2.75%
Expected return on plan assets	2.50%	2.75%
Future salary increase	1.50%	1.50%
Inflation	1.00%	0.75%
Future pension increase	0.00%	0.00%
Mortality	BVG 2010	BVG 2005

IN CHF 1000	2011	2010	2009	2008	2007
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Other information

Experience adjustments on plan assets	54	52	-378	-97	-269
Experience adjustments on pension liabilities	104	7	38	-105	2 583

Over-/underfunding

Liabilities of plans with separated assets	16 810	16 652	14 421	13 838	35 200
Plan assets	12 268	13 308	12 426	12 574	35 355
Over-/underfunding	4 542	3 344	1 995	1 264	-155

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 2011, TCHF 4740 (previous year TCHF 4534) 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 14 (previous year TCHF 10). Other operating expenses contain TCHF 0 (previous year TCHF 284) for acquisition-related costs, which previously would have been included in the consideration for the business combination.

For business combinations see note 24 of the notes to Group financial statements.

6 DEPRECIATION AND AMORTIZATION

IN CHF 1000	2011	2010
Depreciation on property, plant and equipment	4 008	4 192
Amortization of intangible assets	926	530
Total	4 934	4 722

7 FINANCIAL RESULT

IN CHF 1000	2011	2010
Interest income on cash and cash equivalents	92	22
Gain on call option associates	0	1 220
Total financial income	92	1 242
Interest expenses for bank overdrafts and loans	-1 197	-739
Exchange rate differences and other financial expenses (net)	-2 145	-1 938
Total financial expenses	-3 342	-2 677
Share of loss of associates	0	-838
Impairment on investments in associates	0	-2 957
Total financial result (net)	-3 250	-5 230

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

8 TAX EXPENSES

Tax expenses comprise the following positions:

IN CHF 1000	2011	2010
Taxes payable	3 058	3 609
Deferred taxes	-46	388
Total	3 012	3 997

Tax expenses can be analyzed as follows:

IN CHF 1000	2011	2010
Net profit before tax expenses	9 000	13 211
Tax expenses at applicable tax rate of 18.80% (27.96%)	1 692	3 693
Effects of non-tax deductible expenses	538	302
Effects of tax exempt or reduced income	-260	-360
Effects of tax loss not capitalized in current year	1 165	210
Effects of tax loss used not capitalized in prior years	-154	0
Other impacts	31	152
Effective tax	3 012	3 997
Effective tax rate in %	33.5%	30.3%

The applicable tax rate represents a weighted average rate based on all Group companies. Compared to last year the applicable rate is reduced from 27.96% to 18.80% mainly due to higher losses at Vigodent SA (tax rate 34%) as being consolidated for twelve month in 2011 (two months in 2010). The expected tax rates applied by the different companies are unchanged to prior year.

Tax expenses of TCHF 3012 represent an effective tax rate of 33.5% (prior year 30.3%) of the net profit before tax expenses. The difference between applicable and effective tax rate is mainly due to Vigodent's tax losses not capitalized and non-tax deductible expenses for 2011. First-time capitalized tax losses of TCHF 154 is relating to Coltène/Whaledent Dental Materials & Equipment Trading Co., Ltd in Beijing followed by an updated entity's business plan.

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

IN CHF 1000	2011	2010
Tax losses capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	2 383	1 037
Expiration over 5 years	5 439	5 951
Total	7 822	6 988

Tax credits of capitalized tax losses

Expiration within 1 year	0	0
Expiration between 1 and 5 years	708	346
Expiration over 5 years	1 808	1 892
Total	2 516	2 238

Tax losses not capitalized

Expiration within 1 year	0	0
Expiration between 1 and 5 years	561	0
Expiration over 5 years	3 553	1 479
Total	4 114	1 479

Tax credits of not capitalized tax losses

Expiration within 1 year	0	0
Expiration between 1 and 5 years	140	0
Expiration over 5 years	1 208	397
Total	1 348	397

Tax liabilities comprise expected income tax payments based on taxable profit of the year as well as pending tax assessments. All tax credits from capitalized tax losses are assessed annually. The assessments are based on business plans. Underlying estimation and assumptions are main sources of uncertainties.

9 DEFERRED TAXES

Deferred tax assets include the following positions:

IN CHF 1000	2011	2010
1.1.	3 106	1 428
Change in scope	0	1 493
Additions	503	442
Reversals	-126	-52
Currency effects	-228	-205
31.12.	3 255	3 106

Deferred tax liabilities include the following positions:

IN CHF 1000	2011	2010
1.1.	6 290	6 026
Additions	987	1 296
Reversals	-669	-553
Currency effects	7	-479
31.12.	6 615	6 290

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

IN CHF 1000	2011		2010	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Receivables and accruals	28	382	0	348
Inventories	514	400	495	486
Property, plant and equipment	0	5 990	0	5 633
Intangible assets	0	63	26	5
Financial liabilities	94	313	74	312
Provisions	710	74	848	81
Deferred taxes from losses carried forward	2 516	0	2 238	0
Offset of deferred assets and liabilities	-607	-607	-575	-575
Total	3 255	6 615	3 106	6 290

Deferred tax assets to be recovered after more than twelve months amount to TCHF 3 255 (previous year TCHF 3 106). 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 6 101 (previous year TCHF 5 795). Deferred tax liabilities to be recovered within twelve months amount to TCHF 514 (previous year TCHF 495).

10 NET PROFIT

The net profit from continuing operations amounts to TCHF 5988 (previous year TCHF 9214). The earnings per share (EPS) are calculated as follows:

	2011	2010
Weighted number of shares issued at 31.12.	4 147 795	4 149 000
Earnings per share (based on profit for the period)	1.44	2.24
Diluted earnings per share (based on profit for the period)	1.44	2.24
Earnings per share from continuing operations	1.44	2.22
Diluted earnings per share from continuing operations	1.44	2.22
Earnings per share from discontinued operations	0.00	0.02
Diluted earnings per share from discontinued operations	0.00	0.02

11 ACCOUNTS RECEIVABLE FROM DELIVERIES AND SALES

IN CHF 1000	2011	2010
Accounts receivable from deliveries and sales (gross)	31 683	34 265
Allowance	-1 039	-1 177
Total	30 644	33 088

Accounts receivable from deliveries and sales by currency

CHF	3 953	4 711
EUR	9 036	10 286
USD	11 562	12 803
Other currencies	6 093	5 288
Total	30 644	33 088

Accounts receivable from deliveries and sales (gross) by maturity

Not due	26 393	26 243
Past due 1 to 30 days	2 389	3 924
Past due 31 to 60 days	381	604
Past due 61 to 90 days	779	537
Past due 91 to 120 days	41	742
Past due over 120 days	1 700	2 215
Total	31 683	34 265

Accounts receivable from deliveries and sales by maturity

Not due	26 298	26 100
Past due 1 to 30 days	2 381	3 896
Past due 31 to 60 days	356	564
Past due 61 to 90 days	734	481
Past due 91 to 120 days	0	603
Past due over 120 days	875	1 444
Total	30 644	33 088

Change in allowance

1.1.	1 177	943
Change in scope	0	324
Additions	426	152
Used	-413	-180
Reversals	-112	0
Currency effects	-39	-62
31.12.	1 039	1 177

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

As per December 31, 2011, accounts receivable from deliveries and sales of TCHF 164 are pledged as securities for bank loans (previous year TCHF 2231).

12 OTHER RECEIVABLES AND ACCRUALS

These items include:

IN CHF 1000	2011	2010
Other receivables ¹	1874	2862
Prepaid expenses	1382	927
Total	3256	3789

¹ see note 27 related parties

13 INVENTORIES

Inventories are as follows:

IN CHF 1000	2011	2010
Raw materials	11941	13976
Trade merchandise	1959	791
Work in progress	7347	6504
Finished goods	8691	11198
Total	29938	32469

Change in allowance

1.1.	4691	4805
Change in scope	0	287
Additions	1074	1155
Used	-1016	-1081
Reversals	-156	-219
Currency effects	-42	-256
31.12.	4551	4691

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

14 PROPERTY, PLANT AND EQUIPMENT

IN CHF 1000	MACHINERY AND EQUIPMENT	LAND	BUILDINGS (INCL. INST.)	ASSETS UNDER CONSTRUCTION	TOTAL
Gross values					
Value 31.12.2009	42219	1397	38245	537	82398
Change in scope	1150	297	1405	0	2852
Additions	1112	10	508	492	2122
Disposals	-1009	0	-1639	0	-2648
Currency effects	-3851	-110	-1537	-2	-5500
Reclassification	690	0	213	-916	-13
Value 31.12.2010	40311	1594	37195	111	79211
Additions	1256	0	1327	861	3444
Disposals	-229	0	-229	0	-458
Currency effects	-455	-38	-325	23	-795
Reclassification	-853	0	1348	-495	0
Value 31.12.2011	40030	1556	39316	500	81402
Accumulated depreciation					
Value 31.12.2009	28260	376	20784	0	49420
Depreciation	2489	61	1642	0	4192
Disposals	-966	0	-1584	0	-2550
Currency effects	-2764	-41	-726	0	-3531
Value 31.12.2010	27019	396	20116	0	47531
Depreciation	2243	52	1713	0	4008
Disposals	-229	0	-171	0	-400
Currency effects	-234	1	-44	0	-277
Reclassification	-1104	0	1104	0	0
Value 31.12.2011	27695	449	22718	0	50862
Net values					
Value 31.12.2009	13959	1021	17461	537	32978
Value 31.12.2010	13292	1198	17079	111	31680
Value 31.12.2011	12335	1107	16598	500	30540

Leased property, plant and equipment amount to TCHF 12 (previous year TCHF 72).

Contractual commitments:

As per December 31, 2011, contractual commitments to acquire machinery and equipment of TCHF 220 were entered upon (previous year TCHF 609).

Pledged assets:

No property, plant and equipment are pledged for as per December 31, 2011, or as per December 31, 2010.

Fire insurance values:

Fire insurance values of property, plant and equipment amount to TCHF 92,355 (previous year TCHF 88,524).

15 FINANCIAL ASSETS

Financial assets consist of TCHF 1 securities (previous year TCHF 1) and of TCHF 25 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. Vigodent SA was exceptionally considered as a cash-generating unit for 2011 and 2010. After full integration, Vigodent will disappear as cash-generating unit.

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

Following assumptions were made:

	2011	2010
CGU Group		
Long-term growth rate	2.5%	2.5%
Gross profit margin	69–71%	70–72%
Discount rate	8.5%	8.5%
CGU Vigodent		
Long-term growth rate	2.5%	2.5%
Gross profit margin	65–67%	61–63%
Discount rate	12.5%	12.5%

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

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

IN CHF 1000	GOODWILL	OTHER INTAN- GIBLE ASSETS	TOTAL
Gross values			
Value 31.12.2009	40 719	6 047	46 766
Change in scope	7 340	3 570	10 910
Additions	0	1 531	1 531
Disposals	0	-164	-164
Currency effects	-5 021	-398	-5 419
Reclassification	0	13	13
Value 31.12.2010	43 038	10 599	53 637
Additions	0	1 197	1 197
Disposals	0	0	0
Currency effects	-1 300	-389	-1 689
Reclassification	0	0	0
Value 31.12.2011	41 738	11 407	53 145
Accumulated amortization			
Value 31.12.2009	0	3 151	3 151
Amortization	0	530	530
Disposals	0	-164	-164
Currency effects	0	-190	-190
Value 31.12.2010	0	3 327	3 327
Amortization	0	926	926
Disposals	0	0	0
Currency effects	0	-35	-35
Value 31.12.2011	0	4 218	4 218
Net values			
Value 31.12.2009	40 719	2 896	43 615
Value 31.12.2010	43 038	7 272	50 310
Value 31.12.2011	41 738	7 189	48 927

As per December 31, 2011, contractual commitments to acquire intangible assets of TCHF 0 exist (previous year TCHF 238).

17 INVESTMENTS IN ASSOCIATES

As per December 31, 2011 and 2010, no investments in associates exist.

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

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

The Group's share of loss of associates for 2010 was TCHF 838.

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

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

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

IN CHF 1000	2011	2010
Ownership	–	100%
Current assets	–	n/a
Non-current assets	–	n/a
Total assets	–	n/a
Current liabilities	–	n/a
Non-current liabilities	–	n/a
Total liabilities	–	n/a
Net sales (from 1.1.2010 to 29.10.2010)	–	9346
Expenses (from 1.1.2010 to 29.10.2010)	–	–11 442
Loss for the period (from 1.1.2010 to 29.10.2010)	–	–2096

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	2011	2010
Current bank loans		
Unsecured bank loans	29 589	31 841
Secured bank loans	588	2 231
Total	30 177	34 072

IN CHF 1000	CURRENCY	INTEREST RATE	MATURITY	2011
Current bank loans				
Unsecured bank loan	BRL	27.42%	14.01.12	7
Unsecured bank loan	CHF	0.91%	30.01.12	5 175
Unsecured bank loan	CHF	0.91%	30.01.13	5 000
Unsecured bank loan	CHF	0.65%	30.01.14	2 500
Unsecured bank loan	CHF	1.04%	30.01.15	1 300
Unsecured bank loan	USD	1.19%	31.01.12	5 985
Unsecured bank loan	USD	1.10%	31.01.13	5 003
Unsecured bank loan	BRL	24.00%	05.02.12	151
Unsecured bank loan	BRL	28.03%	20.03.12	30
Unsecured bank loan	CHF	1.15%	30.03.12	2 000
Unsecured bank loan	BRL	5.10%	09.04.12	252
Unsecured bank loan	BRL	4.89%	05.06.12	755
Unsecured bank loan	BRL	4.79%	24.09.12	604
Unsecured bank loan	BRL	4.99%	18.10.12	827
Secured bank loan	BRL	15.35%	28.12.12	164
Secured bank loan	INR	11.50%	31.12.12	424
Total				30 177

IN CHF 1000	CURRENCY	INTEREST RATE	MATURITY	2010
Current bank loans				
Unsecured bank loan	CHF	0.93%	31.01.11	6 000
Unsecured bank loan	USD	1.04%	31.01.11	4 891
Unsecured bank loan	CHF	0.93%	28.02.11	5 100
Unsecured bank loan	CHF	0.95%	28.02.11	2 000
Unsecured bank loan	USD	1.10%	28.02.11	3 950
Unsecured bank loan	CHF	1.05%	14.03.11	2 500
Unsecured bank loan	CHF	0.78%	31.03.11	3 500
Partly secured bank loan	BRL	21.60%	29.04.11	94
Unsecured bank loan	BRL	12.96%	09.06.11	1 770
Partly secured bank loan	BRL	24.00%	20.06.11	176
Unsecured bank loan	BRL	24.00%	30.06.11	172
Unsecured bank loan	BRL	12.96%	04.08.11	282
Unsecured bank loan	BRL	12.96%	30.09.11	675
Unsecured bank loan	BRL	18.00%	28.10.11	366
Unsecured bank loan	INR	11.50%	01.12.11	358
Unsecured bank loan	BRL	27.36%	14.01.12	90
Secured bank loan	BRL	22.80%	n/a	1 139
Secured bank loan	BRL	18.84%	n/a	987
Secured bank loan	BRL	17.40%	n/a	2
Secured bank loan	BRL	22.80%	n/a	20
Total				34 072

Total uncommitted credit lines amount to TCHF 93,268 (previous year TCHF 95,511) of which 32% are used (previous year 36%). Covenants exist and the conditions of the covenants are met for both periods.

The Group intends to repay the current bank loans of TCHF 30,177 and the interest of TCHF 156 within less than twelve months and to finance cash needs by renewing existing bank loans and by closing additional bank loans out of existing credit lines.

19 ACCOUNTS PAYABLE TO SUPPLIERS

IN CHF 1000	2011	2010
Accounts payable to suppliers by currency		
CHF	1 703	2 789
EUR	1 160	1 475
USD	1 729	3 503
Other currencies	1 009	845
Total	5 601	8 612

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

20 OTHER ACCOUNTS PAYABLE AND ACCRUALS

IN CHF 1000	2011	2010
Other accounts payable	4 187	3 813
Short-term financial leasing	12	28
Accruals	6 482	5 537
Total	10 681	9 378

Derivative financial instruments

IN CHF 1000	2011	2010
Currency related instruments		
Contract amount		
(Forward exchange rate contracts)	4 832	0
Fair value (included in accruals)	-21	0

Forward exchange rate contracts by currencies

EUR	4 832	0
USD	0	0
Other	0	0

The tables show the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract at December 31, 2011 and 2010. Contract or underlying principal amounts indicate the volume of business outstanding at the consolidated balance sheet date and do not represent amounts at risk. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31, 2011 and 2010.

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	LEGAL & PERSONNEL RELATED	PENSION PLANS & SOCIAL SECURITY	GUARAN- TEE & OTHERS	TOTAL
31.12.2009	149	643	225	1017
Change in scope	62	0	0	62
Reversals	0	-104	-28	-132
Additions	7	11	19	37
Currency effects	-26	-26	-11	-63
31.12.2010	192	524	205	921
Additions	313	208	126	647
Reversals	-111	0	0	-111
Used	0	-6	0	-6
Currency effects	14	-2	-3	9
31.12.2011	408	724	328	1460
Short-term provisions				
31.12.2010	192	0	0	192
Short-term provisions				
31.12.2011	100	50	228	378
Long-term provisions				
31.12.2010	0	524	205	729
Long-term provisions				
31.12.2011	308	674	100	1082

22 FINANCIAL LEASING AND OPERATING LEASING

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

IN CHF 1000	OPERATING LEASING		FINANCIAL LEASING	
	2011	2010	2011	2010
No later than 1 year	1178	988	12	32
Later than 1 year and no later 5 years	2820	2468	0	19
Later than 5 years	27	514	0	0
Interest included in above payments	0	0	0	-9
Total	4025	3970	12	42
Total over 1 year	2847	2982	0	19

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

The short-term financial leasing liabilities of TCHF 12 (previous year TCHF 28) are reported in other accounts payable and accruals. The long-term financial leasing liabilities of TCHF 0 (previous year TCHF 14) are reported in other long-term liabilities.

23 EQUITY

The share capital represents the capital of COLTENE Holding AG adjusted by treasury stock. Treasury stock on December 31, 2011, included 79,491 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 distribution of CHF 1.10 per share out of the capital contribution reserves will be proposed to the Annual General Meeting on April 20, 2012.

Based on the AGM decision on April 28, 2011, the company distributed from the capital contribution reserve CHF 1.75 (previous year a dividend of CHF 3.10 less 35% withholding) per share, to its shareholders on May 5, 2011. The total amount paid was TCHF 7261 (previous year TCHF 12,862).

24 BUSINESS COMBINATIONS

In 2011 no acquisitions were made.

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

IN CHF 1000	FAIR VALUE
Accounts receivable from deliveries and sales	2647
Other receivables and prepaid expenses	624
Inventories	3055
Property, plant and equipment	2852
Financial assets	2
Intangible assets	3570
Deferred tax assets	1493
Current bank loans	-5537
Accounts payable to suppliers	-2826
Other accounts payable and accruals	-2007
Other short-term provisions	-62
Other long-term liabilities	-16
Net assets acquired	3795
Goodwill	7340
Total purchase consideration for 100%	11135
Thereof cash paid to the seller for 60%	-5973
Thereof fair value of investments in associates 40%	-3942
Thereof fair value of call option	-1220

In 2010 acquisition-related costs of TCHF 284 have been recognized in the consolidated income statement as operating expenses, which previously would have been included in the consideration for the business combination.

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

In this year's reporting period Vigodent SA is fully consolidated. Vigodent SA was in a turnaround situation and contributed to the group's income statement with net sales of TCHF 10,549 and operating expenses of TCHF 8505 and a net loss for the period of TCHF 3359.

25 DISCONTINUED OPERATIONS

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

IN CHF 1000	2011	2010
Gain on sale of discontinued operations	0	77
Income tax on gain on sale of discontinued operations	0	-6
Profit from discontinued operations	0	71
Cash flow from discontinued operations		
Net cash flow from investing activities	0	-59
Net cash flow from discontinued operations	0	-59

In 2011 no impacts of discontinued operations were recognised. In 2010 accrued liabilities of TCHF 59 were paid and unused accrued liabilities of TCHF 77 were recognized as gain on sale of discontinued operations.

26 CONTINGENT LIABILITIES

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

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

27 TRANSACTION WITH RELATED PARTIES

IN CHF 1000	2011	2010
Key management compensation:		
Salaries and other short-term employee benefits	1 220	1 703
Share-based payments	121	88
Post-employment benefits	95	125
Total	1 436	1 916
Other receivables from Board of Directors ¹	58	0
Transactions with associates (Vigodent SA):		
Net sales (from 1.1.2010 to 29.10.2010)	n/a	526
Accounts receivable from deliveries and sales	n/a	n/a

¹ included in other receivables (see note 12)

For further details concerning the remuneration to the Board of Directors and Executive Management see notes to COLTENE Holding AG on page 59.

28 SUBSEQUENT EVENTS

The Board of Directors authorized the Group financial statements on February 21, 2012, for issue. As per this date, the Board of Directors and Executive Management were unaware of any important events subsequent to the closing of books.

MAJOR GROUP COMPANIES

COMPANY	ACTIVITY	REGISTERED CAPITAL	GROUP OWNERSHIP 2011	GROUP OWNERSHIP 2010
Coltène/Whaledent AG, Altstätten CH	Production and sales of dental specialities	CHF 1 600 000	100%	100%
Coltène/Whaledent Vertriebsservice und Marketing GmbH, Altstätten CH	Sales services and marketing of dental specialities	CHF 20 000	100%	100%
Coltène/Whaledent GmbH + Co. KG, Langenau DE	Production and sales of dental specialities	EUR 1 850 000	100%	100%
Dentalia Kft., Bicske HUN	Production and sales of dental specialities	HUF 3 000 000	100%	100%
Endodent Inc., Duarte CA/USA	Production and sales of dental specialities	USD 30 000	100%	100%
Coltène/Whaledent Ltd., Burgess Hill GB	Sales of dental specialities	GBP 200 000	100%	100%
Coltène/Whaledent S.à.r.l., Le Mans FR	Sales of dental specialities	EUR 503 000	100%	100%
Coltène/Whaledent Dental Materials & Equipment Trading Co., Ltd, Beijing CN	Sales of dental specialities	CNY 5 000 000	100%	100%
Coltène/Whaledent Private Limited, Mumbai IN	Sales of dental specialities	INR 19 800 000	100%	100%
Coltène/Whaledent Inc. Cuyahoga Falls OH/USA	Production and sales of dental specialities	USD 5 000 000	100%	100%
Vigodent SA Indústria e Comércio, Rio de Janeiro BR	Production and sales of dental specialities	BRL 7 383 711	100%	100%

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 balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 26 to 54), for the year ended December 31, 2011.

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, 2011 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	Ramon Dreier
Audit expert	Audit expert
Auditor in charge	

St. Gallen, February 21, 2012

BALANCE SHEET COLTENE HOLDING AG

IN CHF	31.12.2011	31.12.2010
Assets		
Cash and cash equivalents	145 711	6 317
Other receivables from third parties	25 155	7 290
Other receivables from subsidiaries	419 947	1 708 830
Other receivables from Board of Directors	57 911	0
Prepaid expenses and accrued income	71 623	34 270
Current assets	720 347	1 756 707
Loans to subsidiaries	50 231 898	53 429 280
Investments in subsidiaries	22 031 114	22 031 114
Own shares	2 531 788	3 010 000
Non-current assets	74 794 800	78 470 394
Total assets	755 151 147	80 227 101
Liabilities		
Bank loans	26 962 425	27 941 170
Other liabilities to third parties	32 447	0
Other liabilities to subsidiaries	842 050	0
Accruals and provisions	93 000	381 171
Current liabilities	27 929 922	28 322 341
Share capital	421 900	421 900
Statutory reserves	84 380	18 014 757
Capital contribution reserve	13 416 733	0
Reserves for treasury stock	3 239 947	3 010 000
Net income brought forward	30 422 265	30 458 103
Total equity	47 585 225	51 904 760
Total liabilities and equity	75 515 147	80 227 101

INCOME STATEMENT COLTENE HOLDING AG

IN CHF	2011	2010
Income from investments	3 241 770	15 000 000
Financial income	1 885 017	1 802 495
Total income	5 126 787	16 802 495
Financial expenses	-1 145 799	-302 098
Administrative expenses	-1 028 899	-1 182 765
Tax expenses	-10 874	-85 062
Total expenses	-2 185 572	-1 569 925
Profit of the year	2 941 215	15 232 570

STATEMENTS OF CHANGES IN EQUITY COLTENE HOLDING AG

IN CHF	SHARE CAPITAL	STATUTORY RESERVES	CAPITAL CONTRIBUTION RESERVES	RESERVES FOR TREASURY STOCK	NET INCOME BROUGHT FORWARD	TOTAL
31.12.2009	421 900	18 014 757	0	3 010 000	28 087 232	49 533 889
Dividend distribution					-12 861 699	-12 861 699
Profit of the year					15 232 570	15 232 570
31.12.2010	421 900	18 014 757	0	3 010 000	30 458 103	51 904 760
Transfer		-17 930 377	17 930 377			0
Transfer			2 747 106		-2 747 106	0
Distribution to shareholders			-7 260 750			-7 260 750
Transfer				229 947	-229 947	0
Profit of the year					2 941 215	2 941 215
31.12.2011	421 900	84 380	13 416 733	3 239 947	30 422 265	47 585 225

NOTES TO COLTENE HOLDING AG

IN CHF	31.12.2011	31.12.2010
1 Contingent liabilities		
Warrants Medifiq Healthcare Corporation (see notes to the Group financial statements, note 26)	p.m.	p.m.
Joint and several liability for VAT liabilities of COLTENE Holding AG, Altstätten, Coltène/Whaledent AG, Altstätten, Coltène/Whaledent Vertriebservice und Marketing GmbH, Altstätten	p.m.	p.m.
2 Significant investments		
See list on page 54		
3 Treasury stock		
Total at 31.12.		
79,491 (70,000) shares par value CHF 0.10 (CHF 0.10)	2531788	3010000
Purchases: 17,624 (2121) shares at an average price of	32.89	58.64
Sales: 8133 shares at an average price of	34.45	
Share-based transactions with management: 2255 (2121) shares at an average price of	53.10	58.64
4 Significant shareholders		
The company is aware of the following registered shareholders who own over 3% of the shares		
Huwa Finanz- und Beteiligungs AG, Heerbrugg	20.27%	18.32%
FMR Corp., Boston/USA	9.99%	9.99%
Tweedy, Browne Company LLC, New York/USA	5.18%	5.18%
Lincoln Vale European Partners Master Fund L.P., Lincoln/USA	< 3%	4.96%
Schroder Investments Management Limited, London/UK	4.17%	4.17%
Orange European Smallcap Fund N.V., Amsterdam/NL	< 3%	3.80%
Robert Heberlein, Zumikon	3.58%	3.46%
Credit Suisse Asset Management Funds AG, Zurich	3.04%	3.04%
UBS Fund Management (Switzerland) AG, Zürich	3.01%	< 3%
5 Number of shares held by Board of Directors		
Nick Huber, Chairman	2050	800
Robert Heberlein, Member	151153	145903
Erwin Locher, Member	9056	5177
Matthew Robin, Member	1000	750
Jerry Sullivan, Member	427	177
Total	163686	152807
6 Number of shares held by Executive Management		
Andreas Meldau, Chief Executive Officer until June 30, 2011	n/a	1243
Hans Grüter, Chief Financial Officer	3061	2132
Total	3061	3375
7 Other Receivables from Board of Directors		
Nick Huber, Chairman	11747	0
Robert Heberlein, Member	11658	0
Erwin Locher, Member	11747	0
Matthew Robin, Member	11747	0
Jerry Sullivan, Member	11012	0
Total	57911	0

8 Remuneration to Board of Directors in CHF

	BASE REMUNERATION		VARIABLE REMUNERATION		OTHER REMUNERATION		TOTAL
	IN CASH	IN SHARES	SOCIAL SECURITY	OTHER BENEFITS	SOCIAL SECURITY	OTHER BENEFITS	
2011							
Nick Huber, Chairman	80 000	8 988	0	0	5 932	0	94 920
Robert Heberlein, Member	60 000	8 988	0	0	2 834	0	71 822
Erwin Locher, Member ¹	60 000	8 988	0	0	4 598	0	73 586
Matthew Robin, Member	60 000	8 988	0	0	4 598	0	73 586
Jerry Sullivan, Member	60 000	8 988	0	0	0	0	68 988
Total	320 000	44 940	0	0	17 962	0	382 902

¹ The total remuneration for Erwin Locher amounts CHF235,856 including the remuneration for his function as ad interim CEO (see also note 9)

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

9 Remuneration to Executive Management in CHF

	BASE REMUNERATION		VARIABLE REMUNERATION		OTHER REMUNERATION		TOTAL
	IN CASH	IN SHARES	IN CASH	IN SHARES	SOCIAL SECURITY	OTHER BENEFITS	
2011							
Hans Grüter, Chief Financial Officer	360 000	0	18 316	37 807	106 353	23 843	546 319
Other members of the Executive Management ¹	347 575	0	35 621	38 710	60 967	24 265	507 138
Total	707 575	0	53 937	76 517	167 320	48 108	1 053 457

¹ Including remuneration of CHF 162,269 for Erwin Locher as ad interim CEO

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

10 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	2011	2010
Allocation of the profit of the year		
Net income carried forward from previous year	27 710 997	15 225 533
Profit of the year	2 941 215	15 232 570
Transfer to reserves for treasury stocks	-229 947	0
Transfer to reserves from previous capital contributions	0	-2 747 106
Total amount at the disposal of the AGM	30 422 265	27 710 997
Dividend distribution	0	0
Balance to be carried forward	30 422 265	27 710 997
Distribution out of reserves from capital contributions		
Available reserves from previous capital contributions	13 416 733	20 677 483
Distribution to shareholders of CHF 1.10 per share (1.75 per share)	-4 640 900	-7 383 250
Distribution reduction due to treasury shares	0	122 500
Balance to be carried forward	8 775 833	13 416 733



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, 2011.

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, 2011 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	Ramon Dreier
Audit expert	Audit expert
Auditor in charge	

St. Gallen, February 21, 2012

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 15, 2012

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

APRIL 20, 2012

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

AUGUST 17, 2012

Presentation of half-year results 2012
Conference Call/Webcast
Publication of Half-year Report 2012

MARCH 2013

Presentation of annual results 2012
Financial analysts' and media conference
Publication of Annual Report 2012

APRIL 2013

General Meeting of the Shareholders

INTERNET/E-MAIL BULLETINS

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

KEY FIGURES PER SHARE

Price at year-end	31.85
Highest price	61.80
Date	18.01.2011
Lowest price	29.65
Date	15.12.2011
Earnings per share	1.44
Equity per share	22.81
Distribution per share	1.10
Taxable value	31.85

Important Addresses

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