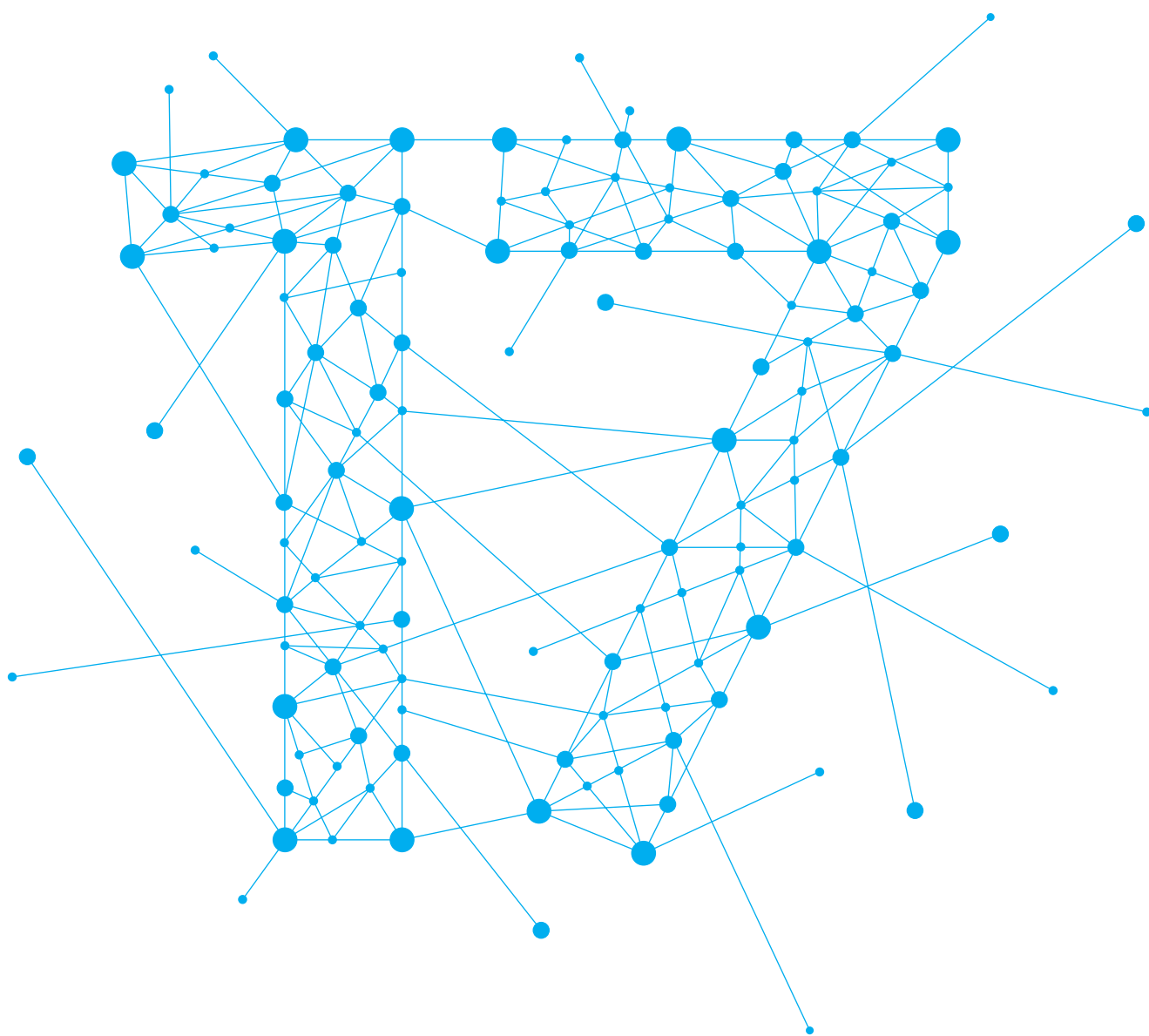


Upgrade Dentistry

Geschäftsbericht 2017



Produktübersicht

Restauration

24,6 %



Die Restauration umfasst sämtliche Produkte für die Füllungstherapie. Dies beinhaltet aufeinander abgestimmte Adhäsivsysteme, Füllungswerkstoffe und Polymerisationslampen.

Prothetik

20,5 %



Die Prothetik umfasst ein breites Sortiment von kondensations- und additionsvernetzenden Silikon. Exzellente Detailgenauigkeit der Abformungen bildet die Basis für hochwertige prothetische Arbeiten.

Endodontie

20,7 %



In der Endodontie steht die Zahnwurzelbehandlung im Fokus. Zum innovativen Produktsortiment gehören die Wurzelkanalaufbereitung, Reinigung und Obturation.

Behandlungshilfen

13,6 %



Die Behandlungshilfen umfassen ein breites Sortiment an Produkten für die Wundversorgung und die Feuchtigkeitskontrolle. Diese Praxishelfer sorgen tagtäglich für Arbeitserleichterung und Patientenkomfort.

Rotierende Instrumente

8,5 %



COLTENE bietet ein komplettes Sortiment von Hartmetallbohrern, Diamantfräsern und Polierern an. Die rotierenden Instrumente zeichnen sich durch hohe Standfestigkeit und ausgezeichnete Schneidfähigkeit aus.

Infektionskontrolle

6,6 %



Die Produktkategorie Infektionskontrolle beinhaltet unter anderem Ultraschall-Reinigungssysteme, sterile Abdeckungen und Masken, die eine zuverlässige Infektionsbarriere in der zahnärztlichen Praxis darstellen.

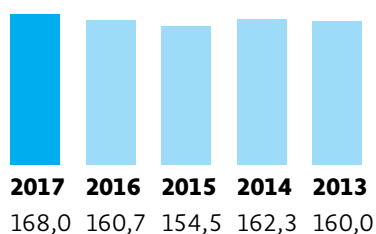
Fakten und Zahlen

COLTENE ist ein international führendes Unternehmen im Bereich Entwicklung, Herstellung und Vertrieb von zahnmedizinischen Verbrauchsgütern und Klein-geräten. COLTENE verfügt über vier moderne Produktionsstätten in der Schweiz, in Deutschland, in den USA und in Brasilien. Die Vertriebsgesellschaften der Gruppe stimmen die Aktivitäten und Prioritäten der technischen Kompetenzzentren auf die Anforderungen der Absatzmärkte in Europa, Nord- und Südamerika sowie Asien ab.

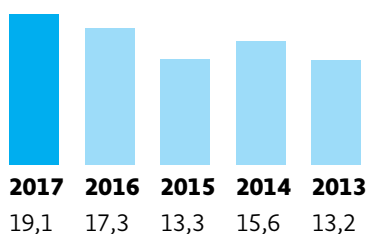
5-Jahresübersicht (2013–2017)

(in CHF Millionen)

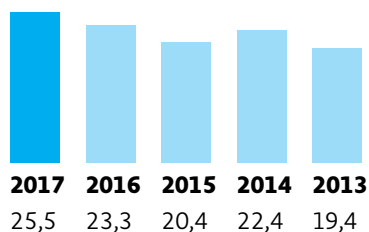
Nettoumsatz



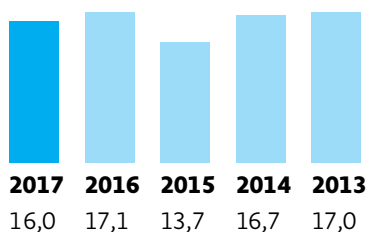
Nettogewinn



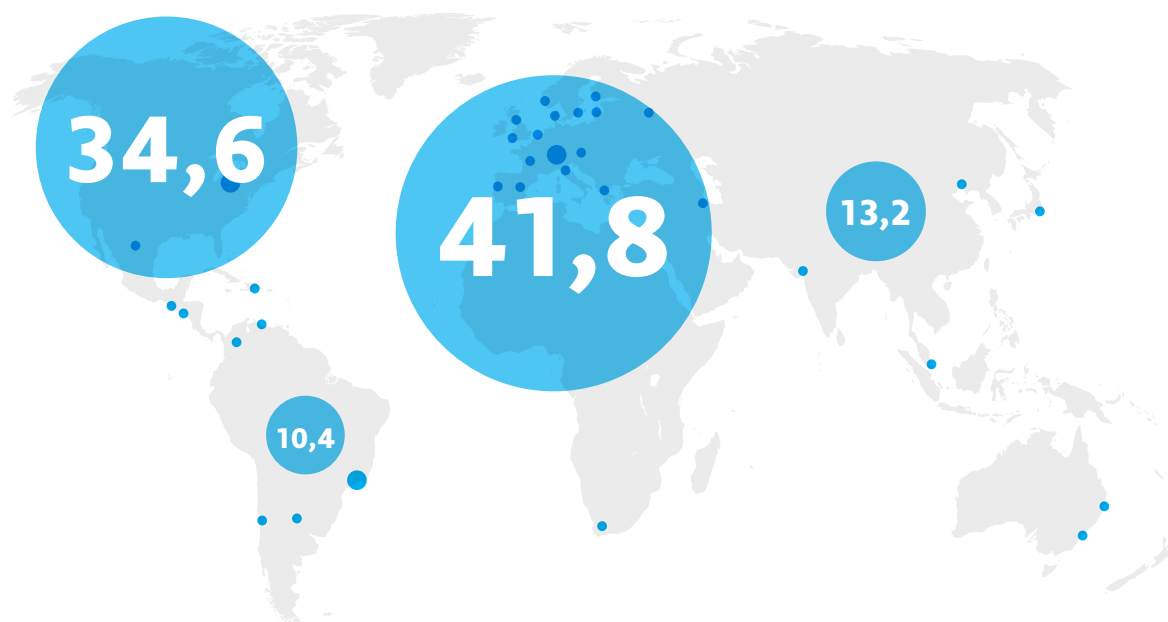
Betriebserfolg (EBIT)



Free Cash Flow



Nettoumsatz 2017 in %



Upgrade Dentistry

12

Wer freut sich nicht über ein Upgrade? Die neuen Chancen, die aus der voranschreitenden Digitalisierung der Zahnmedizin erwachsen, erlauben COLTENE, den Zahnärztinnen und Zahnärzten ein Plus an Qualität, Zuverlässigkeit und Flexibilität in ihrer täglichen Arbeit anzubieten. COLTENE nennt diesen Ansatz «Upgrade Dentistry». Das ist kein leeres Versprechen, es ist der Anspruch der Gruppe.

Operativer Rückblick

14

Im Geschäftsjahr 2017 steigerte die COLTENE Gruppe ihre Nettoerlöse über dem Marktschnitt. Die Verkaufsregionen Europa, Nord- und Lateinamerika sowie Asien dehnten ihre Abverkäufe aus. Besonders erfreulich entwickelten sich Indien, China und Brasilien. Bei den Produktgruppen legten die rotierenden Instrumente, auch dank der gezielten Akquisition von Diatech in den USA, am stärksten zu.

Produktion und Umwelt

20

COLTENE nimmt ihre gesellschaftliche Verantwortung als internationales Unternehmen wahr und arbeitet kontinuierlich darauf hin, die Umweltauswirkungen der Gruppe im gesamten Entwicklungs- und Produktionsprozess zu minimieren. Ziel ist es, den Ressourcenverbrauch zu begrenzen und den Zahnärzten und ihren Patienten sichere und zuverlässige Produkte zur Verfügung zu stellen.

Finanzkommentar

56

COLTENE steigerte die Nettoerlöse im Geschäftsjahr 2017 um 4,6 % auf CHF 168,0 Mio. Das Betriebsergebnis (EBIT) stieg dank der Umsatzzunahme sowie neuen Effizienzgewinnen um 9,3 % auf CHF 25,5 Mio. an. Damit erreichte die EBIT-Marge 15,2 % und lag über dem anvisierten Ziel von 15 %. Der Reingewinn wuchs um 10,4 % auf CHF 19,1 Mio.

Inhalt

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Informationen zur COLTENE Aktie

Aktienkapital und Kapitalstruktur

	2017	2016	2015	2014	2013
Nennwert pro Aktie (CHF)	0.10	0.10	0.10	0.10	0.10
Anzahl Namenaktien	4 219 000	4 219 000	4 219 000	4 219 000	4 219 000
Dispobestand	14,00%	16,30 %	12,53 %	19,88 %	14,98 %
Anzahl eigene Aktien	0	3 700	5 100	100	993
Anzahl dividendenberechtigte Aktien	4 219 000	4 215 300	4 213 900	4 218 900	4 218 007
Ordentliches Kapital (CHF 1000)	422	422	422	422	422
Bedingtes Kapital (CHF 1000)	0	0	0	0	0
Genehmigtes Kapital (CHF 1000)	0	0	0	0	0
Total Stimmrechte	4 219 000	4 215 300	4 213 900	4 218 900	4 218 007

Börsenkennzahlen pro Aktie

CHF	2017	2016	2015	2014	2013
Börsenkurs höchst	103.50	75.50	83.65	65.40	49.80
Börsenkurs tiefst	74.50	57.00	54.00	45.03	30.25
Jahresendkurs	94.90	74.05	60.90	63.00	45.85
Durchschnittliches Volumen / Handelstag (Stück)	4 324	2 728	5 044	5 314	5 554
Börsenkapitalisierung in CHF Mio. (31.12.)	400	312	257	266	193

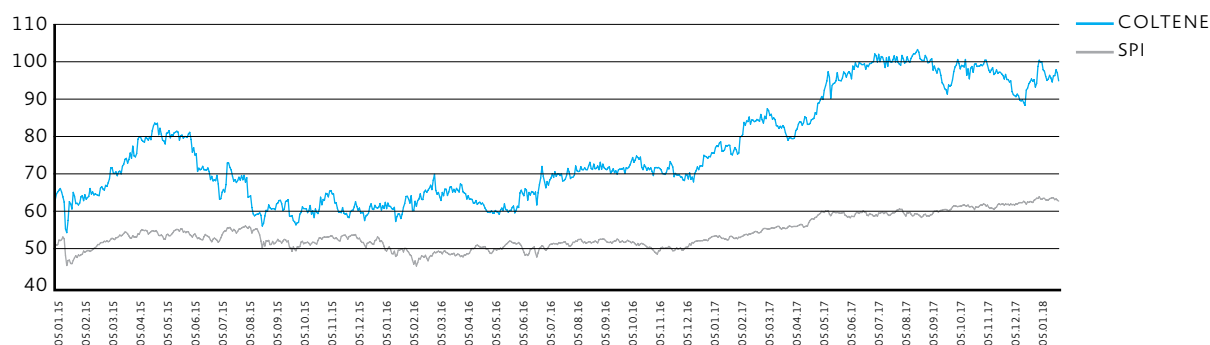
Kennzahlen pro Aktie

CHF	2017	2016	2015	2014	2013
Nettogewinn pro Aktie – unverwässert	4.52	4.10	3.16	3.71	3.13
Nettogewinn pro Aktie – verwässert	4.52	4.10	3.16	3.71	3.13
Betrieblicher Cash Flow pro Aktie	5.19	5.38	4.31	4.73	5.52
Free Cash Flow pro Aktie	3.80	4.05	3.25	3.96	4.03
Dividende pro Aktie	3.00 ¹	2.70	2.20	2.50	2.20 ²
Eigenkapital pro Aktie	28.85	26.63	24.10	24.68	23.15

¹ Antrag des Verwaltungsrats an die Generalversammlung vom 28. März 2018

² Davon CHF 0.28 Ausschüttung je Aktie aus den Kapitaleinlagereserven

Entwicklung Aktienkurs (05.01.2015 bis 05.01.2018)



Der Wert einer COLTENE Aktie erhöhte sich im Jahr 2017 um 28,2 % von CHF 74.05 auf CHF 94.90. COLTENE schüttete im Berichtsjahr Anfang April eine Dividende von CHF 2.70 pro Aktie aus. Die Gesamtpformance für das ganze Jahr betrug 31,8 %.

Aktionärsstruktur*

Per 31. Dezember 2017 waren 1743 Aktionäre (1684) im Aktienregister eingetragen. Die folgenden Aktionäre hielten am Jahresende 3 % oder mehr des ausstehenden Aktienkapitals der COLTENE Holding AG:

	31.12.2017	31.12.2016
Huwa Finanz- und Beteiligungs AG	26,33%	25,68 %
Rätikon Privatstiftung	11,45%	11,28 %
Tweedy, Browne Company LLC	6,80%	6,88 %
Credit Suisse Funds AG	5,59%	6,28 %
Robert Heberlein	3,97%	3,97 %
UBS Fund Management (Switzerland) AG	3,95%	3,80 %

* Für weitere Details siehe im Teil Corporate Governance auf Seite 26 f. dieses Geschäftsberichts.

Kontaktadresse

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COLTENE Holding AG, Feldwiesenstrasse 20, 9450 Altstätten
Telefon +41 71 757 54 37; E-Mail investor@coltene.com

Aktienregister

Karin Wagner, ShareCommService AG
Telefon +41 44 809 58 52; E-Mail karin.wagner@sharecomm.ch

Kalender

Medien- und Analystenkonferenz zum Geschäftsjahr 2017	6. März 2018
Veröffentlichung Jahresbericht 2017	6. März 2018
Generalversammlung 2018	28. März 2018
Veröffentlichung Halbjahresbericht 2018	3. August 2018

Medien- und Analystenkonferenz zum Geschäftsjahr 2018	7. März 2019
Veröffentlichung Jahresbericht 2018	7. März 2019
Generalversammlung 2019	3. April 2019

Highlights 2017

15,2 %

Durchbruch der 15 %-EBIT-Marge

Dank dem Umsatzwachstum sowie neuen Optimierungen und Effizienzgewinnen übertraf COLTENE ihr Ziel einer EBIT-Marge von 15 %.

4,6 %

Wachstum über Marktschnitt

COLTENE steigerte die Nettoerlöse dank Absatzsteigerungen, der Übernahme von Diatech Inc. sowie Rückenwind aus Währungseffekten über dem Marktschnitt.

2

gezielte Zukäufe

**Mit der Übernahme von Diatech und dem Kauf von KENDA
stärkt COLTENE ihre Marktposition und erweitert das Produktportfolio.**

11 Mio.

Bekenntnis zum Produktions- standort Schweiz

**COLTENE investiert rund CHF 11 Mio. in die Modernisierung
und Erweiterung des Hauptsitzes in Altstätten, Schweiz. Der Neubau
wird Ende 2018 bezugsbereit sein.**

Vorwort

Sehr geehrte Aktionärinnen, sehr geehrte Aktionäre

Im Geschäftsjahr 2017 baute COLTENE ihre Technologie- und Marktführerschaft aus. Die Gruppe führte zahlreiche neue Produkte im Markt ein, pflegte die Kundenbeziehungen mit intensivierten Trainings und der Erweiterung der internationalen Verkaufsteams. Zudem gab das Unternehmen zwei Akquisitionen bekannt. Dank der Straffung des Sortiments und dem Rückzug älterer, margenschwacher Produkte rundete COLTENE ihr Angebot für Zahnärztinnen und Zahnärzte ab und stärkte insbesondere die Produktgruppe rotierende Instrumente. COLTENE hatte bereits 2001 die Diatech AG, einen spezialisierten Hersteller für qualitativ hochwertige Diamantbohrer im Dentalbereich, mit Ausnahme des US-Geschäfts, erworben. Der Kauf von Diatech LLC mit Sitz im amerikanischen Mount Pleasant, South Carolina, im März 2017 bereinigte die Diatech Markensituation. Die Akquisition sichert COLTENE den Vertrieb ihrer hochwertigen Diamant- und Hartmetallbohrer unter der Marke Diatech in Nordamerika.

Mit der Übernahme der liechtensteinischen KENDA mit Sitz in Vaduz ergänzte COLTENE im Januar 2018 ihr Sortiment an rotierenden Instrumenten zusätzlich. KENDA ist auf die Entwicklung, Produktion sowie den weltweiten Vertrieb von qualitativ hochwertigen Silikonpolierern fokussiert. Mit Blick auf die nachhaltige Sicherung ihrer marktführenden Stellung schloss die Gruppe neue Partnerschaften in den Bereichen Forschung und Ausbildung ab. Dabei verfolgt COLTENE das Ziel, neue Absatzkanäle und Geschäftsfelder zu erschliessen sowie aktiv an der Ausbildung von Zahnärztinnen und Zahnärzten mitzuwirken, um diese mit dem COLTENE Sortiment bekannt und vertraut zu machen.

15%-EBIT-Margenmarke durchbrochen

Das Marktumfeld zeigte sich 2017 anhaltend anspruchsvoll. Es war von verschiedenen strukturellen Veränderungen geprägt. Die Erweiterung der digitalen Möglichkeiten in der Zahnbehandlung, das stetige Wachstum von Gruppenpraxen sowie der steigende Druck auf die Rückerstattungen an Zahnärztinnen und Zahnärzten sind nur einige der Herausforderungen in der Dentalindustrie. In diesem anspruchsvollen Umfeld steigerte die COLTENE Gruppe ihre Abverkäufe dank der forcierten Marktbearbeitung und der Einführung neuer Produkte über dem Marktschnitt. Ebenfalls zum Wachstum trugen die Akquisition von Diatech LLC und positive Währungseinflüsse bei. Auch organisch wuchsen die Umsätze über dem Markt. Erfreulich entwickelte sich die Profitabilität des Unternehmens. Mit 15,2 % durchbrach die Gruppe die 15 %-EBIT-Marke und erreichte dank Optimierungen in der Organisation und

COLTENE durchbrach die 15 %-EBIT-Margenmarke und erreichte dank Optimierungen in der Organisation und Effizienzgewinnen ihr Mittelfristziel.



Nick Huber, Präsident des Verwaltungsrats

Martin Schaufelberger, CEO

Effizienzgewinnen ihr Mittelfristziel. Der Reingewinn übertraf das gute Vorjahresresultat und lag bei 11,3 % des Umsatzes.

Upgrade Dentistry

Ein primäres Ziel von COLTENE ist es, Mehrwert für Zahnärztinnen und Zahnärzte zu schaffen. Im Vordergrund stehen sichere und effiziente Zahnbehandlungen. Sie ermöglichen Zeit- und Kostengewinne für das Fachpersonal und die Patientinnen und Patienten. Aktuelle Trends wie die digitale Zahnbehandlung, die Digitalisierung der Geschäftsabläufe und Serviceleistungen sowie weitere Aspekte der Industrie 4.0 verändern auch den Dentalmarkt. Damit eröffnen sich neuartige Chancen. Auf diese fokussiert COLTENE ihre Innovationskraft, um ihren Kunden kontinuierlich Upgrades und Mehrwert anbieten zu können. Sie betreffen in Übereinstimmung mit den Strategiezielen 2016–2018 Verbesserungen im Marketing und Verkauf, Produkt- und Dienstleistungsinnovationen sowie die Intensivierung der Zusammenarbeit mit führenden Universitäten und Ausbildungsstätten.

Aus den aktuellen Trends wie Digitalisierung und Industrie 4.0 erwachsen für COLTENE neue Chancen auf dem Dentalmarkt.

Von grosser Bedeutung für COLTENE ist der direkte Kundenkontakt. Deshalb baut die Gruppe ihre Verkaufsteams gezielt aus. Die zusätzlichen Verkaufsspezialisten stärken primär die Beziehungen zu den Zahnärztinnen und Zahnärzten in ihren Praxen und die Bearbeitung der Special Markets. Besondere Highlights im Geschäftsjahr 2017 waren der Auftritt an der IDS in Köln sowie das COLTENE Key Opinion Leader-Seminar (KOL) für Europa in Glattfelden in der Schweiz. Unter dem Motto Upgrade Dentistry präsentierte COLTENE an der bedeutendsten internationalen Dental-Messe vom 21. bis 25. März in Köln ihre jüngsten Innovationen. Dazu zählen die wegweisenden BRILLIANT Crios Blöcke, welche die Chairside-Herstellung von definitiven Inlays, Onlays, vollanatomischen Kronen und Veneers in nur einer einzigen Sitzung ohne Brennvorgang erlauben, sowie das neue Ultraschallreinigungsgerät BioSonic UC 150. Am KOL-Meeting vom 15. bis 17. Juli 2017 nahmen rund 120 Key Opinion Leader, Professoren und Fachspezialisten aus den Bereichen Restauration und Endodontie teil. Im Zentrum standen Key-Note-Referate und Fachvorträge zu den neusten Entwicklungen der Zahnbehandlungsmethoden sowie den aktuellen Innovationen und Produktlancierungen von COLTENE.

Veränderungen im Verwaltungsrat

Die ordentliche Generalversammlung vom 29. März 2017 wählte Astrid Waser als neue Verwaltungsrätin. Astrid Waser verfügt über langjährige Erfahrung in der Rechtsberatung von Unternehmen insbesondere in den Bereichen Wettbewerbs- und Beschaffungsrecht sowie in Compliance-Themen. Aus Altersgründen trat Robert Heberlein von seiner Funktion als Vizepräsident des Gremiums zurück und stand der Versammlung nicht mehr für eine Wiederwahl zur Verfügung. Der Verwaltungsrat dankt Robert Heberlein für sein weitsichtiges und äusserst wertvolles Engagement

bei der nachhaltigen Entwicklung der COLTENE Holding AG seit der Gründung der Gesellschaft und Verselbstständigung aus der damaligen Gurit-Heberlein AG.

Wechsel auf Swiss GAAP FER

COLTENE stellt die Rechnungslegung auf das Geschäftsjahr 2018 von IFRS auf Swiss GAAP FER um. Die Berichte für den Halbjahres- und Jahresabschluss 2018 und Folgende werden entsprechend dem neuen Standard erstellt. Mit dem Wechsel auf Swiss GAAP FER entscheidet sich COLTENE für einen pragmatischen Rechnungslegungsstandard mit vergleichbarer Aussagekraft zu IFRS, welcher den Bedürfnissen eines international tätigen, mittelgrossen Unternehmens entspricht sowie weniger Komplexität und Kosten nach sich zieht. Eine transparente Berichterstattung nach dem «true and fair view»-Prinzip ist mit Swiss GAAP FER weiterhin sichergestellt.

Als Folge des Wechsels des Rechnungslegungsstandards wird die COLTENE Holding AG bei der SIX Swiss Exchange einen Segmentswechsel vom International Reporting Standard in den Swiss Reporting Standard mit Wirkung per 2. Juli 2018 (erster Handelstag im Swiss Reporting Standard) beantragen. Die Aktien der COLTENE Holding AG bleiben in den Indizes der SPI-Familie sowie in den beiden SXI-Indizes, SXI Life Sciences und SXI Bio+Medtech, der SIX Swiss Exchange enthalten.

Ausblick

Das Management ist überzeugt, dass hohe Innovation, transparente und einfach zugängliche Informationen zu den Produkten und Dienstleistungen, intensivierte Kundenbetreuung sowie bedürfnisgerechte Schulungen und Trainings Schlüsselthemen sind, die das profitable Wachstum der Gruppe auch zukünftig sicherstellen werden.

Für das Geschäftsjahr 2018 setzt sich die Gruppe zum Ziel, ihre führende Position weiter zu festigen, um an der erwarteten positiven Entwicklung des Dentalmarktes teilzuhaben und die EBIT-Marge über dem Niveau von 15 % des Nettoumsatzes zu halten. Mittelfristig beabsichtigt das Management, die EBIT-Marge mit dem Umsatzwachstum weiter zu verbessern.

Im Namen des Verwaltungsrats und der Konzernleitung danken wir dem engagierten und wertvollen Einsatz aller Mitarbeitenden. Den Geschäftspartnern und Aktionären danken wir für ihr Vertrauen in die COLTENE Gruppe.

Für das Geschäftsjahr 2018
setzt sich die Gruppe zum
Ziel, ihre führende Position
weiter zu festigen.

Mit freundlichen Grüssen

Nick Huber
Präsident des Verwaltungsrats

Martin Schaufelberger
CEO

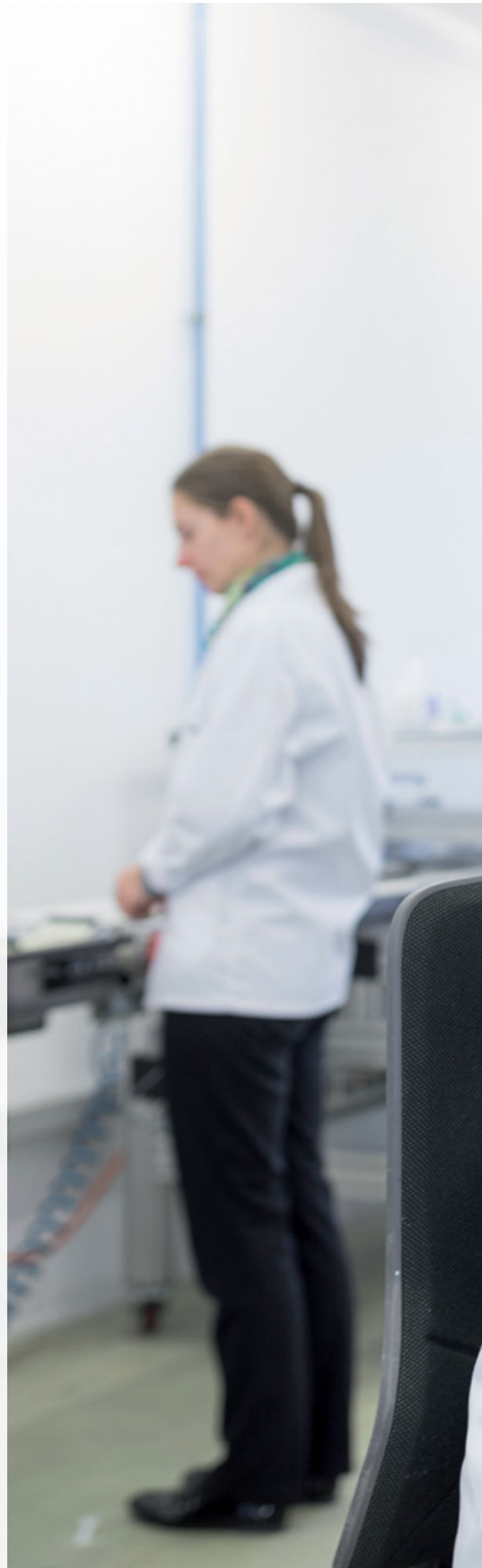


24.03.2017

Stärkung der Marke Diatech

Mit der Übernahme der US-Firma Diatech LLC stärkte COLTENE die Marke Diatech und baute ihre führende Marktstellung bei den rotierenden Instrumenten aus. Der Tele-Sales- und Online-Verkaufs-Spezialist für Diamant- und Hartmetallbohrer wird den konsolidierten Umsatz der COLTENE Gruppe um rund CHF 2,0 Mio. erhöhen. Der Standort in Mount Pleasant (South Carolina, USA) wird unverändert fortgeführt und alle Mitarbeitenden bleiben weiterhin beschäftigt.

Foto: Igbale Qazimi bei der Qualitätskontrolle der Diamant- und Hartmetallbohrer





Upgrade Dentistry

COLTENE ist davon überzeugt, dass alles immer ein bisschen besser, einfacher und zuverlässiger sein kann. Mit Expertise und Begeisterung hat COLTENE diesen Anspruch Wirklichkeit werden lassen. Die Mitarbeitenden des Unternehmens sehen die Welt mit den Augen ihrer Endkunden und sind stets auf der Suche nach innovativen und intelligenten Lösungen. COLTENE nennt diesen Ansatz «Upgrade Dentistry». Das ist kein leeres Versprechen, es ist die Mission von COLTENE.

Wer freut sich nicht über ein Upgrade? Im Flugzeug, im Auto oder in der Bahn genießen wir gerne mehr Komfort und erstklassigen Service. Warum gönnen Sie sich nicht auch mehr Qualität, Zuverlässigkeit und Flexibilität in der Zahnarztpraxis? Genau dieses Mehr an Cleverness und Service ist seit jeher der Anspruch von COLTENE: «Upgrade Dentistry» eben – oder «Better Quality, Better Reliability, Better Practice». Kernziel ist es, die Behandlungen und Abläufe in Zahnarztpraxen und Dentallabors durch innovative Produkte und Lösungen professioneller, sicherer und effizienter zu machen. Dieser Zusatznutzen erhöht die nachhaltige und sichere Zahnbehandlung und eröffnet Zeit- und Kostenersparnisse für das Fachpersonal und die Patientinnen und Patienten.

Better Quality.

Unsere hochwertigen Produkte halten, was sie versprechen. Mit dem Hochleistungskomposit Block BRILLIANT Crios zieht beispielsweise einer der flexibelsten Dentalwerkstoffe in die CAD/CAM-Technik ein.

Better Reliability.

Im täglichen Hygienemanagement ist Zuverlässigkeit besonders wichtig. Immer strengere Hygienebestimmungen stellen hohe Ansprüche an das gesamte Praxispersonal. Die lückenlose Dokumentation der Reinigungsprozesse schafft Rechtssicherheit und schützt Patientinnen und Patienten genauso wie das eigene Praxisteam. Mit dem intelligenten BioSonic UC150 stellt COLTENE einen Hightech-Ultraschallreiniger vor, der dem Fachpersonal jede Menge Arbeit abnimmt. Der schicke Helfer mit Köpfchen denkt für Sie mit und protokolliert automatisch alle Reinigungsvorgänge auf dem internen Datenspeicher.

Better Practice.

Generell stehen bei allen cleveren COLTENE Neuentwicklungen die Bedürfnisse der Zahnärztinnen und Zahnärzte an erster Stelle. Deshalb kreierten die COLTENE Spezialisten unter anderem den BRILLIANT EverGlow Flow, ein fließfähiges Komposit, das ohne langes Polieren brilliert. Oder das bioaktive Obturationsmaterial GuttaFlow bioseal, das die Regeneration im Wurzelkanal effektiv unterstützt. Die Liste an smarten Lösungen aus dem Hause COLTENE ist lang. Mit Erfindergeist und hoher Praxisrelevanz erreicht COLTENE das entscheidende Mehr an Service.



Operativer Rückblick

Im Geschäftsjahr 2017 baute die COLTENE Gruppe ihre Marktanteile aus und wuchs über dem Marktschnitt. Der Gesamtmarkt entwickelte sich verhalten und nahm um rund 2 % zu. Dabei entwickelten sich die einzelnen Regionen und Produktgruppen unterschiedlich. Dynamisch wuchsen die COLTENE Abverkäufe erneut in den Schlüsselmärkten Indien und China. In der Region EMEA wiesen die südeuropäischen Länder sowie Frankreich erfreuliche Zuwachsraten aus. In Lateinamerika entwickelte sich Brasilien trotz der angespannten Konjunkturlage sehr positiv und kompensierte die rückläufigen Ergebnisse anderer südamerikanischer Länder. In Nordamerika entwickelten sich die Umsätze in einem anspruchsvollen Umfeld mit dem Markt. Bei den Produkten wiesen die rotierenden Instrumente als Folge der Akquisition von Diatech LLC die grösste Zunahme aus. Mit Ausnahme der Infektionskontrolle konnten sämtliche Produktgruppen zulegen.

Im Geschäftsjahr 2017 nahmen die Nettoerlöse der COLTENE Gruppe in der Berichtswährung Schweizer Franken um 4,6 % auf CHF 168,0 Mio. (2016: CHF 160,7 Mio.) zu. In Lokalwährungen stieg der Umsatz organisch um 2,6 %. Der positive Währungseffekt betrug CHF 1,7 Mio. oder 1,1 % des Gesamtumsatzes. Die Durchschnittskurse des Euros und des brasilianischen Reals stiegen in der Berichtsperiode an, während der US-Dollar sich leicht rückläufig entwickelte. Der Umsatzbeitrag der ab April voll konsolidierten Diatech Inc. erreichte CHF 1,8 Mio. Das Betriebsergebnis (EBIT) stieg auf CHF 25,5 Mio. an und lag dank der Umsatzausweitung und neuen Effizienzgewinnen 9,3 % über dem Vorjahresergebnis (2016: CHF 23,3 Mio.). Mit dieser erneuten Verbesserung durchbrach COLTENE ihr Ziel einer EBIT-Marge von 15 %. Die EBIT-Marge für das Gesamtjahr 2017 erreichte erfreuliche 15,2 % (2016: 14,5 %). Positiv wirkten sich der verbesserte Produktmix sowie der Einsatz moderner Produktionsmittel und Marketinginstrumente aus. Der Reingewinn wuchs um 10,4 % auf CHF 19,1 Mio. an (2016: CHF 17,3 Mio.). Trotz negativer Währungseffekte wegen tieferen Jahresendkursen in allen Hauptwährungen erreichte COLTENE dank der Reduktion der Steuerquote eine Verbesserung des Reingewinns. COLTENE erwartet aufgrund der Senkung der Unternehmenssteuern in den USA künftig eine Reduktion des Steueraufwands in der Grössenordnung von rund CHF 1 Mio.

Die COLTENE Gruppe erhöhte ihre Nettoerlöse um 4,6 %. Die EBIT-Marge erreichte 15,2 %.

In der Berichtsperiode stärkte COLTENE mit Innovationen und der Akquisition von Diatech LLC ihre Marktstellung. Ein weiterer Schwerpunkt lag in der Erweiterung der Verkaufsteams. Insgesamt 15 neu eingestellte Aussendienstmitarbeitende erhöhen die lokale Präsenz von COLTENE in wichtigen Schlüsselmärkten. Sie ermöglichen es, gezielter auf die individuellen Bedürfnisse der einzelnen Kundengruppen einzugehen und das Key Account Management zu stärken. 2018 beabsichtigt COLTENE den weiteren Ausbau der Teams in der gleichen Grössenordnung. Der Einsatz

von modernen Customer Relations Management-Instrumenten (CRM) und des neu eingeführten Produktinformationsmanagement-Systems (PIM) erlauben es die Marketing- und Verkaufsprozesse weiter zu optimieren.

Ausbau der rotierenden Instrumente

Mit zwei Zukäufen arrondierte COLTENE ihr hochwertiges Sortiment in der Produktgruppe rotierende Instrumente. Im April 2017 übernahm COLTENE Diatech LLC mit Sitz in Mount Pleasant, South Carolina, USA, und bereinigte die weltweite Diatech Markensituation. Die amerikanische Gruppengesellschaft war 2001 nicht in die Übernahme der Diatech AG, einen Schweizer Hersteller von qualitativ hochwertigen Diamantbohrern für den Dentalbereich, eingeschlossen. Seither pflegten die beiden Gesellschaften eine enge Zusammenarbeit in den Bereichen Entwicklung, Produktion und Verkauf von Diamant- und Hartmetallbohrern. Das Management erkannte auf der Grundlage des heutigen Marktumfelds in der Überführung der Diatech US in die COLTENE Gruppe neue, zusätzliche Marktchancen. Die Bekanntgabe der zweiten Akquisition folgte im Dezember 2017.

Mit zwei Zukäufen
arrondierte COLTENE
ihr hochwertiges Sortiment
in der Produktgruppe der
rotierenden Instrumente.

Mit der im Januar 2018 vollzogenen Übernahme der KENDA AG mit Sitz in Vaduz, Liechtenstein, gewinnt COLTENE einen international tätigen Spezialisten für hochpräzise rotierende Silikonpolierer. Im Zuge der Transaktion bringt KENDA ihre Kompetenzen in die Produktgruppe rotierenden Instrumente ein und erweitert damit das Sortiment.

Direkte Kundenansprache

2017 intensivierten die COLTENE Teams den direkten Kundenkontakt. Vom 21. bis 25. März 2017 war COLTENE mit einer Standfläche von total 324 m² an der weltweit bedeutendsten internationalen Dental-Messe, der IDS in Köln, vertreten. Für Aufsehen sorgte das neue Ultraschall-Reinigungssystem BioSonic UC 150. Der intelligente Hochleistungsreiniger protokolliert Hygienemassnahmen selbstständig. Grosses Interesse erweckte zudem der Kompositblock BRILLIANT Crios für das CAD/CAM System von Sirona. Der Block erlaubt die Chairside-Herstellung von definitiven Inlays, Onlays, vollanatomischen Kronen und Veneers in nur einer einzigen Sitzung und ohne Brennvorgang. Weiter stellte COLTENE verschiedene neue Produkte aus den Bereichen Restauration, Endodontie und rotierende Instrumente vor. Darunter auch die DIATECH Z-Rex Diamant-Instrumente für das mühelose Bearbeiten, Entfernen oder das Trepanieren von Keramik-Restaurationen.

Vom 15. bis 17. Juni 2017 führte COLTENE zudem das Key Opinion Leader-Seminar (KOL) für Europa in Glattfelden in der Schweiz, durch. Zahlreiche Key-Note-Referate und Fachvorträge informierten über die neusten Entwicklungen in der Zahnmedizin sowie die jüngsten Innovationen und

Produktlancierungen von COLTENE. Das Rahmenprogramm bot Gelegenheit für einen bereichernden Erfahrungsaustausch und das Knüpfen von neuen Kontakten. Das Seminar stiess auf grosses Interesse. Am Seminar nahmen rund 120 Key Opinion Leader, Professoren und Fachspezialisten aus den Bereichen Restauration und Endodontie teil. Wie bereits im Vorjahr anlässlich des KOL-Seminars in Lateinamerika begleitete COLTENE die Veranstaltung mit einer Web- und Social-Media-Kampagne. Sie umfasste eine speziell eingerichtete Event-Website sowie YouTube-, Twitter- und Facebook-Beiträge.

2017 intensivierten die COLTENE Teams den direkten Kundenkontakt.

Bekenntnis zum Produktionsstandort Schweiz

Mit dem Ziel, neue Effizienzgewinne zu realisieren sowie die Attraktivität als Arbeitgeber zu steigern, erstellt COLTENE einen Ergänzungsbau am Hauptsitz in Altstätten, Schweiz. Der Neubau wird aus einer zweigeschossigen Produktionshalle sowie modernen Büroflächen auf drei Etagen bestehen. Dies erlaubt es, gemietete Räumlichkeiten abzulösen, die Produktionskapazitäten zu erweitern und interne Abläufe weiter zu verbessern. Mit der Modernisierung und Erweiterung des Hauptsitzes in Altstätten bekennt sich COLTENE klar zum Innovations- und Produktionsstandort Schweiz und setzt auf das hohe Ausbildungsniveau und überdurchschnittlich qualifizierte Mitarbeitende. Die Baubewilligung wurde im September 2017 erteilt und der Bezug der neuen Räumlichkeiten ist per Ende 2018 vorgesehen. Die Investitionen in den Neubau betragen rund CHF 11 Mio.

Geschäftsverlauf nach Regionen: Wachstum auf allen Kontinenten

Im Geschäftsjahr 2017 stiegen die Umsätze der COLTENE Gruppe in allen vier grossen Weltregionen in Schweizer Franken und Lokalwährungen an. Die Entwicklung der Nettoerlöse in den einzelnen Verkaufsregionen war unterschiedlich. In Asien steigerte COLTENE die Umsätze in Lokalwährungen gegenüber der Vorjahresperiode um 7,6 %. Die Abverkäufe entwickelten sich vor allem in den wichtigen Zukunftsmärkten Indien und China mit Zunahmen in Lokalwährungen von 20,8 % beziehungsweise 14,8 % erfreulich. Zusätzliche Umsätze stammen von der im Vorjahr gegründeten Gruppengesellschaft in Japan, wo COLTENE ihre Präsenz erfolgreich etablierte. In Europa, im Mittleren Osten sowie in Afrika (EMEA) nahmen die Verkäufe in Lokalwährungen um 1,0 % zu. Dabei wiesen die einzelnen Märkte unterschiedliche Resultate aus. Positiv entwickelten sich Südeuropa, Frankreich, die Benelux-Staaten und die Schweiz. Einbussen verzeichneten Deutschland und Skandinavien, wo sich das Wettbewerbsumfeld anspruchsvoll zeigte. Im Nahen und Mittleren Osten verharrten die Umsätze aufgrund des volatilen Tendergeschäfts auf dem Vorjahresniveau. In Nordamerika entwickelten sich die Umsätze in einem anspruchsvollen Umfeld mit dem Markt. Sie nahmen in Lokalwährungen um 3,4 % zu, organisch betrug das Wachstum 0,9 %. In Lateiname-

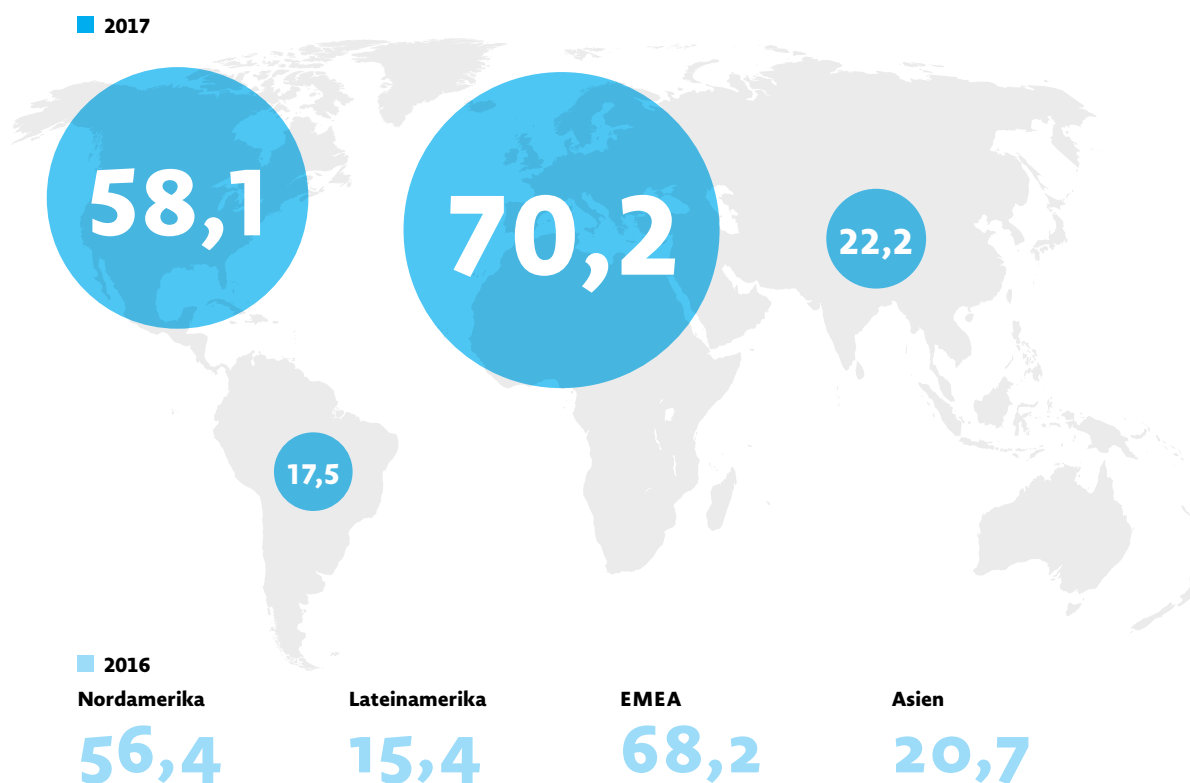
rika stiegen die Abverkäufe, angeführt von einer erfreulichen Entwicklung der brasilianischen Gruppengesellschaft, in Lokalwährungen um 9,4 % an. Bei Vigodent in Brasilien konnten durch die Vereinfachung der Führungsstruktur und der neuen Verkaufsstrategie Verbesserungen beim Umsatz und der Profitabilität erzielt werden. Vigodent steigerte die Verkäufe in Lokalwährung um 25,8 %. Damit vermochte Brasilien die teilweise rückläufigen Resultate anderer südamerikanischer Länder wie zum Beispiel Venezuela zu kompensieren.

In den Schlüsselmärkten
Indien und China
wuchsen die Abverkäufe
erneut dynamisch.

Der Gesamtumsatz im Geschäftsjahr 2017 teilte sich wie folgt auf die Verkaufsregionen auf: COLTENE erzielte 41,8 % des Gruppenumsatzes in der Region EMEA, die Europa, den Nahen und Mittleren Osten sowie Afrika umfasst (2016: 42,4 %), 34,6 % in Nordamerika (2016: 35,1 %), 13,2 % in Asien (2016: 12,9 %) und 10,4 % in Lateinamerika (2016: 9,6 %). Der Umsatz in den Schwellenländern nahm gegenüber dem Vorjahr vorab aufgrund der positiven Entwicklung in Indien und Brasilien in der Berichtswährung um 9,2 % zu, währungsbereinigt stieg er um 7,4 % und erreichte einen Anteil von 28,4 % (2016: 29,9 %) am Gesamtumsatz.

Umsatz nach Regionen

in CHF Millionen



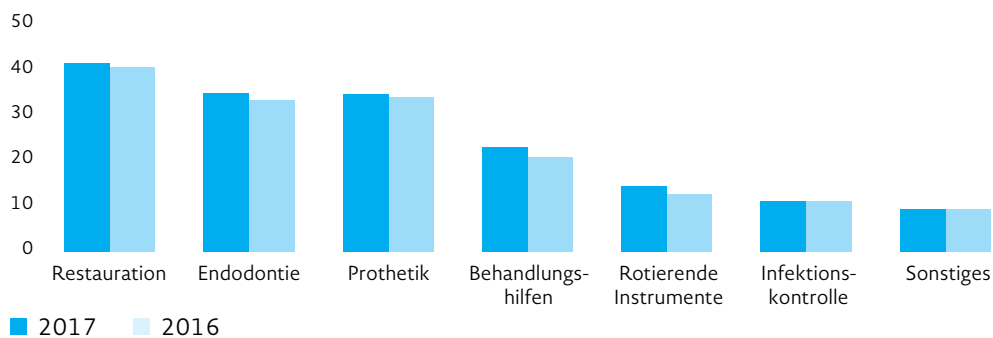
Geschäftsverlauf nach Produktgruppen:

Starke Behandlungshilfen

Im Geschäftsjahr 2017 weitete COLTENE die Abverkäufe in allen Produktgruppen mit Ausnahme der Infektionskontrolle, die auf dem Vorjahresniveau verharrte, aus. Die grösste Zunahme erzielte die Produktgruppe rotierende Instrumente mit 14,0 %, was insbesondere auf die Akquisition von Diatech LLC zurückzuführen ist. Es folgten die Behandlungshilfen mit einem Anstieg von 10,4 % auf CHF 22,8 Mio. (2016: CHF 20,7 Mio.). Beide Gruppen profitierten von der Lancierung neuer Produkte, die das bewährte Sortiment ergänzten. Der Bereich Restauration legte um 2,5 % auf CHF 41,3 Mio. zu (2016: CHF 40,3 Mio.). Die Umsätze der Produktgruppe Prothetik nahmen um 2,3 % auf CHF 34,4 Mio. zu (2016: CHF 33,7 Mio.). Die übrigen Produkte steigerten den Umsatz um 1,2 %.

Umsatz nach Produktgruppen

in CHF Millionen



Produktion und Umwelt

COLTENE nimmt ihre gesellschaftliche Verantwortung als internationales Unternehmen wahr und arbeitet kontinuierlich darauf hin, die Umweltauswirkungen der Gruppe im gesamten Entwicklungs- und Produktionsprozess zu minimieren. Ziel ist es, den Ressourcenverbrauch zu begrenzen und den Zahnärzten und ihren Patienten sichere und zuverlässige Produkte zur Verfügung zu stellen. Der Bericht «Produktion und Umwelt» definiert eine Reihe von Schlüsselwerten und legt die beobachteten Aktivitäten und Parameter fest. Ferner beabsichtigt COLTENE, das Bewusstsein für nachhaltiges Handeln auf allen Ebenen innerhalb der Organisation zu steigern. COLTENE ist bestrebt, die Reichweite ihres unternehmensübergreifenden Nachhaltigkeitsmanagements kontinuierlich auszuweiten.

Die globalen Produktionsstätten von COLTENE

Die Produktionsstätten der COLTENE Gruppe sind auf unterschiedliche Verfahren und Produkte spezialisiert. Die globalen Produktionsstandorte der COLTENE Gruppe sind:

Die chemische Produktionsstätte in **Altstätten, Schweiz**, die vor allem auf die Entwicklung und Herstellung folgender Produkte ausgerichtet ist:

- Ein breites Spektrum hochpräziser dentaler Abformmaterialien, einschliesslich bekannter C-Silikon- und A-Silikon-Produkte. Die Abformmaterialien von COLTENE sind weltweit führend und viele Zahnärztinnen und Zahnärzte vertrauen seit Jahrzehnten auf die Fähigkeiten und Qualität dieser Schweizer Produkte.
- Hochwertige restaurative Produkte für eine innovative und klinisch bewährte ästhetische Füllungstherapie sowie eine breite Palette an Adäsiv- und Befestigungsmaterialien. Pionierarbeit leistete COLTENE mit der Entwicklung weisser Zahnfüllungen aus Kompositmaterial als Ersatz für die bis dahin üblichen Amalgamfüllstoffe.
- Wesentliche Verfahren sind chemische Prozesse mit dem Schwerpunkt auf Mischung und Dosierung.

Das COLTENE Werk in **Langenau, Deutschland**, ist auf die Entwicklung und Herstellung folgender Produkte spezialisiert:

- International bekannte endodontische Produkte und Marken zur Reinigung, Trocknung und Obturation

der Wurzelkanäle. Die Produkte werden unter den Markennamen Roeko, Hygenic, Luna und Surgitip vertrieben.

- Zuverlässige, hochwertige Produkte zur Wundversorgung sowie Feuchtigkeits- und Infektionskontrolle. Zahnärzte schätzen die bewährten Produkte, da sie Zahnbehandlungen erleichtern und den Patientenkomfort steigern. Die vollautomatisierten Produktionsprozesse gewährleisten einen sehr hohen Qualitätsstandard.
- Zu den wichtigsten Verfahren zählen die Verarbeitung von Guttapercha, Papier und Textilien sowie die Fertigung von Behandlungshilfen.

Die Produktionsstätte in **Cuyahoga Falls, Ohio, USA**, ist auf mechanische Verfahren spezialisiert und bietet eine breite Produktpalette an:

- Produkte zur Ultraschallreinigung und Desinfektion. In der Zahnarztpraxis bieten die Geräte einen wirksamen Schutz vor Infektionen.
- Stifte wie das ParaPost X System, Wurzelkanalfeilen sowie Hartmetallbohrer. In vielen Märkten sind die einzelnen Produktlinien seit Jahrzehnten führend.
- Wesentliche Prozesse sind die mechanische Bearbeitung sowie die Herstellung und Montage von elektromechanischen Komponenten.

In **Rio de Janeiro, Brasilien**, produziert Vigodent chemische Produkte für den lateinamerikanischen Markt und deckt damit folgende Bereiche ab:

- Dentale Abformmaterialien, die einfache und schnelle Abformungen von hoher Präzision ermöglichen. Dank der breiten Produktpalette können Zahnärzte für jede Indikation das passende Material wählen.
- Kompositmaterialien für die restaurative Zahnheilkunde.
- In Brasilien kommen ähnliche Produktionsverfahren zum Einsatz wie am Schweizer Standort.

Umweltmanagement – zahlreiche neue Initiativen

Die COLTENE Gruppe ist stets auf der Suche nach neuen Möglichkeiten zur Minimierung ihrer Umweltauswirkungen. Als Hersteller von dentalen Verbrauchsmaterialien unterliegt COLTENE strikten Vorschriften, die eine engmaschige Überwachung der Produkte und Produktionsprozesse vorschreiben. Anhand strenger Qualitätskontroll-Protokolle werden die Rohstoffe auf Identität, Reinheit und Gehalt geprüft, um die Sicherheit und

Wirksamkeit der Produkte zu gewährleisten. Zudem werden alle Aspekte der Herstellungsprozesse vollständig dokumentiert, um die Rückverfolgbarkeit und Patientensicherheit zu garantieren.

Die Verpflichtung von COLTENE zu kontinuierlicher Verbesserung wird unterstützt durch den COLTENE Verhaltenskodex, der Vorgesetzte verpflichtet, ihre Mitarbeitenden dazu anzuhalten, Umweltschutz als Bestandteil ihrer tagtäglichen Aufgaben zu betrachten.

Abgesehen von den Produktions- und Forschungsaktivitäten sind die Umweltauswirkungen von COLTENE für eine Organisation ihrer Grösse und im Vergleich zu vielen anderen Produktionsunternehmen gering. COLTENE produziert weder Implantate noch Amalgamfüllstoffe und verwendet daher keine grösseren Mengen an Titanmetallen, Quecksilber, Blei oder Mangan, die häufig bei anderen Produktionsunternehmen der Dentalindustrie eingesetzt werden.

Die Produktionsanlagen und Herstellungsmethoden von COLTENE sind modern und umweltfreundlich. Das Unternehmen ist stets bemüht, seinen Material- und Energieverbrauch zu senken und sinnvolle Verbesserungen zu erzielen. Während die Produktqualität und Patientensicherheit weiterhin die vorrangigen Anliegen sind, erkundet COLTENE zusätzliche Aktivitäten, die dem Unternehmen und allen Beteiligten zugutekommen.

Die beobachteten und veröffentlichten Umweltdaten zielen auf zentrale Aspekte der Aktivitäten des Unternehmens ab. Die im Produktionsprozess verwendeten wesentlichen Materialproduktgruppen sind:

- Restaurative Materialien: Polyamidmatrix mit Glasfüller
- Abformmaterialien: Silikonöle
- Endodontische Produkte: NiTi-Metall, Gummi, Papier
- Behandlungshilfen: Gummi, Metall, Textilfasern, Baumwolle, Reinigungslösungen
- Betriebsmittel: Wasser, Reinigungsmittel, Lösungen für galvanische Bäder, Papier

Im Rahmen der Optimierung der Produktions- und Workflow-Prozesse ist COLTENE bestrebt, den Verbrauch von Betriebsmitteln von Jahr zu Jahr zu

reduzieren. Die relativ niedrigen Mengen an unbehandeltem Abwasser, das in Fässern und Tanks gesammelt und von zugelassene Spezialunternehmen entsorgt wird, enthalten sehr niedrige Konzentrationen an Reinigungsmitteln, Lösungsmitteln, Säuren und Ölen.

COLTENE berichtet seit dem Geschäftsbericht 2015 über ihre Nachhaltigkeitsaktivitäten. Die Datenerhebung sowie die Ausarbeitung des ersten Berichts haben im Unternehmen zu einem höheren Bewusstsein für das Thema geführt. Darauf aufbauend wurde die Erhebung und Verarbeitung der Daten fortlaufend erweitert. Heute verfügt das Unternehmen über einen standardisierten Prozess, um alle relevanten Daten zu erheben und zu konvertieren. Die Umrechnung von Energie in CO₂-Emissionen erfolgt in Abhängigkeit von länderspezifischen Energiefaktoren.

2017 hat die Nachhaltigkeitsberichterstattung nicht nur das Bewusstsein im Unternehmen gestärkt, sondern auch zu verschiedenen Initiativen und Massnahmen in verschiedenen Unternehmensbereichen geführt. Für das Jahr 2018 legt das Management den Fokus auf die Konsolidierung des Reporting der Nachhaltigkeitskennzahlen und die weitere Stärkung des allgemeinen Bewusstseins für das Thema in allen Bereichen der Gruppe.

Im Zusammenhang mit den für 2017 berichteten Kennzahlen verdeutlichen folgende Beispiele die Anstrengungen zur Reduktion der Umweltauswirkungen:

- In der Schweiz plante COLTENE 2017 den Neubau einer zweigeschossigen Produktionshalle mit modernen Büroflächen auf drei Etagen. Nach Erhalt der Baubewilligung im September 2017 erfolgte der Baubeginn im vierten Quartal. Um den Energieverbrauch möglichst tief zu halten, wird die Hülle des neuen Gebäudes, das per Ende 2018 bezugsbereit sein soll, dem Minergie Standard entsprechen. Dank der hohen Gebäudequalität erwartet COLTENE eine verbesserte Werterhaltung und deutlich tiefere Energiekosten im Neubau am Hauptsitz in Altstätten. Zudem konnte 2017 die Planung einer Photovoltaikanlage zur Nutzung von Sonnenenergie aufgenommen werden. Ebenfalls spürbar waren die positiven Auswirkungen der 2016 umgesetzten Massnahmen zur Erhöhung der Gebäudeeffizienz, darunter die Sanierung des

Daches und der Wasserhauptzuleitung, ausgetauschte Kompressoren und E-Motoren bei der Informatikinfrastruktur und das neu isolierte Aussentor des Lagers.

- In Deutschland führte die Umrüstung der Beleuchtung in der Produktion und im Produktionslager von Neonröhren auf rund 750 LED-Leuchten zu einer Stromersparnis von zirka 100 000 kW/h pro Jahr. Weiter erwartet COLTENE, dass der Umbau der Kompressoren zur Wärmerückgewinnung per Ende 2017 zu einer jährlichen Energieeinsparung von rund 60 000 kW/h (hauptsächlich Gas) führen wird. Die Kompressorenabwärme wird in den Warmwasserkreislauf der Gastherme eingespiesen und als Prozesswärme für die Trocknung der Zahnwatterollen genutzt.
- In den USA konnten durch Sanierungen am Standort, insbesondere im Bereich der Eingangslobby, des Auditoriums und der Konferenzräume, Verbesserungen der Arbeitsumgebung erzielt werden. Ausserdem wurde im Rahmen eines Projekts zur Verpackungsstandardisierung und Sterilisation ein Reinraum der Klasse 8 errichtet.





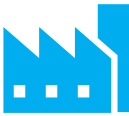



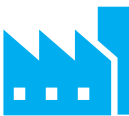


- In Brasilien tätigte Vigodent 2016/2017 eine grosse Investition in ein modernisiertes Lüftungssystem, um gemäss den gesetzlichen Bestimmungen die Staubkontrolle in den vier Hauptproduktionsbereichen zu verbessern. Diese Investition verbesserte die Arbeitsumgebung und trug zur Erreichung umwelt- und regulierungsbezogener Verbesserungen bei.

- Teams in der Schweiz, in den USA und in Brasilien reduzierten in Eigeninitiative das Abfallaufkommen und erhöhten die Recyclingquote in mehreren Bereichen. Bezüglich der Recycling-Ergebnisse ist anzumerken, dass einige der berichteten Veränderungen auch auf die genauere Erfassung der Materialströme zurückzuführen sein können.

Dank den oben genannten Anstrengungen und Erfolgen ist der Grundstein für weitere Verbesserungen gelegt. Das Management der Gruppe ist überzeugt, dass diese wertvollen Bemühungen wesentlich zum Unternehmenserfolg beitragen. COLTENE wird sich auch weiterhin dafür einsetzen, die Auswirkungen der Gruppe auf die Umwelt im gesamten Entwicklungs- und Produktionsprozess zu minimieren.

Einfluss auf die Umwelt: Input und Output 2015 bis 2017

Der Verbrauch der umweltrelevanten Inputfaktoren Öl, Gas und Wasser wird von vielen Einflüssen bestimmt. Nebst der Witterung, den Produktionsvolumen und dem Produktionsmix hängt der Energie- und Wasserkonsum auch von den stetig steigenden regulatorischen Ansprüchen ab. Diese stellen höhere Anforderungen an die betriebliche Hygiene, an die Produktionsprozesse und auch an die Verpackung und die Qualitätskontrolle der Produkte. Die Einhaltung dieser Normen, die primär auf die Sicherheit der Produkte und Patienten ausgerichtet ist, kann sich in einem höheren Energieverbrauch niederschlagen.

	2015	2016	2017			2015	2016	2017		
Strom	1,06 GWh	0,98 GWh	0,87 GWh	 Deutschland	CO₂	1012 t	961 t	854 t	Total 2016/2017  5,18 GWh Strom 5,20 GWh Strom	
Öl	16,3 t	0,0 t	0,0 t		Recycling	33,2 t	34,1 t	46,0 t		 36,3 t Öl 42,6 t Öl
Gas	92 000 m ³	118 200 m ³	105 700 m ³		Abfall	10,6 t	10,9 t	12,0 t		
Wasser	1800 m ³	1629 m ³	1280 m ³		Abwasser	1800 m ³	1629 m ³	1280 m ³		 195 930 m ³ Gas 214 663 m ³ Gas
Strom	0,90 GWh	0,99 GWh	1,02 GWh	 Schweiz	CO₂	292 t	305 t	377 t	 9031 m ³ Wasser 7995 m ³ Wasser	
Öl	36,3 t	36,3 t	42,6 t		Recycling	30,5 t	48,9 t	41,9 t		 3416 t CO ₂ 3122 t CO ₂
Gas	0,0 m ³	0,0 m ³	0,0 m ³		Abfall	95,3 t	60,4 t	63,1 t		
Wasser	1300 m ³	1522 m ³	1600 m ³		Abwasser	1300 m ³	1522 m ³	1600 m ³		 97,4 t Abfall 124,7 t Abfall
Strom	3,16 GWh	2,77 GWh	2,68 GWh	 USA	CO₂	2511 t	2017 t	1749 t	 8181 m ³ Abwasser 9031 m ³ Abwasser	
Öl	0,0 t	0,0 t	0,0 t		Recycling	14,6 t	57,5 t	55,2 t		
Gas	160 300	75 600 m ³	106 600 m ³		Abfall	10,9 t	7,3 t	28,9 t		
Wasser	3497 m ³	4054 m ³	3086 m ³		Abwasser	3497 m ³	4054 m ³	3086 m ³		
Strom	0,41 GWh	0,44 GWh	0,63 GWh	 Brasilien	CO₂	125 t	134 t	182 t		
Öl	0,0 t	0,0 t	0,0 t		Recycling	4,7 t	1,4 t	0,0 t		
Gas	2110 m ³	2130 m ³	2410 m ³		Abfall	30,7 t	18,8 t	20,7 t		
Wasser	1584 m ³	1826 m ³	2029 m ³		Abwasser	1584 m ³	1826 m ³	2029 m ³		

29.09.2017

Intelligent ultrasound cleaning system

The BioSonic UC150 is the latest addition to this successful product line of the Swiss innovation leader. An efficient and reliable solution for sterilization and disinfection issues in the dental practice. This next-generation ultrasonic cleaning system helps dental practices to comply with ever-increasing demands placed on practice hygiene and keeps a seamless record of every cleaning process.

Photo: Sandra Arpagaus performs final assembly of the BioSonic UC150





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 44 to page 50. All information is valid as at December 31, 2017, unless otherwise stated. Significant changes that have occurred between that date and the publication date of this report have also been indicated as appropriate.

Whenever a reference is made in this Corporate Governance report to the Articles of Incorporation, they are available in German as well as in an unofficial translation in English on the website at:
<https://docs.coltene.com/statuten> (German version)
and <https://docs.coltene.com/aoi> (English version).

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. Since then, COLTENE Group is active in the dental consumables market only and operates one segment in line with its management structure, the organizational setup, the reporting and the allocation of resources.

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 Altstaetten/SG;

COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2017, the market capitalization amounted to CHF 400.4 million (prior year CHF 312.4 million). All Group companies are ultimately owned at 100 % by the Group's holding company.

April 1, 2017, the Group acquired the business and the assets of Diatech LLC, domiciled in Mount Pleasant (South Carolina, USA). COLTENE integrated the business into the newly established Diatech Inc., a subsidiary of Coltene/Whaledent Inc., Cuyahoga Falls (Ohio, USA). Diatech Inc. is a tele sales and online vendor, specializing in diamond and carbide burs as well as orthodontic products. The new business will increase annual consolidated sales of the COLTENE Group by approximately CHF 2.0 million.

Information on the companies belonging to the COLTENE Group, which are not listed, is shown on page 82 of the Financial Report.

Major Shareholders

On December 31, 2017, there were 1743 shareholders (previous year: 1684) 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 1 110 964 registered shares. This equals voting rights of 26.33 %. *Huwa Finanz- und Beteiligungs AG* is representing the families of Ruedi Huber, Balgach/SG, Helene Huber, Heerbrugg (Au/SG) and Nick Huber, Balgach/SG. Further details are available on the disclosure of shareholdings website of SIX Swiss Exchange.

Rätikon Privatstiftung, Föhrenburgstrasse 5, 6700 Bludenz, Austria, held 482 994 registered shares. This equals voting rights of 11.45 %. *Rätikon Privatstiftung* is under control of the family of Franz Rauch, Laterns, Austria. Direct shareholder is *ESOLA Beteiligungsverwaltungs GmbH*, Ringstrasse 11, 6830 Rankweil, Austria.

Tweedy, Browne Company LLC, 350 Park Avenue, New York, NY 10022/USA, held 286 947 registered shares representing 6.80 % of the voting rights.

Credit Suisse Funds AG, Giesshübelstrasse 30, 8045 Zurich/ZH, Switzerland, held 235 902 shares or 5.59 % of the voting rights.

Robert Heberlein, Zumikon/ZH, Switzerland, held directly and indirectly through Burix Holding AG, Zurich/ZH, which he controls, 167 551 registered shares, representing 3.97 % of the voting rights.

UBS Fund Management (Switzerland) AG, P.O. Box, 8098 Zurich/ZH, held 166 823 shares or 3.95 % of the voting rights.

All other shareholders held a stake of 41.90 % of the voting rights of COLTENE Holding AG.

The Company held treasury shares amounting to 0.00 % (0.09 %) at the balance sheet date. Shares pending registration of transfer amounted to 14.00 % (16.3 %) of the total as at December 31, 2017.

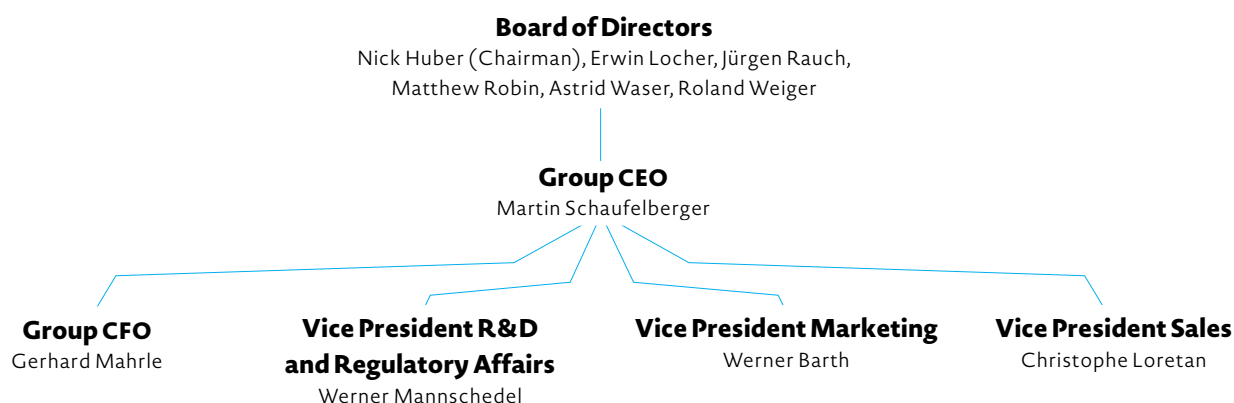
Cross-Shareholding

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

Structure of Group Operations

The COLTENE Group is operationally headed by the Group Management. On October 1, 2015, the Group increased the number of seats on its Group Management Board to five to better support its global setup. This decision established a broader base for top-level executive leadership and will help it to guide and grow the internationalized organization. The COLTENE Group Management, chaired by Martin Schaufelberger as CEO, consists of Gerhard Mahrle, CFO, who acts also as deputy CEO, Werner Mannschedel, Vice President R&D and Regulatory Affairs, Werner Barth, Vice President Marketing, and Christophe Loretan, Vice President Sales. The Group Management is responsible for the operational management of the holding company and the COLTENE Group. The Group is managed by the Board of Directors through the Group Management. The Board of Directors and the Group Management are assisted in their work by central Group functions. The separation of responsibilities between the Board of Directors and the Group Management is explained on pages 31.

The management organization of the COLTENE Group as per January 1, 2018, appears as follows:



Capital Structure

Information about the capital structure can be found in COLTENE Holding AG's Articles of Incorporation, in the Financial Statements of COLTENE Holding AG as well as in the Investor Relations section on page 2 of this report.

Capital

Details on the capital are included in the COLTENE Holding AG's financial statements on pages 86 and 87.

Authorized or Contingent Capital in Particular

COLTENE Holding AG has no authorized or contingent capital.

Changes in Capital

The following changes in equity of COLTENE Holding AG have occurred during the last three financial years. Due to the first application of the new Swiss accounting law with the financial statements of 2015, the balance sheet and equity table are newly structured. Treasury shares are recognized at weighted average cost and deducted from shareholders' equity at the time of acquisition and no longer shown as assets. The former reserves for treasury shares is now contained in the net income brought forward. For improvement of the legibility, the prior years' figures were adapted accordingly.

Changes in equity

In CHF 1 000	31.12.2017	31.12.2016	31.12.2015
Share capital	422	422	422
Statutory reserves	84	84	84
Capital contribution reserve	0	0	0
Reserves for treasury shares	0	-259	-307
Net income brought forward	33 785	38 037	38 325
Total	34 291	38 284	38 524

Based on the AGM's decision on March 29, 2017, the Company distributed a dividend of CHF 2.70 per share to its shareholders on April 4, 2017. The total amount paid was TCHF 11 381.

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 International Reporting Standard 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 aforementioned 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, 2017, the Board of Directors of COLTENE Holding AG consisted of six members. The Articles of Incorporation stipulate a minimum of three.

The General Meeting of Shareholders elected at the meeting of March 29, 2017, Astrid Waser as an additional member of the Board for the first time. As of the 2017 General Meeting, Robert Heberlein stepped down as member of the Board and Vice Chairman of the Board of Directors of COLTENE Holding AG for reasons of age. 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, 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, Zurich, where Robert Heberlein serves as a Counsel and Astrid Waser is partner, received CHF 66 000 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 pages 32 to 35.

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. The Chairman of the Board of Directors is elected by the shareholders for a period of one year. In the event of incapacity of the Chairman, the Chairman of the Audit and Corporate Governance Committee will temporarily assume the role of the Vice Chairman of the Board of Directors.

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
- approval of intercompany loans in excess of CHF 400 000 per fiscal year per group company
- 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 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 Group 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 permanent committees of the Board of Directors are composed as follows:

Audit and Corporate Governance Committee

Until the Annual General Meeting 2016, the Audit and Corporate Governance Committee was headed by Robert Heberlein and all other Board members were members of the Audit and Corporate Governance Committee. Since then, the Audit and Corporate Governance Committee has been set up by the Board as follows:

Chairman: Erwin Locher

Members: Jürgen Rauch and Astrid Waser

All members of the Board of Directors normally attend the Audit and Corporate Governance Committee Meetings. The Board Members that are not members of the Audit and Corporate Governance Committee attend the meetings as guests with no voting rights.

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

- 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

The Nomination and Compensation Committee is elected every year by the Annual General Meeting. Until the Annual General Meeting 2016, the Nomination and Compensation Committee was headed by Matthew Robin and all other Board members were also members of the Nomination and Compensation Committee. Since then, the Nomination and Compensation Committee has been composed as follows:

Chairman: Matthew Robin

Members: Nick Huber, Roland Weiger

All members of the Board of Directors normally attend the Nomination and Compensation Committee Meetings. The Board Members that are not members of the Nomination and Compensation Committee attend the meetings as guests with no voting rights.

The Nomination and Compensation Committee carries out the following duties:

- recommendation of the remuneration of the members of the Board of Directors
- definition of the principles for the remuneration of the members of the Group Management 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 2017, the Board of Directors met eight times. These meetings lasted in average four to eight hours. In one meeting, the Board of Directors discussed the Group Strategy together with the entire Group management during a two-day workshop. The Audit and Corporate Governance Committee met three times for a two hours' meeting. The Nomination and Compensation Committee met three times for a two hours' meeting.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants normally 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 as well as meetings of the committees. In order to ensure that the Board of Directors has sufficient information to make decisions, other members of the Group Management team or 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 of the Board of Directors and its committees. 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 Group Management are defined in COLTENE Holding AG's organizational regulations and can be summarized 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 pages 29 to 31, the Board of Directors has delegated the executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group, to the Group Management.

Information and Control Instruments vis-à-vis Group Management

As a rule, the Group 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 Group 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 an 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 Group 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 an 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 on pages 67 and 68.

Membership of the Board of Directors as of December 31, 2017

Members	Function	Born in	Year of first election	Term of office until AGM of	Audit and Compliance Committee	Nomination and Compensation Committee
Nick Huber	Chairman	1964	2005	2018		Member
Erwin Locher	Member	1953	2009	2018	Chairman	
Jürgen Rauch	Member	1967	2016	2018	Member	
Matthew Robin	Member	1965	2006	2018		Chairman
Astrid Waser	Member	1971	2017	2018	Member	
Roland Weiger	Member	1961	2013	2018		Member

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.



Matthew Robin

Jürgen Rauch

Astrid Waser

Nick Huber

Roland Weiger

Erwin Locher

Nick Huber

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

Professional background (main stages)

- 1990–1995 Account Manager, IBM (Switzerland) AG, Zurich/ZH
- 1995–2005 Divisional Head, SFS Unimarket AG, Heerbrugg/SG
- 2005–2016 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 SFS Group AG, Heerbrugg/SG
- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

Key knowledge and experience

- International and strategic management – many years of operational leadership experience in management positions in the SFS group and longtime experience as member of the board of international companies.
- Human resources – longtime operational responsibility of the human resources department of the SFS group.
- Marketing and sales – operational management experience as divisional head of direct and indirect consumables business.

Matthew Robin

- Member of the Board of Directors (year of first election: 2006)
- Non-executive member
- M. Eng. in Chemical Engineering, Imperial College, University of London/UK
- British and Swiss citizen, born in 1965

Professional background (main stages)

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

Other important activities and vested interests

- President of the Qids Future Foundation

Key knowledge and experience

- International and strategic management – longtime operational and strategic leadership and experience in the medical device and other regulated international businesses.
- Manufacturing, innovation and human resources – many years of experience as business director and CEO of large producing companies.

Erwin Locher

- Member of the Board of Directors (year of first election: 2009)
- Non-executive member
- Economist, University of Basel, MBA, University of Toronto (Rotman)/University of St. Gallen/SG
- Swiss citizen, born in 1953

Professional background (main stages)

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

Other important activities and vested interests

- Chairman of the Board of Directors of Thommen Medical AG, Grenchen/SO
- Member of the Board of Directors of Mathys AG, Bettlach/SO
- Management and consultancy function for Ziemer Ophthalmic Systems AG, Port/BE

Key knowledge and experience

- International and strategic management, marketing and sales – experience as former CEO of a global medical device company.
- Financial management, audit and compliance – many years of experience as Vice President of finance in a national and international company.
- Dental industry – operational responsibility for the COLTENE Group as CEO ad interim in 2011/2012.

Roland Weiger

- Member of the Board of Directors (year of first election: 2013)
- Non-executive member
- Prof. Dr. med. dent., University of Tübingen, Germany
- 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/BS
- 2012–2015 Director of the Department of Dental Medicine, University of Basel/BS
- Since 2016 Director of the University Dental Clinics and member of the Executive Board of the University Center of Dentistry (UZH), Basel/BS

Other important activities and vested interests

- Member of the Expert Commission of the Swiss Society for Preventative, Restorative and Esthetic Dentistry (SSPRE)
- Member of the Board of the Swiss Society of Periodontology (SSP)
- Appointed expert for the Swiss federal examinations in dentistry

Key knowledge and experience

- Expertise in general dentistry and specialized conservative dentistry – longtime leadership experience as chairman of a dental department and higher-level clinical university institution.
- Experience in dental technology and dental market – profound expertise in research, teaching and clinical procedures as professor in conservative dentistry and professional competence as practicing dentist specialized in endodontology and restorative dentistry.

Jürgen Rauch

- Member of the Board of Directors (year of first election: 2016)
- Non-executive member
- Business economist, University of Innsbruck/AT
- Austrian citizen, born in 1967

Professional background (main stages)

1993–1994 Management function at Pittra Inc, New York/USA
1994–2004 General Manager of Rauch Hungaria Kft, Budapest/HU
Since 2004 CEO of Rauch Fruchtsäfte GmbH & Co OG, Rankweil/AT

Other important activities and vested interests

- Jürgen Rauch has no other important activities and vested interests.

Key knowledge and experience

- Production and distribution – long-lasting experience in building up and in general management of an international bottling company for liquid consumables.
- Marketing and branding – many years of experience in the positioning and marketing of an international renowned brand in the consumables industry.

Astrid Waser

- Member of the Board of Directors (year of first election: 2017)
- Non-executive member
- Dr. iur., attorney-at-law, LL.M., University of Lausanne
- Swiss citizen, born in 1971

Professional background (main stages)

2002–2011 Associate, Lenz & Staehelin, Zurich/ZH
2004 Foreign Associate, Brussels
since 2012 Partner, Lenz & Staehelin, Zurich/ZH

Other important activities and vested interests

- Astrid Waser has no other important activities and vested interests.

Key knowledge and experience

- Legal affairs – proven expert in competition and procurement law and long-standing experience in counselling firms in the field of business law
- Compliance – proven expert particularly regarding internal and regulatory investigations and compliance matters.

Group Management

The Group Management of COLTENE has committed itself to the highest principles of sustainability, integrity and responsibility that build the foundation of COLTENE's corporate culture.



Werner Mannschedel

Gerhard Mahrle

Christophe Loretan

Martin Schaufelberger

Werner Barth

Martin Schaufelberger

- Chief Executive Officer COLTENE Group (since 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 Various functions in Switzerland and Japan (last function: General Manager Strategic Marketing), Zellweger Uster AG, Uster/ZH
- 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

Martin Schaufelberger has no other important activities and vested interests.

Gerhard Mahrle

- Chief Financial Officer COLTENE Group (since 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, Zurich/ZH

Gerhard Mahrle has no other important activities and vested interests.

Werner Mannschedel

- Vice President R&D and Regulatory Affairs COLTENE Group
- Member of the Group Management since 2015
- Pharmacist and Biologist, University of Erlangen/Germany
- German citizen, born in 1956

Professional background (main stages)

- 1988–1992 Head Quality Control and Analytic, ROEKO GmbH + Co. KG, Langenau/Germany
- 1992–1998 Head Operations, ROEKO GmbH + Co. KG, Langenau/Germany
- 1998–2002 General Manager, ROEKO GmbH + Co. KG, Langenau/Germany
- 2002–2007 Head European Operations (EMEA), COLTENE Group, Altstaetten/SG
- 2007–2011 President European Operations (EMEA), COLTENE Group, Altstaetten/SG
- 2011–2012 Head Global Operations, COLTENE Group, Altstaetten/SG
- 2012–2015 Head Global R&D and Regulatory Manager COLTENE Group, and General Manager Coltène/Whaledent GmbH + Co. KG, Langenau/Germany

Werner Mannschedel has no other important activities and vested interests.

Werner Barth

- Vice President Marketing COLTENE Group
- Member of the Group Management since 2015
- Dr. sc. techn. ETH, Zurich/ZH
- Swiss citizen, born in 1966

Professional background (main stages)

- 1999–2001 Head Business Unit Medical Products, VOLPI AG, Schlieren/ZH
- 2001–2004 Product manager and Sales manager HMT High Medical Technologies AG, Lengwil/TG
- 2005–2006 Head Marketing & Sales, Ziemer Ophthalmic Systems AG, Port/BE
- 2006–2013 Vice President Sales, Ziemer Ophthalmic Systems AG (Ziemer Group), Port/BE
- 2013–2015 Global Director Marketing, Coltène/Whaledent AG, Altstätten/SG

Werner Barth has no other important activities and vested interests.

Christophe Loretan

- Vice President Sales COLTENE Group
- Member of the Group Management since 2015
- Dipl. sc. nat. ETH Zurich/ZH
- MBA University of Rochester, Bern/BE
- Swiss citizen, born in 1970

Professional background (main stages)

- 1998–2002 Marketing Manager and Area Sales
Manager Division Biomaterials, Geistlich
Pharma AG, Wolhusen/LU
- 2002–2003 Business Development Manager Pharma/
Gastroenterology, Tillotts Pharma AG,
Ziefen/BL
- 2003–2005 Global Marketing Manager, Novozymes
Switzerland AG, Dittingen/BL
- 2006–2013 Customer Solutions Director EMEA,
Novozymes Switzerland AG, Dittingen/BL
- 2013–2015 Technical Service and Sales Director
EMEA, Novozymes Switzerland AG,
Dittingen/BL

Christophe Loretan has no other important activities and vested interests.

Group Management

On December 31, 2017, COLTENE Holding AG's Group Management consisted of the Chief Executive Officer (CEO) Martin Schaufelberger, the Chief Financial Officer (CFO) Gerhard Mahrle, who also acts as deputy CEO, Werner Mannschedel, Vice President R&D and Regulatory Affairs, Werner Barth, Vice President Marketing, and Christophe Loretan, Vice President Sales.

Members of the Group Management

The personal details together with the other activities and vested interests of individual members of the actual Group Management are listed on pages 36 to 39.

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 Group Management are governed in §18 of the Articles of Incorporation.

Principles on Compensation of the Members of the Board of Directors and the Group 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 Group 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 Group Management are governed in §28 of the Articles of Incorporation.

Regulations on the vote of the General Meeting of Shareholders on the compensation are governed in §§13.3 and 21 et seqq. of the Articles of Incorporation.

Further information regarding the compensation of the Board of Directors and the Group Management is available in the section of the compensation report on pages 44 to 50 of this Annual Report.

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 <https://docs.coltene.com/statuten> (German version) and <https://docs.coltene.com/aoi> (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. Since the Annual General Meeting 2015, every shareholder can use also the online platform of ShareCommService AG ("Indirect Voting System – IDVS") in order to grant the independent proxy a power of attorney and to forward his instructions to such 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 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, 2017, at COLTENE Group and senior management level.

Auditors

Duration of Mandate and Lead Auditor's Term of Office

Ernst & Young AG, St. Gallen (EY), has been elected as COLTENE Holding AG's statutory auditor the first time at the Annual General Meeting of April 20, 2012, for a one-year term. Since then, EY has been elected every year again for a one-year period. EY also serves as Group auditors. Rico Fehr has been the lead auditor since that 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 EY in its capacity as COLTENE

Group's statutory auditor amounted to CHF 230 560 (CHF 227 360 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

EY was also paid fees totaling CHF 17 000 (CHF 8750 in previous year) for non-audit-related services. The amount was mainly paid for tax advice.

Supervisors and Control Instruments Pertaining to the Auditors

As explained on page 29 to 30, 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 EY and statutory auditors. During 2017, the Audit and Corporate Governance Committee held three meetings. At these meetings, the Group auditors of EY 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 EY discuss EY's independence from COLTENE Group and COLTENE management.

Based on the outcome of the performance of EY as well as other criteria, the Audit and Corporate Governance Committee decides on its recommendation to the Board of Directors whether EY 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, 2017, 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 3 and page 94.

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 this year, the following year and contact addresses refer to page 3.

03.10.2017

Firm endorsement of its Swiss manufacturing roots

COLTENE is investing approximately CHF 11 million to modernize and enlarge its headquarters in Altstaetten, Switzerland. The additional building has a gross floor area of 5095 m² and a gross volume of 25 730 m³ and should be ready for occupancy at the end of 2018. The new facility will house production lines for diamond burs and innovative composite materials, a clean room for the sterile packaging of single-use products, as well as new training rooms and offices.

Photo: Christoph Göldi (left), architect with Göldi Partner Architekten, and Michael Aebi (right), Director Operations at Coltène/Whaledent AG, discuss construction plans



Compensation Report

1 Introduction

This report provides an overview of COLTENE's compensation principles and practices. It provides information on the compensation of Directors, Group Management and Senior Management in 2016 and in 2017. 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 or granted to Directors and the Group Management is presented in our audited Financial Report (see pages 81 and 90).

1.2 Management Structure

Annual General Meeting
Board of Directors / Nomination and Compensation Committee
Group Management
Senior Management
Employees

Fig. 1: Management Structure

The Chairman Nick Huber heads the Board of Directors (BoD). The General Meeting of shareholders on March 29, 2017, expanded the board's knowhow by electing Astrid Waser, an experienced legal counsel for companies, specializing in competition and procurement law and compliance issues. She is partner in a renowned law office in Zurich. As of the 2017 General Meeting, Robert Heberlein stepped down as member of the Board and Vice Chairman of the Board of Directors of COLTENE Holding AG for reasons of age. Erwin Locher, chair of the Audit Committee, Matthew Robin, chair of the Nomination and Compensation Committee, Jürgen Rauch and Roland Weiger complete the Board of Directors. More information regarding the members of the Board of Directors is available on pages 32 to 35.

The Group Management (= Geschäftsleitung) is since October 1, 2015, composed of the Group CEO Martin Schaufelberger, the Group CFO Gerhard Mahrle, the Vice President R&D and Regulatory Affairs Werner Mannschedel, the Vice President Marketing Werner Barth, and the Vice President Sales Christophe Loretan. More information regarding the members of the Group Management is available on pages 36 to 39.

1.3 Corporate Governance

The Board of Directors proposes candidates for the Nomination and Compensation Committee (NCC) to be elected annually by shareholders at the Annual General Meeting (AGM). Until the AGM 2016, all members of the Board of Directors were members of the NCC, which is chaired by Matthew Robin. Since the AGM 2016, the NCC is composed as follows:

Chairman: Matthew Robin

Members: Nick Huber and Roland Weiger

All members of the Board normally attend NCC meetings. The board members that were not elected as members of the NCC attend the meetings as guests with no voting rights.

The Board of Directors determines the NCC's responsibilities, and passes all resolutions on the Company's compensation system (see pages 45 to 48). The NCC is entrusted with the design of the compensation system that applies to Directors, 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. Any recommendations made to the Board of Directors by the NCC are discussed, adjusted if required and formally approved by the Board of Directors. Among others, the NCC carries out the following duties:

- recommendation of the remuneration of the members of the Board of Directors
- definition of the principles for the remuneration of the members of the Group Management and submission of these to the Board of Directors for approval
- approval of the remuneration to be paid to the senior management
- yearly elaboration of the compensation report to be presented to the AGM

Recommendation and decision responsibilities with regard to compensation

Recipient	Recommendation	Decision	Approval
Chairman of the board of Directors	NCC	BoD	AGM
Other members of the Board of Directors	NCC	BoD	AGM
CEO	NCC	BoD	AGM
Other members of the Group Management	CEO	BoD	AGM
Senior Management		Group Management	Group Management

NCC: Nomination and Compensation Committee
BoD: Board of Directors
AGM: Annual General Meeting
CEO: Chief Executive Officer

This table describes the recommendation, decision and approval process of the COLTENE Group with regard to compensation to the Board of Directors, to the Group Management and to the senior management level (including the split in fixed and variable amounts and the approval of the maximum payout). According to the Ordinance Against Excessive Compensation in Public Corporations (VegüV), effective since 2014, and the Articles of Incorporation of COLTENE Holding AG of April 15, 2014, the compensation to the Board of Directors and to the Group Management has to be approved by the Annual General Meeting (AGM). COLTENE has chosen that the AGM approves the compensation for subsequent fiscal year. While the NCC recommends the remuneration packages, the BoD decides on the compensation packages that are submitted to the AGM for approval. The Group Management decides and approves the compensation for the Senior Management within the guidelines set by the NCC. For all other employees, the Group Management is responsible for setting the guidelines for compensation, which is implemented by the Senior 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, employees 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 a 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 remuneration of the Board of Directors, the Group Management, and the 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 and size
- 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 on page 72. The compensation of managers comprises fixed and variable components, the mix of which is defined by role, profile, location and strategic impact. For 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 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 amount of money in shares, also blocked for three years.

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

Elements of the compensation

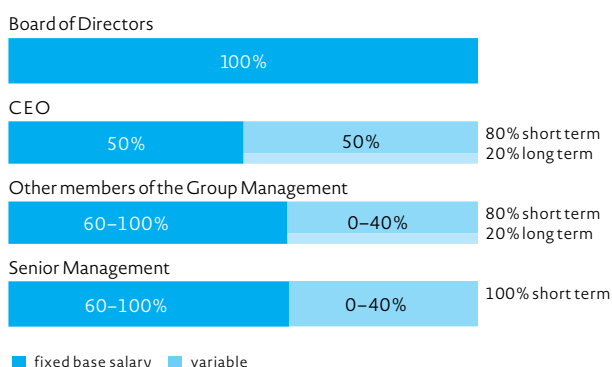


Fig. 2: Display of the compensation

3.1 Fixed Components

The fixed compensation elements include the following components:

- base salary
- pension plans¹
(depending on local practices and regulations)
- other benefits
(depending on local practices and 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 are 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. Group Management members and certain members of the Senior Management, depending on their travel frequency, 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 Group 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 45). 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 120 % and is based on a line joining three points as explained in the illustration. The entitlement for a bonus based on financial targets may start at a higher percentage than at 80 % of the defined target.

Scale of variable compensation elements

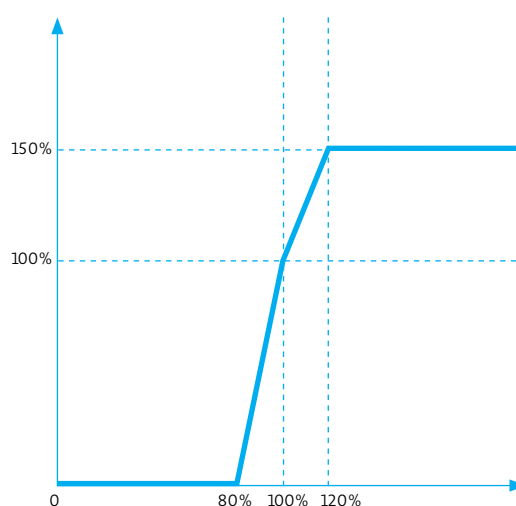


Fig. 3: Scale of variable compensation (financial targets)

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 120 %); however, the total variable compensation is capped at the maximum variable compensation agreed with each member of the management and may not exceed the total fixed compensation comprising all elements according section 3.1. Fixed Components on page 46.

Illustration target achievement

Function	Financial weight of variable component	Functional/ discretionary weight of variable component	Maximum variable compensation as % of fixed base salary
CEO	60–80%	40–20%	100%
Other members of the Group Management	60–80%	40–20%	0–66%
Senior Management	40–60%	60–40%	0–25%

Long-term component

For Group 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 calculation of the grant price for these shares is based on the Swiss Performance Index (SPI) of the SIX Swiss stock exchange. The free-float-adjusted SPI is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein. The shares are granted at an index price based on COLTENE's share price of that year. The index price is recalculated every four years forming the base for the following four-year period. Based on this index price the relative year-on-year performance of the SPI is applied to calculate the new grant price for COLTENE shares during the following four-year period. See also Fig. 2.

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 Group Management: No member of the Group Management has a notice period that exceeds twelve 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 decides whether there is full vesting under the long-term component of variable compensation or not.

4 Remuneration to Directors and Group Management

The tables below show the compensation paid to the members of the Board of Directors and to the Group Management for the years 2016 and 2017.

Remuneration to the Board of Directors

In CHF

	Base remuneration		Other remuneration	Total
	in cash	in shares ¹	Social security ²	
2016				
Nick Huber	85 000	20 000	14 322	119 322
Robert Heberlein ³	65 000	10 000	7 443	82 443
Erwin Locher	72 500	10 000	12 509	95 009
Jürgen Rauch	45 000	10 000	6 393	61 393
Matthew Robin	72 500	10 000	12 509	95 009
Roland Weiger	65 000	10 000	11 444	86 444
Total	405 000	70 000	64 620	539 620
2017				
Nick Huber	80 000	20 000	14 363	114 363
Robert Heberlein	15 000	2 500	2 512	20 012
Erwin Locher	70 000	10 000	11 443	91 443
Jürgen Rauch	60 000	10 000	10 023	80 023
Matthew Robin	70 000	10 000	11 443	91 443
Astrid Waser ⁴	45 000	7 500	6 393	58 893
Roland Weiger	60 000	10 000	10 023	80 023
Total	400 000	70 000	66 200	536 200

¹ The value of the number of shares granted is calculated on the weighted average share price of the month of March of the subsequent year.

² Company paid social security contribution incl. AHV, IV and ALV.

³ On the general Meeting, March 29, 2017, Robert Heberlein stepped down as Board member for reasons of age.

⁴ On the General Meeting, March 29, 2017, Astrid Waser was elected as a new Board member.

Remuneration to the Group Management

In CHF

	Base remuneration	Variable remuneration ¹		Other remuneration		Total
	in cash	in cash	in shares ²	Social security ³	Other benefits	
2016						
Martin Schaufelberger	370 000	289 468	85 088	127 623	23 022	895 201
Other members	961 049	288 216	84 663	246 590	57 020	1 637 538
Total	1 331 049	577 684	169 751	374 213	80 042	2 532 739
2017						
Martin Schaufelberger	370 000	292 098	99 676	147 890	23 022	932 686
Other members	970 082	293 172	99 971	269 499	54 235	1 686 959
Total	1 340 082	585 270	199 647	417 389	77 257	2 619 645

¹ 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 Board of Directors.

² The value of shares granted is calculated with the share price at closing of the grant date. For 2016, it was February 22, 2017, and the share price was CHF 84.10. For 2017, it was February 20, 2018, and the share price was CHF 98.30.

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

Approved remuneration to the Board of Directors and the Group Management by the AGM

On March 30, 2016, the AGM had to approve the remuneration for the Board of Directors and the Group Management for the financial year 2017 based on the Ordinance Against Excessive Compensation in Public Corporations (VegüV) and the Articles of Incorporation of COLTENE Holding AG of April 15, 2014.

Approved remuneration to the Board of Directors for 2017

The AGM approved an aggregate remuneration to the members of the Board of Directors of CHF 560 000 for the financial year 2017. In total, the Board of Directors received as compensation CHF 466 200 in cash and CHF 70 000 in shares.

Compensation to the Board of Directors in 2017 in CHF

	Approved compensation	Actual compensation
Total remuneration in cash	490 000	466 200
Total compensation in shares	70 000	70 000
Overall remuneration	560 000	536 200

The remuneration to the Board of Directors for 2017 was within the approved amounts.

Approved remuneration to the Group Management for 2017

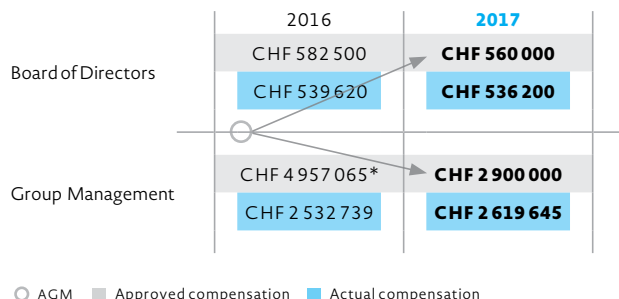
The AGM approved an aggregate remuneration to the Group Management of CHF 2 900 000 for the financial year 2017. In total, the Group Management received as compensation CHF 2 614 583.

Compensation to the Group Management in 2017 in CHF

	Approved compensation	Actual compensation
Total remuneration in cash	2 050 000	1 834 728
Total compensation in shares	850 000	784 917
Overall remuneration	2 900 000	2 619 645

The remuneration to the Group Management for 2017 was within the approved amounts.

Compensation to the Board of Directors and the Group Management



* Approved compensation to the Group Management according to article 23 of the Articles of Incorporation of COLTENE Holding AG

Fig. 4: Overview approved and actual compensation

Loans

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

Number of shares held by the Board of Directors

	31.12.2017	31.12.2016
Nick Huber	4 096	3 800
Robert Heberlein (until AGM 2017)	n.a.	167 403
Erwin Locher	5 154	7 306
Jürgen Rauch	148	0
Matthew Robin	4 248	4 350
Astrid Waser (since AGM 2017)	0	n.a.
Roland Weiger	898	750
Total	14 544	183 609

Number of shares held by the Group Management

	31.12.2017	31.12.2016
Martin Schaufelberger	8 137	6 932
Gerhard Mahrle	1 659	1 080
Werner Barth	903	645
Werner Mannschedel	1 819	1 650
Christophe Loretan	232	39
Total	12 750	10 346

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 Group 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 28, 2018.

Report of the Statutory Auditor

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

Report of the Statutory Auditor on the Compensation Report



We have audited the remuneration report of COLTENE Holding AG (pages 49 to 50) for the year ended 31 December 2017.

Board of Directors' Responsibility



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. 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 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 2017 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)

Ralf Truffer
Licensed audit expert

St. Gallen, February 28, 2018

19.12.2017

New competencies thanks to KENDA

Around the turn of the year between 2017 and 2018, COLTENE realized the acquisition of Liechtenstein-based KENDA. Founded in 1977, KENDA is a specialized manufacturer of high-precision silicon polishing instruments for dentistry and dental lab applications. This acquisition will increase COLTENE Group's consolidated sales by approximately CHF 4.0 million from 2018.

Photo: Anabela Magalhães Gonçalves marks the shaft
of a "Nobilis" diamond polisher





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Financial Commentary

COLTENE generated sales of CHF 168.0 million in fiscal 2017 (2016: CHF 160.7 million), which represents an increase of 4.6 % in its reporting currency of Swiss francs. In local currency, sales went up by 3.7 % from the year-ago level. The small acquisition of Diatech Inc. in the US at the beginning of April contributed CHF 1.8 million in net sales. Overall, the organic growth in local currencies for 2017 accounted for 2.6 %. In China and India, two important markets of the future, sales rose by 14.8 % (2016: 13.0 %) and 20.8 % (2016: 19.4 %) in local currency. Thus, COLTENE lifted its net sales in Asia by 7.6 %. The Group's net sales in North America advanced 3.4 %, driven by the acquisition of Diatech amid muted market growth. At constant exchange rates, sales in Latin America rose by 9.4 % thanks to a strong rebound in Brazil.

Operating profit increased by 9.3 %, from CHF 23.3 million in 2016 to CHF 25.5 million in 2017. The EBIT margin increased to 15.2 % (2016: 14.5 %). Hence, the COLTENE Group surpassed for the first time its mid-term operational margin target of 15 %. Crucial for the increase of the EBIT margin was a stable gross profit margin at 72.4 % and operating expenses growing at a slower pace than the Group's net sales. The ongoing internationalization, increase of efficiency in sales and marketing as well as cost reductions in production helped further to strengthen the overall profitability.

In 2017, the overall currency situation regarding average exchange rates was favorable. Compared to the prior year, the Euro was slightly stronger whereas the US dollar was a bit weaker. In addition, the average Brazilian real was significantly stronger than in the prior year. At year-end, the Euro was considerably stronger than the year before and the US dollar was clearly weaker. Unfortunately, the Brazilian Real dropped at year-end below the year-before level. Therefore, the financial result net changed significantly from a CHF 0.1 million profit in 2016 to a CHF 1.0 million cost in 2017.

Despite the higher income before taxes, tax expenses decreased from CHF 6.2 million to CHF 5.5 million. The effective tax rate decreased from 26.3 % to 22.2 %. This decrease is mainly due to the announced income tax rate reduction from 35 % to 21 % in the US. For the calculation of the deferred taxes, the expected future tax rate was already applied.

Net profit for the 2017 fiscal year amounted to CHF 19.1 million, an increase of 10.4 % compared to the previous year (2016: CHF 17.3 million). This increased the corresponding net profit margin to 11.3 % compared to 10.7 % in prior year.

COLTENE's cash flow from operating activities for the period under review amounted to CHF 21.9 million. This is CHF 0.8 million less than in the preceding period, mainly due to the higher net profit, an increase in interests and income taxes paid as well as a higher net working capital. Cash flow from investing activities increased slightly from CHF 5.6 million to CHF 5.9 million. Most of these investments was spent on replacement and maintenance of machinery for production and the acquisition of Diatech. Net investment in plant and equipment amounted to CHF 4.1 million. Free cash flow accounted for CHF 16.0 million (2016: CHF 17.1 million). The decrease of the free cash flow is based on the acquisition of Diatech, higher-paid income taxes and an increase of the net working capital.

With bank loans of CHF 8.3 million, COLTENE's equity ratio remains high at 72.7% (2016: 70.0%). With cash and cash equivalents in the amount of CHF 22.0 million, the COLTENE Group has a net cash position of CHF 13.8 million (2016: CHF 8.6 million).

Group Statement of Profit and Loss

In CHF 1000	Ref.	2017	2016
Net sales	1	167 990	160 665
Changes in inventories of finished goods and work in progress		1 613	-85
Work performed and capitalized		32	36
Raw material and consumables used	2	-47 930	-44 177
Personnel expenses	3	-58 796	-56 484
Other operating expenses	5	-31 713	-31 040
Depreciation and amortization	6	-5 711	-5 606
Operating profit (EBIT)		25 485	23 309
Financial income	7	247	838
Financial expenses	7	-1 220	-704
Net profit before tax expenses		24 512	23 443
Tax expenses	8	-5 452	-6 176
Net profit for the period	10	19 060	17 267
Earnings per share	10	CHF 4.52	CHF 4.10
Diluted earnings per share	10	CHF 4.52	CHF 4.10

Group Statement of Comprehensive Income

In CHF 1000	Ref.	2017	2016
Net profit for the period		19 060	17 267
Other comprehensive income (OCI)			
OCI to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		-35	1 703
Net OCI to be reclassified to profit or loss in subsequent periods		-35	1 703
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans	4	1 800	1 072
Income tax effect		-313	-187
Net OCI not to be reclassified to profit or loss in subsequent periods		1 487	885
OCI, net of tax		1 452	2 588
Total comprehensive income, net of tax		20 512	19 855

Group Statement of Financial Position

In CHF 1000	Ref.	31.12.2017	31.12.2016
Cash and cash equivalents		22 040	21 570
Trade accounts receivable	11	37 068	33 426
Tax receivables		174	136
Other receivables and prepaid expenses	12	3 241	2 445
Inventories	13	31 551	30 822
Current assets		94 074	88 399
Property, plant, and equipment	1, 14	28 413	29 958
Financial assets	15	393	4
Intangible assets	1, 16	43 191	41 551
Deferred tax assets	9	1 240	480
Non-current assets		73 237	71 993
Total assets		167 311	160 392
Financial liabilities	17	8 281	12 921
Trade accounts payable	18	6 506	4 698
Other accounts payable and accruals	19	12 103	11 076
Tax liabilities		4 119	2 514
Provisions	20	347	264
Current liabilities		31 356	31 473
Deferred tax liabilities	9	7 236	8 212
Provisions	20	7 014	8 456
Non-current liabilities		14 250	16 668
Total liabilities		45 606	48 141
Share capital		422	422
Treasury shares		0	-258
Currency translation adjustments		-31 533	-31 498
Retained earnings		152 816	143 585
Total equity	22	121 705	112 251
Total liabilities and equity		167 311	160 392

The notes are part of COLTENE Group Financial Statements.

Group Cash Flow Statement

In CHF 1000	Ref.	2017	2016
Net profit for the period		19 060	17 267
Depreciation and amortization	6,14,16	5 711	5 606
Other non-cash items ¹		4 626	4 263
Change in accounts receivable from deliveries and sales		-3 501	-3 006
Change in inventories		-943	576
Change in other current assets		1 030	417
Change in current liabilities		2 396	2 601
Interest paid		-302	-363
Interest received		27	15
Income tax paid		-6 209	-4 700
Cash flow from operating activities		21 895	22 676
Purchase of property, plant, and equipment		-4 101	-5 066
Proceeds from sale of property, plant, and equipment		192	112
Purchase of intangible assets		-297	-671
Outflow of financial assets net		-389	17
Acquisition of a subsidiary (net of cash)		-1 275	0
Cash flow from investing activities		-5 870	-5 608
Proceeds from loans and financial liabilities		70	7 103
Repayments of loans and financial liabilities		-4 678	-8 033
Dividends to shareholders	22	-11 381	-9 276
Proceeds/Purchase of treasury shares (net)		330	96
Cash flow from financing activities		-15 659	-10 110
Exchange rate differences		104	-32
Change in cash and cash equivalents		470	6 926
Cash and cash equivalents at beginning of year		21 570	14 644
Cash and cash equivalents at end of year		22 040	21 570

The notes are part of COLTENE Group Financial Statements.

¹ In 2017, the position of other non-cash items included the change in income tax, interest expense, provisions and currency translation adjustments.
The year before, it also included the change in allowances on net working capital.

Group Statement of Changes in Equity

In CHF 1000

	Ref.	Share capital	Treasury shares	Currency translation adjustments	Retained earnings	Total
01.01.2016		422	-307	-33 201	134 664	101 578
Comprehensive income for the year		0	0	1 703	18 152	19 855
Share-based payment transactions	3, 24	0	192	0	0	192
Dividends	22	0	0	0	-9 276	-9 276
Change in treasury shares		0	-98	0	0	-98
Remeasurement treasury shares		0	-45	0	45	0
31.12.2016		422	-258	-31 498	143 585	112 251
Comprehensive income for the year		0	0	-35	20 547	20 512
Share-based payment transactions	3, 24	0	284	0	0	284
Dividends	22	0	0	0	-11 381	-11 381
Change in treasury shares		0	39	0	0	39
Remeasurement treasury shares		0	-65	0	65	0
31.12.2017		422	0	-31 533	152 816	121 705

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) as issued by the IASB. 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 subsequently 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 by the Group in financial year 2017:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle – 2014–2016
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Announced adoption of Swiss GAAP FER accounting standards

The Board of Directors decided in December 2017 to switch its accounting standards as of January 1, 2018, from IFRS to Swiss GAAP FER. Swiss GAAP FER is a recognized, comprehensive and straightforward set of accounting standards which will allow the Group to continue publishing high-quality and transparent financial reports in compliance with a true and fair presentation. The conversion from IFRS to Swiss GAAP FER will impact the consolidated financial statements mainly in the following areas:

Goodwill identified in business combinations will be offset directly with equity. Under IFRS, goodwill was capitalized and not amortized but tested annually for impairment.

According to Swiss GAAP FER 16 “Pension benefit obligations”, the existing economic obligations or benefits relating to the Swiss pension fund are measured based on the pension fund’s financial statements in accordance with Swiss GAAP FER 26 “Accounting of pension plans”. It will be a matter of judgment to determine if an economic benefit or obligation exists. Under IFRS, defined benefit plans were measured using the projected unit credit method and recognized in accordance with IAS 19. The Swiss GAAP FER restatement as of January 1, 2017, will be published in the Group’s half-year report as at June 30, 2018.

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 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 March 06, 2018, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on March 28, 2018.

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 companies consolidated are shown in the summary provided on page 82.

Consolidation Method and Goodwill

Business combinations are accounted for using the acquisition method. Acquisition costs comprise the consideration paid, including the proportion of the purchase price retained for contractual representations and warranties, and contingent consideration. The latter is recognized at fair value on the transaction date. Subsequent changes in the fair value of contingent consideration are recognized in the income statement. Transaction costs are recognized as operating expenses.

Net assets acquired comprise identifiable assets, liabilities, and contingent liabilities and are recognized at fair value. The difference between the acquisition costs and the fair value of the proportionate interest in the net assets acquired is recognized 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 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 other comprehensive income and equity is also directly recognized in other comprehensive and 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 are 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. 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, or 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 also 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 of disposal 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 inflows (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 amount 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 plans. The Swiss pension plan is administered by an independent insurance company and accounted for as defined benefit plan 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 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.

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 (personnel expenses)
- Net interest expense or income (financial expenses)

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.

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 Group Management receives a fixed and a variable remuneration. Part of the variable remuneration is paid in shares having a blocking period of three years without any vesting conditions. The valuation of the shares takes place on the grant date, the related expense is recognized immediately in the income statement. The yearly compensation of the Board of Directors and the Group Management is determined by the Nomination and Compensation Committee annually. For further details see page 49 of the Compensation Report.

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 losses carried forward and temporary differences. No provisions are recognized for non-refundable 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 are expensed in other operating expenses as incurred. 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, until paid out.

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) upon consolidation 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 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

	31.12.2017	Ø 2017	31.12.2016	Ø 2016
1 USD	0.9757	0.9849	1.0188	0.9885
1 EUR	1.1702	1.1116	1.0739	1.0906

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 liquidity and other 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.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Financial liabilities cash outflows

In CHF 1000	Total	< 1 year	1–5 year
2017			
Financial liabilities	8 281	8 281	0
Trade accounts payable	6 506	6 506	0
Other accounts payable and accruals	11 951	11 951	0
Forwards ¹	150	150	0
Total	26 888	26 888	0
2016			
Financial liabilities	12 921	12 921	0
Trade accounts payable	4 698	4 698	0
Other accounts payable and accruals	11 076	11 076	0
Total	28 695	28 695	0

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

Interest Risk

Bank loans are subject to fixed as well as variable interest rates, with management deciding upon the interest rate risk to be taken on a case by basis. For further details see note 17.

If the interest rates had been higher by 50 bps for 2017 with all other variables held constant, net profit for the year would have been TCHF 42 (previous year TCHF 60) lower, as a result of higher interest expenses on current bank loans. If the interest rates had been lower by 50 bps for 2017 with all other variables held constant, net profit for the year would have been TCHF 42 (previous year TCHF 60) 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 Euro and US dollar. 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 the 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.

The following tables demonstrate the sensitivity to a reasonably possible change of US dollar (USD) and Euro (EUR) exchange rates, with all other variables held constant. The impact on the Group's net profit is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's equity is due to the conversion of the financial statements of foreign subsidiaries. Group's exposure to foreign currency changes for all other currencies is not material.

Foreign currency sensitivity

In CHF 1000	2017	2016
Effect of change in currency rate on net profit		
USD +5 %	-283	-497
USD -5 %	283	497
EUR +5 %	134	127
EUR -5 %	-134	-127
Effect of change in currency rate on equity		
USD +5 %	1 840	1 521
USD -5 %	-1 840	-1 521
EUR +5 %	497	471
EUR -5 %	-497	-471

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
2017				
Cash and cash equivalents	22 040		22 040	n/a
Trade accounts receivable	37 068		37 068	n/a
Other receivables and prepaid	3 241		3 241	n/a
Total	62 349	0	62 349	
2016				
Cash and cash equivalents	21 570		21 570	n/a
Trade accounts receivable	33 426		33 426	n/a
Other receivables and prepaid	2 445		2 445	n/a
Total	57 441	0	57 441	

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
2017				
Financial liabilities	8 281		8 281	n/a
Trade accounts payable	6 506		6 506	n/a
Other accounts payable and accruals	11 951		11 951	n/a
Forwards ¹	0	150	150	Level 2 ³
Total	26 738	150	26 888	
2016				
Financial liabilities	12 921		12 921	n/a
Trade accounts payable	4 698		4 698	n/a
Other accounts payable and accruals	11 076		11 076	n/a
Total	28 695	0	28 695	

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

² Carrying amount is a reasonable approximation for fair value.

³ Level 2: 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 the ability of the Group to continue as going concern 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	2017	2016
Interest-bearing debt	8 281	12 921
EBITDA	31 196	28 915
Leverage factor	0.3	0.4
Equity ratio in %	72.7%	70.0%

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.

Acquisitions

On March 31, 2017, the Group acquired the business and the assets of Diatech LLC, domiciled in Mount Pleasant (South Carolina, USA). The entire staff has been taken over. COLTENE integrated the business into the newly established Diatech Inc., a 100 % subsidiary of Coltene/Whaledent Inc., Cuyahoga Falls (Ohio, USA). Diatech Inc. is a tele sales and online vendor in the United States and Canada market, specialized in diamond and carbide burs as well as orthodontic products. Since 2012, Diatech LLC has been a subsidiary of Team Technologies, Inc., Morrtown (Tennessee, USA).

The fair values of the identifiable assets of Diatech LLC as at the date of acquisition were:

In CHF 1000	Fair value recognized on acquisition
Assets	
Property, plant and equipment	15
Prepayments	32
Inventory	275
Total identifiable net assets at fair value	322
Goodwill arising on acquisition	953
Purchase consideration transferred	1 275

The assets were individually evaluated by the purchase price allocation. With this acquisition, COLTENE ensures the distribution of high-quality diamond and carbide burs under the brand Diatech in the North American market and streamlines the Diatech trademark situation. For the acquisition, a purchase price of TCHF 1275 was paid by cash. The goodwill of TCHF 953 will not be amortized. The purchase price allocation is final.

From the date of acquisition, Diatech Inc. contributed TCHF 1809.1 of net sales and TCHF 100.8 to the net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been TCHF 2426.4 and the net profit before tax from continuing operations for the period would have been TCHF 167.9.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Diatech LLC with those of the Group.

Transaction costs of TCHF 17.1 have been expensed and are included within other operating expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Significant Estimates and Judgments

The Group makes judgments 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, future changes in salaries/wages and mortality 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. The Group recognizes deferred tax assets only if they can be used within a period of five years in general. 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	2017	2016
Switzerland	2 024	1 839
Germany, Austria	15 856	16 638
Great Britain, Ireland	7 128	6 979
France	6 882	6 182
Other Europe	24 816	23 373
Russia and other CIS	6 232	5 762
Middle East and Africa	7 207	7 412
North America	58 104	56 407
Brazil	7 507	5 189
Other South America	10 001	10 197
China	6 755	6 017
India	4 050	3 262
Other Far East, Oceania	11 427	11 407
Net sales	167 989	160 665

Net sales by products and services

In CHF 1000	2017	2016
Endodontics	34 717	33 223
Prosthetics	34 444	33 679
Rotary Instruments	14 276	12 524
Restoration	41 260	40 270
Laboratory	6 668	6 732
Infection Control	11 142	11 083
Treatment Auxiliaries	22 826	20 672
Miscellaneous	2 657	2 482
Net sales	167 990	160 665

Net sales of TCHF 33 647 (previous year TCHF 32 598) corresponding to 20.9 % of Group net sales (previous year 20.3 %) 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	31.12.2017	31.12.2016
Switzerland	12 774	12 146
Germany	2 096	1 713
Other Europe	271	209
China	113	42
India	67	150
USA	11 348	13 868
Brazil	1 745	1 830
Property, plant, and equipment	28 414	29 958

Intangible assets by geographical areas

In CHF 1000	31.12.2017	31.12.2016
Switzerland	5 640	6 382
Germany	17 830	16 333
Other Europe	99	97
China	10	10
India	8	4
USA	14 756	13 461
Brazil	4 848	5 264
Intangible assets	43 191	41 551

2 Raw Material and Consumables Used

Raw material and consumables used amounted to 28.5 % (previous year 27.5 %) of net sales.

3 Personnel Expenses

The average workforce amounted to 885 employees (previous year 864). Detailed information on personnel expenses:

Personnel expenses

In CHF 1000	2017	2016
Wages and salaries	46 053	44 404
Expenses for defined benefit plans	958	1 078
Expenses for defined contribution plans	2 959	2 935
Other personnel expenses	8 826	8 067
Total	58 796	56 484

Personnel expenses include TCHF 284 (previous year TCHF 192) 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. The pension solution adopted for the Group's Swiss companies is affiliated to a legally independent collective foundation, financed through employer and employee contributions. 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	2017	2016
Pension costs		
Current service cost	958	1 078
Past service cost	0	0
Interest expenses on defined benefit obligation (DBO)	189	188
Interest income on plan assets	-136	-122
Total	1 011	1 144
Reconciliation of the present value of the DBO		
DBO 1.1.	26 224	25 010
Current service cost	958	1 078
Ordinary contribution paid by employees	733	620
Interest expenses on (DBO)	189	188
Benefits paid / transferred	869	-125
Actuarial (gain) and loss arising from changes in financial assumptions	-350	-1 036
Actuarial (gain) and loss arising from experiences adjustments	51	1 012
Actuarial (gain)/loss arising from changes in demographic assumptions	0	-523
DBO 31.12.	28 674	26 224
Reconciliation of fair value of plan assets		
Fair value 1.1.	18 156	16 231
Interest income on plan assets	136	122
Ordinary contribution paid by employer	902	784
Ordinary contribution paid by employees	733	620
Benefits paid / transferred	869	-125
Return on plan assets excl. interest income (gains/losses)	1 500	524
Fair value 31.12.	22 296	18 156
Details to plan assets		
Receivables from insurance company	22 296	18 156
Total	22 296	18 156

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	2017	2016
Net defined liability (asset)		
Present value of the defined benefit obligation, 31.12.	28 674	26 224
Fair value of plan assets, 31.12.	-22 296	-18 156
Net defined benefit liability (asset) recognized in balance sheet¹	6 378	8 068
Changes in net amount		
Net defined benefit liability (asset), 1.1.	8 068	8 780
Defined benefit cost recognized in profit and loss	1 012	1 144
Defined benefit cost recognized in other comprehensive income	-1 800	-1 072
Ordinary contribution paid by employer	-903	-784
Balance 31.12.	6 377	8 068
Actuarial assumptions		
Discount rate	0.70%	0.70%
Future salary increase	1.00%	1.00%
Mortality (GT)	BVG 2015 GT	BVG 2015 GT

¹ The pension liabilities are reported in other long-term provisions.

Pension liabilities – Sensitivity analysis

In CHF 1000	2017	2016
Sensitivity to discount rate assumptions		
Discount rate +0.50% – effect on DBO	-2 343	-2 255
Discount rate -0.50% – effect on DBO	2 693	2 596
Sensitivity to salary increase assumptions		
Salary increase rate +0.50% – effect on DBO	498	184
Salary increase rate -0.50% – effect on DBO	-486	-184
Sensitivity to mortality assumptions		
+1 additional year – effect on DBO	687	551
-1 additional year – effect on DBO	-592	-577

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following payments are expected contributions to the defined benefit plan in future years:

Future expected contributions to the defined benefit plans

In CHF 1000	2017	2016
Within the next 12 months (next annual reporting period)	1 942	1 101
Between 2 and 5 years	7 895	5 690
Between 5 and 10 years	7 192	5 834

The average duration of the defined benefit plan obligation at the end of the reporting period is 17.6 years (2016: 18.5 years).

5 Other Operating Expenses

Other operating expenses

In CHF 1000	2017	2016
Energy	852	908
Rental	1 409	1 281
Repair and maintenance	1 965	1 870
Other production expenses	1 636	1 379
Freight and distribution	2 383	2 246
Marketing	7 811	7 472
Insurance	564	530
IT	1 082	1 013
Consulting	2 313	3 238
Travel	3 271	2 874
Vehicle	1 925	1 853
Other selling and administration	6 510	5 885
Gain from sale of property, plant and equipment	-14	-15
Loss from sale of property, plant and equipment	6	506
Total	31 713	31 040

In 2017, TCHF 5288 (previous year TCHF 4704) were spent on research and development and recorded as an expense in the income statement.

6 Depreciation and Amortization

Depreciation and amortization

In CHF 1000	2017	2016
Depreciation on property, plant, and equipment	4 423	4 419
Amortization of intangible assets	1 288	1 187
Total	5 711	5 606

7 Financial Income and Expenses

Financial income and expenses

In CHF 1000	2017	2016
Interest income on cash and cash equivalents	27	15
Exchange rate differences and other financial income	220	823
Total financial income	247	838
Interest expenses for bank overdrafts and loans	-302	-343
Exchange rate differences and other financial expenses	-918	-361
Total financial expenses	-1 220	-704
Total financial result (net)	-973	134

8 Tax Expenses

Tax expenses comprise the following positions:

Tax expenses

In CHF 1000	2017	2016
Current taxes	7 735	4 529
Deferred taxes	-2 283	1 647
Total	5 452	6 176

Tax expenses can be analyzed as follows:

Tax expenses

In CHF 1000	2017	2016
Net profit before tax expenses	24 512	23 443
Tax expenses at applicable tax rate of 30.3% (25.8%)	7 330	6 057
Effects of non-tax-deductible expenses	79	103
Effects of tax-exempt or -reduced income	-1 095	-917
Effects of tax loss not capitalized in current year	236	1 208
Effects of tax loss used not capitalized in prior years	0	-27
Effects of change in tax rate on deferred taxes	-1 218	-238
Tax adjustments prior years by tax authorities	0	-31
Other impacts	120	21
Actual tax expense	5 452	6 176
Effective tax rate in %	22.2%	26.3%

The applicable tax rate represents a weighted average rate based on all Group companies. Compared to last year, the applicable tax rate increased from 25.8% to 30.3%. The increase is related to the changed taxable contribution of the different entities with different tax rates.

Tax expenses of TCHF 5452 represent an effective tax rate of 22.2% (26.3%) of net profit before tax. For 2017, the difference between applicable and effective tax rate is mainly due to the impact of the US Tax Reform which reduced the tax rate of the US Company from around 35% to 21%.

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

Tax losses

In CHF 1000	2017	2016
Tax losses capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	239	251
Expiration over 5 years	776	819
Total	1 015	1 070
Deferred tax assets of capitalized tax losses		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	164	247
Expiration over 5 years	234	188
Total	398	435
Tax losses not capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	0
Expiration over 5 years	11 674	12 044
Total	11 674	12 044
Estimated tax effect of not capitalized tax losses		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	0
Expiration over 5 years	3 969	4 095
Total	3 969	4 095

Tax losses capitalized in 2017 are attributable to the Group Companies in China and India. Tax losses not capitalized are mainly attributable to Brazil. The tax losses of Brazil were not capitalized in accordance with group policy which stated that the recognition of the DTA is only possible if the losses can be used within a period of five years in general.

9 Deferred Taxes

Deferred tax assets

In CHF 1000	2017	2016
1.1.	480	1 405
Additions	1 106	0
Reversals	-358	-1 009
Currency effects	12	84
31.12.	1 240	480

Deferred tax liabilities

In CHF 1000	2017	2016
1.1.	8 212	7 320
Additions	105	483
Reversals	-1 341	361
Currency effects	260	48
31.12.	7 236	8 212

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	2017		2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Receivables and accruals	119	170	0	172
Inventories	1 763	404	1 539	347
Property, plant, and equipment	0	1 702	0	2 590
Intangible assets	10	7 086	0	8 101
Provisions	1 129	54	1 556	52
Deferred taxes from losses carried forward	399	0	435	0
Offset of deferred tax assets and liabilities	-2 180	-2 180	-3 050	-3 050
Total	1 240	7 236	480	8 212

Deferred tax assets to be recovered after more than twelve months amount to TCHF 1538 (previous year TCHF 1991). Deferred tax assets to be recovered within twelve months amount to TCHF 1882 (previous year TCHF 1539).

Deferred tax liabilities to be recovered after more than twelve months amount to TCHF 8842 (previous year TCHF 10 743). Deferred tax liabilities to be recovered within twelve months amount to TCHF 574 (previous year TCHF 519). The position "offset of deferred tax assets and liabilities" is not included in this calculation anymore.

10 Earnings per Share

Net profit amounts to TCHF 19 060 (previous year TCHF 17 267). Earnings per share (EPS) are calculated as follows:

Earnings per share

	2017	2016
Weighted number of shares issued at 31.12. ¹	4 217 427	4 215 531
Earnings per share (based on net profit for the period)	CHF 4.52	CHF 4.10
Diluted earnings per share (based on net profit for the period)	CHF 4.52	CHF 4.10

¹ The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

11 Trade Accounts Receivable

Trade accounts receivable

In CHF 1000	2017	2016
Trade accounts receivable (gross)	38 121	34 302
Allowance	-1 052	-876
Total	37 069	33 426

Trade accounts receivable by currency

In CHF 1000	2017	2016
CHF	3 059	2 882
EUR	10 743	8 996
USD	18 378	17 853
Other currencies	4 889	3 695
Total	37 069	33 426

Trade accounts receivable (gross) by maturity

In CHF 1000	2017	2016
Not due	30 624	27 721
Past due 1 to 30 days	4 028	3 491
Past due 31 to 60 days	731	504
Past due 61 to 90 days	1 104	329
Past due 91 to 120 days	151	427
Past due over 120 days	1 483	1 830
Total	38 121	34 302

Trade accounts receivable by maturity including allowance

In CHF 1000	2017	2016
Not due	30 422	27 600
Past due 1 to 30 days	4 014	3 478
Past due 31 to 60 days	726	490
Past due 61 to 90 days	1 015	302
Past due 91 to 120 days	122	386
Past due over 120 days	770	1 170
Total	37 069	33 426

Change in allowance

In CHF 1000	2017	2016
1.1.	876	594
Additions	250	323
Used	-59	-82
Reversals	0	0
Currency effects	-15	41
31.12.	1 052	876

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, 2017, 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	2017	2016
Other receivables	2 358	1 838
Prepaid expenses	900	624
Allowance	-17	-17
Total	3 241	2 445

13 Inventories

Inventories are as follows:

Inventories (net)

In CHF 1000	2017	2016
Raw materials	8 857	8 582
Trade merchandise	1 808	1 666
Work in progress	8 631	8 405
Finished goods	12 255	12 169
Total	31 551	30 822

No inventories are pledged or measured at selling price less variable selling expenses (net realizable value) neither at December 31, 2016, nor 2017.

Inventories (gross)

In CHF 1000	2017	2016
Raw materials	10 739	10 562
Trade merchandise	1 934	1 792
Work in progress	10 036	9 348
Finished goods	14 731	13 763
Total	37 440	35 465

Change in allowance

In CHF 1000	2017	2016
1.1.	4 643	5 039
Additions	1 123	31
Used	360	250
Reversals	-161	-747
Currency effects	-76	70
31.12.	5 889	4 643

14 Property, Plant, and Equipment

Gross values

In CHF 1000

	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2015	43 513	3 535	42 546	1 464	91 058
Additions	1 140	0	1 964	1 853	4 957
Disposals	-1 307	0	-803	0	-2 110
Currency effects	796	60	601	42	1 499
Reclassification	887	0	436	-1 323	0
Value 31.12.2016	45 029	3 595	44 744	2 036	95 404
Additions	714	0	1 355	2 504	4 573
Disposals	-936	0	-1 655	-27	-2 618
Currency effects	-344	-54	-362	-46	-806
Reclassification	254	0	218	-1 861	-1 389
Value 31.12.2017	44 717	3 541	44 300	2 606	95 164

Accumulated depreciation

In CHF 1000

	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2015	33 756	715	27 242	0	61 713
Depreciation	2 523	59	1 837	0	4 419
Disposals	-777	0	-730	0	-1 507
Currency effects	555	21	245	0	821
Reclassification	7	0	-7	0	0
Value 31.12.2016	36 064	795	28 587	0	65 446
Depreciation	2 403	59	1 961	0	4 423
Disposals	-872	0	-1 562	0	-2 434
Currency effects	-145	-34	-138	0	-317
Reclassification	-367	0	0	0	-367
Value 31.12.2017	37 083	820	28 848	0	66 751

Net values

In CHF 1000

	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2016	8 965	2 800	16 157	2 036	29 958
Value 31.12.2017	7 634	2 721	15 452	2 606	28 413

Contractual Commitments

As per December 31, 2017, contractual commitments to acquire building, machinery and equipment of TCHF 561 were entered upon (previous year TCHF 94).

Pledged Assets

No property, plant, and equipment was pledged as of December 31, 2017 and 2016.

15 Financial Assets

Financial assets consist of TCHF 393 loans (previous year TCHF 4).

16 Intangible Assets

Group Management monitors and tests goodwill on a Group level. The impairment test for goodwill is based on the discounted cash flow method and on approved budgets and key business plan figures (2018–2022). Cash flow after this period is extrapolated by the rates given on the following page. The value in use is the basis to calculate the recoverable amount.

Following assumptions were made:

Goodwill assumptions

	2017	2016
CGU Group		
Inflation rate	2.3%	2.3%
Growth rate	2.6%	2.6%
Pre-tax discount rate	14.3%	14.1%

A change in the basic data used, e.g. in the event of a sustained deterioration in operating profit while the balance sheet and cost structure remain the same, would not result in an impairment of goodwill. Even if cash flow forecasts were based on zero growth, the carrying amount would not exceed the recoverable amount. An increase of 1 percentage point in the assumed discount rate would not alter the results of the impairment test.

Gross values

In CHF 1000

	Goodwill	Other intangible assets	Total
Value 31.12.2015	37 089	12 428	49 517
Additions	0	653	653
Disposal	0	-1 355	-1 355
Currency effects	989	468	1 457
Value 31.12.2016	38 078	12 194	50 272
Additions ¹	939	430	1 369
Disposal	0	-175	-175
Currency effects	746	-178	568
Reclassification	0	1 022	1 022
Value 31.12.2017	39 763	13 293	53 056

Accumulated amortization

In CHF 1000

	Goodwill	Other intangible assets	Total
Value 31.12.2015	0	8 702	8 702
Amortization	0	1 187	1 187
Disposal	0	-1 355	-1 355
Currency effects	0	187	187
Value 31.12.2016	0	8 721	8 721
Amortization	0	1 287	1 287
Disposal	0	-75	-75
Currency effects	0	-68	-68
Value 31.12.2017	0	9 865	9 865

Net values

In CHF 1000

	Goodwill	Other intangible assets	Total
Value 31.12.2016	38 078	3 473	41 551
Value 31.12.2017	39 763	3 428	43 191

¹ Acquisition Diatech Inc.

Coltène/ Whaledent INC has started the amortization of development costs of the new UC150 Ultrasonic Cleaner. Therefore the amount of TCHF 1022 was reclassified from assets under construction to intangible assets.

No impairment was recognized for the periods presented.

As per December 31, 2017 and 2016, there are no contractual commitments to acquire intangible assets.

17 Financial Liabilities

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	2017	2016
Unsecured bank loans	8 281	12 921
Total	8 281	12 921

Current bank loans

In CHF 1000					
Maturity		Currency	Interest rate	2017	
31.01.2018	unsecured	USD	2.27%	3 073	
31.01.2018	unsecured	USD	2.37%	1 932	
31.01.2018	unsecured	USD	2.38%	1 317	
31.01.2018	unsecured	USD	2.28%	1 581	
31.03.2018	unsecured	INR	11.50%	378	
Total				8 281	

Current bank loans

In CHF 1000					
Maturity		Currency	Interest rate	2016	
31.01.2017	unsecured	USD	1.50%	1 119	
31.01.2017	unsecured	USD	1.57%	3 076	
31.01.2017	unsecured	USD	1.54%	1 398	
31.01.2017	unsecured	USD	1.49%	4 892	
31.01.2017	unsecured	USD	1.47%	2 097	
31.12.2016	unsecured	INR	11.50%	339	
Total				12 921	

Total uncommitted credit lines amount to TCHF 71 702 (previous year TCHF 101 739) of which 10 % are used (previous year 13 %). Covenants exist for selected bank loans. Covenants were met for both periods.

The Group intends to repay the current bank loans of TCHF 8281 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	2017	2016
CHF	1 450	711
EUR	1 933	1 249
USD	2 356	2 011
Other currencies	767	727
Total	6 506	4 698

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	2017	2016
Other accounts payable	2 904	2 351
Accruals	9 199	8 725
Total	12 103	11 076

Derivative financial instruments

In CHF 1000	2017	2016
Currency-related instruments		
Fair value (included in other accounts payable and accruals).	-166	0
Forward exchange rate contracts by currencies		
EUR	7 605	6 324
GBP	-792	-755
USD	1 753	1 828

The tables show the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract at December 31, 2017 and 2016. 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, 2017 and 2016.

20 Provisions

The column "Legal & personnel-related" covers the risk of litigation and employment contract termination benefits. The next category "Pension plans & 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 & 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	Guarantees & others	Total
31.12.2015	494	8 900	266	9 660
Additions	82	0	11	93
Reversals	-65	0	0	-65
Used	-272	-708	-20	-1 000
Currency effects	34	0	-2	32
31.12.2016	273	8 192	255	8 720
Additions	179	37	228	444
Reversals	0	0	-130	-130
Used	0	-1 691	-2	-1 693
Currency effects	-6	7	19	20
31.12.2017	446	6 545	370	7 361

Provision by maturity

In CHF 1000	Legal & personnel-related	Pension plans & social security	Guarantees & others	Total
31.12.2016				
Short-term provisions	0	0	264	264
Long-term provisions	121	8 121	214	8 456
31.12.2017				
Short-term provisions	190	0	157	347
Long-term provisions	256	6 544	214	7 014

21 Operating Leasing

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

Leasing In CHF 1000	Operating leasing	
	2017	2016
Not later than 1 year	1 258	1 173
1 to 5 years	3 526	3 268
Later than 5 years	2 726	3 157
Total	7 510	7 598
Total later than 1 year	6 252	6 425

For 2017, lease expenses amounted to TCHF 1912 (previous year TCHF 1682).

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

22 Equity

The share capital represents the capital of COLTENE Holding AG. Treasury stock on December 31, 2017, included 0 shares (previous year 3700).

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 3.00 per share will be proposed to the General Meeting on March 28, 2018.

Based on the General Meeting decision on March 29, 2017, the Company distributed a dividend of CHF 2.70 (previous year CHF 2.20) per share to its shareholders on April 4, 2017. The total amount paid was TCHF 11 381 (previous year TCHF 9276).

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 compensation¹

In CHF 1000	2017	2016
Salaries and other short-term employee benefits	2 399	2 394
Share-based payments	268	240
Post-employment benefits	484	439
Total	3 151	3 073

¹ See also notes COLTENE Holding AG page 90.

For further details concerning the remuneration to the Board of Directors and Group Management, see compensation report on pages 44 to 50 and notes to COLTENE Holding AG on page 90.

25 Subsequent Events

The Board of Directors authorized the Group financial statements on February 28, 2018, for issue. On January 23, 2018, the COLTENE Group closed the acquisition of 100 % of the shares of KENDA AG, based in Vaduz, Liechtenstein. KENDA will be fully consolidated from January 1, 2018. The company specialized in manufacturing and selling of high-quality silicone polishing instruments, will contribute approximately CHF 4,0 million in net sales with an EBIT margin that in past years was slightly above COLTENE's consolidated EBIT margin. As per the release date of this annual report, the Board of Directors and the Executive Management were not aware of any further important events subsequent to the reporting date.

Major Group Companies

Company	Activity	Currencies	Registered capital	Group ownership 2017	Group ownership 2016
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 HU	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., Lezennes 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 ES	3	EUR	10 000	100%	100%
Coltene Turkey Diş Sağlığı Ürünleri Ltd. Şti, Istanbul TR	3	TRY	20 000	100%	100%
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%
Coltene Japan LLC, Tokyo JP	3	JPY	1 400 000	100%	100%
Coltène/Whaledent Inc., Cuyahoga Falls US	1	USD	8 400 000	100%	100%
Dentronix Inc., Cuyahoga Falls US	1	USD	1 265 000	100%	100%
Diatech Inc., Mount Pleasant US	1	USD	100 000	100%	0%
Vigodent SA Indústria e Comércio, Rio de Janeiro BR	1	BRL	54 677 752	100%	100%

¹ Production and sales of dental specialties

² Sales services and marketing of dental specialties

³ Sales of dental specialties

Statutory Auditor's Report

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

Statutory Auditor's Report on the Audit of the Consolidated Financial Statements



Opinion



We have audited the consolidated financial statements of COLTENE Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 56 to 82) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion



We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of Inventory

Area of Focus

The total balances of inventory and inventory allowance as of 31 December 2017 amount to CHF 37 million and CHF 6 million, respectively. We focused on this position because the gross inventory and related allowance are material to the financial statements, involve a high level of judgment and are subject to uncertainty due to market demand changes.

See the "principles of valuation" to the financial statements on page 64 and Note 13 "Inventories" to the financial statements on page 77.

Our Audit Response

We assessed the process, method and assumptions used to identify slow moving, excess or obsolete items and to calculate the related allowance. We completed procedures to assess the amount of the allowance including a comparison of management's calculations for consistency against those used in the prior year.

We tested the underlying data used by management to calculate the inventory allowance, typically an aged inventory analysis with the latest movements, by re-performing the ageing calculation determined by the ERP-system. We also tested the accuracy of the calculation by assessing the calculation criteria. Furthermore we compared the net realizable value with the carrying value for a sample of products.

Goodwill Impairment Testing

Area of Focus

The annual impairment test was significant to our audit because the assessment process is complex and the test imposes estimates. In performing the impairment testing for goodwill, the Company used various assumptions in respect of future market and economic conditions, market share, revenue growth and margin development.

See Note 16 "Intangible Assets" to the financial statements on page 78.

Our Audit Response

We assessed and tested the assumptions, methodology, the weighted average cost of capital and other data used by the Company, by comparing them to external data, such as expected inflation rates, external market growth expectations and by analysing sensitivities in COLTENE's valuation model. We included in our team a valuation specialist to assist us with these procedures. We focused on the sensitivity in the available headroom, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

We also assessed the historical accuracy of the Board of Management's estimates about those assumptions to which the outcome of the impairment test is most sensitive.

Other Information in the Annual Report



The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements



The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements



Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expert-suisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other Legal and Regulatory Requirements



In accordance with article 728a para. 1 item 3 CO and the 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)

Ralf Truffer
Licensed audit expert

St. Gallen, February 28, 2018

Income Statement COLTENE Holding AG

In CHF	2017	2016
Dividend income	8 272 690	9 545 515
Other financial income	470 073	808 002
Total income	8 742 763	10 353 517
Financial expenses	-168 920	-174 998
Personnel expenses	-578 706	-583 571
Other operating expenses	-866 151	-607 414
Total expenses	-1 613 777	-1 365 983
Profit of the year	7 128 986	8 987 534

Balance Sheet COLTENE Holding AG

In CHF	31.12.2017	31.12.2016
Cash and cash equivalents	11 811 853	12 128 305
Other accounts receivable from third parties	6 059	7 944
Other accounts receivable from subsidiaries	214 781	2 809 105
Current assets	12 032 693	14 945 354
Long-term receivables from subsidiaries	12 900 935	15 758 506
Investments in subsidiaries	20 343 269	20 343 269
Non-current assets	33 244 204	36 101 775
Total assets	45 276 897	51 047 129
Trade accounts payable to third parties	25 187	6 434
Current interest-bearing liabilities to third parties	7 903 493	12 581 934
Other accounts payable to third parties	24 277	3 799
Other accounts payables from subsidiaries	2 554 714	0
Accrued liabilities and deferred income to third parties	477 361	169 924
Current provision	1 200	1 200
Current liabilities	10 986 232	12 763 291
Share capital	421 900	421 900
Legal reserves from retained earnings	84 380	84 380
Voluntary reserves from retained earnings	26 655 399	29 048 969
Treasury shares	0	-258 945
Profit of the year	7 128 986	8 987 534
Total equity	34 290 665	38 283 838
Total liabilities and equity	45 276 897	51 047 129

Statements of Changes in Equity COLTENE Holding AG

In CHF	Share capital	Statutory reserves	Treasury shares	Net income brought forward	Total
31.12.2015	421 900	84 380	-307 586	38 325 391	38 524 085
Distribution to shareholders				-9 276 422	-9 276 422
Change in treasury shares			48 641	0	48 641
Profit of the year				8 987 534	8 987 534
31.12.2016	421 900	84 380	-258 945	38 036 503	38 283 838
Distribution to shareholders				-11 381 104	-11 381 104
Change in treasury shares			258 945	0	258 945
Profit of the year				7 128 986	7 128 986
31.12.2017	421 900	84 380	0	33 784 385	34 290 665

Notes to COLTENE Holding AG

Principals

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the Company's going concern, the Company's financial statements may be influenced by the creation and release of hidden reserves.

Financial Assets

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the rate at the balance sheet date.

Treasury Shares

Treasury shares are recognized at weighted average cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

Investments

Investments include securities with a long-term holding period and are valued individually at their acquisition cost adjusted for impairment losses. Investments are tested on an annual base for impairment needs.

Foregoing a Cash Flow Statement and Additional Disclosures in the Notes

As COLTENE Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement and a management report in accordance with the law.

Investments in Subsidiaries

The major investments in subsidiaries are listed on page 82 of this Annual Report.

Full-time equivalents

COLTENE Holding AG has no employees.

Contingent liabilities

	31.12.2017	31.12.2016
Warrants Medifiq Healthcare Corporation (see notes to the Group financial statements, note 23)	p. m.	p. m.
Joint and several liability from group taxation for current and future value-added tax liabilities of Coltène/Whaledent AG and Coltène/Whaledent Vertriebservice und Marketing GmbH	p. m.	p. m.

Significant investments

See list on page 82.

Treasury shares

	Average rate of transactions in CHF	Quantity
Inventory as of 1.1.2016		5 100
Acquisitions	65.13	25 259
Sales	63.53	-26 659
Inventory as of 31.12.2016		3 700
Acquisitions	83.06	8 397
Sales	79.06	-12 097
Inventory as of 31.12.2017	0	0

Significant shareholders (shareholdings in %)*

	31.12.2017	31.12.2016
Huwa Finanz- und Beteiligungs AG	26.33%	25.68%
Rätikon Privatstiftung	11.45%	11.28%
Tweedy, Browne Company LLC	6.80%	6.88%
Credit Suisse Funds AG	5.59%	6.28%
Robert Heberlein	3.97%	3.97%
UBS Fund Management (Switzerland) AG	3.95%	3.80%

* The Company is aware of the following registered shareholders who own over 3% of the shares. For more details see page 26 f.

Number of shares held by Board of Directors

	31.12.2017	31.12.2016
Nick Huber	4 096	3 800
Robert Heberlein (until AGM 2017)	n.a.	167 403
Erwin Locher	5 154	7 306
Jürgen Rauch	148	0
Matthew Robin	4 248	4 350
Astrid Waser (since AGM 2017)	0	n.a.
Roland Weiger	898	750
Total	14 544	183 609

Number of shares held by Group Management

	31.12.2017	31.12.2016
Martin Schaufelberger, CEO	8 137	6 932
Gerhard Mahrle, CFO	1 659	1 080
Werner Barth, Vice President Marketing	903	645
Werner Mannschedel, Vice President R&D and Regulatory Affairs	1 819	1 650
Christophe Loretan, Vice President Sales	232	39
Total	12 750	10 346

Remuneration to the Board of Directors

In CHF

	Base remuneration		Other remuneration	Total
	in cash	in shares ¹	Social security ²	
2016				
Nick Huber	85 000	20 000	14 322	119 322
Robert Heberlein ³	65 000	10 000	7 443	82 443
Erwin Locher	72 500	10 000	12 509	95 009
Jürgen Rauch	45 000	10 000	6 393	61 393
Matthew Robin	72 500	10 000	12 509	95 009
Roland Weiger	65 000	10 000	11 444	86 444
Total	405 000	70 000	64 620	539 620
2017				
Nick Huber	80 000	20 000	14 363	114 363
Robert Heberlein	15 000	2 500	2 512	20 012
Erwin Locher	70 000	10 000	11 443	91 443
Jürgen Rauch	60 000	10 000	10 023	80 023
Matthew Robin	70 000	10 000	11 443	91 443
Astrid Waser ⁴	45 000	7 500	6 393	58 893
Roland Weiger	60 000	10 000	10 023	80 023
Total	400 000	70 000	66 200	536 200

¹ The value of the number of shares granted is calculated on the weighted average share price of the month of March of the subsequent year.

² Company paid social security contribution incl. AHV, IV and ALV.

³ On the general Meeting, March 29, 2017, Robert Heberlein stepped down as Board member for reasons of age.

⁴ On the General Meeting, March 29, 2017, Astrid Waser was elected as a new Board member.

Remuneration to the Group Management

In CHF

	Base remuneration	Variable remuneration ¹		Other remuneration		Total
	in cash	in cash	in shares ²	Social security ³	Other benefits	
2016						
Martin Schaufelberger	370 000	289 468	85 088	127 623	23 022	895 201
Other members	961 049	288 216	84 663	246 590	57 020	1 637 538
Total	1 331 049	577 684	169 751	374 213	80 042	2 532 739
2017						
Martin Schaufelberger	370 000	292 098	99 676	147 890	23 022	932 686
Other members	970 082	293 172	99 971	269 499	54 235	1 686 959
Total	1 340 082	585 270	199 647	417 389	77 257	2 619 645

¹ 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 Board of Directors.

² The value of shares granted is calculated with the share price at closing of the grant date. For 2016, it was February 22, 2017, and the share price was CHF 84.10. For 2017, it was February 20, 2018, and the share price was CHF 98.30.

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

Subsequent Events

For more information refer to page 81 at the end of the financial reporting about the COLTENE Group.

Proposed Appropriation of Disposable Profit and Dividend Distribution

In CHF	2017	2016
Allocation of the profit of the year		
Available earnings carried forward from prior year	26 396 453	28 741 383
Profit of the year	7 128 986	8 987 534
Change in treasury shares	258 945	48 641
Total amount at the disposal of the AGM	33 784 384	37 777 558
Dividend distribution (3.00 per share)	-12 657 000 *	-11 381 105
Balance to be carried forward	21 127 384	26 396 453

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

Report of the Statutory Auditor



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 86 to 91), for the year ended 31 December 2017.

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 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on Key Audit Matters Based on the Circular 1/2015 of the Federal Audit Oversight Authority



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of Investments

Area of Focus

The valuation of investments in accordance with the provisions of the Swiss Code of Obligations is important to our statutory audit as it represents a significant judgment area. The investments balance represent 45 % of the total assets of COLTENE Holding AG. The company used the same valuation model as used for the impairment testing of goodwill in the Group financial statements

See Note to COLTENE Holding AG to the financial statements on page 88.

Our Audit Response

Our audit procedures included an assessment and test of the assumptions, methodology, the weighted average cost of capital and other data used by the company, for example by comparing them to external data, such as expected inflation rates, external market growth expectations and by analysing sensitivities in COLTENE's valuation model. Furthermore, we included in our team a valuation specialist to assist us with these procedures. We specifically focused on the sensitivity by evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of the Board of Management's estimates.

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 para. 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)

Ralf Truffer
Licensed audit expert

St. Gallen, February 28, 2018

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Disclaimer

The information made available in this annual report may include forward-looking statements that reflect intentions, beliefs or current expectations and projections of the COLTENE Group about future results of operations, financial conditions, liquidity, performance and similar circumstances. Such statements are made on the basis of assumptions and expectations which may prove to be erroneous, although the COLTENE Group believes them to be reasonable at this time.

The extract of the reporting section of the Annual Report 2017 in German is the governing text.

