
Annual Report 2014

The Brands You Trust

The Brands You Trust

Dentists all over the world place their trust in COLTENE's established brands. Its product range covers the full dental treatment chain from Restoration and Endodontics to Prosthetics and Rotary Instruments, from Treatment Auxiliaries to Infection Control products. Many dentists do not realize that many of the products and brands they use and trust all originate from COLTENE. The purpose of the COLTENE umbrella brand introduced last year is to serve as a global seal of quality that highlights the diversity of the product range and encourages the professional community to use some of the lesser known products from the large family of COLTENE products.

COLTENE collaborates closely with universities and key opinion leaders and is aware of the specific needs dental practitioners have. COLTENE stands for quality, safety and efficiency. All of COLTENE's efforts revolve around maximizing the benefit and added value offered to the dental community. COLTENE gives dentists innovative products that support the delivery of the best possible care to patients while making treatments easier, safer and more cost-effective.

The pages of this report separating the different sections provide examples of well-known COLTENE branded products trusted by dentists all over the world.



Product Overview

Restoration
25.8%



The Restoratives product group contains all the products used in restorative treatment procedures. These products range from adhesive systems and restorative filling materials to curing equipment.

Endodontics
18.8%



The Endodontics range is focused on products for root canal therapy, which entails root canal preparation, cleansing and obturation.

Rotary Instruments
7.7%



COLTENE offers a comprehensive range of carbide drills, diamond burs and polishing tools. Its Rotary Instruments are distinguished by superior stability and excellent cutting action.

Prosthetics
21.8%



In Prosthetics, COLTENE offers a broad range of condensation and addition silicon impression materials with excellent flow properties. Highly precise dental impressions improve the treatment outcomes of prosthetic procedures.

Treatment Auxiliaries
13.1%



Treatment Auxiliaries comprises a broad range of products for wound care and treatment and moisture control. These practical supplies and materials make work easier and enhance patient comfort.

Infection Control
6.4%



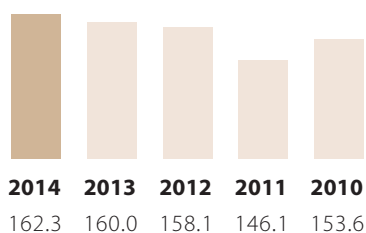
The Infection Control product category contains ultrasonic cleaning systems, sterile covers and face masks that provide an effective barrier against infection in dental practices.

Key Figures

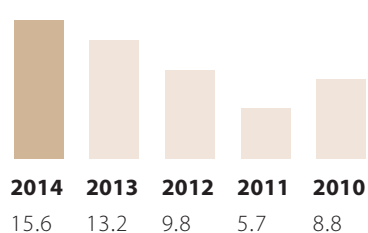
5-Year Overview (2010–2014)

(in CHF million, continuing activities, adjusted)

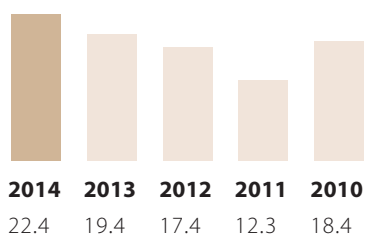
Net Sales



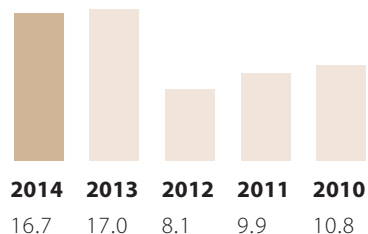
Net Profit



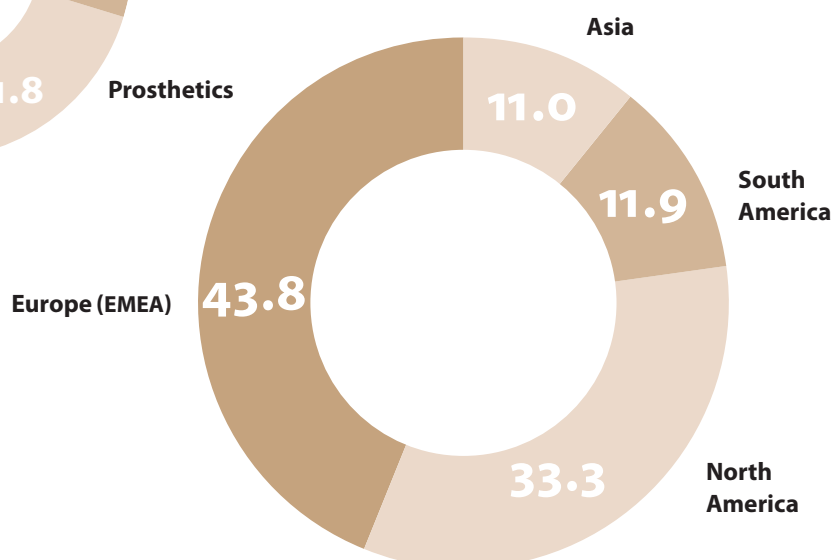
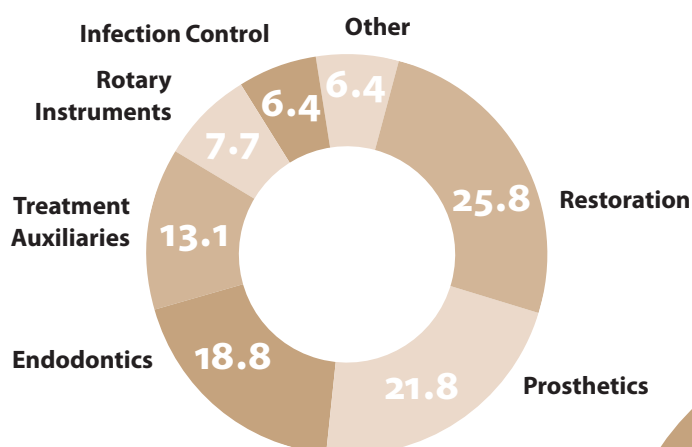
EBIT



Free Cash Flow



Net Sales 2014 in %



Information about COLTENE share

Share Capital and Capital Structure

	2014	2013	2012	2011	2010
Par value per share	0.10	0.10	0.10	0.10	0.10
Total registered shares	4 219 000	4 219 000	4 219 000	4 219 000	4 219 000
Cleared shares	19.88%	14.98%	19.44%	26.86%	32.47%
Number of treasury shares	100	993	9 739	79 491	70 000
Number of dividend-bearing shares	4 218 900	4 218 007	4 209 261	4 139 409	4 148 900
Registered capital (CHF 1000)	422	422	422	422	422
Conditional capital (CHF 1000)	0	0	0	0	0
Authorized capital (CHF 1000)	0	0	0	0	0
Total voting rights	4 218 900	4 218 007	4 209 261	4 139 409	4 148 900

Key Stock Exchange Figures per Share

CHF	2014	2013	2012	2011	2010
Share price high	65.40	49.80	36.00	61.80	63.00
Share price low	45.03	30.25	24.80	29.65	50.15
Closing rate	63.00	45.85	29.60	31.85	57.00
Average volume per trading day (no. of shares)	5 314	5 554	5 700	3 486	3 359
Market capitalization – CHF million (31.12.)	266	193	125	134	240

Key Figures per Share

CHF	2014	2013	2012 ¹	2011	2010
Earnings per share – basic	3.71	3.13	2.33	1.44	2.22 ⁵
Earnings per share – diluted	3.71	3.13	2.33	1.44	2.22 ⁵
Operating cash flow per share	4.73	5.52	3.02	3.46	3.36
Free cash flow per share	3.96	4.03	1.93	2.36	2.57
Dividend per share	2.50 ²	2.20 ³	1.80 ⁴	1.10 ⁴	1.75
Equity per share	24.68	23.15	22.09	22.42	23.19

¹ Restated based on IAS 19 revised.

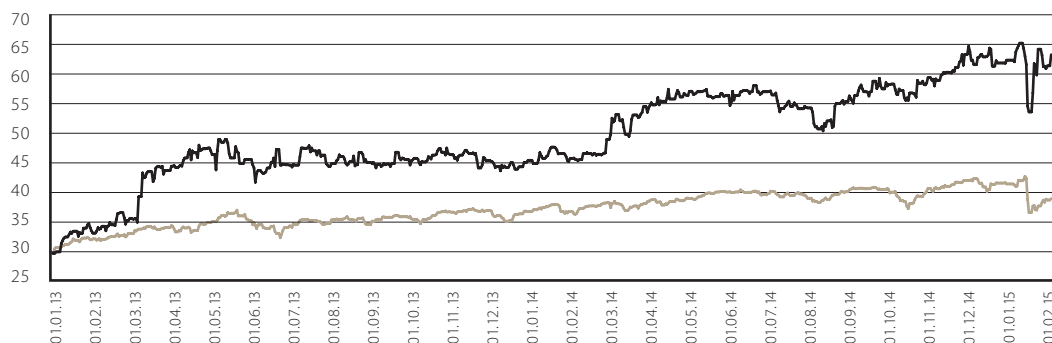
² Board of Directors' proposal to the Annual General Meeting on March 25, 2015.

³ Thereof CHF 0.28 dividend payout per share from capital reserves.

⁴ Dividend payout per share from capital reserves.

⁵ From continuing operations.

Share Price Performance



The value of a COLTENE share rose by 37.4% from CHF 45.85 to CHF 63.00 in 2014. In the year under review, COLTENE paid a dividend of CHF 2.20 per share. The overall performance for the year as a whole was 42.2%.

Shareholder Structure

As at December 31, 2014, there were 1522 shareholders (1434) entered in the share register. The following shareholders held 3% or more of the outstanding share capital of COLTENE Holding AG at year end:

	31.12.2014	31.12.2013
Huwa Finanz- und Beteiligungs AG	24.80%	21.96%
Tweedy, Browne Company LLC	6.92%	5.73%
UBS Fund Management (Switzerland) AG	5.23%	4.98%
Credit Suisse Funds AG	4.16%	7.73%
Robert Heberlein	3.96%	3.95%
Rätikon Privatstiftung	3.01%	n.a.
Schroder Investment Management (Switzerland) AG	<3%	3.03%

Contact

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Corporate Calendar

Media and analyst's conference 2014, Annual Report 2014	March 4, 2015
Annual General Meeting 2015	March 25, 2015
Interim Report 2015	August 27, 2015
Media and analyst's conference 2015, Annual Report 2015	March 3, 2016
Annual General Meeting 2016	March 30, 2016

Highlights 2014

13.8%

EBIT margin – sharply higher for the third consecutive year.

Profitability improved in the second half-year on higher sales and a largely unchanged cost base.

63%

Solid balance sheet and high equity ratio.

With its business strategy focused on profitable growth and a globalized organizational structure, COLTENE is ready to seize new opportunities for growth.

The Company's sound financial position gives it entrepreneurial freedom and will enable it to be an active player in the expected process of consolidation.

9.5%

Sustained high growth in Asia.

COLTENE achieved pleasing growth rates in China, India and Taiwan, where sales were up 24%, 17% and 21% in local currencies.

Overall, sales in Asia grew 9.5% in local currency and 7.9% in Swiss francs.

162.3 mn

Slightly higher sales in line with overall market growth.

Net sales rose by 1.5%, in local currency by 3.0%.

Foreword



Left: Nick Huber,
Chairman of the Board
Right: Martin
Schaufelberger, CEO

Dear Shareholders,

COLTENE's net sales in local currency rose in line with the overall market growth during the 2014 financial year. In emerging markets COLTENE reaped the rewards of having built up a strong presence in preceding years. Sales grew at a double-digit pace in several Asian markets, specifically in India, China and Taiwan. COLTENE's sales in North America increased in step with market growth. European markets were distinguished by stiff competition and persisting price pressure. However, operating profit and bottom-line profit rose by strong double-digits. The EBIT margin climbed to 13.8%. This pleasing margin expansion is largely attributable to optimization at the Company's manufacturing sites and to the improvements made at Vigodent.

Adaptation to Structural Change

COLTENE proceeded with the successful implementation of its revised corporate strategy during the year under review. It aims to achieve profitable growth based on the pillars of product focus, marketing and sales offensives, and operating efficiency. A special focus in 2014 concerned internal organizational structures, which were adjusted in response to structural change in the marketplace. Management expects the new organizational profile to significantly alter the Company's business model in the coming years. Greater attention is being given in particular to several major trends: the steady increase in sales over the Internet, the increasing numbers of dental group practices, and the steadily rising percentage of women in the dental profession.

Preparing for New Growth

The globalization of COLTENE's operating structures and the steady improvement in its operating efficiency over the past few years have created a solid platform for new growth. Management's current focus is on pre-

With the implementation of its revised business strategy, COLTENE is ready for new growth.

paring and adapting the marketing and sales organization to address new market trends. The Group is also working on product innovations based on the use of new technologies that will provide dentists with easier and safer avenues of treatment while optimizing patient care at the same time. Another focus point is to consolidate the Group's already strong positions in key markets and grow them in collaboration with distributors. To that end, COLTENE is professionalizing its key account management, and special market teams have been set up to support key accounts globally.

With production sites in all major currency zones, COLTENE basically operates with a natural currency hedge.

Outlook

New technologies and ongoing structural change are increasing consolidation pressure within the dental consumables market. In response COLTENE intends to add innovative technologies to its portfolio and strengthen the Group's global footprint. COLTENE management believes that CAD/CAM technology and the Internet will drive further innovation in the dental industry over the medium term. COLTENE expects moderate 2% to 4% growth for the overall market over the medium term, driven by new products.

With regard to the Swiss National Bank's surprising announcement in January 2015 that it was withdrawing the exchange-rate floor of CHF 1.20 to the euro, COLTENE Group is well prepared to cope with the new currency situation as it has local production sites in its key markets. COLTENE is committed to Switzerland as a manufacturing location as well, and is therefore optimizing its cost base in Swiss francs by seeking additional efficiency gains and further widening the international scope of its sourcing activities. It is COLTENE's intention to participate in the ongoing positive development of the market from a local currency basis and to widen its share of the market over the medium term through organic and acquisition-led growth. Also after the recent shifts in the currency situation, management remains committed to its goal of gradually raising the consolidated EBIT margin to 15% of net sales.

On behalf of the Board of Directors and the Executive Management Board, we would like to express our gratitude to our employees for their untiring efforts. We also thank our business partners and our shareholders for the trust they have placed in COLTENE Group.

Sincerely

Nick Huber

Chairman of the Board of Directors



Martin Schaufelberger

CEO

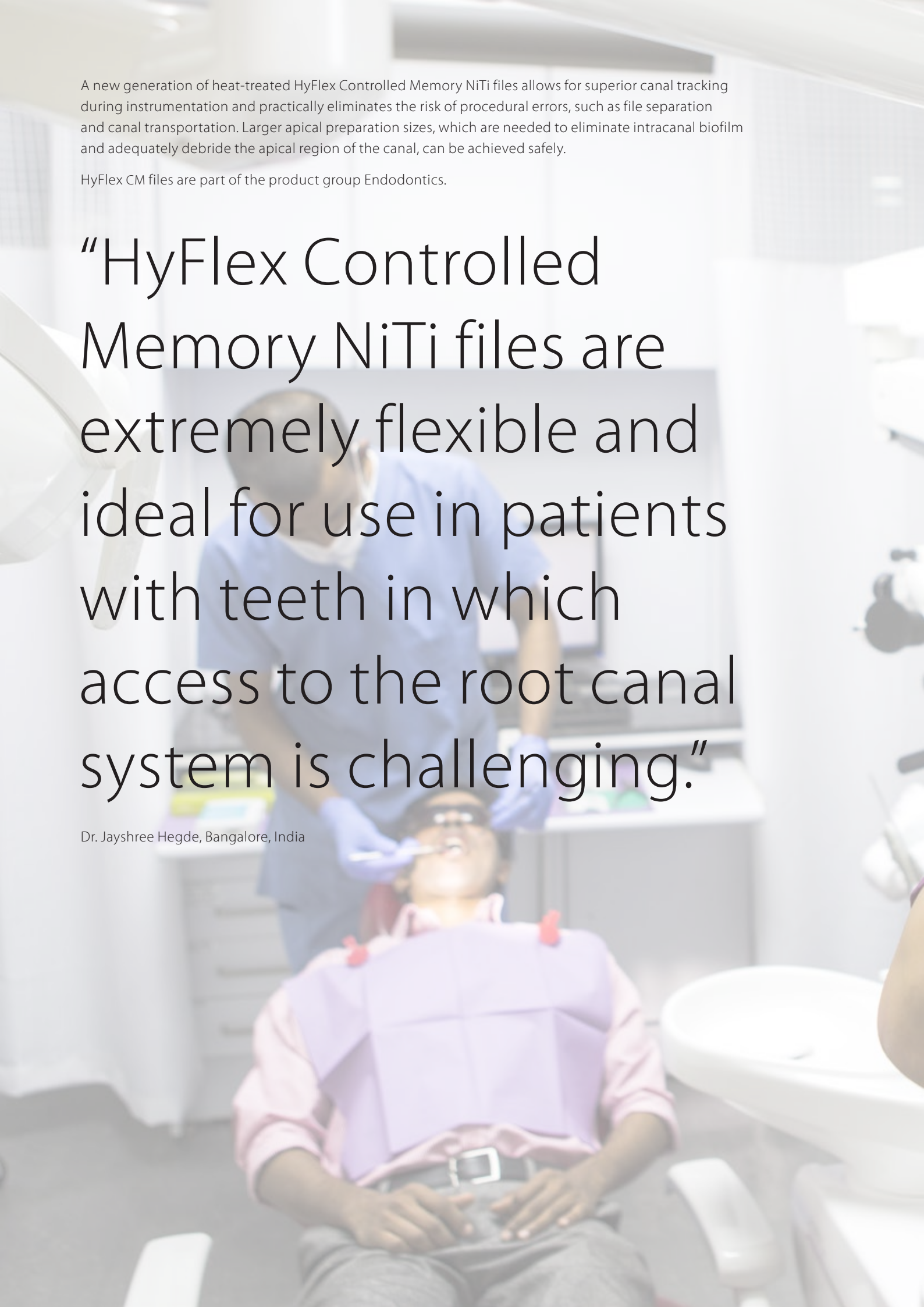


A new generation of heat-treated HyFlex Controlled Memory NiTi files allows for superior canal tracking during instrumentation and practically eliminates the risk of procedural errors, such as file separation and canal transportation. Larger apical preparation sizes, which are needed to eliminate intracanal biofilm and adequately debride the apical region of the canal, can be achieved safely.

HyFlex CM files are part of the product group Endodontics.

“HyFlex Controlled Memory NiTi files are extremely flexible and ideal for use in patients with teeth in which access to the root canal system is challenging.”

Dr. Jayshree Hegde, Bangalore, India





Quality

The proof of quality lies in meeting the expectations of the dentists who use COLTENE products.

Quality is based on:

- employee motivation and development
- training and continuing professional development
- consistency of operating procedures and processes
- the use of the best materials

Safety

Safety for dentists centers on patient well-being and the easy handling of COLTENE products.

Safety is based on:

- safe and easy product handling
- eliminating the risk of material damage that might complicate treatment
- longevity of the products and materials employed
- stringent compliance with regulatory requirements

Innovation

Innovation give rise to new products and treatment auxiliaries that optimize patient care while making treatment applications easier and more efficient for dentists.

Innovations are based on:

- partnerships with leading universities
- continuous observation and analysis of markets
- a knowledge edge
- technology leadership
- short, efficiently organized time-to-market cycles
- an open company culture

First-Class Service and Efficiency

First-class service and efficiency are key purchasing criteria for dentists. Top-quality service ensures close, uncomplicated and effective collaboration.

First-class service is based on:

- regular customer contact
- rapid, professional assistance and advice
- easy and efficient ordering and after-sales organization
- informative and easy-to-understand product information (online and print)



The premium A-Silicone AFFINIS excels by virtue of fast wetting of the tooth and gingiva. Even under the most difficult moist conditions, AFFINIS flows outstandingly like a hydrocolloid without applying pressure. Thanks to the self-contouring consistency, air voids are absent and bubbles or distortions can be virtually eliminated.

Affinix is part of the Prosthetics product group.

“AFFINIS’ innovative surface affinity and optimised flow properties ensure perfect impressions. AFFINIS has sufficient stability and does not drip from the tooth.”

Dr. med. dent. Roman Wisniewski, St. Gallen, Switzerland

Operational Review

Growth rates in the dental consumables market varied from region to region in the 2014 financial year. Sales volumes increased the most in a number of emerging market countries, specifically in India and China, where market volumes grew by up to 10%. In North America, a brighter economy gave sales some tailwind. Volume growth in this region stood at over 3%. European markets were characterized by stiff competition and persisting price pressure; market developments as a whole were flat and stagnant.

Strong Improvement in Profitability

COLTENE generated sales of CHF 162.3 million in fiscal 2014 (2013: CHF 160.0 million). This represents an increase of 1.5% in the reporting currency of Swiss francs. In local currency, sales were up by 3.0% from the prior year result, which is in line with the market growth rate. COLTENE achieved a significant improvement in its operating profit. EBIT rose by 15.2% (16.5% in local currency) to CHF 22.4 million (2013: CHF 19.4 million) and the full-year EBIT margin climbed to 13.8% (2013: 12.2%), well above the first-half margin of 9.8%. Thanks to higher sales on a largely unchanged cost base, the second-half margin was much better. Net profit showed disproportionate growth of 18.5% to CHF 15.6 million (2013: CHF 13.2 million), resulting in a net profit margin of 9.6%.

The EBIT margin climbed to 13.8%, the third consecutive year of strong improvement.

Online Sales Increasing

In a trend observed in other consumer goods sectors too, sales via Internet distributors continued to grow around the world in 2014, as did the number of group practices. Both trends are driving changes in the marketplace and opening up new opportunities for the Group. COLTENE expanded its product information on the Company website and launched its modernized website at the start of 2015. The changes in purchasing behavior and increasingly automated ordering and logistics processes in association with Internet sales are providing the Company with valuable customer data. COLTENE analyzes and evaluates the data to facilitate early anticipation of customer preferences and needs, to contact customers with individualized offerings and to improve training and service. Newly developed tools and platforms are enabling COLTENE to perform targeted analyses of customer requirements.

Innovation, Training and Expansion of Marketing and Sales

While continuing to streamline its product range during the period under review, COLTENE also added innovations, notably in the Restoratives, Endodontics and Treatment Auxiliaries product groups. These include the innovative composite filling material Fill-up!. The flowable, dual-curing bulk composite is ideal for corrective procedures in posterior teeth, for filling cavities and for core build-ups. Other innovative products include BRILLIANT EverGlow, a new universal light-cured fine hybrid composite with excellent polishing properties; HyFlex EDM in the Endodontics segment, a root canal file with a special surface coating to minimize fracturing; and Gutttaflow Bioseal, a novel filling material system for biocompatible sealing of root canals.

On the marketing front, COLTENE signed new partnership agreements with renowned research institutes and implemented its new umbrella brand strategy. The objective of the COLTENE umbrella brand is to raise market awareness of its broad range of products. As a global seal of quality, it will help to convey the positive experiences of dentists with individual products across the entire COLTENE portfolio and hence bolster sales of lesser known products and services. COLTENE also laid the groundwork for a corporate product information management system (PIM) scheduled for operational roll-out in 2015. It is designed to support the creation and updating of the website and marketing documents while promising improved efficiency and lower costs. Of the many training opportunities provided, an internet seminar in Latin America particularly attracted great interest among dental professionals. Another highlight was the European key opinion leader seminar covering the Group's expertise in Restoration and Endodontics held in St. Gallen, Switzerland. COLTENE received overwhelmingly positive feedback on both programs.

The new umbrella brand raises awareness of the company's broad portfolio.

Stronger Marketing and Sales Focus on Special Markets

On the marketing and sales front, COLTENE increased its global presence by assigning its own specialists to cover the markets in Japan, Turkey and Poland. The Group established a wholly-owned subsidiary in Spain to enable direct support of large distributors on the Iberian Peninsula. COLTENE also expanded its marketing and sales teams in Indonesia, India and China to ensure that COLTENE continues to benefit from the dynamic market growth in Asia now and in future. Across the Group, COLTENE set up dedicated teams for special markets to be able to accommodate the special needs of public institutions such as health authorities, the military, as well as large group practices. The latter are interested in efficient, low-cost supply of products and treatment auxiliaries of impeccable quality. COLTENE is responding to the employment of professionally trained procurement specialists

in these customer segments with the systematic expansion and professionalization of its key account management processes.

Business Performance by Region: Strong Growth in North America and Asia

In 2014 COLTENE Group recorded further growth in North America and Asia. The two sales regions delivered higher sales of 3.6% and 9.5%, respectively. Of special mention is the double-digit sales growth COLTENE achieved in key markets of the future – India, China, and Taiwan. Markets in Europe and South America showed divergent developments. On balance, reported sales were flat in Swiss francs. In local currency, sales in the Europe region (which includes the Middle East and Africa) edged 0.4% higher while in South America they advanced 5.2%.

Looking at the regional breakdown of consolidated sales for the entire 2014 fiscal year, COLTENE generated 43.8% of Group sales in region EMEA, which represents Europe, the Middle East and Africa (2013: 44.6%), 33.3% in North America (2013: 33.0%), 11.9% in South America (2013: 12.1%) and 11.0% in Asia (2013: 10.3%). Sales in emerging markets increased by 1.8% (4.8% in local currency) and accounted for 27.6% of total sales (2013: 28.2%).

Sales in Asia increased by 9.5% and accounted for 11.0% of total sales.

COLTENE's traditional sales markets in Europe were generally characterized by stiff competition and substantial price pressure during the past year. The Company performed well in key European markets, having increased its sales by 9.1% in the Benelux countries, 6.8% in France and 6.2% in Scandinavia, and by 1.5% in Germany. Structural change held back sales in the UK, Spain and Switzerland. In these countries COLTENE's sales declined by 8.4%, 7.0% and 3.6%.

North America, COLTENE's second-largest market after EMEA, was another region where a high level of patient cost-consciousness was observed. On the other hand, increased spending levels by US public healthcare agencies are having a positive effect on sales. COLTENE was able to strengthen its market position in North America by growing its Canadian sales by 6% and its US sales by 2% (3.6% in local currency).

Turning to South America, COLTENE lifted its sales in Brazil by 6% in local currency. However, because of the weakness of the Brazilian real, reported sales in Swiss francs declined by 3%. Strong growth was achieved in Mexico, where COLTENE's sales rose by 10%. In other Latin American countries adverse economic conditions acted as a drag on sales. In Venezuela sales plummeted after strict foreign currency controls were imposed by the Venezuelan government.

In Asia, the important Chinese market showed dynamic growth of 24% in local currency. COLTENE anticipates further positive stimulus from the free trade agreement between China and Switzerland that entered into effect on July 1, 2014. Company sales in India increased by 17% and in Taiwan by 21% in local currencies.

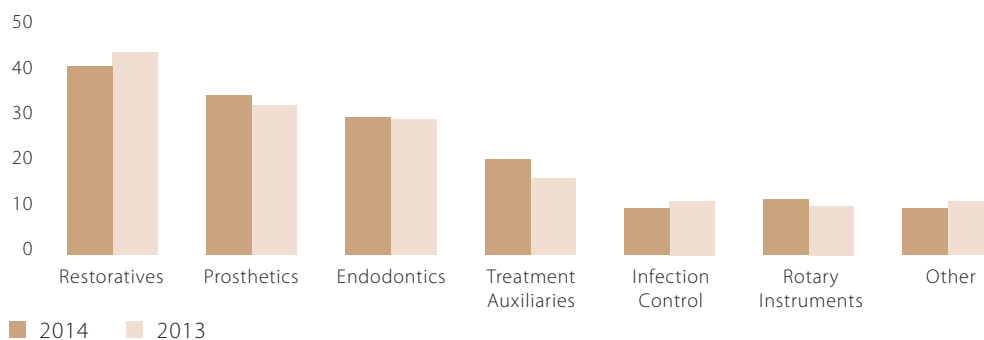
Business Performance by Product Group:

Strong Rotary Instruments

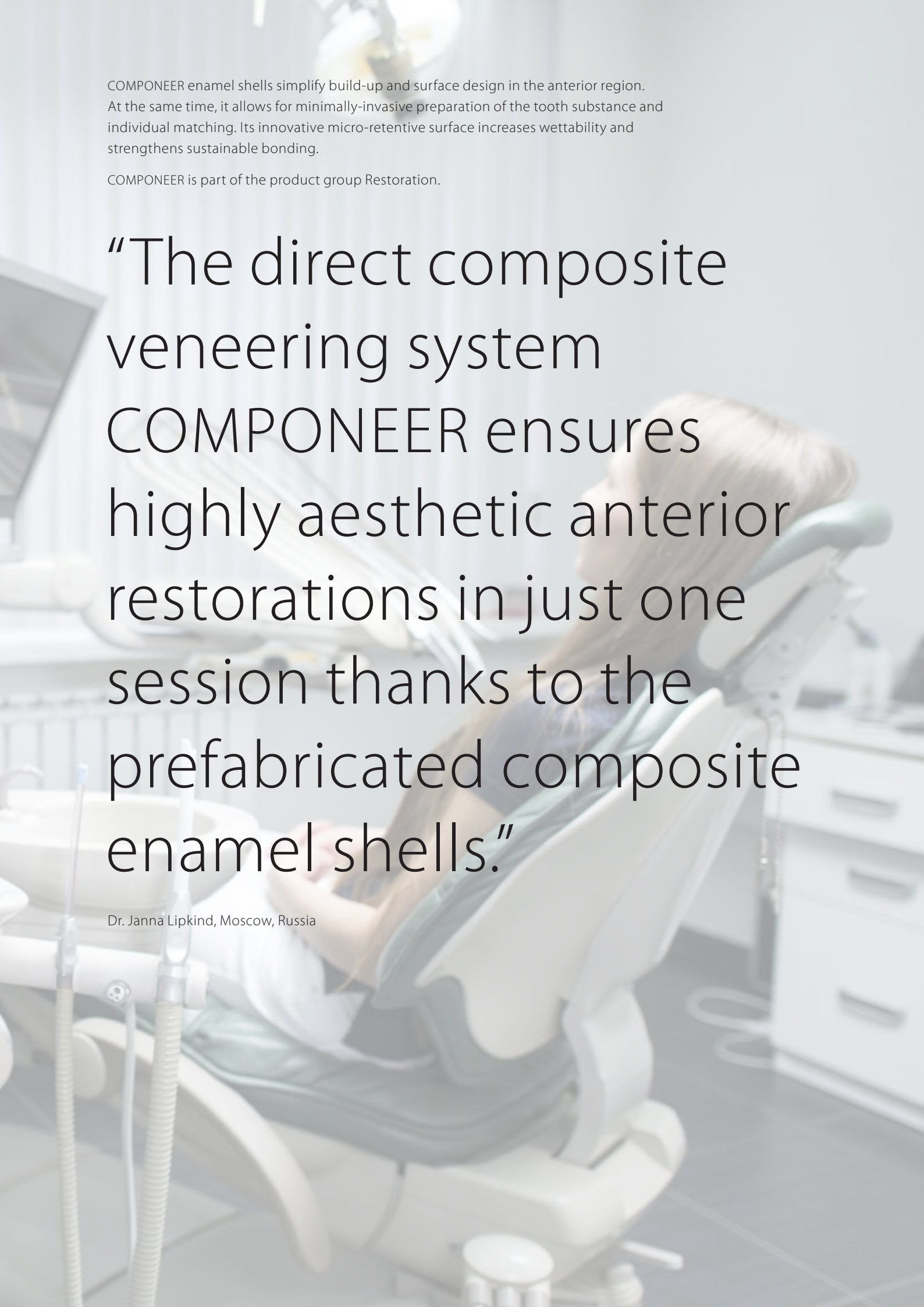
The sales performance of COLTENE's three key product groups Restoration, Prosthetics and Endodontics diverged during the 2014 fiscal year. Sales in the Rotary Instruments group were sharply higher, rising by 14.1% to CHF 12.4 million (2013: CHF 10.9 million). Prosthetics increased its sales to CHF 35.5 million (2013: CHF 33.2 million) while the Endodontics product group reported slightly positive growth of 1.3%. In absolute terms, its sales grew to CHF 30.6 million (2013: CHF 30.2 million). COLTENE Group achieved its fastest growth with Treatment Auxiliaries products. Sales in this product group surged by more than 25% to CHF 21.3 million (2013: CHF 17.0 million). Business with Restoration products was tempered by unusually severe competitive pressure. Sales declined by 6.8% to CHF 41.8 million (2013: CHF 44.9 million).

Business Performance by Product Group

CHF Million





A woman with long blonde hair is reclined in a modern dental chair. The background is a bright, clean dental clinic. The image is semi-transparent, allowing the text to be clearly visible over the scene.

COMPONEER enamel shells simplify build-up and surface design in the anterior region. At the same time, it allows for minimally-invasive preparation of the tooth substance and individual matching. Its innovative micro-retentive surface increases wettability and strengthens sustainable bonding.

COMPONEER is part of the product group Restoration.

“The direct composite veneering system COMPONEER ensures highly aesthetic anterior restorations in just one session thanks to the prefabricated composite enamel shells.”

Dr. Janna Lipkind, Moscow, Russia

Human Resources

COLTENE acknowledges that its employees are a key factor of the Company's success in the marketplace. It was through their untiring efforts and dedication that the Company has achieved its leading market position. Employee commitment and motivation and the work of each and every team are predicated on a corporate culture of openness. It aims to develop and harness the full potential of the skills and knowledge of all employees.

Basic Principles of Leadership: Respect and Mutual Trust

When it comes to leadership, COLTENE values continuity and a clear focus on company strategy. Most employees are given individual performance targets as a management tool. Mutual respect and trust between employees and their supervisors are imperative in this regard. A cooperative management style is advocated to ensure that employees have a say in decision-making processes. Managers should serve as a role model for the employees under their supervision and they should act to promote initiative, creativity and personal development.

Recruitment and Training: Individual Incentives and Support

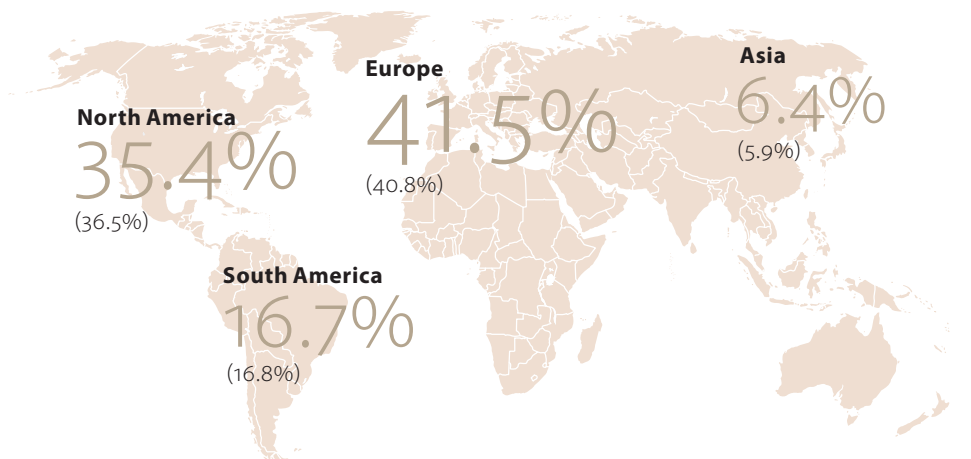
COLTENE's long-term objective is to retain workers who bring a strong sense of commitment and passion to their work. COLTENE aims to attract qualified and motivated specialist and executive talent and to retain these people over the long run by offering them competitive pay in accord with the average salaries paid by peers. Base salaries will also be in accord with each individual's responsibilities and tasks. Bonus programs are utilized to reward superior performance and results that further the execution and attainment of company strategy.

COLTENE attaches great importance to employee motivation, training and development. The Company offers its staff a wide range of education at work and organizes internal cross-training programs and courses on a regular basis. These programs and courses cover subject-specific topics as well as leadership and project management issues. COLTENE also grants financial support and paid leave time to encourage employees to attend continuing education programs and courses offered by third parties, provided they are in the Company's interests. COLTENE has also been offering apprenticeship programs for many years. The Company is a firm advocate of attractive basic vocational education opportunities and it intends to increase the percentage of apprentices on the Company's payroll. In 2014 COLTENE employed 16 apprentices (2013: 14).

Employee Headcount: Expansion of Marketing and Sales Teams

The headcount declined slightly during the year under review by 3.5% to 909 (2013: 942), primarily because the number of employees working on production teams was reduced as a result of greater automation. On the other hand, COLTENE hired new employees for its marketing and sales teams. A regional breakdown of the work force is as follows: Europe 377 (2013: 384), North America 322 (2013: 344), South America 152 (2013: 158), Asia 58 (2013: 56). The workforce is well balanced in terms of age: 16.5% of all employees are younger than 30 and 31.6% are older than 50. The proportion of women as a percent of the workforce stands at 48.4% and the percent of female executives is 8.2%.

Workforce Breakdown by Region in 2014 (2013)





The particularly quiet BioSonic ultrasonic devices are highly efficient cleaning tools that excel by virtue of their diversity. They are designed for user safety and remain aesthetically pleasing to the eye even after long use thanks to the wear-resistant plastic housing.

BioSonic UC 125 is part of the product group Infection Control.

“BioSonic ultrasonic devices significantly reduce the noise level in our practice and ensure optimal and safe cleaning at the same time.”

Dr. Frédéric Raux, Paris, France



Corporate Governance

COLTENE Holding AG

The following chapter describes the principles of corporate governance applied at Group and senior management level within the COLTENE Group. The main elements are contained in the Articles of Incorporation and organizational regulations, and are based on the “Guidelines concerning information on corporate governance” published by SIX Swiss Exchange as well as on the guidelines and recommendations set out in the “Swiss Code of Best Practice for Corporate Governance” published by *économie-suisse*. The Compensation Report is published separately in this annual report on page 38 to page 43. All information is valid as at December 31, 2014, unless otherwise stated. Significant changes that have occurred between that date and the publication date of this report have also been indicated as appropriate.

Group Structure and Shareholders

Group Structure

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 formerly 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:

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, Switzerland; COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2014, the market capitalization amounted to CHF 265.8 million. Information on the companies belonging to the COLTENE Group,

which are not listed, is shown on page 76 of the Financial Report.

Major Shareholders

On December 31, 2014, there were 1522 shareholders (previous year: 1434) entered in the share register and the following shareholders held stakes equaling or exceeding the legal disclosure threshold of 3% of the voting stock of COLTENE Holding AG:

Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG, Switzerland, Bahnhofstrasse 2, 9435 Heerbrugg, held 1 046 465 registered shares. This equals voting rights of 24.80%. *Huwa Finanz- und Beteiligungs AG* is under the control of Hans Huber, Appenzell/AI, Switzerland.

Tweedy, Browne Company LLC, 350 Park Avenue, New York, NY 10022/USA held 291 887 registered shares representing 6.92% of the voting rights.

UBS Fund Management (Switzerland) AG, P.O. Box, 8098 Zurich, held 220 482 shares or 5.23% of the voting rights.

Credit Suisse Funds AG, Kalandergasse 4, 8045 Zurich, Switzerland, held 175 507 shares or 4.16% of the voting rights.

Robert Heberlein, Zumikon/ZH, Switzerland, held directly and indirectly through Burix Holding AG, Zurich, which he controls, 166 903 registered shares, representing 3.96% of the voting rights.

Rätikon Privatstiftung, Föhrenburgstrasse 5, 6700 Bludenz, Austria, held 127 138 registered shares. This equals voting rights of 3.01%. *Rätikon Privatstiftung* is under the control of the family of Franz Rauch, Laterns, Austria.

All other shareholders held a stake of 51.92% of the voting rights of COLTENE Holding AG.

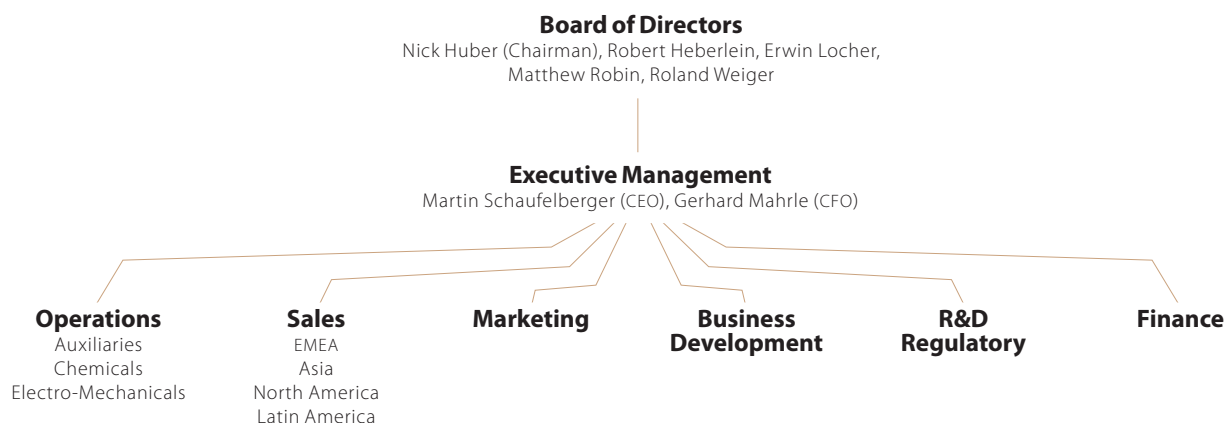
The Company held 100 (993) treasury shares amounting to 0.00% (0.02%) at the balance sheet date. Shares pending registration of transfer amounted to 19.9 % (15.0%) of the total as at December 31, 2014.

Cross-Shareholding

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

Structure of Group Operations

The organization of the COLTENE Group as per January 1, 2015 can be described as follows:



The COLTENE Group is operationally headed by the Executive Management which consists of the Group CEO and the Group CFO who acts also as deputy CEO. The CEO directly leads Operations and Sales. Group Finance is led by the CFO. The Executive Management together with the heads of Marketing, Business Development and R&D/Regulatory form the COLTENE Group Management. The Group Management is responsible for the operational management of the holding company and the Group. The Group is managed by the Board of Directors through the Executive Management. The Board of Directors and the Executive Management is assisted in its work by central Group functions. The separation of responsibilities between the Board of Directors and the Executive Management is explained on page 28.

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 COLTENE share information section on page 2 and 3 of this report. The Articles of Incorporation in German as well as an unofficial translation in English are available on the website at http://www.coltene.com/index_de.php?TPL=10210 (German version) and http://www.coltene.com/index_en.php?TPL=10210 (English version).

Capital

Details on the capital are included in the COLTENE Holding AG's financial statements on page 78 and 79.

Authorized or Contingent Capital in Particular

COLTENE Holding AG has no authorized or contingent capital.

Changes in Capital

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

Changes in equity			
In CHF 1000	31.12.2014	31.12.2013	31.12.2012
Share capital	422	422	422
Statutory reserves	84	84	84
Capital contribution reserve	0	1 193	8 785
Reserves for treasury stock	7	45	275
Net income brought forward	46 270	45 344	35 925
Total	46 783	47 089	45 491

Based on the AGM's decision on April 15, 2014, the Company distributed CHF 0.28 per share from the capital contribution reserve and a dividend of CHF 1.92 per share to its shareholders on April 24, 2014. The total amount paid was TCHF 9282.

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. All shares are fully paid up and entitled to dividends. They entitle the holder to one vote at the General Meeting. The right to apply the special rules concerning treasury shares held by the Company is reserved, particularly in relation to the exemption from the entitlement to dividends.

The shares are traded in the main segment of SIX Swiss Exchange (security no. 2.534.325, ISIN CH0025343259, symbol CLTN). COLTENE Holding AG has not issued any participation certificates.

Profit-Sharing Certificates

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

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.

Convertible Bonds and Warrants/Options

COLTENE Holding AG has no outstanding convertible bonds or options.

Board of Directors

Members of the Board of Directors

On December 31, 2014, the Board of Directors of COLTENE Holding AG consisted of five members. The Articles of Incorporation stipulate a minimum of three. All board members are non-executive and have no material business interest with the COLTENE Group. They are independent in the sense of the Swiss Code of Best Practice for Corporate Governance, with the exception of Erwin Locher, who served as Group CEO ad interim from July 1, 2011 until May 31, 2012, and have not served on either the management of COLTENE Holding AG (holding company) or the management board of any subsidiary during the past three years. In the year under review the law firm Lenz & Staehelin, Zürich, where Robert Heberlein serves as a Counsel, received CHF 57 870 for legal advice.

The personal details together with the other activities and vested interests of individual members of the actual Board of Directors are listed on page 29 to page 31.

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.

Restrictions on Activities outside of COLTENE Group

Restrictions on activities outside of the COLTENE Group of the members of the Board of Directors are governed in §18 of the Articles of Incorporation.

Internal Organization

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.

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 headed by the Chief Executive Officer (CEO). The chairman of the Board of Directors organizes and manages the work of the Board of Directors.

The Board has formed the following permanent committees:

Audit and Corporate Governance Committee

Chairman: Robert Heberlein

Members: Nick Huber, Erwin Locher (suspended during his duty as CEO ad interim), Matthew Robin and Roland Weiger

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory duties and 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 of the fulfillment of defined measures
- review and assessment of the functioning of the internal control system and control of the fulfillment of corrective actions
- review of the consolidated financial statements as well as interim statements intended for publication

- regular review of the principles concerning Corporate Governance
- proposals to the Board of Directors of amendments to the Articles of Incorporation or internal regulations if necessary

Nomination and Compensation Committee

Chairman: Matthew Robin

Members: Robert Heberlein, Nick Huber, Erwin Locher (suspended during his duty as CEO ad interim), Roland Weiger

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 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;
- yearly elaboration of the Compensation Report to be presented to the AGM.

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 2014, the Board of Directors met nine times. These meetings lasted in average four to eight hours. The Audit and Corporate Governance Committee met twice for a two hours meeting. The Nomination and Compensation Committee met twice for a one-hour meeting.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants 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.

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 indefeasible and non-transferable duties, and those additional duties listed on page 26 and 27, 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.

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.

Based on the approved Risk Management policy by the Board of Directors, an extensive system for monitoring and controlling the risks linked to the business activities is in place. The executive management is responsible for the risk identification, analysis, controlling, reporting and monitoring the implementation. The Board of Directors reviews once a year the risk management and the results of implemented corrective actions.

Based on the approved Internal Control System policy by the Board of Directors the internal control mechanisms are reviewed and documented based on defined requirements. At least once a year a member of the audit committee reviews in detail the assessments made and corrective actions implemented. These findings are reviewed regularly by the Board of Directors.

Regarding the management of financial risks see the Notes to Group Financial Statements page 59 and 60.

Board of Directors

The Board of Directors of COLTENE has committed itself to maintaining the highest standards of integrity and transparency in its governance of the Company.

Nick Huber



- Chairman of the Board of Directors (year of first election: 2005)
- Businessman, Stanford Executive Program
- Non-executive member
- Swiss citizen, born in 1964

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

Robert Heberlein



- Member of the Board of Directors (year of first election: 2005)
- Attorney-at-law
- Non-executive member
- Swiss citizen, born in 1941

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 Gurit Holding AG, Wattwil/SG until April 10, 2014

Erwin Locher



- Member of the Board of Directors (year of first election: 2009)
- Economist, University of Basel, MBA, University of Toronto (Rotman)/University of St. Gallen
- Non-executive member (July 1, 2011, until May 31, 2012, CEO ad interim of the COLTENE Group)
- Swiss citizen, born in 1953

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, and then President
1996–2004 Mathys Medical AG, Bettlach/SO, CEO and President Synthes Division

Other important activities and vested interests

- CEO and Member of the Board of Directors of Thommen Medical AG, Grenchen/SO
- 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, born in 1965

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.

Roland Weiger



- Member of the Board of Directors (year of first election 2013)
- Prof. Dr. med. dent., University of Tübingen, Germany
- Non-executive member
- German citizen, born in 1961

Professional background (main stages)

- | | |
|------------|--|
| 2000–2002 | Professor of Endodontology, University of Tübingen, Germany |
| 2002–2011 | Chairman of the Research Committee, European Society of Endodontology (ESE) |
| Since 2002 | Professor and Director, Clinic of Periodontology, Endodontology and Cariology at the University of Basel |
| Since 2012 | Director of the Department of Dental Medicine, University of Basel |

Other important activities and vested interests

- Member of the Expert Commission of the Swiss Association for Preventative and Restorative Dentistry (SVPR)
- Member of the Board of the Swiss Society of Periodontology (SSP)
- Member of the Board of the German Society for Endodontology and Dental Traumatology (DGET)
- President of the Finance Committee of the Department of Dental Medicine, University of Basel

Executive Management

Martin Schaufelberger



- Chief Executive Officer COLTENE Group since June 2012
- Electrical Engineer, Fachhochschule für Technik, Rapperswil/SG
- MBA Marketing, City University of Seattle, Zurich/Seattle
- Swiss citizen, born in 1964

Professional background (main stages)

- 1988–1998 Zellweger 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

Gerhard Mahrle



- Chief Financial Officer COLTENE Group since January 2014
- Lic. oec. HSG, University of St. Gallen
- Swiss citizen, born in 1957

Professional background (main stages)

- 1985–1992 Various senior positions in finance at the Galenica Group and the Hilti Group
- 1992–1998 CFO Eugster/Frismag Group, Romanshorn/TG
- 1998–2000 CFO Batigroup Holding AG, Basel/BS
- 2000–2009 CFO sia Abrasives Holding AG, Frauenfeld/TG
- 2009–2013 CFO Kardex AG, Zürich/ZH

Executive Management

On December 31, 2014, COLTENE Holding AG's Executive Management consisted of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Members of the Executive Management

The personal details together with the other activities and vested interests of individual members of the actual Executive Management are listed on page 32.

Management Contracts

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

Restrictions on Activities outside of COLTENE Group

Restrictions on activities outside of the COLTENE Group of the members of the Executive Management are governed in §18 of the Articles of Incorporation.

Principles on compensation of the Members of the Board of Directors and the Executive Management

Principles applicable to performance-related payments and to the allocation of equity securities, convertible rights and options, as well as the additional amount for payments to members of the Executive Management appointed after the vote on the compensation at the general meeting of shareholders are governed in §§22 et seqq. of the Articles of Incorporation.

Loans, credit facilities and post-employment benefits for members of the Board of Directors and the Executive Management are governed in §28 of the Articles of Incorporation.

Regulations on the vote of the general meeting of the shareholders on the compensation are governed in §§3.3 and 21 et seqq. of the Articles of Incorporation.

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 and in English are available on the website at http://www.coltene.com/index_de.php?TPL=10210 (German version) and http://www.coltene.com/index_en.php?TPL=10210 (English version).

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. For the AGM 2015 every shareholder can use for the first time also the newly established online platform of ShareCommService AG ("Indirect Voting System – IDVS") in order to forward his instructions to the independent proxy.

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 legal or 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.

Convocation of the General Meeting of Shareholders

The ordinary General Meeting of the Shareholders takes place annually within six months of the end of the Company's financial year. Extraordinary General Meetings can be called by decision of the General Meeting, the Board of Directors, at the request of the auditors, or if shareholders representing at least a tenth of the share 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 Commercial Gazette. All shareholders whose addresses are registered in the share register are notified by a letter or by E-Mail at their choice.

Agenda

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

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.

Changes of Control and Defense Measures

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).

Clauses on Changes of Control

No change of ownership clauses are in effect at December 31, 2014, at COLTENE Group and senior management level.

Auditors

Duration of Mandate and Lead Auditor's Term of Office

Ernst & Young AG, St. Gallen (E&Y), has been elected as COLTENE Holding AG's statutory auditor the first time at the AGM of April 20, 2012, for a one-year term. Since then E&Y has been elected every year again for a one-year period. E&Y also serves as Group auditors. Rico Fehr has been the lead auditor since this date.

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

Auditing Fees

The total sum charged for auditing services during the year under review by E&Y in its capacity as COLTENE Group's statutory auditor amounted to CHF 255 610 (CHF 264 002 in previous year).

Audit services are defined as the standard audit work performed each year in order to issue opinions on the Group companies in scope and consolidated financial statements of the Group, to issue opinions relating to the existence of the Group's internal control system, and to issue reports on local statutory financial statements if required. 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.

Additional Fees

E&Y was also paid fees totaling CHF 18 800 (CHF 37 292 in previous year) for non-audit related services. The entire amount was paid for tax advice.

Supervisors and Control Instruments Pertaining to the Auditors

As explained on page 27, 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 E&Y. During 2014, the Audit and Corporate Governance Committee held two meetings. At these meetings, the auditors participated during the discussion of agenda items that dealt with accounting, financial reporting or auditing matters and any other matters relevant for their audit.

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

On an annual basis, the Audit and Corporate Governance Committee and E&Y discuss E&Y's independence from COLTENE Group and COLTENE management.

Based on the outcome of the performance of E&Y as well as other criteria, the Audit and Corporate Governance Committee decides on its recommendation to the Board of Directors whether E&Y 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, 2014, including the audited financial statements.

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 85.

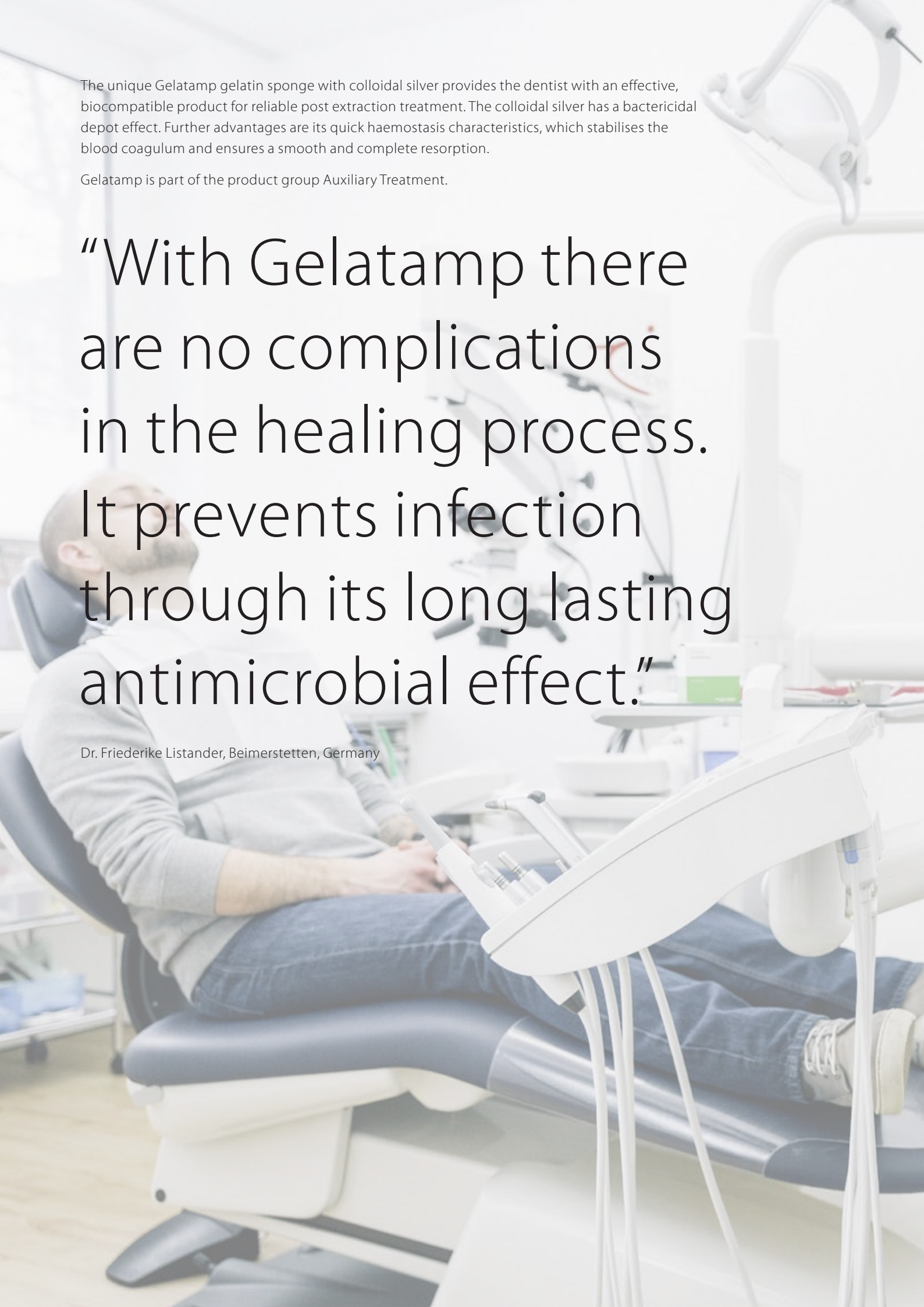
Internet

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

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 for this and the following year, refer to page 3.

A patient is lying in a dental chair in a modern clinic. The chair is white and blue. The patient is wearing a grey long-sleeved shirt and blue jeans. The background shows dental equipment and a bright, clean environment.

The unique Gelatamp gelatin sponge with colloidal silver provides the dentist with an effective, biocompatible product for reliable post extraction treatment. The colloidal silver has a bactericidal depot effect. Further advantages are its quick haemostasis characteristics, which stabilises the blood coagulum and ensures a smooth and complete resorption.

Gelatamp is part of the product group Auxiliary Treatment.

“With Gelatamp there are no complications in the healing process. It prevents infection through its long lasting antimicrobial effect.”

Dr. Friederike Listander, Beimerstetten, Germany



Compensation Report

1 Introduction

This report provides an overview of COLTENE's compensation principles and practices. It provides information on the compensation of Senior Management, Group Management, Executive Management and Directors in 2014. It explains the variable compensation systems and equity participation programs and discloses equity participations of Directors and Management in the Company. These principles and practices are designed to:

- align the interests of the leadership team and employees with those of our shareholders
- support our attractiveness as a global employer, helping us to retain and recruit an engaged workforce
- reward individuals according to clear targets
- encourage entrepreneurship, above-market performance, accountability and value creation

We believe that our scheme is balanced and in line with current best practices.

1.1 Reporting Standards

This report is in line with the "Swiss Code of Best Practice for Corporate Governance". In accordance with the IFRS financial reporting standards and Swiss law, the compensation paid/awarded to Directors and Management is also presented in our audited Financial Report (see page 62, 74 and 81).

1.2 Management Structure

Annual General Meeting
Board of Directors / NCC
Executive Management
Group Management
Senior Management
Employees

Fig. 1: Management Structure

The Board of Directors is headed by the Chairman. The Executive Management (= Geschäftsleitung) is composed of the Group CEO and the Group CFO.

1.3 Corporate Governance

The Board of Directors proposes candidates for the Nomination & Compensation Committee (NCC) to be elected annually by shareholders at the Annual General Meeting (AGM). In this reporting period all members of the Board of Directors are members of the NCC, which is chaired by Matthew Robin. The Board of Directors determines the NCC's responsibilities and passes all resolutions on the Company's compensation system (see page 39). The NCC is entrusted with the design of the compensation system that applies to Directors, Executive Management, Group Management, and Senior Management. It reviews the principles and programs for compensation and ensures that the compensation paid by the Company is based on market- and performance-related criteria. The NCC reports to the Board of Directors on compensation practices as well as on Management compensation at least once a year and proposes changes when necessary.

The table below describes recommendation and decision responsibilities on the variable compensation target as well as the approval of a maximum pay-out:

Recommendation and decision responsibilities

Recipient	Recommendation	Decision	Approval
Chairman of the BoD	NCC	BoD	AGM
Members of the BoD	NCC	BoD	AGM
CEO*)	BoD	BoD	AGM
CFO *)	CEO	BoD	AGM
Group Management	CEO	Executive Management	BoD
Senior Management		Group Management	Executive Management

*) Executive Management.

2 Compensation Principles

2.1 Driving Values through Compensation

We are convinced that a compensation system based on value creation encourages sustainable performance, loyalty and entrepreneurship and is thus in the interests of management, employee and shareholders. We are committed to compensating our staff, management and Directors in a way that is competitive and rewards sustainable, short-term and long-term performance with the objective of driving value.

It is COLTENE's view that the success of the Company depends largely on the quality and engagement of its people. A modern compensation system is an important instrument for attracting, retaining and motivating talented people. COLTENE's compensation system takes these factors into account in that it:

- offers competitive salaries;
- fosters a high-performance culture that differentiates and rewards above-average individual performance, both in the short and long term;
- links variable long-term compensation to value generated by the Company over the long term based on shareholder expectations;
- is benchmarked with other companies in the industry;
- provides employees with benefits based on good practices and regulations in local markets.

The system is periodically reviewed by the NCC for effectiveness and adjusted if required.

2.2 Comprehensive Benchmark

Our policy is to pay employees, management and directors a base compensation that is close to the median of comparable companies in the respective market. The variable pay is set with the potential to move overall compensation toward the upper quartile for outstanding performance. It is company policy to avoid excessive compensation on all levels.

Benchmark reviews for the Executive Management and Senior Management are conducted regularly by COLTENE, including the use of independent specialists and/or external studies if appropriate. Comparable companies in similar industries are selected for the benchmark applying the following criteria:

- comparable scope and business complexity
- similar geographic footprint
- competitiveness to attract talent

2.3 Ethical, Fair Standards

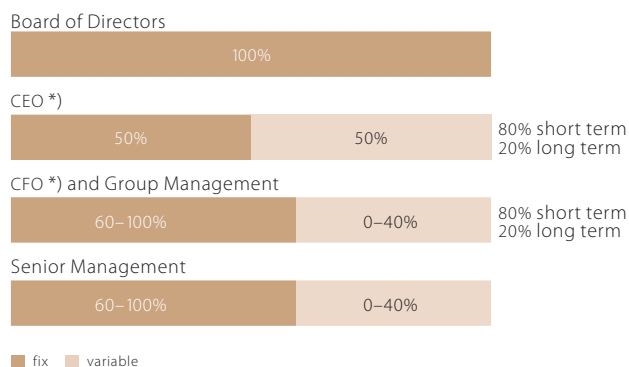
We are committed to fair and equal treatment of all our employees and seek to be in full compliance with the regional labor standards. Compensation is not influenced by gender or by non-performance-related criteria other than specific professional experience.

3 Total Compensation and Compensation Elements

Total compensation for all employees including management and directors can be found in the financial section of the annual report (see page 62). The compensation of managers comprises fixed and variable components, the mix of which is defined by role, profile, location and strategic impact. For Executive Management, Group Management and Senior Management, emphasis is placed on the long-term variable component, in line with our strategic goal of promoting ownership. The compensation mix for Executive Management and Group Management includes a long-term variable remuneration element, part of which is paid in shares blocked for three years. Directors receive a fixed annual cash fee and a fixed number of shares, also blocked for three years.

The split of the total maximum compensation is set as follows:

Elements of the compensation



*) CEO and CFO together form the Executive Management.
Fig. 2: Display of the compensation

3.1 Fixed Components

The fixed compensation elements include the following components:

- base salary
- pension plans¹⁾
(depending on local practices/regulations)
- other benefits
(depending on local practices/regulations)

¹⁾ The Board of Directors is not entitled to a pension scheme according to Swiss legislation (BVG).

Base Salary

Each COLTENE employee receives a base salary based on:

- job profile
- experience and skills
- comparison with external benchmarks
- location and local regulations
- strategic impact

Other Benefits

COLTENE's benefit programs including local pension schemes are an integral part of the total compensation and designed to enable the Company to compete effectively for talent and retain it. Benefits are structured to support our overall business strategy, and are aligned with local legislation and practices. Executive Management and Group Management are entitled to a Company car.

3.2 Variable Components

Variable compensation components included one or more of the following:

- performance-related incentives
- short-term and long-term component

Performance-Related Incentives

The payout under the incentive scheme is based on a combination of the following:

- company performance
- financial and functional target achievement
- individual performance

Performance Indicators

Earnings before interest and tax (EBIT) in combination with revenue growth are the key performance indicators for COLTENE and the performance targets are set prior to the respective performance cycle. Targets for EBIT margin and revenue are based on the medium-term business plan and the relevant budget. The Board of Directors in consultation with Executive Management sets these targets together with the focus area for individual discretionary targets.

Weighting of Performance Criteria

The weighting of the different targets depends on the role and responsibilities of the individual (see table on page 41). Overall, there is a stronger focus on individual targets as determined by management, making it possible to encourage and reward above-average individual performance appropriately. The measurement scale for the achievement of financial targets (company performance and financial targets) extends from 0% to a maximum of 150% and is based on a line joining three points as explained in the illustration.

Scale of variable compensation (financial targets)

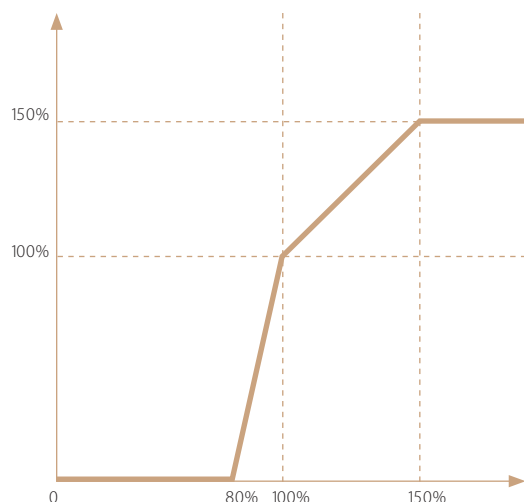


Fig. 3: Scale of variable compensation (financial targets)

The assessment scale for individual and functional target achievement extends from 0% to 100%. Partial financial targets might be over 100% fulfilled (up to a maximum of 150%); however the total variable compensation is capped at the maximum variable compensation agreed.

Illustration target achievement

Function	Financial weight of variable component	Functional/ discretionary weight of variable component	Maximum variable compensation as % of fixed salary
CEO *)	80%	20%	100%
CFO *) and Group Management	60–80%	40–20%	0–67%
Senior Management	40–60%	60–40%	0–67%

*) Executive Management.

Long-Term Component

For Executive Management, Group Management and Senior Management, 20% of the variable component is defined as long-term and is remunerated in the form of shares which are blocked for three years. The number of shares awarded is adjusted to take into account the relative performance of COLTENE's shares in comparison with the SPI index. See also Fig. 2: Display of the compensation.

The remuneration plan contractually agreed to by all eligible employees dictates that all rights granted in respect of a variable payment shall be immediately, automatically and definitively forfeited in the case of termination for cause.

3.3 Contract Duration and Notice Period

Duration of term of office of the members of the Board of Directors:

Each member of the Board of Directors is elected every year at the AGM for one year of service until the next AGM.

Notice Period for members of the Executive Management:

No member of the Executive Management has a notice period that exceeds 12 months.

3.4 Other Types of Payment

There are no severance payments, payments in advance, and no specific payments for change of control events. In the event of a change of control the Board of Directors will decide whether there is full vesting under the long-term component of variable compensation or not.

4 Remuneration of the Board of Directors and the Executive Management

The tables below show the compensation paid to the Board members and to the Executive Management for the years 2013 and 2014.

Remuneration to the Board of Directors

In CHF	Base remuneration		Variable remuneration ²		Other remuneration		Total
	in cash	in shares	in cash	in shares	Social security ¹	Other benefits	
2014							
Nick Huber	100 000	16 075	0	0	16 777	0	132 852
Robert Heberlein	80 000	16 075	0	0	9 344	0	105 419
Erwin Locher	80 000	16 075	0	0	13 762	0	109 837
Matthew Robin	80 000	16 075	0	0	13 762	0	109 837
Roland Weiger	80 000	16 075	0	0	13 762	0	109 837
Total	420 000	80 375	0	0	67 407	0	567 782
2013							
Nick Huber	100 000	12 110	5 000	0	17 961	0	135 071
Robert Heberlein	80 000	12 110	0	0	9 040	0	101 150
Erwin Locher	80 000	12 110	0	0	14 208	0	106 318
Matthew Robin	80 000	12 110	0	0	14 208	0	106 318
Roland Weiger	60 000	11 460	0	0	10 739	0	82 199
Jerry Sullivan	20 000	650	0	0	0	0	20 650
Total	420 000	60 550	5 000	0	66 156	0	551 706

Remuneration to the Executive Management

In CHF	Base remuneration		Variable remuneration ²		Other remuneration		Total
	in cash	in shares	in cash	in shares	Social security ³	Other benefits	
2014							
Martin Schaufelberger	370 000	0	272 769	83 076	141 876	23 944	891 665
Other members	326 400	0	131 106	39 930	91 125	22 943	611 504
Total	696 400	0	403 875	123 006	233 001	46 887	1 503 169
2013							
Martin Schaufelberger	370 000	0	326 677	44 371	142 132	36 393	919 573
Other members	360 100	0	288 010	74 016	144 191	30 226	896 543
Total	730 100	0	614 687	118 387	286 323	66 619	1 816 116

¹ Company paid social security contribution incl. AHV, IV and ALV.

² The variable remuneration which includes cash bonus and shares is not paid out in the reporting period. It is accrued for and paid out in the following year based on the decision of the Nomination and Compensation Committee.

³ Company paid social security contribution incl. pension funds payments, AHV, IV, ALV, NBU and KTG.

Loans

In the reporting period, no loans, advances or credits were granted to any member of the Board of Directors or Executive Management.

Number of shares held by the Board of Directors

	31.12.2014	31.12.2013
Nick Huber, Chairman	2 800	2 550
Robert Heberlein, Member	166 903	166 653
Erwin Locher, Member	9 306	10 056
Matthew Robin, Member	2 750	2 500
Roland Weiger, Member	250	n.a.

Number of shares held by the Executive Management

In CHF 1000	31.12.2014	31.12.2013
Martin Schaufelberger, CEO	4 686	3 151
Gerhard Mahrle, CFO	0	n.a.
Hans Grüter, CFO (left as of 31.1.2014)	n.a.	5 340

5 Approval of the Compensation Report

This compensation report provides comprehensive transparency with regard to the Company's general compensation principles and in particular to the compensation of the Executive Management and the Board of Directors. The Board of Directors will present this report to the shareholders for consultative approval at the Annual General Meeting on March 25, 2015.

To the General Meeting of
COLTENE Holding AG, Altstätten

St. Gallen, 25 February 2015

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report dated 25 February 2015 of COLTENE Holding AG for the year ended 31 December 2014.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2014 of COLTENE Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd



Rico Fehr
Licensed audit expert
(Auditor in charge)



Iwan Zimmermann
Licensed audit expert



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Carlos Francci, Rio de Janeiro, Brazil

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Financial Commentary

COLTENE generated sales of CHF 162.3 million in fiscal 2014 (2013: CHF 160.0 million), which represents a slight increase of 1.5 % in its reporting currency of Swiss francs. In local currency, sales were up by 3.0 % from the year-ago level. Market growth was the fastest in Asia and sales in China and India, two important markets of the future, rose by double-digits. Sales growth in North America was in line with market growth. In Europe and South America COLTENE encountered stiff competition and intense price pressure and country performance varied; on balance, COLTENE was able to consolidate its sales in both regions in Swiss francs at the levels reported for the preceding years.

Operating profit improved significantly by 15.2 % (16.5 % in local currency) to CHF 22.4 million (2013: CHF 19.4 million). The EBIT margin climbed to 13.8 % (2013: 12.2 %), a sharp increase for the third consecutive year. Thanks to strong sales in the second half, the EBIT margin also widened significantly compared to the first half, when COLTENE reported a margin of 9.8 %.

Currency translation had a minimal impact on overall results in 2014. The two major currency pairs for COLTENE, CHF/EUR and CHF/USD, both had a slightly negative effect. The massive drop in the value of the Brazilian real and the Indian rupee also had a negative effect on reported results in Swiss francs. Exchange-rate differences and other financial expenses declined sharply from CHF 1.1 million in the previous year to CHF 0.2 million. Interest expense for bank overdrafts and loans was unchanged at CHF 0.8 million. Tax expense increased from CHF 3.8 million to CHF 5.2 million. The tax rate was 25.1 %, compared to 22.4 % in the previous year. This increase is mainly attributable to higher profits from the US subsidiary.

Net profit for the 2014 fiscal year amounted to CHF 15.6 million, a significant improvement of 18.5 % compared to the previous year (2013: CHF 13.2 million). This raised the corresponding net profit margin to 9.6 %. The ongoing streamlining of the product range and elimination of low-margin products as well as efficiency gains in production and on the sales and marketing front can be credited for the renewed strong improvement in profitability.

COLTENE's cash flow from operating activities for the period under review amounted to CHF 19.9 million. This is CHF 3.3 million less than in the preceding period due to an increase in accounts receivable. Cash flow from investment activities amounted to CHF 3.2 million, most of which was expended on replacement of production assets. Net investment in plant and equipment amounted to CHF 3.0 million. Free cash flow amounted to CHF 16.7 million (2013: CHF 17.0 million), close to the previous year's high level thanks above all to the solid cash flow from operating activities.

With bank loans of CHF 20.8 million, COLTENE's equity ratio remains high at 63.2% (2013: 66.5%). Net debt as of December 31, 2014, was a low CHF 2.5 million, which ensures the Group's financial stability and entrepreneurial freedom.

Group Income Statement

In CHF 1000	Ref.	2014	2013
Net sales	1	162 348	160 011
Changes in inventories of finished goods and work in progress		-458	-175
Work performed and capitalized		73	81
Raw material and consumables used	2	-47 811	-47 642
Personnel expenses	3	-55 798	-57 045
Other operating expenses	5	-30 675	-30 599
Depreciation and amortization	6	-5 274	-5 186
Operating profit (EBIT)		22 405	19 445
Financial income	7	111	117
Financial expenses	7	-1 656	-2 560
Net profit before tax expenses		20 860	17 002
Tax expenses	8	-5 227	-3 813
Net profit for the period	10	15 633	13 189
Earnings per share	10	CHF 3.71	CHF 3.13
Diluted earnings per share	10	CHF 3.71	CHF 3.13

Group Statement of Comprehensive Income

In CHF 1000	2014	2013
Net profit for the period	15 633	13 189
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	3 146	-1 912
Net OCI to be reclassified to profit or loss in subsequent periods	3 146	-1 912
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans	-3 691	593
Income tax effect	642	-103
Net OCI not to be reclassified to profit or loss in subsequent periods	-3 049	490
OCI, net of tax	97	-1 422
Total comprehensive income, net of tax	15 730	11 767
Profit for the period attributable to the owner of the parent	15 633	13 189
Comprehensive income for the period attributable to the owner of the parent	15 730	11 767

The notes are part of COLTENE Group financial statements.

Group Statement of Financial Position

In CHF 1000	Ref.	31.12.2014	31.12.2013
Cash and cash equivalents		18 277	6 509
Trade accounts receivable	11	34 817	30 001
Tax receivables		172	73
Other receivables and prepaid expenses	12	3 164	2 764
Inventories	13	29 632	29 692
Current assets		86 062	69 039
Property, plant, and equipment	1, 14	30 168	29 648
Financial assets	15	21	11
Intangible assets	1, 16	45 587	45 874
Deferred tax assets	9	2 809	2 287
Non-current assets		78 585	77 820
Total assets		164 647	146 859
Financial liabilities	17	20 802	16 828
Trade accounts payable	18	5 941	4 668
Other accounts payable and accruals	19	11 924	10 828
Tax liabilities		2 534	2 382
Provisions	4, 20	526	131
Current liabilities		41 727	34 837
Deferred tax liabilities	9	9 500	8 648
Provisions	20	9 303	5 724
Non-current liabilities		18 803	14 372
Total liabilities		60 530	49 209
Share capital		422	422
Currency translation adjustments		-28 551	-31 697
Retained earnings		132 246	128 925
Total equity	22	104 117	97 650
Total liabilities and equity		164 647	146 859

The notes are part of COLTENE Group financial statements.

Group Cash Flow Statement

In CHF 1000	Ref.	2014	2013
Net profit for the period		15 633	13 189
Depreciation and amortization	6, 14, 16	5 274	5 186
Other non-cash items		5 789	4 806
Change in accounts receivable from deliveries and sales		-3 605	73
Change in inventories		611	4 374
Change in other current assets		-280	1 629
Change in current liabilities		1 829	-1 879
Interest paid		-791	-777
Interest received		81	88
Income tax paid		-4 603	-3 411
Cash flow from operating activities		19 938	23 278
Purchase of property, plant, and equipment ¹		-3 329	-5 545
Proceeds from sale of property, plant, and equipment		344	56
Purchase of intangible assets		-268	-803
Proceeds of financial assets net		7	7
Cash flow from investing activities		-3 246	-6 285
Proceeds from loans and financial liabilities		13 210	18 001
Repayments of loans and financial liabilities		-9 037	-25 046
Distribution to shareholders	22	-9 282 ²	-7 592 ³
Proceeds/purchase of treasury stock		7	283
Cash flow from financing activities		-5 102	-14 354
Exchange rate differences		178	-130
Change in cash and cash equivalents		11 768	2 509
Cash and cash equivalents at beginning of year		6 509	4 000
Cash and cash equivalents at end of year		18 277	6 509

The notes are part of COLTENE Group financial statements.

¹ Netted with change of outstanding liabilities for capex of TCHF -108 for 2014 and TCHF 100 for 2013.

² Out of capital contribution reserves and dividend.

³ Out of capital contribution reserves.

Group Statement of Changes in Equity

In CHF 1000	Ref.	Share capital	Treasury shares	Currency translation adjustments	Retained earnings	Total
1.1.2013		421	-2 901	-29 785	125 456	93 191
Comprehensive income for the year		0	0	-1 912	13 679	11 767
Share-based transactions with management	3, 24	0	184	0	0	184
Distribution out of capital contribution reserves	22	0	0	0	-7 592	-7 592
Change in treasury stock		1	99	0	0	100
31.12.2013		422	-2 618	-31 697	131 543	97 650
Comprehensive income for the year		0	0	3 146	12 584	15 730
Share-based transactions with management	3, 24	0	282	0	0	282
Distribution out of capital contribution reserves and dividend	22	0	0	0	-9 282	-9 282
Change in treasury stock		0	-263	0	0	-263
31.12.2014		422	-2 599	-28 551	134 845	104 117

The notes are part of COLTENE Group financial statements.

Notes to Group Financial Statements

Reporting Entity

COLTENE 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 is active in the dental consumables market. COLTENE Holding AG was listed as an independent company at the SIX Swiss Exchange on June 23, 2006.

Operating Segments and Products

Under the umbrella brand COLTENE the Group develops, manufactures, and sells mainly via distribution channels a broad and comprehensive range of disposables and tools for dentists and dental laboratories. The Group operates one operating 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. Therefore internal and external reporting are aligned.

Principles of Consolidation

General Remarks

The Group financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The figures are based on the historical cost convention except for certain financial assets and liabilities 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 stage of time such judgments and estimates made by management differ from the actual circumstances, the original judgments and estimates made are changed for the year in which the respective circumstances have occurred.

The International Accounting Standard Board (IASB) and the IFRS Interpretation Committee (IFRIC) issued the following new and amended IFRS interpretations to be applied for annual periods beginning on or after January 1, 2014:

- Amendments to IFRS 10, Investment Entities, Consolidated Financial Statements
- IFRS 12, Disclosure of Interest in Other Entities
- IAS 27, Separate Financial Statements
- IAS 32, Financial Instruments: Presentation, Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 32
- IAS 39, Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21, Levies

Forthcoming standards and interpretations are:

- Impact of IFRS 9, Financial Instruments (effective date: January 1, 2018)
- IFRS 15, Revenue from Contracts with Customers (effective date: January 1, 2017) on accounting practices is currently being analyzed.

The new and forthcoming standards are currently not expected to have any material impact on accounting practices or on the Group's financial position, results of operations, and cash flows. The Group does not anticipate any significant impact of these changes on future consolidated financial statements and no early adoption is foreseen.

The Group financial statements are based on the individual financial statements of the Group's subsidiaries, prepared in accordance with the Group's accounting principles as of December 31. The Group financial statements were prepared in accordance with IFRS and comply with Swiss company law. All amounts presented are denominated in thousand CHF (except otherwise noted). Swiss francs are the functional currency of the Holding company as well as the presentation currency of the Group.

The COLTENE Holding AG Board of Directors authorized these financial statements on February 25, 2015, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on March 25, 2015.

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 is obtained. Subsidiaries are deconsolidated as of the date on which control ceases. The major companies consolidated are shown in the summary provided on page 76.

Within the scope of consolidation, the following changes took place in 2014: As of December 01, 2014 Coltène Iberia S.L., Madrid, was incorporated.

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 at the date of exchange. Identifiable assets acquired and liabilities assumed are measured initially at fair value on the date of acquisition, irrespective of the extent of any non-controlling interests. 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.

Transaction with non-controlling interests without change in control may result in a difference between consideration paid and the share of net assets acquired. This difference is taken to equity.

The assets, liabilities as well as the income and expenses of the consolidated subsidiaries are recorded in their entirety in the consolidated financial statements. The share of profit and equity to which non-controlling shareholders are entitled is shown separately in the Group statement of financial position and income statement. Intra-Group transactions are eliminated.

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 equity is also directly recognized in equity. 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.

Principles of Valuation

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the Group 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 allowance for doubtful accounts. Allowance is made when it is objectively foreseeable that the carrying amount cannot be collected in full. Allowance corresponds 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 acquisition 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 all significant risks and rewards of ownership are classified as financial leases. The respective assets are carried as property, plant, and equipment and depreciated. The corresponding lease obligations are shown as financial liabilities. Leasing installments are allocated accordingly to capital repayments and interest expenses.

Financial Assets

Classification

The Group classifies its financial assets as follows:

- At fair value through profit or loss
- Loans and receivables

The classification depends on the purpose of the financial assets. Management determines the classification of its financial assets at initial recognition. 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.

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 from the ordinary course of business or from lending activities. Receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date. Such loans and receivables are classified as non-current financial assets.

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 reporting date.

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. Financial assets 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 a price within the bid-ask spread that is most representative for fair value. 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 similar instruments, discounted cash flow analysis, and option pricing models. On each reporting date, the Group determines whether there is objective evidence that financial assets were impaired. In the case of an impairment of the financial assets, the respective expenses are recorded 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 cannot 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. All goodwill is allocated to the cash-generating unit COLTENE Group as the entire Group benefits from acquisitions and is therefore monitored on Group level.

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 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 reporting date.

Loans and Other Liabilities

Loans and other liabilities are recognized initially at fair value, net of transaction costs incurred. Loans and other liabilities 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 a past event 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.

Cash-out may differ from the amount provided for as it is based on assumptions and estimates available at that time.

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 plan. The Swiss pension plan is administered by an independent insurance company and accounted for as defined benefit plans according to IAS 19. The pension liability resulting from defined benefit plans is calculated annually by an independent actuary using the "projected unit credit method." Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding interest recognized in profit and loss), are recognized immediately in other comprehensive income with corresponding debit or credit to the statement of financial position in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under personnel expenses and financial expenses in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and settlements
- Net interest expense or income

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 blocking period of three years without any vesting conditions. The valuation of the shares takes place on the grant date. The yearly compensation of the Board of Directors awarded is determined by the Nomination and Compensation Committee annually depending on the Company's performance.

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 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. KPIs account for 40% to 80% and personal targets for 20% to 60%. Depending on the seniority of a participant, up to 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 67% and 100% of the fixed salary of any participant (see compensation report on page 38 and notes to COLTENE Holding AG, page 81). The program is defined and reviewed by the Nomination and Compensation Committee annually.

Taxes

All taxes payable on income for the financial year are provided for in full at the reporting date and in 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 reporting date is provided in full. Deferred tax assets are recognized to the extent that future taxable profit will be available to use tax loss carried forwards. No provisions are recognized for non-reclaimable withholding taxes on dividends. Such withholding taxes are only payable when dividends are paid out.

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 intra-Group transactions. 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.

Repair and Maintenance Costs

Repair and maintenance costs (included in other operating expenses) are recognized in the income statement when they occur.

Research and Development

Research costs (included in other operating expenses) 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 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 issued 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. E. g. accounts receivable and payable as well

as loans in foreign currencies are shown at the year-end exchange rates. Gains and losses are reported in the income statement.

The statement of financial position and income statement of foreign subsidiaries are 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 into the Group presentation currency are recognized in equity. In the event of the sale of a subsidiary, 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:

The most important exchange rates				
	31.12.2014	Ø 2014	31.12.2013	Ø 2013
1 USD	0.9895	0.9152	0.8902	0.9267
1 EUR	1.2028	1.2146	1.2256	1.2304

Financial Risk Management

Financial risk management is ensured according to the principles defined by Group management. These principles define how credit, interest, and currency risks 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 policy. 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 high quality 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 note 1). Management regularly assesses the credit risk of all counterparties (especially key accounts) on the basis of historic experiences. If appropriate, management also applies credit insuring instruments, for example credit limits or prepayments.

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 note 17) and cash and cash equivalents) on the basis of expected cash flows.

Interest Risk

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 17.

If the interest rates had been higher by 50 bps for 2014 with all other variables held constant, net profit for the year would have been TCHF 95 (previous year TCHF 130) lower, as a result of higher interest expenses on current bank loans. If the interest rates had been lower by 50 bps for 2014 with all other variables held constant, net profit for the year would have been TCHF 95 (previous year TCHF 130) 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, currency risk is reduced by matching the currency in- and outflows. The estimated exposure in the main currencies 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 translation of the foreign currency financial positions of subsidiaries is not hedged.

At December 31, 2014, if the CHF had strengthened by 5% against the USD with all other variables held constant, net profit for the year would have been TCHF 745 lower (previous year TCHF 434), mainly as a result of foreign exchange differences on translation of USD-denominated

accounts receivables from deliveries and sales, accounts payables to suppliers, current bank loans and inter-company loans. Net profit is more sensitive to movement in CHF/USD exchange rates in 2014 than 2013 mainly because of the increased net liability in USD. At December 31, 2014, if the CHF had weakened by 5% against the USD, net profit would have been TCHF 745 higher (previous year TCHF 434). The same sensitivity analysis (+/- 5%) for EUR results in a change of net profit of TCHF +/-156 (previous year TCHF +/-76).

At December 31, 2014, if the CHF had weakened by 5% against the USD with all other variables held constant, equity at the year would have been TCHF 1159 higher (previous year TCHF 1334), 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 1159 lower (previous year TCHF 1334). The same sensitivity analysis (+/- 5%) for EUR results in a change of equity of TCHF +/-476 (previous year TCHF +/-370).

Categories of Financial Assets and Liabilities

Financial assets

In CHF 1000

	Loans and receivables	Financial assets at fair value through profit and loss	Carrying amount 31.12. ²	Fair value level
2014				
Cash and cash equivalents	18 277	0	18 277	n/a
Trade accounts receivable	34 817	0	34 817	n/a
Other receivables and prepaid expenses	3 164	0	3 164	n/a
Forwards ¹	0	43	43	Level 2 ³
Total	56 258	43	56 301	
2013				
Cash and cash equivalents	6 509	0	6 509	n/a
Trade accounts receivable	30 001	0	30 001	n/a
Other receivables and prepaid expenses	2 732	0	2 732	n/a
Forwards ¹	0	32	32	Level 2 ³
Total	39 242	32	39 274	

Financial liabilities

In CHF 1000

	Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit and loss	Carrying amount 31.12. ²	Fair value level
2014				
Bank loans	20 802	0	20 802	n/a
Trade accounts payable	5 941	0	5 941	n/a
Other accounts payable and accruals	11 968	0	11 968	n/a
Total	38 711	0	38 711	
2013				
Bank loans	16 828	0	16 828	n/a
Trade accounts payable	4 668	0	4 668	n/a
Other accounts payable and accruals	10 828	0	10 828	n/a
Total	32 324	0	32 324	

¹ Included in line item other accounts payable and accruals for 2014 and other accounts payable and accruals for 2013 in the Group statement of financial position, see also note 19.

² Carrying amount is a reasonable approximation for fair value.

³ Level2: financial instruments with directly observable market inputs.

Capital Risk Management

The Group's objective when managing capital is to assure the Group's ability to maintain going concern of the Group, to support the Group's strategy, 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 (leverage factor) and total equity divided by total liabilities and equity (equity ratio). These ratios were at December 31 as follows:

Capital risk management		
In CHF 1000	2014	2013
Interest-bearing debt	20 802	16 828
EBITDA	27 679	24 631
Leverage factor	0.8	0.7
Equity ratio in %	63.2%	66.5%

Targets for these ratios are for leverage factor below 3.0 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 within a reasonable time frame.

Significant Estimates and Judgements

The Group makes judgements and estimates concerning the future. The resulting accounting estimates therefore may not correspond to the 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 section.

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 (see note 16).

IAS 19 Post-Employment Benefits

The status of defined benefit plans depends on long-term actuarial assumptions that may differ from actual future developments. The determination of the discount rate and of future changes in salaries/wages are important assumptions in actuarial valuations.

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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.

1 Group-wide Information

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

Net sales by geographical areas		
In CHF 1000	2014	2013
Switzerland	2 314	2 412
Germany, Austria	18 335	18 293
Great Britain, Ireland	6 876	7 525
France	7 056	6 627
Other Europe	23 683	23 340
Russia and other CIS	6 750	6 334
Middle East and Africa	6 141	6 765
North America	54 025	52 799
Brazil	9 744	10 093
Other South America	9 571	9 280
China	4 577	3 716
India	2 626	2 386
Other Far East, Oceania	10 650	10 441
Net sales	162 348	160 011

Net sales by products and services		
In CHF 1000	2014	2013
Endodontics	30 554	30 163
Prosthetics	35 453	33 151
Rotary Instruments	12 442	10 909
Restoration	41 822	44 878
Laboratory	7 503	7 385
Infection control	10 417	11 994
Treatment auxiliaries	21 267	16 999
Miscellaneous	2 890	4 532
Net sales	162 348	160 011

Net sales of TCHF 33 413 (previous year TCHF 32 967) corresponding to 20.6% of Group net sales (previous year 20.6%) were generated with one customer (large distribution group). No other major customers exist.

Property, plant, and equipment and intangible assets by geographical areas are as follows:

Property, plant, and equipment by geographical areas		
In CHF 1000	31.12.2014	31.12.2013
Switzerland	11 327	11 592
Germany	1 605	1 357
Other Europe	255	292
China	21	21
India	27	31
USA	15 050	14 218
Brazil	1 883	2 137
Property, plant, and equipment	30 168	29 648

Intangible assets by geographical areas		
In CHF 1000	31.12.2014	31.12.2013
Switzerland	7 314	8 252
Germany	18 203	18 564
Other Europe	106	118
China	1	7
India	4	0
USA	13 491	12 260
Brazil	6 468	6 673
Intangible assets	45 587	45 874

2 Raw Material and Consumables Used

Raw material and consumables used amounted to 29.4% (previous year 29.8%) of net sales.

3 Personnel Expenses

The average workforce amounted to 909 employees (previous year 942). Detailed information on personnel expenses:

Personnel expenses		
In CHF 1000	2014	2013
Wages and salaries	44 028	44 277
Expenses for defined benefit plans	796	781
Expenses for defined contribution plans	3 112	3 420
Other personnel expenses	7 862	8 567
Total	55 798	57 045

Personnel expenses include TCHF 282 (previous year TCHF 184) for share-based payment transactions with the Board of Directors and Group Management. For information on expenses for post-employment benefits according to IAS 19, please refer to note 4.

4 Pension Liabilities

Employee Benefit Obligation

To complement the benefits provided by state-regulated pension schemes, COLTENE maintains additional employee pension plans for a number of subsidiaries. In principle these fall into the following categories:

Defined Contribution Pension Plans:

Some of the COLTENE subsidiaries operate defined contribution pension plans. In these, employees and employer regularly contribute to funds administered by third parties. This does not give rise to any assets or liabilities in the consolidated balance sheet.

Defined Benefit Pension Plans:

Defined benefit pension plans for management and staff exist only for Coltène/Whaledent AG in Switzerland. These pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which states that pension plans are to be managed by independent, legally autonomous entities. Plan participants are insured against the financial consequences of old age, disability, and death. The insurance benefits are subject to regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. If a plan is underfunded, different measures can be taken, such as the adjustment of the pension commitment by altering the conversion rates or increasing current contributions. In the current year, as in the previous year, the Swiss pension plans are showing a surplus under BVG and it is not expected that additional contributions will be necessary for the next year. The employees have the opportunity to withdraw pension benefits in the form of a lump sum.

The pension plans of Coltène/Whaledent AG account for 100% of COLTENE's entire defined benefit pension obligations and 100% of plan assets. These pension plans are full insurance solutions within a completely independent collective foundation run on a separate basis by a Swiss insurance company. All actuarial risks are borne by the foundation and all of the foundation's actuarial risks of death and invalidity are reinsured. The Company (employer) and the beneficiaries (employees) are represented equally in a board of trustees.

In accordance with local statutory requirements, COLTENE has no obligations to these pension plans beyond the regulatory contributions and any recapitalization contributions that may become necessary. According to IAS 19, the Swiss pension plans qualify as defined benefit plans, so the actuarially calculated surplus or deficit is recognized in the consolidated balance sheet.

Pension liabilities		
In CHF 1000	2014	2013
Pension costs		
Current service cost	796	781
Interest expenses on defined benefit obligation (DBO)	383	320
Interest income on plan assets	-284	-225
Total	895	876
Reconciliation of the present value of the DBO		
DBO 1.1.	19 155	18 301
Current service cost	796	781
Ordinary contribution paid by employees	600	564
Interest expenses on (DBO)	383	320
Contribution paid by plan participants	2 202	734
Benefits paid	-3 711	-1 051
Actuarial (gain) and loss on DBO	3 623	-494
DBO 31.12.	23 048	19 155
Actuarial (gains)/losses arising from changes in financial assumptions	3 992	-930
Reconciliation of fair value of plan assets		
Fair value 1.1.	14 201	12 900
Interest income on plan assets	284	225
Ordinary contribution paid by employer	763	730
Ordinary contribution paid by employees	600	564
Contribution paid by plan participants	2 202	734
Contribution paid to plan participants	-3 711	-1 051
Return on plan assets excl. interest income (gains/-losses)	-68	99
Fair value 31.12.	14 271	14 201
Details to plan assets		
Receivables from insurance company	14 271	14 201
Total	14 271	14 201
Split of plan assets (in %)		
Fixed interest-bearing securities	78.31 %	78.50 %
Mortgages	6.85 %	6.89 %
Shares and fund participation	1.04 %	0.28 %
Private equity and hedge funds	0.14 %	0.16 %
Shares in investments and in affiliated companies	0.63 %	0.67 %
Real estate	12.01 %	12.37 %
Other capital investments	1.02 %	1.13 %
Total	100.00 %	100.00 %

No significant investments were made in COLTENE Holding AG. For both periods no short-term payables against pension plans exist.

Pension liabilities		
In CHF 1000	2014	2013
Net defined liability (asset)		
Present value of the defined benefit obligation, 31.12.	23 048	19 155
Fair value of plan assets, 31.12.	- 14 271	- 14 201
Net defined benefit liability (asset) recognized in balance sheet	8 777	4 954
Changes in net amount		
Net defined benefit liability (asset), 1.1.	4 954	5 401
Defined benefit cost recognized in profit and loss	895	876
Defined benefit cost recognized in other comprehensive income	3 691	-593
Ordinary contribution paid by employer	-763	-730
Balance 31.12.	8 777	4 954
Actuarial assumptions		
Discount rate	0.85 %	2.00 %
Future salary increase	1.00 %	1.50 %
Mortality (generation table)	BVG 2010	BVG 2010
Pension liabilities – Sensitivity analysis		
In CHF 1000	2014	2013
Sensitivity to discount rate assumptions		
Discount rate +0.50 % – effect on DBO	-2 108	-1 015
Discount rate -0.50 % – effect on DBO	2 439	1 149
Sensitivity to salary increase assumptions		
Salary increase rate +0.50 % – effect on DBO	-215	-345
Salary increase rate -0.50 % – effect on DBO	205	364
Sensitivity to mortality assumptions		
+1 additional year – effect on DBO	-502	-306
-1 additional year – effect on DBO	482	326

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 2014, TCHF 5346 (previous year TCHF 4115) were spent on research and development and accounted for in the income statement. Other operating expenses include gains from sales of property, plant, and equipment of TCHF 208 (previous year TCHF 8).

6 Depreciation and Amortization

Depreciation and amortization

In CHF 1000	2014	2013
Depreciation on property, plant, and equipment	3 861	3 890
Amortization of intangible assets	1 413	1 296
Total	5 274	5 186

7 Financial Income and Expenses

Financial income and expenses

In CHF 1000	2014	2013
Interest income on cash and cash equivalents	81	88
Other financial income	30	29
Total financial income	111	117
Interest expenses for bank overdrafts and loans	-958	-879
Exchange rate differences and other financial expenses	-698	-1 681
Total financial expenses	-1656	-2560
Total financial result (net)	-1 545	-2 443

8 Tax Expenses

Tax expenses comprise the following positions:

Tax expenses

In CHF 1000	2014	2013
Current taxes	4 629	3 264
Deferred taxes	598	549
Total	5 227	3 813

Tax expenses can be analyzed as follows:

Tax expenses

In CHF 1000	2014	2013
Net profit before tax expenses	20 860	17 002
Tax expenses at applicable tax rate of 26.4% (25.1%)	5 516	4 265
Effects of non-tax-deductible expenses	49	29
Effects of tax-exempt or reduced income	-761	-706
Effects of tax loss not capitalized in current year	532	620
Effects of tax loss used not capitalized in prior years	0	-18
Effects of change in tax rate of deferred taxes	-76	-398
Tax adjustments prior years by tax authorities	-66	-69
Other impacts	33	90
Actual tax expense	5 227	3 813
Effective tax rate in %	25.1%	22.4%

The applicable tax rate represents a weighted average rate based on all Group companies. Compared to last year the applicable tax rate increased from 25.1% to 26.4%. The slight increase is related to the changed taxable contribution of the different entities with different tax rates.

The expected tax rates applied by the different companies are unchanged to prior year.

Tax expenses of TCHF 5227 represent an effective tax rate of 25.1% (prior year 22.4%) of the net profit before tax expenses. For 2014 the difference between applicable and effective tax rate is mainly due tax losses not capitalized and effects of lower income of the Holding company.

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

Tax losses		
In CHF 1000	2014	2013
Tax losses capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	1 927	2 297
Expiration over 5 years	3 136	3 145
Total	5 063	5 442
Tax credits of capitalized tax losses		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	580	677
Expiration over 5 years	1 047	1 052
Total	1 627	1 729
Tax losses not capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	0
Expiration over 5 years	6 670	5 539 ¹
Total	6 670	5 539
Tax credits of not capitalized tax losses		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	0
Expiration over 5 years	2 268	2 294 ¹
Total	2 268	2 294

¹ In previous year the tax losses not capitalized and accordingly the tax credits of not capitalized tax losses were adjusted due to a reporting error. This adjustment has no impact on the consolidated financial statements.

The main portion of tax losses not capitalized is attributable to Vigodent S.A. In the year reported no further tax assets have been recognized because the goodwill can be deducted from taxable profits due to the merger of Vigodent with Coltène do Brasil. Furthermore 70% of annual taxable profits must be paid according to Brazilian tax law before tax assets can be used. Therefore the management decided not to create further deferred taxes.

9 Deferred Taxes

Deferred tax assets include the following positions:

Deferred tax assets		
In CHF 1000	2014	2013
1.1.	2 287	3 055
Additions	545	10
Reversals	-117	-514
Currency effects	94	-264
31.12.	2 809	2 287

Deferred tax liabilities include the following positions:

Deferred tax liabilities		
In CHF 1000	2014	2013
1.1.	8 648	8 568
Additions	1 378	1 295
Reversals	-975	-1 120
Currency effects	449	-95
31.12.	9 500	8 648

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

Deferred tax details				
In CHF 1000	2014		2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Receivables and accruals	0	169	0	173
Inventories	343	248	499	373
Property, plant, and equipment	0	6 261	0	5 347
Intangible assets	0	4 351	0	4 065
Provisions	2 418	50	1 420 ¹	51
Deferred taxes from losses carried forward	1 627	0	1 729	0
Offset of deferred assets and liabilities	-1 579	-1 579	-1 361	-1 361
Total	2 809	9 500	2 287	8 648

¹ In the reporting period 2013 the deferred tax on net defined benefit liability (IAS 19) in the amount of TCHF 862 was shown in the above table under financial liabilities instead of provisions.

Deferred tax assets to be recovered after more than twelve months amount to TCHF 2809 (previous year TCHF 2287). There are no deferred tax assets to be recovered within twelve months for both years.

Deferred tax liabilities to be recovered after more than twelve months amount to TCHF 9157 (previous year TCHF 8149). Deferred tax liabilities to be recovered within twelve months amount to TCHF 343 (previous year TCHF 499).

10 Earnings per Share

Net profit amounts to TCHF 15 633 (previous year TCHF 13 189). Earnings per share (EPS) are calculated as follows:

Earnings per share	2014	2013
Weighted number of shares issued at 31.12.	4 218 647	4 216 542
Earnings per share (based on net profit for the period)	CHF 3.71	CHF 3.13
Diluted earnings per share (based on net profit for the period)	CHF 3.71	CHF 3.13

11 Trade Accounts Receivable

Trade accounts receivable	2014	2013
In CHF 1000		
Trade accounts receivable (gross)	35 565	30 930
Allowance	- 748	- 929
Total	34 817	30 001

Trade accounts receivable by currency	2014	2013
In CHF 1000		
CHF	2 840	2 956
EUR	10 717	8 116
USD	16 150	13 036
Other currencies	5 110	5 893
Total	34 817	30 001

Trade accounts receivable (gross) by maturity	2014	2013
In CHF 1000		
Not due	29 455	23 852
Past due 1 to 30 days	3 226	4 468
Past due 31 to 60 days	419	802
Past due 61 to 90 days	288	95
Past due 91 to 120 days	189	441
Past due over 120 days	1 988	1 272
Total	35 565	30 930

Trade accounts receivable by maturity only past due but not impaired

In CHF 1000	2014	2013
Not due	29 313	23 725
Past due 1 to 30 days	3 219	4 460
Past due 31 to 60 days	406	786
Past due 61 to 90 days	261	63
Past due 91 to 120 days	146	437
Past due over 120 days	1 472	530
Total	34 817	30 001

Change in allowance

In CHF 1000	2014	2013
1.1.	929	1 396
Additions	153	205
Used	- 98	- 443
Reversals	- 252	- 193
Currency effects	15	- 36
31.12.	748	929

The amounts due are monitored on a monthly basis. The carrying amount of receivables also represents the maximum exposure to credit risk.

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, 2014, no trade accounts receivable are pledged (previous year also none).

12 Other Receivables and Prepaid Expenses

These items include:

Other receivables and prepaid expenses

In CHF 1000	2014	2013
Other receivables	1 879	1 724
Prepaid expenses	1 302	1 057
Allowance	-17	-17

Total	3 164	2 764
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Change in allowance

In CHF 1000	2014	2013
1.1.	17	365
Additions	0	17
Used	0	-20
Reversals	0	-351
Currency effects	0	6

31.12.	17	17
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13 Inventories

Inventories are as follows:

Inventories (net)

In CHF 1000	2014	2013
Raw materials	9 763	9 410
Trade merchandise	1 372	1 637
Work in progress	8 007	8 982
Finished goods	10 490	9 663

Total	29 632	29 692
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No inventories are pledged or measured at selling price less variable selling expenses (net realizable value) neither at December 31, 2013, nor 2014.

Inventories (gross)

In CHF 1000	2014	2013
Raw materials	11 581	11 076
Trade merchandise	1 474	1 811
Work in progress	9 356	9 298
Finished goods	11 553	10 676
Allowance	-4 332	-3 169

Total	29 632	29 692
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Change in allowance

In CHF 1000	2014	2013
1.1.	3 169	5 528
Additions	1 116	-248
Used	-131	-1 872
Reversals	-12	-233
Currency effects	190	-6

31.12.	4 332	3 169
---------------	--------------	--------------

14 Property, Plant, and Equipment

Gross values					
In CHF 1000	Machinery and equipment	Land	Buildings (incl. inst.)	Assets under construction	Total
Value 31.12.2012	38 306	1 504	38 903	1 547	80 260
Additions	687	2 056	952	1 950	5 645
Disposals	-380	0	-444	-15	-839
Currency effects	-592	-60	-530	-39	-1 220
Reclassification	1 485	0	140	-1 641	-16
Value 31.12.2013	39 507	3 500	39 021	1 802	83 830
Additions	529	96	1 120	1 476	3 221
Disposals	-712	-101	-184	-25	-1 022
Currency effects	2 068	99	1 220	41	3 428
Reclassification	2 272	0	420	-2 788	-96
Value 31.12.2014	43 663	3 594	41 597	506	89 360
Accumulated depreciation					
In CHF 1000	Machinery and equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2012	28 164	493	22 883	0	51 540
Depreciation	2 114	55	1 721	0	3 890
Disposals	-369	0	-401	0	-770
Currency effects	-283	-14	-172	0	-469
Reclassification	-12	0	3	0	-9
Value 31.12.2013	29 614	534	24 034	0	54 182
Depreciation	2 221	55	1 585	0	3 861
Disposals	-604	0	-170	0	-774
Currency effects	1 282	64	627	0	1 973
Reclassification	0	0	-50	0	-50
Value 31.12.2014	32 513	653	26 026	0	59 192
Net values					
In CHF 1000	Machinery and equipment	Land	Buildings (incl. inst.)	Assets under construction	Total
Value 31.12.2012	10 142	1 011	16 020	1 547	28 720
Value 31.12.2013	9 893	2 966	14 987	1 802	29 648
Value 31.12.2014	11 150	2 941	15 571	506	30 168

Leased property, plant, and equipment amount to TCHF 0 for both periods.

Contractual Commitments

As per December 31, 2014, contractual commitments to acquire machinery and equipment of TCHF 131 were entered upon (previous year TCHF 424).

Pledged Assets

No property, plant, and equipment was pledged for as of December 31, 2014 and 2013.

Fire Insurance Values

Fire insurance values of property, plant, and equipment amount to TCHF 96 335 (previous year TCHF 95 264).

15 Financial Assets

Financial assets consist of TCHF 0 securities (previous year TCHF 1) and of TCHF 21 loans (previous year TCHF 10).

16 Intangible Assets

Goodwill is allocated to the Group's cash-generating unit (CGU), which is the Group in total. Further, executive management monitors goodwill on a Group level. This impairment test for goodwill is based on the discounted cash flow method and on approved budgets and key business plan figures (2015–2019). 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:

Goodwill assumptions

	2014	2013
CGU Group		
Long-term growth rate	2.2%	2.5%
Gross profit margin	69–69.5%	69–69.5%
Discount rate	8.5%	9.5%

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 this impairment test, there is no need for an impairment. Even in case of a reasonably possible change in the key assumptions, there is still no risk to record an impairment.

Gross values

In CHF 1000

	Goodwill	Other intangible assets	Total
Value 31.12.2012	40 591	11 888	52 479
Additions	0	803	803
Disposals	0	–13	–13
Currency effects	–898	–482	–1 380
Reclassification	0	7	7
Value 31.12.2013	39 693	12 203	51 896
Additions	0	232	232
Disposals	0	0	0
Currency effects	778	183	961
Reclassification	0	96	96
Value 31.12.2014	40 471	12 714	53 185

Accumulated amortization

In CHF 1000

	Goodwill	Other intangible assets	Total
Value 31.12.2012	0	4 850	4 850
Amortization	0	1 296	1 296
Disposals	0	–13	–13
Currency effects	0	–111	–111
Reclassification	0	0	0
Value 31.12.2013	0	6 022	6 022
Amortization	0	1 413	1 413
Disposals	0	0	0
Currency effects	0	113	113
Reclassification	0	50	50
Value 31.12.2014	0	7 598	7 598

Net values

In CHF 1000

	Goodwill	Other intangible assets	Total
Value 31.12.2012	40 591	7 038	47 629
Value 31.12.2013	39 693	6 181	45 874
Value 31.12.2014	40 471	5 116	45 587

No impairment was recognized for the periods presented. No intangible assets with an indefinite useful life are held by the Group. The other intangible assets mainly consist of the ERP system amounting to CHF 2.9 million, trade names and customer relationship amounting to CHF 1.7 million as well as patents amounting to CHF 0.5 million.

As per December 31, 2014 and 2013, there are no contractual commitments to acquire intangible assets.

17 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.

Current bank loans			
In CHF 1000			
	2014	2013	
Unsecured bank loans	20 802	16 828	
Total	20 802	16 828	

Current bank loans				
In CHF 1000				
Maturity	Currency	Interest rate		2014
30.01.2015 unsecured	USD	0.96%		6 828
30.01.2015 unsecured	USD	1.00%		4 304
30.01.2015 unsecured	USD	1.00%		2 929
30.01.2015 unsecured	USD	0.92%		1 949
30.01.2015 unsecured	USD	0.92%		1 564
31.12.2015 unsecured	INR	11.50%		447
30.03.2015 unsecured	BRL	3.26%		186
21.05.2015 unsecured	BRL	3.25%		553
31.03.2015 unsecured	BRL	3.75%		606
02.03.2015 unsecured	BRL	3.75%		442
08.05.2015 unsecured	BRL	3.26%		589
21.08.2015 unsecured	BRL	3.26%		405
Total				20 802

Current bank loans

In CHF 1000

Maturity		Currency	Interest rate	2013
31.01.14 unsecured		CHF	0.68%	150
28.02.14 unsecured		CHF	0.94%	2 056
31.01.14 unsecured		USD	1.24%	1 602
31.01.14 unsecured		USD	1.07%	4 229
31.01.14 unsecured		CHF	1.15%	5 528
31.12.13 unsecured		INR	11.50%	421
04.04.14 unsecured		BRL	11.47%	188
26.05.14 unsecured		BRL	11.72%	565
20.11.14 unsecured		BRL	12.12%	619
18.11.14 unsecured		BRL	11.37%	452
08.05.14 unsecured		BRL	11.47%	603
21.08.14 unsecured		BRL	11.74%	415
Total				16 828

Total uncommitted credit lines amount to TCHF 96 786 (previous year TCHF 92 256) of which 21% are used (previous year 18%). Covenants exist for selected bank loans. Covenants were met for both periods.

The Group intends to repay the current bank loans of TCHF 20 802 and the accrued interest of TCHF 318 within less than twelve months and to finance cash needs by renewing existing bank loans and by additional bank loans out of existing credit lines.

18 Trade Accounts Payable

Trade accounts payable			
In CHF 1000			
	2014	2013	
CHF	797	818	
EUR	1 469	1 486	
USD	3 038	2 085	
Other currencies	637	279	
Total	5 941	4 668	

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

19 Other Accounts Payable and Accruals

Other accounts payable and accruals		
In CHF 1000	2014	2013
Other accounts payable	3 235	2 571
Accruals	8 689	8 257
Total	11 924	10 828

Derivative financial instruments		
In CHF 1000	2014	2013
Currency related instruments		
Fair value (included in prepaid expenses/accruals)	43	32
Forward exchange rate contracts by currencies		
EUR	5 952	2 427
GBP	-1 058	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, 2014, and 2013. Contracts 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, 2014 and 2013.

20 Provisions

The column "Legal and personnel related" covers the risk of litigation and employment contract termination benefits. The next category "Pension plans and social security" includes provisions for pension plans and other social security as well as future pension claims 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 remaining column "Guarantees and others" mainly contains provisions for estimated guarantees based on experience for guarantee claims that cannot be insured and are based on the assessment of specific cases. A capital outflow from long-term provisions is expected in the next one to five years with the exception of pension plans where the outflow lasts more than five years. Provisions are as follows:

Provisions				
In CHF 1000	Legal & personnel related	Pension plans & social security	Guarantee & others	Total
31.12.2012	613	5 472	381	6 466
Additions	1 071	0	0	1 071
Reversals	-1 040	-449	-150	-1 639
Used	0	0	-1	-1
Currency effects	-44	1	1	-42
31.12.2013	600	5 024	231	5 855
Additions	63	3 861	339	4 263
Reversals	-79	0	0	-79
Used	-200	0	-2	-202
Currency effects	-2	-0	-6	-8
31.12.2014	382	8 885	562	9 829

Provision by maturity				
In CHF 1000	Legal & personnel related	Pension plans & social security	Guarantee & others	Total
31.12.2013				
Short-term provisions	0	0	131	131
Long-term provisions	600	5 024	100	5 724
31.12.2014				
Short-term provisions	64	0	462	526
Long-term provisions	318	8 885	100	9 303

21 Operating Leasing

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

Leasing In CHF 1000	Operating leasing	
	2014	2013
Not later than 1 year	1 303	996
Later than 1 year and not later than 5 years	2 869	2 012
Later than 5 years	3 632	209
Total	7 804	3 217
Total later than 1 year	6 501	2 221

For 2014 lease expenses amounted to TCHF 1847 (previous year TCHF 1985).

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

22 Equity

The share capital represents the capital of COLTENE Holding AG adjusted by treasury stock. Treasury stock on December 31, 2014, included 100 shares (previous year 993).

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 and fully paid; there is no additional conditional or approved capital.

The distribution of CHF 2.50 per share will be proposed to the General Meeting on March 25, 2015.

Based on the General Meeting decision on April 15, 2014, the Company distributed from the capital contribution reserve CHF 0.28 (previous year CHF 1.80) per share and a dividend of CHF 1.92 (previous year CHF 0.00) per share to its shareholders on April 24, 2014. The total amount paid was TCHF 9282 (previous year TCHF 7592).

23 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.

24 Transactions with Related Parties

Key management compensation		
In CHF 1000	2014	2013
Salaries and other short-term employee benefits	1 567	1 832
Share-based payments	282	184
Post-employment benefits	300	352
Total	2 149	2 368

For further details concerning the remuneration to the Board of Directors and Executive Management see compensation report on page 38 and notes to COLTENE Holding AG on page 81.

25 Subsequent Events

On January 15, 2015 the Swiss National Bank announced that it was withdrawing the exchange-rate floor of CHF 1.20 to the euro. This has led to a significant decrease of the euro compared to the Swiss franc. The management of the COLTENE Group has analyzed the impact on the financial statement as of 31 December 2014. The COLTENE Group is well prepared to cope with the new currency situation as it has local production sites in its key markets. Furthermore, the management assessed the going concern of the COLTENE Group and came to the conclusion that the going concern assumption of the COLTENE Group is not at risk.

The Board of Directors authorized the Group financial statements on February 25, 2015, for issue. As per this date, the Board of Directors and the Executive Management were unaware of any important events subsequent to the reporting date.

Major Group Companies

Company	Activity	Currencies	Registered capital	Group ownership 2014	Group ownership 2013
Coltène/Whaledent AG, Altstätten CH	1	CHF	1 600 000	100%	100%
Coltène/Whaledent Vertriebservice und Marketing GmbH, Altstätten CH	2	CHF	20 000	100%	100%
Coltène/Whaledent GmbH + Co. KG, Langenau DE	1	EUR	1 850 000	100%	100%
– Dentalia Kft., Bicske HUN	1	HUF	3 000 000	100%	100%
Coltène/Whaledent Ltd., Burgess Hill GB	3	GBP	200 000	100%	100%
Coltène/Whaledent S.à.r.l., Le Mans FR	3	EUR	503 000	100%	100%
Coltène Italy S.r.l., Milano IT	3	EUR	10 000	100%	100%
Coltène Iberia S.L. Madrid SP	3	EUR	10 000	100%	n/a
Coltène/Whaledent Dental Materials & Equipment Trading Co. Ltd, Beijing CN	3	CNY	10 000 000	100%	100%
Coltène/Whaledent Private Limited, Mumbai IN	3	INR	64 800 000	100%	100%
Coltène/Whaledent Inc., Cuyahoga Falls OH/USA	1	USD	8 400 000	100%	100%
– Dentronix OH/USA	1	USD	1 265 000	100%	100%
Vigodent SA Indústria e Comércio, Rio de Janeiro BR	1	BRL	33 578 255	100%	100%

¹ Production and sales of dental specialties.

² Sales services and marketing of dental specialties.

³ Sales of dental specialties.

**Report of the Statutory Auditor to the General Meeting
of COLTENE Holding AG, Altstätten**

***Report of the statutory auditor on the consolidated
financial statements***

As statutory auditor, we have audited the consolidated financial statements of COLTENE Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 50 to 76), for the year ended December 31, 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, Swiss Auditing Standards and 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, 2014, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with 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.

Ernst & Young Ltd



Rico Fehr
Licensed audit expert
(Auditor in charge)



Iwan Zimmermann
Licensed audit expert

St. Gallen, February 25, 2015

Income Statement COLTENE Holding AG

In CHF	2014	2013
Income from investments	9 428 500	9 550 000
Financial income	967 440	1 467 925
Total income	10 395 940	11 017 925
Financial expenses	– 198 297	– 287 214
Administrative expenses	– 1 303 985	– 1 526 559
Tax expenses	81 979	– 14 400
Total expenses	– 1 420 303	– 1 828 173
Profit of the year	8 975 637	9 189 752

Balance Sheet COLTENE Holding AG

In CHF	31.12.2014	31.12.2013
Cash and cash equivalents	14 331 887	238 969
Other receivables from third parties	2 732	3 306
Other receivables from subsidiaries	390 586	279 750
Prepaid expenses and accrued income	825	825
Current assets	14 726 030	522 850
Loans to subsidiaries	17 387 520	26 527 592
Investments in subsidiaries	33 819 068	33 819 068
Own shares	6 283	44 985
Non-current assets	51 212 871	60 391 645
Total assets	65 938 901	60 914 495
Bank loans	17 573 520	13 564 952
Other liabilities to third parties	26 216	139 530
Other liabilities to subsidiaries	1 404 712	3 962
Accruals and provisions	151 780	117 400
Current liabilities	19 156 228	13 825 844
Share capital	421 900	421 900
Statutory reserves	84 380	84 380
Capital contribution reserve	0	1 192 954
Reserves for treasury stock	6 283	44 985
Net income brought forward	46 270 110	45 344 432
Total equity	46 782 673	47 088 651
Total liabilities and equity	65 938 901	60 914 495

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
31.12.2012	421 900	84 380	8 784 999	274 911	35 924 754	45 490 944
Distribution to shareholders	0	0	-7 592 045	0	0	-7 592 045
Transfer	0	0	0	-229 926	229 926	0
Profit of the year	0	0	0	0	9 189 752	9 189 752
31.12.2013	421 900	84 380	1 192 954	44 985	45 344 432	47 088 651
Distribution to shareholders	0	0	-1 181 296	0	-8 100 319	-9 281 615
Transfer	0	0	-11 658	0	11 658	0
Diminution of own shares	0	0	0	-38 702	38 702	0
Profit of the year	0	0	0	0	8 975 637	8 975 637
31.12.2014	421 900	84 380	0	6 283	46 270 110	46 782 673

Notes to COLTENE Holding AG

In CHF	31.12.2014	31.12.2013
Contingent liabilities		
Warrants Medifiq Healthcare Corporation (see notes to the Group financial statements, note 23)	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.
Significant investments		
See list on page 76		
Treasury stock		
100 (993) shares par value CHF 0.10 (CHF 0.10)	6 283	44 985
Purchases: 17 973 (23 673) shares at an average price of	54.73	44.43
Sales: 18 866 (32 419) shares at an average price of	54.19	39.54
Share-based transactions with management: 5 979 (6 350) shares at an average price of	47.10	43.70
Significant shareholders		
The Company is aware of the following registered shareholders who own more than 3% of the shares		
Huwa Finanz- und Beteiligungs AG, Heerbrugg	24.80%	21.96%
Tweedy, Browne Company LLC, New York/USA	6.92%	5.73%
UBS Fund Management (Switzerland) AG, Zurich	5.23%	4.98%
Credit Suisse Asset Management Funds AG, Zurich	4.16%	7.73%
Robert Heberlein, Zumikon	3.96%	3.95%
Rätikon Privat Stiftung, Bludenz/Austria	3.01%	n.a.
Schroder Investment Management	<3%	3.03%
Number of shares held by Board of Directors		
Nick Huber, Chairman	2 800	2 550
Robert Heberlein, Member	166 903	166 653
Erwin Locher, Member	9 306	10 056
Matthew Robin, Member	2 750	2 500
Roland Weiger	250	0
Total	182 009	181 759
Number of shares held by Executive Management		
Martin Schaufelberger; CEO	4 686	3 151
Hans Grüter, CFO (left the Company as of January 31, 2014)	n.a.	5 340
Total	4 686	8 491

Remuneration to the Board of Directors

In CHF	Base remuneration		Variable remuneration ²		Other remuneration		Total
	in cash	in shares	in cash	in shares	Social security ¹	Other benefits	
2014							
Nick Huber, Chairman	100 000	16 075	0	0	16 777	0	132 852
Robert Heberlein, Member	80 000	16 075	0	0	9 344	0	105 419
Erwin Locher, Member	80 000	16 075	0	0	13 762	0	109 837
Matthew Robin, Member	80 000	16 075	0	0	13 762	0	109 837
Roland Weiger, Member	80 000	16 075	0	0	13 762	0	109 837
Total	420 000	80 375	0	0	67 407	0	567 782
2013							
Nick Huber, Chairman	100 000	12 110	5 000	0	17 961	0	135 071
Robert Heberlein, Member	80 000	12 110	0	0	9 040	0	101 150
Erwin Locher, Member	80 000	12 110	0	0	14 208	0	106 318
Matthew Robin, Member	80 000	12 110	0	0	14 208	0	106 318
Roland Weiger, Member	60 000	11 460	0	0	10 739	0	82 199
Jerry Sullivan, Member	20 000	650	0	0	0	0	20 650
Total	420 000	60 550	5 000	0	66 156	0	551 706

Remuneration to the Executive Management

In CHF	Base remuneration		Variable remuneration ²		Other remuneration		Total
	in cash	in shares	in cash	in shares	Social security ³	Other benefits	
2014							
Martin Schaufelberger	370 000	0	272 769	83 076	141 876	23 944	891 665
Other members	326 400	0	131 106	39 930	91 125	22 943	611 504
Total	696 400	0	403 875	123 006	233 001	46 887	1503 169
2013							
Martin Schaufelberger	370 000	0	326 677	44 371	142 132	36 393	919 573
Other members	360 100	0	288 010	74 016	144 191	30 226	896 543
Total	730 100	0	614 687	118 387	286 323	66 619	1 816 116

¹ Company paid social security contribution incl. AHV, IV and ALV

² The variable remuneration which includes cash bonus and shares is basically not a cash payment in the reporting period. It is mainly accrued for and will be paid out the next year based on the decision of the Compensation Committee.

³ Company paid social security contribution incl. pension funds payments, AHV, IV, ALV, NBU and KTG

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 monitored. The Board of Directors is in charge of supervising the risk management process.

Proposed Appropriation of Disposable Profit and Dividend Distribution

In CHF	2014	2013
Allocation of the profit of the year		
Net income carried forward from previous year	37 244 113	35 924 754
Profit of the year	8 975 637	9 189 752
Carryover from capital contributions	11 658	0
Transfer to reserves for treasury stocks	38 702	229 926
Total amount at the disposal of the AGM	46 270 110	45 344 432
Dividend distribution to shareholders of 2.50 per share (1.92 per share)	-10 547 500 *	-8 100 319
Balance to be carried forward	35 722 610	37 244 113
Distribution out of reserves from capital contributions		
Available reserves from previous capital contributions	0	1 192 954
Distribution to shareholders of CHF 0.00 per share (0.28 per share) without treasury shares	0	-1 181 296
Balance to be carried forward	0	11 658

* Amount will be adapted according to the amount of treasury shares.

**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 income statement, balance sheet, statement of changes in equity and notes (pages 78 to 82), for the year ended December 31, 2014.

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, 2014, 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.

Ernst & Young Ltd



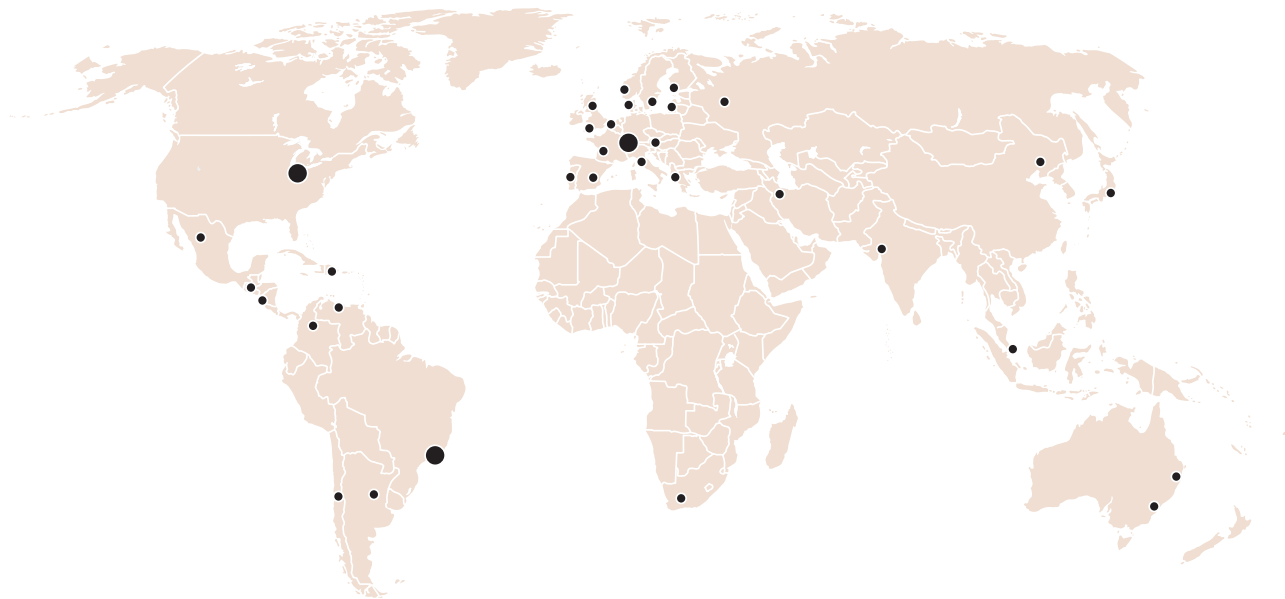
Rico Fehr
Licensed audit expert
(Auditor in charge)



Iwan Zimmermann
Licensed audit expert

St. Gallen, February 25, 2015

Portrait



COLTENE is an internationally leading developer, manufacturer, and seller of consumables and small equipment for dental practitioners. COLTENE has four state-of-the-art production centers in Switzerland, Brazil (chemical-based products), Germany (auxiliaries), and the USA (mechanical and electromechanical products). Group marketing bridges the activities and priorities of the technology centers with the market needs of the sales regions in Europe (EMEA), North America, South America, and Asia.

Acknowledgment

COLTENE would like to express its recognition to all contributors to this year's Annual Report. A special thank goes to the dentists witnessing their experience with COLTENE products on the image pages for their great contribution and valuable collaboration:

Dr. Stephen Fabry, Ohio, USA
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The extract of the reporting section
of the Annual Report 2014
in German is the governing text.