Annual Report 2013

Laying a stable foundation

COLTENE®

Achievements 2013

5-Year Overview (2009–2013)

(in CHF million, continuing activities, corrected)

Net Sales

2013	160.0
2012	158.1
2011	146.1
2010	153.6
2009	151.4

EBIT

2013	19.4
2012	17.4
2011	12.3
2010	18.4
2009	20.3

Net Profit

2013	13.2
2012	9.8
2011	5.7
2010	8.8
2009	15.9

Free Cash Flow

2013	17.0
2012	8.1
2011	9.9
2010	10.8
2009	17.9

Sales of CHF 160.0 million, up 1.2%, 1.9% in local currencies

Strong emerging markets and North America sales held at high year-ago level

Operating profit (EBIT) of CHF 19.4 million, plus 11.7%; EBIT margin widens to 12.2%

Net profit CHF 13.2 million, plus 34.9%

Free cash flow amounts to CHF 17.0 million, plus 109.1%

21 projects initiated to drive strategy forward, most of which already completed

Uniform IT system and new innovation management

Expansion of sales and marketing teams in the US, Brazil, Italy, China, and India

Local presence established in Japan and Poland

Product Focus

The healthcare sector is a steadily growing market in the global economy. Underlying growth drivers include demographic trends, technological progress, globally rising disposable incomes, and more broadly available medical treatment in emerging markets. These trends are coupled with ever more stringent hygiene requirements and demand for lower cost disposables, making the dental consumables market a strongly and dynamically growing market place in the world.

In the years ahead, COLTENE is likely to benefit from the increasing importance of oral hygiene and aesthetic dentistry driven by social trends and lifestyle factors as well as from global demographic and economic trends. COLTENE has identified significant innovation potential in the areas of restoration, endodontics, and treatment auxiliaries.

Restoration

COLTENE provides innovative treatment for aesthetic dental restoration that meets today's medical and lifestyle demands. The Group's comprehensive range of essential restorative materials ensures excellent aesthetic results and simplifies the technique of application. Aesthetic corrections can be carried out easily, whether for incisor extensions, the covering of massive discoloration, or the closing of diastemas.

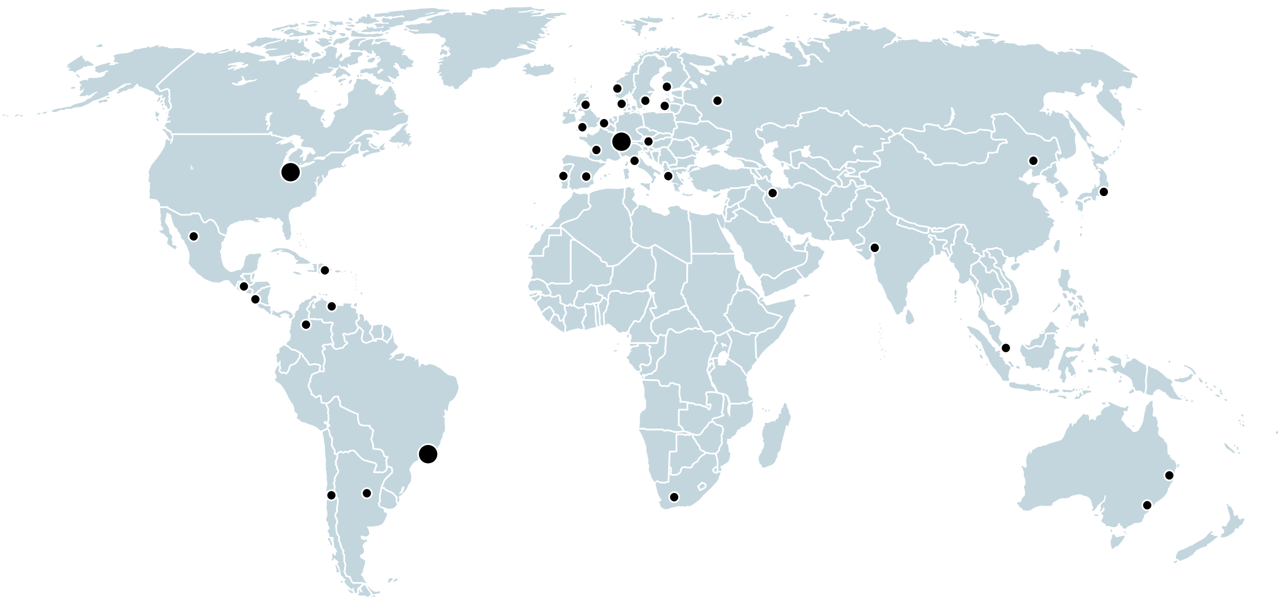
Endodontics

Root canal therapy is required when a tooth is symptomatic due to pulpal and/or periodontal disease. The treatment enables the saving of the tooth and ensures – in comparison to the implant alternative – the advantages of better aesthetics in the anterior region, shorter treatment time and lower costs as well as a non-surgical approach. COLTENE offers decades of know-how in the area of endodontics, having continuously developed innovative, state-of-the-art material, products, and techniques.

Treatment Auxiliaries

COLTENE's treatment auxiliary products make the daily work in a dental practice easier and more efficient. Cotton rolls, aspirator tips and dental dam products provide optimal moisture control in the oral cavity. Surgical sutures and antimicrobial, haemostatic sponges aid wound healing without complications. COLTENE also manufactures scalers and electrosurgical devices.

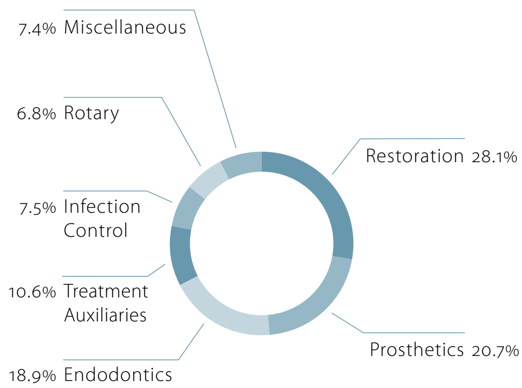
Portrait

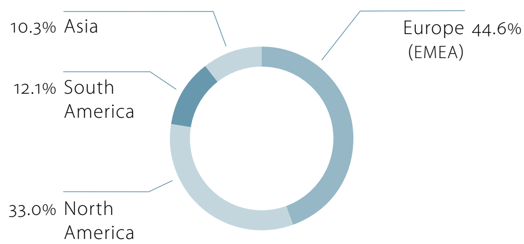


COLTENE is an internationally leading developer, manufacturer, and seller of consumables and small equipment for dental practitioners. COLTENE has four state-of-the-art production centers in Switzerland, Brazil (chemical-based products), Germany (auxiliaries), and the USA (mechanical and electromechanical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

Focusing on dental consumables, COLTENE targets an attractive, long-term growth market that is benefiting from demographic developments in traditional markets as well as from rising disposable income in emerging markets. COLTENE strives to support dentists and dental labs with professional, top quality, safe, and efficient dental products.

The registered shares of COLTENE Holding AG (CLTN) are listed on SIX Swiss Exchange. Investor Relations information can be found on page 78 of this Annual Report. Learn more about COLTENE and its wide range of products at www.coltene.com.





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Product Overview

Restoration

The brands under the umbrella brand provide decades of know-how in producing innovative restorative materials, such as BRILLIANT, a universal light-cured, fine hybrid composite for anterior and posterior restorations, or COMPONEER, a direct composite veneering system that allows for innovative and amazingly easy restoration of anterior teeth. To complement this range COLTENE also supplies dentists with curing lights.

Endodontics

The ROEKO, Hygenic, and Whaledent brands have an excellent global reputation for top-quality endodontic products. Merging them under the COLTENE name allows dentists to perform every step in endodontic treatment. HyFlex CM NiTi files feature a controlled memory effect that allows them to be pre-bent and gives them high flexibility and increased fracture resistance. They regain their shape after heat treatment during sterilization. Aspiration with Surgitip-endo is now available to support root canal drying with ROEKO paper points. Reliable and effective fillers such as gutta-percha points, Gutta Flow 2 and RoekoSeal produce high quality filling results. New dosage forms in automix syringes increase the range of applications. ParaPost, ParaPost Fiber and ParaCore combined with different composites tie in seamlessly with COLTENE restoration materials.

Prosthetics

For 50 years, we have specialized in the development and production of condensation- and additional-cured silicones for the dental industry, distributed globally through various distribution channels. Two of our leading brands, SPEEDEX and AFFINIS, are used in several clinics and universities as their products of choice. Thanks to its superior flow properties, variable working times, and thermoreactive formula in the setting process, more precise models can be made with this impression material.

Treatment Auxiliaries

ROEKO and Hygenic treatment auxiliaries are products designed to make work in a dental practice easier and more efficient. ROEKO Luna cotton rolls, Surgitip aspirator tips and the complete range of dental dam products provide optimum moisture control in the area of treatment. The new Surgitip-endo aspirator tip with its innovative ball joint facilitates easy and efficient aspiration in the root canal, a benefit that has been attracting great interest in the dental community. ROEKO Sintraumal surgical suture material and the Gelatamp antibacterial hemostatic gelatin sponge support uncomplicated wound healing. The HANEL name stands for a full line of top-quality occlusion and articulation testing products. The COLTENE range also includes ultrasonic scalers and the PerFect TCS II electrosurgery system.

roeko
HANEL
HYGENIC
roeko Surgitip
roeko Elasti-Dam
roeko Gelatamp
roeko Surgitip-endo

Rotary Instruments

Rotary instruments are sold under the Company brands DIATECH (global distribution, except for USA and Canada) as well as Alpen (for USA and Canada). Both are full-range brands that offer many advantages, such as the multilayer coatings for diamond instruments and one-piece constructions for carbide instruments.

DIATECH
PREMIUM ROTARY INSTRUMENTS
Alpen
SWISS ROTARY INSTRUMENTS

Infection Control

COLTENE hygiene products make the dental office a much safer place. BioSonic is its proprietary line of ultrasonic cleaning systems developed especially for the dental market. Sterile covers Steri-Quick and Steri-sleeve, Protecta surgical face masks and Rexam gloves provide infection control for the patient and the dental team. Protecta active carbon is a special face mask developed by COLTENE with an active carbon layer that acts as an additional barrier against unpleasant odors.

BioSonic®
roeko

Foreword

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

Dear Shareholders

In the 2013 financial year, the COLTENE Group laid a sustainable foundation from which to strengthen its future position in the dental consumables market and set the scene for further growth. Management worked hard to implement the revised corporate strategy during the last year. The main thrust of the revised strategy builds on product focus, marketing and sales initiatives, and operational efficiency, while responding to the latest customer needs and market trends. Another highlight was completion of the launch of a standardized IT system at all globally producing sites worldwide. This milestone enables the organization to coordinate and control business processes even more effectively throughout the Group. Thirdly, COLTENE intensified its sales efforts and expanded its global footprint.

The COLTENE Group laid a solid foundation for further growth in 2013. The revised strategy was largely implemented, the roll-out of a standardized IT system was completed, and the Company's global footprint expanded.

Implementation of the new strategy began to bear fruit. Systematic streamlining of the product range and discontinuation of unprofitable products dampened sales growth but benefitted operating profit.

The unified IT system allows the Group to standardize business processes, shorten production times and complexity thereby reducing inventory.

Trends such as the fast growth of Internet sales and rising number of group practices are changing sales and distribution channels on a lasting basis.

In an overall market that saw interregional performance differences, COLTENE kept its sales on a par with the previous year. Streamlining of the product range and the discontinuation of unprofitable products in line with the new strategy caused a temporary dip in sales. In tandem with other initiatives, however, this action impacted positively on operating profit, which the Group succeeded in growing according to plan. In North America, growth continued at the previous year's high level despite the new US tax on medical devices, which had a negative impact on sales. Following supply shortages in the US in connection with launch of the ERP system with an integrated managed warehouse solution in the first half, the new processes were running smoothly by summer. Total sales in the North American markets were slightly 1.9% down on prior year's high level (0.8% in local currencies). The Group saw strong growth in emerging markets and strengthened its already strong position there. COLTENE generated good results in the BRIC economies too, with strong local sales growth in Brazil, Russia, India, and China. European markets exhibited patchy growth, with setbacks in Germany and Switzerland in particular due to destockings and parallel imports.

Increased transparency inside the organization

Management initiated a total of 21 projects to implement the revised corporate strategy, a substantial number of which were finalized by year's end. Project objectives were directed at targeted expansion coupled with overall streamlining of the product portfolio, cultivation of a broader corporate mindset with increased sharing of best practices and expertise on a global basis. Systematic alignment of the sales organization to respond to regionally disparate customer needs was another focus. The new IT system now in place at all globally producing sites worldwide improves the planning data basis and increases transparency regarding the movement of goods throughout the value chain. Building on this basis, the Group is improving its operations and processes with the goal of shortening production times, reducing inventory and complexity.

Another aim is to strengthen and expand marketing and sales. The Group hosted an intensive training program and sales seminars with customers and industry specialists in all key markets to nurture close customer relations and familiarize dentists and key opinion leaders with COLTENE products. In May, COLTENE hosted a Latin American Key Opinion Seminar in Mayo, Mexico for the first time after a break of several years. Some 220 industry specialists from 18 countries attended this highly regarded conference, including numerous restoration, prosthetics, and endodontics specialists. COLTENE systematically expanded its distribution network to coincide with the training drive. In a new development, COLTENE now has its own sales specialists in Poland and Japan. COLTENE set up a new partnership in Turkey and expanded its sales teams in Italy, the US, Brazil, China, and India.

Innovation management reorganized

In 2013, COLTENE once again invested considerable funds in research and development and garnered plenty of attention in the marketplace with a host of innovative new products and treatment auxiliaries. The Group's efforts focused mainly on the core areas of Restoration, Endodontics, and Treatment Auxiliaries where the organization sees the greatest potential for growth. R&D spending in 2013 equaled 2.6% of total Group sales. The organization plans to step up R&D investment and effectiveness over the next number of years.

COLTENE simultaneously reorganized its ideation and innovation management to enable even prompter identification of new market trends and a more effective response to evolving customer needs. COLTENE uses a variety of sources including feedback from customers and Advisory Board members and the insights of its own specialist teams to systematically collect new ideas for innovative products or process optimizations in every business area.

Many of the key projects currently under way are directed at marketing and sales. These initiatives identify solutions for new needs that are predicted to bring about lasting structural changes in the dental consumable markets over the next few years. One such force for change is the sharp rise in the volume of goods sold online. E-commerce platforms are pushing the boundaries of traditional marketing and sales concepts with their often narrow focus on individual markets, and calling for a globally coordinated drive to increase transparency in terms of product information and pricing. Another significant trend is the rapidly growing number of group practices. These institutions tend to employ staff with business qualifications and are increasingly being run along professional sourcing structures.

Smoother operations in the USA and Brazil

Rollout of the new ERP system at the US production site in Cuyahoga Falls, Ohio, improved its operational efficiency. Coltène/Whaledent Inc. also made advances in production. The US Group Company expanded its manufacturing centers for rotary instruments such as diamond drills and fiberglass posts. COLTENE stabilized operating processes at the Brazilian subsidiary Vigodent during the reporting period and implemented strict cost management practices. Looking to the future, COLTENE is intensifying its marketing and sales efforts in the region. Management supported the team with experienced product specialists from Portugal and Argentina, and they organized an extensive training program for early 2014. As the Company strengthens its foothold in the market, selected COLTENE products are gradually being added to Vigodent's market-tested offering. In 2013, COLTENE launched COMPONEER Brilliant NG, a composite veneer system tailored to meet local needs. 2013 also marked the start of local production of COLTENE C-silicon.

Technical competence strengthened at management level

During the past year COLTENE expanded and strengthened its management bodies. Shareholders at the general meeting of shareholders in April elected Dr med. dent. Roland Weiger to the Board of Directors. He is the successor to Jerry Sullivan, COLTENE's former CEO and long-serving director, who did not stand for re-election. The election of Roland Weiger – a professor at the University of Basel and the director of its Periodontology, Endodontology and Cariology Clinic and the chairman of its Department of Dental Medicine – puts COLTENE even closer to current market and customer needs and trends. Roland Weiger's profound knowledge of dental procedures and special expertise in the area of restorative dentistry will enhance the work of the Board of Directors in one of the Company's core business areas.

At the beginning of March, Dr Werner Barth, a specialist with 15 years of experience in sales and marketing, joined COLTENE as its new Group Marketing Director. He will continue the process of marketing integration throughout the Group and guide the product-based segments, which have a long history of growth in individual national markets driven by distinct brands and strengths, to a global level under the master brand of COLTENE.

On January 1, 2014, Gerhard Mahrle joined COLTENE as new Group CFO and a member of the Executive Management Board. He succeeds Dr Hans Grüter. Gerhard Mahrle brings many years of experience as CFO of various listed companies to his new position at COLTENE Group.

Outlook: higher sales and margins

COLTENE is igniting new growth drivers in 2014 after having revised to a large extent its corporate strategy and establishing a sound platform for its future development.

One priority here will be capturing even more gains from the harmonized data management system that has been installed at all globally producing sites worldwide to optimize planning activities, especially in the areas of sourcing, supply chain management, production, and marketing and sales. Secondly, COLTENE will step up its sales efforts to expand its position in the traditional European markets as well as in the emerging markets. Its distribution concept will be realigned and standardized under the COLTENE master brand and it will also take into account new customer needs such as the exploitation of the Internet as a product information and sales platform. Personal contact and training courses for dentists will nevertheless remain the centerpiece of COLTENE's sales and marketing tactics. Existing partnerships with universities and research institutes in all major markets will therefore be actively developed and new alliances will be sought. These measures should allow the Company to outgrow the market at the top line and increase its EBIT margin to 15% in the medium term.

A word of thanks

On behalf of the Board of Directors and Executive Management, we wish to thank our employees all over the world for their exceptional dedication throughout the year. 2013 was a special year for Coltène/Whaledent AG in Altstätten, Switzerland, marking the 50th year of the Company's existence. In March, Company management marked this milestone by thanking partners and friends with a special anniversary function at the International Dental Show (IDS) in Cologne, Germany. In June, Coltène/Whaledent AG invited employees and their families as well as business partners and neighbors to an Open Day in Altstätten for an opportunity to visit the organization and become better acquainted. We thank our customers and business partners for their loyalty and excellent cooperation with COLTENE teams. Finally, we wish to thank our shareholders for the trust they place in our Company.

Sincerely

Nick Huber
Chairman of the Board of Directors

Martin Schaufelberger
CEO

COLTENE Marketing and Sales Concept

The COLTENE corporate strategy revised in 2012 aims to ensure COLTENE's long-term growth and enables the Group to generate profitable growth in the coming years. The central element of this strategy alongside innovation and perational efficiency is the COLTENE marketing and sales concept. With its own companies in key markets – Europe, North and Latin America, India, and China – the sales and marketing network is an important part of the Company's success. In a bid to strengthen market position and increase its global presence, COLTENE revised the organizational setup of its sales operations during the period of reporting and reassigned responsibilities. COLTENE aims to achieve high growth in emerging markets and continued profitable growth in its traditional markets.

Global presence under a strong umbrella brand
- globally consistent marketing for every product line
- strengthen awareness of the COLTENE brand as a mark of quality
- establish the COLTENE umbrella brand on a global scale
- step up global use of historically grown product brands

Close cooperation with distributors
- intensified information-sharing and training
- periodic sales seminars in all key markets
- set up innovation and know-how panels
- achieve new partnerships

Optimize the product range
- streamline the range
- modify offering to match regional needs
- selective addition of individual product lines to cover every sequence in the treatment process

Expansion of sales and marketing setup
- own local presence in new markets
- strengthen Brazil's function as a hub for the Mercosur region
- new alliances with universities and key opinion leaders in industry

Use new distribution channels
- e-business expansion
- simplification and cross-market harmonization of digital selling processes
- set up globally harmonized product selection and ordering platforms

Operational Review

Growth rates across the regional dental consumables markets varied in 2013. Overall growth showed a further slowdown. Increasing global sourcing activity led to greater competition, especially in the traditional European markets. Both factors intensified the pressure on prices during the period under review. While the dental market segments of relevance to COLTENE expanded by approximately 2–3% in North America, growth in Europe was flat and in a few countries negative. Pleasing developments were again observed in emerging market regions, where average market growth exceeded 10% in local currencies. COLTENE clearly benefited from the acceleration in market growth in the BRIC countries. Currency translation had a minimal effect on the overall results for 2013. CHF/EUR exchange rate movements had slightly positive effect while the CHF/USD currency pair had a slightly negative effect. Significant weakness in the Brazilian real and Indian rupee had a negative effect on reported results in Swiss francs.

COLTENE generated sales of CHF 160.0 million in fiscal 2013 (2012: CHF 158.1 million). This represents an increase of 1.2% in the reporting currency of Swiss francs. In local currencies, sales were up 1.9% from the year-ago level. Unprofitable products were discontinued as COLTENE streamlined its product range in conformity with its current strategy. This led to the temporary loss in sales, which the group intends to make up for by steadily promoting innovation in its priority product groups. US sales were additionally affected by the introduction of a new tax on medical devices, which had a negative impact.

The strategy-conform streamlining of the product range and additional efficiency gains had a positive effect on operating profit. Operating profit (EBIT) was higher at CHF 19.4 million (2012: CHF 17.4 million), up 11.7% (+10.8% in local currencies). The EBIT margin widened to 12.2% (2012: 11.0%). Results for 2012 had to be restated in accordance with the amended IFRS standard on pension plan accounting. This restatement mainly affected EBIT, pension plan provisions, and equity. COLTENE's US subsidiary significantly improved its operating performance after the delivery bottlenecks that had emerged in the first half in conjunction with the rollout of an ERP system were eliminated. The Brazilian subsidiary also ended the year with a breakeven result at the EBIT line. It improved its organizational structure and its business processes during the course of 2013.

COLTENE achieved a significant increase in operating profit (EBIT) of 11.7% to CHF 19.4 million on slightly higher sales. Net profit showed an even greater improvement of 34.9% to CHF 13.2 million and free cash flow surged 109.1% to CHF 17.0 million.

Intense competition and structural change generally kept prices under pressure in 2013 and dampened growth in the dental consumables market.

Regions where COLTENE achieved particularly high growth rates in local currency:
– 14.1% in Latin America without Brazil
– 11.0% in the Middle East and Africa region
– 10.6% in UK/Ireland
– 9.8% in the BRIC countries

The priority product groups of Restoration and Endodontics profited from innovative new products and widened their respective shares of consolidated sales.

Exchange rate differences and other financial expenses increased from CHF 1.2 million to CHF 1.7 million. Interest expense for bank loans declined by CHF 0.3 million to CHF 0.9 million. Tax expense declined by CHF 1.7 million to CHF 3.8 million. The tax rate was sharply lower at 22.4% compared to 36.1% in the previous year thanks to the more balanced contribution of pretax profits from the various Group subsidiaries. Net profit for the year amounted to CHF 13.2 million. This represents a significant improvement of 34.9% compared to the previous year (2012: CHF 9.8 million).

During the period under review COLTENE's cash flow from operating activities amounted to CHF 23.3 million, an increase of CHF 10.5 million from the previous year and largely attributable to the better operating results, a reduction in net working capital, and a less negative currency translation effect. Cash flow from investment activities amounted to CHF 6.3 million and included the purchase of reserve land in Altstätten at a cost of CHF 2.1 million. Net investment in plant and equipment amounted to CHF 3.4 million. Investment in intangible assets in the amount of CHF 0.8 million primarily consisted of the final rollout costs of the group-wide ERP system at the North American production site. Free cash flow was sharply higher at CHF 17.0 million (2012: CHF 8.1 million, +109.1%), largely because of the higher cash flow from operating activities.

With bank loans of CHF 16.8 million, COLTENE's equity ratio remains high at 66.5% (2012: 61.0%). Net debt amounts to CHF 10.3 million, which ensures the Group's financial stability and entrepreneurial freedom of action.

Business performance by region: dynamic BRIC countries

In 2013 COLTENE profited from market growth in North America and in emerging markets. COLTENE earned significantly higher sales in the BRIC countries, with Brazil being the only country market where growth did not reach the double-digits. In North America COLTENE consolidated its sales at the high level from the previous year. COLTENE's sales in some of the highly competitive European markets were lower than in the year before. That said, there are some countries in Europe where COLTENE has a weak presence and that therefore offer growth potential.

COLTENE achieved 44.6% of Group sales in the Europe, Middle East and Africa region (2012: 44.1%), 33% in North America (2012: 34.0%), 12.1% in South America (2012: 11.9%) and 10.3% in Asia (2012: 9.9%). Sales in emerging markets grew another 10.1% (2012: 7.9%) to CHF 45.4 million in local currencies, which corresponds to 28.2% of total sales (2012: 27.8%).

Sales volumes in most European countries were better than in the year before and overall growth stood at 1.4% in Swiss francs. Switzerland and Germany were the two exceptions, as destockings and increased parallel imports resulted in a contraction, respectively, of 20.3% and 11.3%. Sales trends in North America remained at the pleasingly high level from the previous year despite the new US Medical Device Excise Tax. COLTENE's sales in this market were only 1.9% below the exceptionally high prior-year figure. Particularly pleasing growth rates were achieved in the BRIC countries. In Brazil COLTENE increased its sales by 5.0% in local currency, but the weakening of the Brazilian real to the reporting currency led to a decline of 5.7% in Swiss francs. Sales in the other South American markets rose 13.4%. In China and India the Group increased its sales by 14.7% and 12.2% in Swiss francs. Solid growth was also seen in the Russia/CIS region with a plus of 12.5%. Growth came in at 10.7% in the Middle East and Africa. An increase of 1.8% was also achieved in the Other Far East/Oceania region.

Business performance by product group: Infection Control and Treatment Auxiliaries grew the fastest

The Restoration, Prosthetics, and Endodontics key product groups were the main sales drivers in 2013, as in the past. Restoration was the top sales driver accounting for 28.1% of total sales with a year-on-year growth rate of 4.9%. The Prosthetics product segment generated 20.7% of total sales and volumes here declined 5.5%. Sales of endodontics products were up 2.5% and accounted for 18.9% of total sales. The fastest growth rates were recorded in Infection Control (10.9%) and Treatment Auxiliaries (8.1%). They accounted for 7.5% and 10.6% of total sales. The other product categories were the ones affected most by efforts to streamline the product range and these sales therefore showed the steepest decline (–7.4%).

New product launches made a significant contribution to the top line during the reporting period. COLTENE's innovation talent was on display at the International Dental Show (IDS) held in March in Cologne, Germany. In the Restoration product group, another product for the restoration of tooth necks – COMPONEER CLASS V – was added to the COMPONEER composite veneering system.

The line of composite adhesive cement products was modernized and expanded. ParaCore, for years an internationally very successful product with a unique range of applications, remains the anchor product. DuoCem and SoloCem, the latest cement products launched, offer strong and permanent cementing in restorative procedures and contain antibacterial zinc oxide for better outcomes. Furthermore, SoloCem does not require bonding like most other resin cements. Outstanding adhesion values and simple handling by dental practitioners are also strong points of this product.

In Endodontics, COLTENE is now offering its HyFlex Controlled Memory NiTi files for root canal treatments with calibration marks for easy length determination and in sterile containers. File handling has also been made easier for dentists with the new CanalPro Apex Locator. This tool displays file advancement inside the tooth canal on a brilliant, 3-D color panel with utmost precision. In addition, COLTENE ROEKO also launched GuttaFlow 2, a unique cold flowable obturation system for root canals.

COLTENE employs 20 sales specialists in Switzerland and Germany. Dentists in the region want top-quality tools and materials that simplify treatment procedures yet also add value for patients. Demand for aesthetic dentistry and root canal treatments has been strong in the aforementioned markets. In Germany and Switzerland demand for MIRIS 2, SYNERGY, COMPONEER, HyFlex, Rinsing Solutions, and ROEKO has been particularly strong.

"Listening to customers is very important in our line of work. With COLTENE, customers have a partner who is able to provide them with attractive, high-quality products that meet their multidimensional requirements."

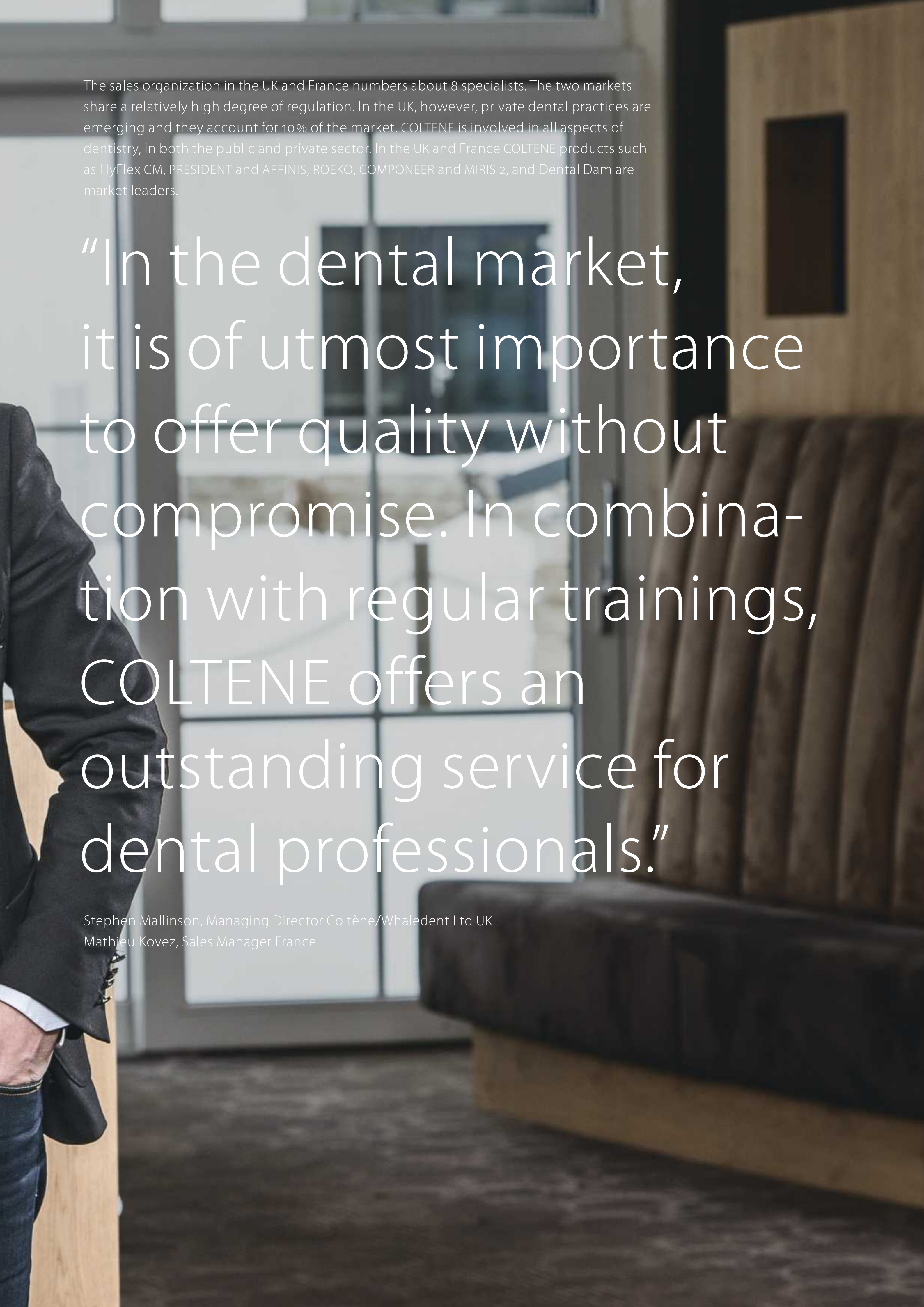
Nicole Besse, Area Sales Manager Germany
Frank Müller, Director Sales EMEA

COLTENE Latin America leads a team of 13 sales specialists located in Mexico, Colombia, Venezuela, Chile, Costa Rica, Dominican Republic, and Guatemala. What the distinctive cultures and languages of the region share in common is that both dentists and patients demand high-quality dental products and treatments but at a cost commensurate with their income. In Latin America demand for Speedex, BRILLIANT NG, Coltolux LED and HyFlex CM has been particularly strong.

"COLTENE has developed a strong distribution network that provides reliable service and delivery of our highly valued products to dentists and dental schools. We create true value for customers and they appreciate that."

Lucas Beric, Sales Manager Latin America South
Nicolas Zottola, Sales Manager Latin America North


COLTENE
COLTENE®
BRILLIANT™NG
COMPONEER • FACETAS DE COMPÓSITO
COLTENE
Alpen
CARBIDE
Alpen
CARBIDE
COLTENE



The sales organization in the UK and France numbers about 8 specialists. The two markets share a relatively high degree of regulation. In the UK, however, private dental practices are emerging and they account for 10% of the market. COLTENE is involved in all aspects of dentistry, in both the public and private sector. In the UK and France COLTENE products such as HyFlex CM, PRESIDENT and AFFINIS, ROEKO, COMPONEER and MIRIS 2, and Dental Dam are market leaders.

"In the dental market, it is of utmost importance to offer quality without compromise. In combination with regular trainings, COLTENE offers an outstanding service for dental professionals."

Stephen Mallinson, Managing Director Coltène/Whaledent Ltd UK
Mathieu Kovez, Sales Manager France

In North America COLTENE is represented by 53 sales specialists. Its products are in high demand and enhance dental procedures for practitioners and their patients. Demand for HyFlex Endo rotary files, Alpen rotary instruments, BioSonic ultrasonic cleaners, posts, and S.P.E.C. 3 curing light has been particularly strong.

"Innovation and quality are very important to our customers. COLTENE's ability to launch precisely those kind of products quickly and effectively supports its excellent relationships with distributors and end customers."

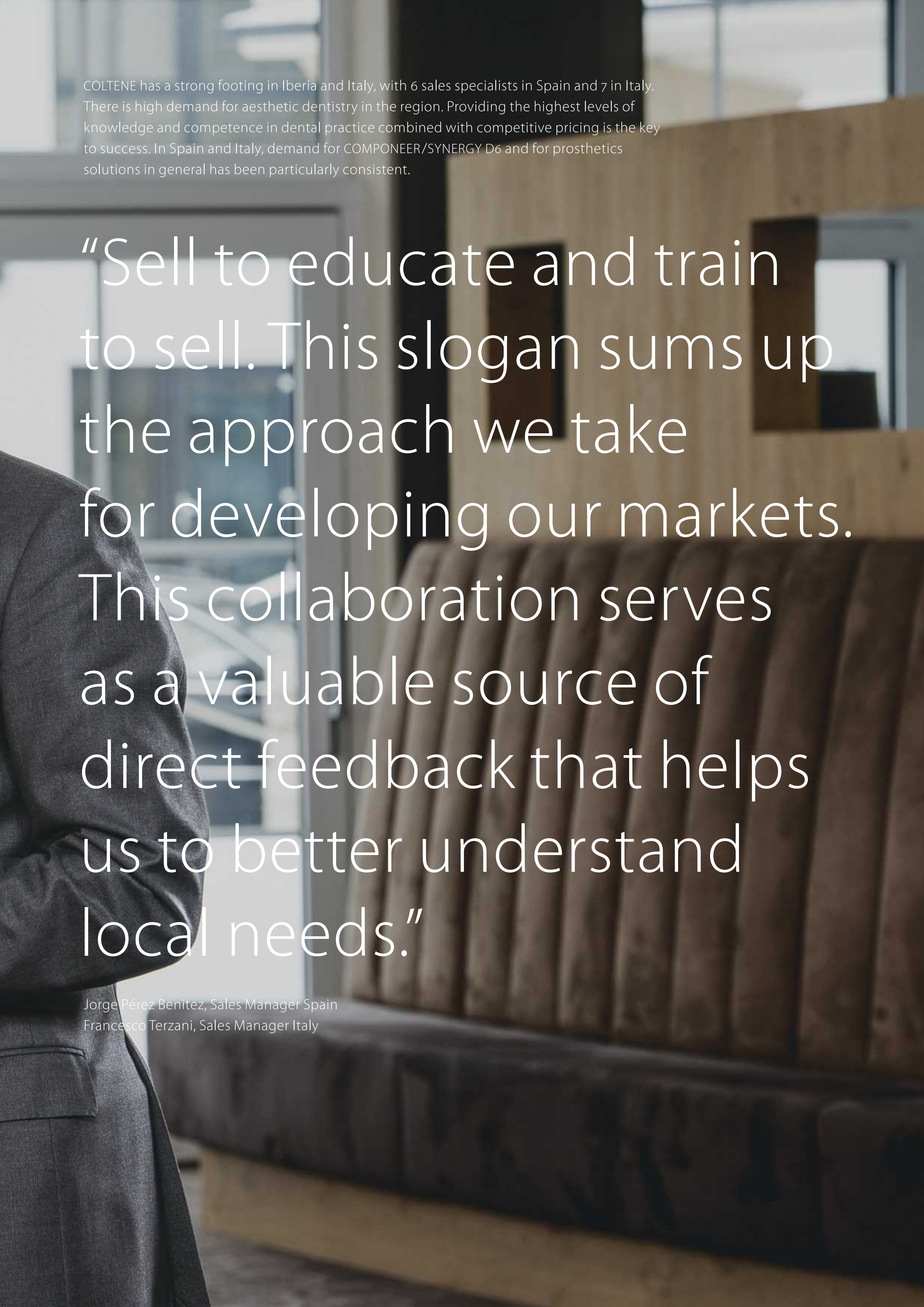
June King, National Account Manager USA
Don Berse, Director of North American Sales

COLTENE's sales team in Brazil numbers 20 specialists. As one of the dynamic BRIC markets, Brazil has a rapidly developing economy and is the largest market in Latin America. COLTENE's strong social network and Customer Relations Management (CRM) activities are a huge success as already a quarter of the entire dental community in Brazil is following us after a period of just six months. Brazil has a strong demand for high-end restorative materials. This translates into a strong potential for BRILLIANT NG, COMPONEER, and ParaCore.

"Our products are designed to ally performance with convenience to simplify a dentist's job, shorten treatment time, and lower costs with best-in-category quality results."

Eduardo Franco, General Manager Vigodent SA
Sergio Plumari, National Sales Manager Brazil


COLTENE
COLTENE



COLTENE has a strong footing in Iberia and Italy, with 6 sales specialists in Spain and 7 in Italy. There is high demand for aesthetic dentistry in the region. Providing the highest levels of knowledge and competence in dental practice combined with competitive pricing is the key to success. In Spain and Italy, demand for COMPONEER/SYNERGY D6 and for prosthetics solutions in general has been particularly consistent.

"Sell to educate and train to sell. This slogan sums up the approach we take for developing our markets. This collaboration serves as a valuable source of direct feedback that helps us to better understand local needs."

Jorge Pérez Benitez, Sales Manager Spain
Francesco Terzani, Sales Manager Italy

The two COLTENE branches in India and China are supported by 4 territory managers and 3 sales specialists. In Asia, the distinctive characteristic of this regional market is the particularly strong relationship with schools and universities. COLTENE plans to expand its sales footprint in the region. Although there are some important market differences, demand is strongest for first-class products such as COMPONEER BRILLIANT, AFFINIS, and the full range of posts.

“COLTENE’s successful expansion is driven by collaboration with local distributors and training is a particularly valuable aspect there. It ensures the smooth transfer of Swiss quality from our manufacturing site to the dentist’s hands.”

Rodolfo Frei, Sales Director Asia Pacific
Owen Yew, Sales Manager Southeast Asia

Corporate Governance COLTENE Holding AG (December 31, 2013)

The following chapter describes the principles of corporate governance applied at Group and senior management level within the COLTENE Group. The central elements are contained in the Articles of Incorporation and organizational regulations and are based on the guidelines and recommendations set out in the "Swiss Code of Best Practice for Corporate Governance" published by economiesuisse. To make orientation easier, order and sequence of the individual sections are generally following those used in the "Guidelines concerning Information on Corporate Governance" published by SIX Swiss Exchange. All information is valid as at December 31, 2013, unless otherwise stated. Significant changes that have occurred between that date and the publication date of this report have also been indicated as appropriate.

1 Group Structure and Shareholders

1.1 Group Structure

1.1.1 Company History

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

1.1.2 Legal Structure of Subsidiaries

Of all the companies consolidated, COLTENE Holding AG (the COLTENE Group's holding company) is the only one listed. It is headquartered in Altstätten/SG; COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2013, the market capitalization amounted to CHF 193.4 million. Information on the companies belonging to the COLTENE Group, which are not listed, is shown on page 69 of the Financial Report.

1.2 Major Shareholders

On December 31, 2013, there were 1434 shareholders (previous year: 1401) 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, Bahnhofstrasse 2, 9435 Heerbrugg, held 926 465 registered shares. This equals voting rights of 21.96%. Huwa Finanz- und Beteiligungs AG is under control of Hans Huber, Appenzell/AI.

Credit Suisse Funds AG, Kalandergasse 4, 8045 Zurich, held 326 027 shares or 7.73% of the voting rights.

Tweedy, Browne Company LLC, 350 Park Avenue, New York, NY 10022/USA, held 241 712 registered shares representing 5.73% of the voting rights.

UBS Fund Management (Switzerland) AG, P.O. Box, 8098 Zurich, held 209 987 shares or 4.98% of the voting rights.

Robert Heberlein, Zumikon/ZH, held directly and indirectly through Burix Holding AG, Zurich, which he controls, 166 653 registered shares, representing 3.95% of the voting rights.

Schroder Investment Management (Switzerland) AG, P.O. Box, 8021 Zurich, held 127 920 shares or 3.03% of the voting rights.

All other shareholders held a stake of 52.62% of the voting rights of COLTENE Holding AG.

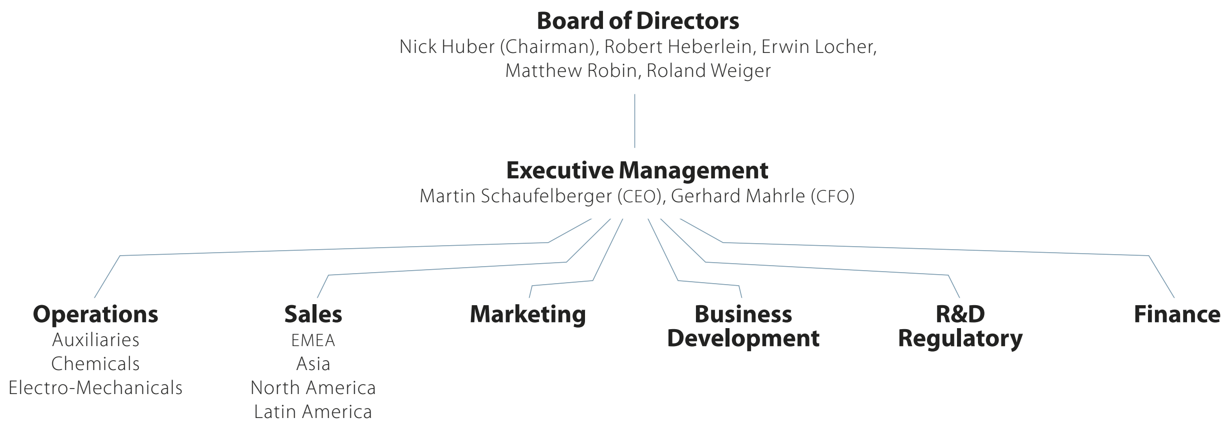
The Company held treasury shares amounting to 0.02% (0.23%) at the balance sheet date. Shares pending registration of transfer amounted to 15.0% (19.44%) of the total as at December 31, 2013.

1.3 Cross-Shareholding

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

1.4 Structure of Group Operations

The Organization of the COLTENE Group as per January 1, 2014, can be described as follows:



The COLTENE Group is operationally headed by the Executive Management which consists of the Group CEO and the Group CFO who acts also as deputy CEO. The CEO directly leads Operations and Sales. Group Finance is led by the CFO. The Executive Management together with the heads of Marketing, Business Development, and R&D/Regulatory form the COLTENE Group Management. The Group Management is responsible for the operational management of the holding company and the Group. The Group is managed by the Board of Directors through the Executive Management. The Board of Directors and the Executive Committee are assisted in their work by various central Group functions. The separation of responsibilities between the Board of Directors and the Executive Management is explained in section 3.4, page 37.

2 Capital Structure

Information about the capital structure can be found in COLTENE Holding AG's Articles of Incorporation, in the Financial Statements of COLTENE Holding AG as well as in the Investor Relations section on page 78 of this report. The Articles of Incorporation in German as well as an unofficial translation in English are available on the website at www.coltene.com.

2.1 Capital

Details on the capital are included in the COLTENE Holding AG's financial statements on page 72.

2.2 Authorized or Contingent Capital in Particular

COLTENE Holding AG has no authorized or contingent capital.

2.3 Changes in Capital

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

Changes in equity In CHF 1000	31.12.2013	31.12.2012	31.12.2011
Share capital	422	422	422
Statutory reserves	84	84	18 015
Capital contribution reserve	1 193	8 785	
Reserves for treasury stock	45	275	3 010
Net income brought forward	45 344	35 925	30 458
Total	**47 089**	**45 491**	**51 905**

Based on the General Meeting's decision April 15, 2013, the Company distributed CHF 1.80 per share out of reserves from previous capital contributions. Subsequently, the Company paid to its shareholders on April 22, 2013, a total amount of TCHF 7592.

2.4 Shares and Participation Certificates

The Company's share capital consists of 4 219 000 registered shares with a par value of CHF 0.10 each. All shares are fully paid up and entitled to dividends. They entitle the holder to one vote at the General Meeting. The right to apply the special rules concerning treasury shares held by the Company is reserved, particularly in relation to the exemption from the entitlement to dividends.

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

2.5 Profit-Sharing Certificates
COLTENE Holding AG has not issued any profit-sharing certificates.

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

2.7 Convertible Bonds and Warrants/Options
COLTENE Holding AG has no outstanding convertible bonds or options.

3 Board of Directors

3.1 Members of the Board of Directors
On December 31, 2013, the Board of Directors of COLTENE Holding AG consisted of five members. The Articles of Incorporation stipulate a minimum of three. All board members are non-executive and have no material business interest with the COLTENE Group. They are independent in the sense of the Swiss Code of Best Practice for Corporate Governance, with the exception of Erwin Locher, who served as Group CEO ad interim from July 1, 2011, until May 31, 2012, and have not served on either the management of COLTENE Holding AG (holding company) or the management board of any subsidiary during the past three years. In the year under review Roland Weiger and the dental department of the University of Basel, supervised by Roland Weiger, received for lecturing activities and the realization of scientific workshops the amount of CHF 9990.

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

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

Professional background (main stages)

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

Other important activities and vested interests
- Member of the Board of Directors of Alpha Rheintal Bank, Heerbrugg/SG
- Member of the Board of Directors of Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

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

Professional background (main stages)

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

Other important activities and vested interests
- Chairman of the Board of Directors of Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

Erwin Locher

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

Professional background (main stages)

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

Other important activities and vested interests

- CEO and Member of the Board of Directors of Thommen Medical AG, Grenchen/SO
- President Medtech Switzerland, Bern

Matthew Robin

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

Professional background (main stages)

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

Other important activities and vested interests

Matthew Robin has no other important activities and vested interests.

Roland Weiger

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

Professional background (main stages)

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

Other important activities and vested interests

- President of the Expert Commission of the Swiss Organisation for Preventative and Restorative medicine (SVPR)
- Member of the Board of the Swiss Society of Periodontology (SSP)
- Member of the Board of the German Society for Endodontology and Dental Traumatology (DGET)
- Member of the Research Fund of the Society of Swiss Dentists (SSO)
- President of the Finance Committee of the Department of Dental Medicine, University of Basel

3.2 Election and Term of Office

The members of the Board of Directors are elected by the shareholders for a period of one year. At the end of their term of office, members may be reelected. 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.

Board and Management

Board of Directors

Nick Huber
1964, Swiss citizen
Chairman
First election in: 2005

Robert Heberlein
1941, Swiss citizen
Member
First election in: 2005

Roland Weiger
1961, German citizen
Member
First election in: 2013

Executive Management

Martin Schaufelberger
1964, Swiss citizen
Chief Executive Officer
Member since 2012

Erwin Locher
1953, Swiss citizen
Member
First election in: 2009

Matthew Robin
1965, British and Swiss citizen
Member
First election in: 2006

Gerhard Mahrle
1957, Swiss citizen
Chief Financial Officer
Member since January 1, 2014

Hans Grüter
1959, Swiss citizen
Chief Financial Officer
Member since 2006 until December 31, 2013

3.3 Internal Organization

3.3.1 Allocation of Tasks within the Board of Directors

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

The Board of Directors' main duties can be summarized as follows:
- determination and formulation of the business strategy
- purchase and sale of participations or establishment and liquidation of Group companies
- approval of investments in and divestments of fixed assets exceeding CHF 200 000 in value
- definition of COLTENE Group's finance strategy
- determination of financial accounting and reporting, financial control, and financial planning
- definition of COLTENE Group's organizational structure
- appointment of the persons in charge of the management and their supervision
- approval of the Auditor's report and Annual Report as well as preparation of the General Meeting of the Shareholders and the execution of its resolutions

3.3.2 Membership of the Committees of the Board of Directors, their Duties and Responsibilities

The Board of Directors has delegated the operational management to the Executive Management headed by the Chief Executive Officer (CEO). The chairman of the Board of Directors organizes and manages the work of the Board of Directors.

The Board has formed the following permanent committees:

Audit and Corporate Governance Committee
Chairman: Robert Heberlein
Members: Nick Huber, Erwin Locher (suspended during his duty as CEO ad interim), Matthew Robin, Roland Weiger

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory duties and has the following main tasks and duties to perform:
- approval of the auditing program and audit fees and form a judgment of the effectiveness of the external audits
- review, amendment, and approval of the risk management assessment and system as well as control of the fulfillment of defined measures
- review and assessment of the functioning of the internal control system and control of the fulfillment of corrective actions
- review of consolidated financial statements as well as interim statements intended for publication
- regular review of the principles concerning Corporate Governance
- proposals to the Board of Directors of amendments to the Articles of Incorporation or internal regulations if necessary

Nomination and Compensation Committee
Chairman: Matthew Robin
Members: Robert Heberlein, Nick Huber, Erwin Locher (suspended during his duty as CEO ad interim), Roland Weiger

The Nomination and Compensation Committee carries out the following duties:
- determination of the remuneration of the members of the Board of Directors
- definition of the principles for the remuneration of the members of the Executive Management Board and submission of these to the Board of Directors for approval
- definition of principles for the selection of candidates for election or reelection 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

3.3.3 Working Methods of the Board of Directors and its Committees

The Board of Directors meets annually for at least four ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board of Directors is entitled to request an immediate meeting, provided that he names its purpose. In 2013, the Board of Directors met seven times. These meetings lasted in average 4 to 6 hours. The Audit and Corporate Governance Committee met twice for a 2 hours meeting. The Nomination and Compensation Committee met three times. Their meetings lasted in average 1 hour.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants at least seven days in advance of the date set for the meeting.

As a rule, the Chief Executive Officer and the Chief Financial Officer attend meetings of the Board of Directors. In order to ensure that the Board of Directors has sufficient information to make decisions, other members of staff or third parties may also be invited to attend.

The Board of Directors is quorate if all members have been duly invited and the majority of its members take part in the decision-making process. Members may participate in deliberations and the passing of resolutions by telephone, by video conference, or other suitable electronic media if all participants are in agreement. The decisions of the Board of Directors are taken on the basis of the votes submitted. In the event of a tie, the Chairman has the casting vote. Decisions may also be made in writing.

Proposals may also be sent to all members and they are regarded as passed if the majority of members agree unconditionally and no member insists on discussion of the issues in question in a formal meeting. Members of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of persons close to them.

All proposals and decisions are entered in the minutes to the meeting. The minutes also contain a summary of important requests to speak and any deliberations.

3.4 Definition of Areas of Responsibility

The areas of responsibility between the Board of Directors and the Executive Management are defined in COLTENE Holding AG's organizational regulations and can be 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 under 3.3.1, the Board of Directors has delegated the executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group, to the Executive Management.

3.5 Information and Control Instruments vis-à-vis Executive Management

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

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 executive management is responsible for the risk identification, analysis, controlling, reporting, and monitoring the implementation. The Board of Directors reviews once a year the risk management and the results of implemented corrective actions.

Based on 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 page 48.

4 Executive Management

On December 31, 2012, COLTENE Holding AG's Executive Management consisted of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Hans Grüter, CFO of the COLTENE Group since 2006, left COLTENE at the end of 2013. His successor, Gerhard Mahrle, joined the COLTENE Executive Management on January 1, 2014, and took over the responsibilities and duties as Group CFO.

4.1 Members of the Executive Management

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

Martin Schaufelberger (since June 1, 2012)

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

Professional background (main stages)

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

Gerhard Mahrle (since January 1, 2014)

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

Professional background (main stages)

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

Hans Grüter (until December 31, 2013)

- Chief Financial Officer COLTENE Group
- PhD Business Administration University Zurich, AMP Wharton University of Pennsylvania
- Swiss citizen, born in 1959

Professional background (main stages)

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

4.2 Management Contracts

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

5 Compensation, Shareholdings, and Loans

The Chairman of the Board of Directors and all members of the Board of Directors are paid for their services with a yearly fixed amount in cash and a variable cash portion. In addition, they receive a fixed number of shares and a variable number of shares, all having a restriction period of three years. The yearly fixed and variable amounts in cash as well as the fixed and variable number of shares awarded are determined by the Nomination and Compensation Committee once a year depending on the Company's performance.

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

Apart from their basic salary, the members of the Executive Management receive a performance- and success-related bonus. The basic salary takes into account the functional value of the position, the individual qualifications required and local employment conditions. A bonus and share participation program is in place for the members of the Executive Management as well as a limited number of key managers. The functional parameters of this program are measuring the performance to targets to key performance indicators (KPI) such as EBIT and net sales, as well as to the fulfillment of personal targets. KPIs account for 75% and personal targets for 25%. Depending on the seniority of a participant, 20% of the bonus is allocated in shares at a fixed share price benchmarked to the SPI. Total bonus, including shares (if any), is capped depending on the seniority between 40% and 100% of the fixed salary of any participant. The program is defined and reviewed by the Nomination and Compensation Committee on an annual basis.

For a summary of the remunerations paid during the year under review, refer to page 75 of the Financial Report.

Apart from the ordinary pro rata salary and bonuses, no exit remuneration to a person leaving office during the year under review, and no remuneration to former members of governing bodies was paid during the year under review. No loans, securities, advances, or credits have been granted to members of the Board of Directors or members of the Executive Management or parties closely linked to any of them in the year under review.

In addition, on December 31, 2013, there were no options on shares of COLTENE Holding AG issued.

6 Shareholders' Participation Rights

Details of shareholders' participation rights can be found in the Articles of Incorporation of COLTENE Holding AG. The Articles of Incorporation in German are available on the website at www.coltene.com.

6.1 Voting Right Restrictions and Representation

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

6.2 Statutory Quorums

Unless otherwise determined by law, a General Meeting convened in accordance with the Articles of Incorporation is quorate regardless of the number of shareholders attending or the number of shares represented. To be valid and subject to 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.

6.3 Convocation of the General Meeting of Shareholders

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

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

6.4 Agenda

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

6.5 Entries in the Share Register

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

7 Changes of Control and Defense Measures

7.1 Public Purchase Offers

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

7.2 Clauses on changes of Control

No change of ownership clauses are in effect at December 31, 2013, at COLTENE Group and senior management level.

8 Auditors

8.1 Duration of Mandate and Lead Auditor's Term of Office

Ernst & Young AG, St. Gallen (E&Y), has been elected as COLTENE Holding AG's statutory auditor at the General Meeting April 20, 2012, and E&Y also serves as Group auditors. Rico Fehr is lead auditor since that date.

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

8.2 Auditing Fees

The total sum charged for auditing services during the year under review by E&Y in its capacity as COLTENE Group's statutory auditor amounted to CHF 264 002 (CHF 269 996 in the 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.

8.3 Additional Fees

E&Y was also paid fees totaling CHF 37 292 (CHF 0 in previous year) for non-audit related services. The entire amount was paid for tax advice (tax audits).

8.4 Supervisors and Control Instruments Pertaining to the Auditors

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

The Audit and Corporate Governance Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of E&Y. During 2013, the Audit and Corporate Governance Committee held two meetings. At these meetings, the auditors participated during the discussion of agenda items that dealt with accounting, financial reporting, or auditing matters and any other matters relevant for their audit.

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

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

Based on the outcome of the performance of E&Y as well as other criteria, the Audit and Corporate Governance Committee decides on its recommendation to the Board of Directors whether E&Y should be proposed to the Annual General Meeting for reelection. 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, 2013, including the audited financial statements.

9 Information Policy

COLTENE Holding AG provides its shareholders with information in the form of the Annual Report and Half-year Report. Important events are published immediately through press releases and/or letters to shareholders. Further information can be requested at the contact address indicated on page 78.

10 Internet

Shareholders and other interested parties can obtain information about COLTENE Group on the Internet at www.coltene.com and subscribe to a news service. For details refer to page 78.

11 Ad Hoc Publicity

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

For important dates of publications this year, the following year and contact addresses refer to pages 78 and 79.

Content Financials

Financials COLTENE Group

Financials COLTENE Holding AG

Group Income Statement

In CHF 1000	Ref.	2013	restated 2012
Net sales	**1**	**160 011**	**158 075**
Changes in inventories of finished goods and work in progress		–175	4 438
Work performed and capitalized		81	19
Raw material and consumables used	2	–47 642	–51 241
Personnel expenses	3	–57 045	–54 780
Other operating expenses	5	–30 599	–34 146
Depreciation and amortization	6	–5 186	–4 959
Operating profit (EBIT)		**19 445**	**17 406**
Financial income	7	117	170
Financial expenses	7	–2 560	–2 286
Net profit before tax expenses		**17 002**	**15 290**
Tax expenses	8	–3 813	–5 513
Net profit for the period	**10**	**13 189**	**9 777**
Earnings per share	10	CHF 3.13	CHF 2.33
Diluted earnings per share	10	CHF 3.13	CHF 2.33

The notes are part of COLTENE Group financial statements.
For restatement details see page 49.

Group Statement of Comprehensive Income

In CHF 1000	2013	restated 2012
Net profit for the period	**13 189**	**9 777**
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	–1 912	–2 197
Net OCI to be reclassified to profit or loss in subsequent periods	**–1 912**	**–2 197**
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit plans	593	–1 278
Income tax effect	–103	216
Net OCI not to be reclassified to profit or loss in subsequent periods	**490**	**–1 062**
OCI, net of tax	**–1 422**	**–3 259**
Total comprehensive income, net of tax	**11 767**	**6 518**
Profit for the period attributable to the owner of the parent	13 189	9 777
Comprehensive income for the period attributable to the owner of the parent	11 767	6 518

The notes are part of COLTENE Group financial statements.
For restatement details see page 49.

Group Statement of Financial Position

In CHF 1000	Ref.	31.12.2013	restated 31.12.2012	restated 1.1.2012
Cash and cash equivalents		6 509	4 000	3 128
Trade accounts receivable	11	30 001	30 892	30 644
Tax receivables		73	57	173
Other receivables and prepaid expenses	12	2 764	4 155	3 256
Inventories	13	29 692	34 234	29 938
Current assets		**69 039**	**73 338**	**67 139**
Property, plant, and equipment	1, 14	29 648	28 720	30 540
Financial assets	15	11	19	26
Intangible assets	1, 16	45 874	47 629	48 927
Deferred tax assets	9	2 287	3 055	3 255
Non-current assets		**77 820**	**79 423**	**82 748**
Total assets		**146 859**	**152 761**	**149 887**
Financial liabilities	17	16 828	24 566	30 177
Trade accounts payable	18	4 668	6 506	5 601
Other accounts payable and accruals	19	10 828	10 954	10 681
Tax liabilities		2 382	2 510	761
Provisions	20	131	776	378
Current liabilities		**34 837**	**45 312**	**47 598**
Deferred tax liabilities	9	8 648	8 568	8 757
Provisions	20	5 724	5 690	4 521
Non-current liabilities		**14 372**	**14 258**	**13 278**
Total liabilities		**49 209**	**59 570**	**60 876**
Share capital		422	421	414
Currency translation adjustments		– 31 697	– 29 785	– 27 588
Retained earnings		128 925	122 555	116 185
Total equity	**22**	**97 650**	**93 191**	**89 011**
Total liabilities and equity		**146 859**	**152 761**	**149 887**

The notes are part of COLTENE Group financial statements.
For restatement details see page 49.

Group Cash Flow Statement

In CHF 1000	Ref.	2013	restated 2012
Net profit for the period		13 189	9 777
Depreciation and amortization	6, 14, 16	5 186	4 959
Other non-cash items		4 806	11 088
Change in accounts receivable from deliveries and sales		73	– 1 392
Change in inventories		4 374	– 7 508
Change in other current assets		1 629	– 1 327
Change in current liabilities		– 1 879	1 707
Interest paid		– 777	– 1 187
Interest received		88	121
Income tax paid		– 3 411	– 3 493
Cash flow from operating activities		**23 278**	**12 745**
Purchase of property, plant, and equipment [1]		– 5 545	– 3 493
Proceeds from sale of property, plant, and equipment		56	74
Purchase of intangible assets		– 803	– 1 201
Proceeds of financial assets net		7	2
Cash flow from investing activities		**– 6 285**	**– 4 618**
Proceeds from loans and financial liabilities		18 001	11 955
Repayments of loans and financial liabilities		– 25 046	– 16 802
Distribution to shareholders out of capital contribution reserves	22	– 7 592	– 4 632
Proceeds of treasury stock		283	2 294
Free cash flow		**16 993**	**8 127**
Cash flow from financing activities		**– 14 354**	**– 7 185**
Exchange rate differences		– 130	– 70
Change in cash and cash equivalents		**2 509**	**872**
Cash and cash equivalents at beginning of year		4 000	3 128
Cash and cash equivalents at end of year		6 509	4 000

The notes are part of COLTENE Group financial statements.
For restatement details see page 49.
[1] Netted with outstanding liabilities for capex of TCHF 100 for 2013 and TCHF 57 for 2012

Group Statement of Changes in Equity

In CHF 1000	Ref.	Share capital	Treasury shares	Currency translation adjustments	Retained earnings	Total
1.1.2012		**414**	**–5 188**	**–27 588**	**124 227**	**91 865**
Restatement IAS 19 revised		0	0	0	–2 854	–2 854
1.1.2012 (restated)		**414**	**–5 188**	**–27 588**	**121 373**	**89 011**
Comprehensive income for the year		0	0	–2 197	8 715	6 518
Share-based transactions with management	3, 24	0	64	0	0	64
Distribution out of capital contribution reserves	22	0	0	0	–4 632	–4 632
Change in treasury stock		7	2 223	0	0	2 230
31.12.2012 (restated)		**421**	**–2 901**	**–29 785**	**125 456**	**93 191**
Comprehensive income for the year		0	0	–1 912	13 679	11 767
Share-based transactions with management	3, 24	0	184	0	0	184
Distribution out of capital contribution reserves	22	0	0	0	–7 592	–7 592
Change in treasury stock		1	99	0	0	100
31.12.2013		**422**	**–2 618**	**–31 697**	**131 543**	**97 650**

The notes are part of COLTENE Group financial statements.
For restatement details see page 49.

Notes to Group Financial Statements

Reporting Entity

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

Operating Segments and Products

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

Principles of Consolidation

General Remarks

The Group financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The figures are based on the historical cost convention except for certain financial assets and liabilities carried at fair value.

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

The International Accounting Standards Board (IASB) and the IFRS Interpretation Committee (IFRIC) issued the following new and amended IFRS and interpretations to be applied for annual periods beginning on or after January 1, 2013:
- Amendment to IAS 1, "Presentation of financial statements – Presentation of items of other comprehensive income"
- IFRS 10, "Consolidated financial statements"
- IFRS 11, "Joint arrangements"
- IFRS 12, "Disclosure of interests in other entities"
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance
- IFRS 13, "Fair value measurement"
- IAS 19 (revised), "Employee benefits"
- IAS 28 (revised), "Investments in associates and joint ventures"

Forthcoming standards and interpretations are:
- Amendment to IAS 32, "Financial instruments: Presentation" – Offsetting financial assets and financial liabilities
- Amendment to IAS 39, "Financial instruments: Recognition and measurement" – Novation of derivatives and continuation of hedge accounting
- IFRIC 21, "Levies"
- IFRS 9, "Financial instruments"
- IAS 19 revised amendment
- Annual improvements (2010–2012 and 2011–2013 cycle)

The Group does not anticipate any significant impact of these changes on future consolidated financial statements and no early adoption is foreseen.

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

The COLTENE Holding AG Board of Directors authorized these financial statements on February 27, 2014, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on April 15, 2014.

Restatement

IAS 19 revised (Employee Benefits) includes a number of amendments to the accounting for defined benefit plans. Actuarial gains and losses are permanently excluded from profit and loss. Those are recognized in full in other comprehensive income when they occur. Expected returns on plan assets are no longer recognized in profit or loss, instead, interest is calculated on the net defined benefit liability (asset) in profit or loss, using the discount rate used to measure the defined benefit obligation. Unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as quantitative sensitivity information. The standard became effective for recognition as of January 1, 2013. According to the standard and IAS 8, a restatement for the Group financial statements were done as provided in the table below:

Restatement effects due to IAS 19 revised		
In CHF 1000	31.12.2012	1.1.2012
Balance sheet		
Deferred tax liabilties	–751	–585
Provision for pensions	4 420	3 439
Retained earnings	–3 669	–2 854
Total liabilities and equity	**0**	**0**

In CHF 1000	2012
Income Statement	
Personnel expenses	387
Interest expenses	–90
Deferred taxes	–50
Net profit for the period	**247**

In CHF 1000	2012
Other comprehensive income (OCI)	
Actuarial losses on defined benefit plans	–1 278
Income tax effect	216
Net OCI not to be reclassified to profit or loss in subsequent periods	**–1 062**

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 transferred to the Group. Subsidiaries are deconsolidated as of the date on which control ceases. The major companies consolidated are shown in the summary provided on page 69.

Within the scope of consolidation, the following changes took place in 2013: As of July 16, 2013 Coltène Italy Srl., Milano, was incorporated. In 2012 the following changes took place: COLTENE do Brasil Participações Ltda., São Paulo, was merged with Vigodent SA Indústria e Comércio, Bonsucesso/Rio de Janeiro, as of October 31, 2012.

Consolidation Method and Goodwill

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

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

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

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

Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in equity is also directly recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Principles of Valuation

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable in respect of deliveries and services and other accounts receivable are initially recognized at fair value and subsequently measured at amortized cost, minus allowance for doubtful accounts. Allowance is made when it is objectively foreseeable that the carrying amount cannot be collected in full. Allowance corresponds to the difference between the carrying amount and the present value of estimated future cash flows.

Inventories

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

Property, Plant, and Equipment

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

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

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

Leases in which the Company holds all significant risks and rewards of ownership are classified as financial leases. The respective assets are carried as property, plant, and equipment and depreciated. The corresponding lease obligations are shown as financial liabilities. Leasing installments are allocated accordingly to capital repayments and interest expenses.

Financial Assets

Classification

The Group classifies its financial assets as follows:

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

The classification depends on the purpose of the financial assets. Management determines the classification of its financial assets at initial recognition. In the current and prior reporting periods, the Group only held financial assets at fair value through profit or loss as well as loans and receivables.

Financial Assets at Fair Value Through Profit or Loss

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

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.

Recognition

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

Subsequent Measurement/Impairment

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

The fair values of quoted investments are based on a price within the bid-ask spread that is most representative for fair value. If the market for a financial asset is not active as well as for unlisted securities, the Group establishes fair value by means of specific valuation techniques: recent at arm's length transactions, reference to other similar instruments, discounted cash flow analysis, and option pricing models. On each reporting date, the Group determines whether there is objective evidence that financial assets were impaired. In the case of an impairment of the financial assets, the respective expenses are recorded in the income statement.

Intangible Assets

Goodwill

Goodwill is the difference of the costs of acquisition over the Group's share of the fair value of the identifiable net assets acquired and represents the future economic benefit, which cannot be recognized as a separate asset. Goodwill is carried in the currency of the acquired business and tested annually for impairment and carried at cost less accumulated impairment losses. All goodwill is allocated to the cash-generating unit COLTENE Group as the entire Group benefits from acquisitions and is therefore monitored on Group level.

Intangible Assets Other Than Goodwill

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

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization or depreciation and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Loans and Other Liabilities

Loans and other liabilities are recognized initially at fair value, net of transaction costs incurred. Loans and other liabilities are subsequently carried at amortized cost;

any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Provisions

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

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

Post-Employment Benefits

The Group maintains various pension fund schemes according to state law and other legal requirements according to the respective local regulations. The non-governmental pension plans are mostly organized in form of legally independent pension funds; contributions are paid both by employer and employee. All pension plans outside Switzerland are accounted for as defined contribution plan. The Swiss pension plan is administrated by an independent insurance company and accounted for as defined benefit plans according to IAS 19 revised. The pension liability resulting from defined benefit plans is calculated annually by an independent actuary using the "projected unit credit method". Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding interest recognized in profit and loss), are recognized immediately in other comprehensive income with corresponding debit or credit to the statement of financial position in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

Share-based Payments

All members of the Board of Directors are paid for their services with a yearly fixed and variable amount in cash. In addition, all members of the Board of Directors receive a fixed and variable number of shares having a blocking period of three years. The yearly compensation of the Board of Directors awarded is determined by the Compensation and Nomination Committee annually depending on the Company's performance.

A bonus and share participation program is in place for the members of the Executive Management as well as a limited number of key managers. The function parameters of this program are measuring the performance to targets to key performance indicators (KPI) such as EBIT and net sales, as well as to the fullfillment of personal targets. KPIs account for 75% and personal targets for 25%. Depending on the seniority of a participant, up to 20% of the bonus is allocated in shares at a fixed share price benchmarked to the SPI. Total bonus, including shares (if any), is capped depending on the seniority between 40% and 100% of the fixed salary of any participant (see notes to COLTENE Holding AG, page 75). The program is defined and reviewed by the Compensation and Nomination Committee annually.

Taxes

All taxes payable on income for the financial year are provided for in full at the reporting date and in due compliance with the applicable tax laws. According to the liability method, deferred income tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements at enacted or substantially enacted tax rates on reporting date is provided in full. Deferred tax assets are recognized to the extent that future taxable profit will be available to use tax loss carry forwards. No provisions are recognized for non-reclaimable withholding taxes on dividends. Such withholding taxes are only payable when dividends are paid out.

Net Sales

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

Repair and Maintenance Costs

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

Research and Development

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

Earnings per Share

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

Dividend and Capital Distribution

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

Foreign Currency

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

The statement of financial position and income statement of foreign subsidiaries are converted into Swiss francs (presentation currency) at the rate applicable at year-end respectively at the average exchange rate for the year. Differences resulting from the conversion into the Group presentation currency are recognized in equity. In the event of the sale of a subsidiary, foreign currency differences are taken into account as part of the capital gain or loss resulting from the sale. Goodwill from acquisition of foreign companies and fair-value adjustments of assets and liabilities in connection with acquisitions are also converted at year-end rates.

The most important exchange rates are listed below:

The most important exchange rates

	31.12.2013	Ø 2013	31.12.2012	Ø 2012	31.12.2011
1 USD	0.8902	0.9267	0.9133	0.9377	0.9351
1 EUR	1.2256	1.2304	1.2073	1.2051	1.2167

Financial Risk Management

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

Credit Risk

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

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of bank credit lines and the ability to close out market positions. Group management monitors rolling forecasts of the Group's liquidity reserve (comprises unused credit lines (see note 17) and cash and cash equivalents) on the basis of expected cash flows.

Interest Risk

Sales and operating cash flow do not depend on market rate changes. The Group undertakes no substantial interest-bearing activities. Bank loans are subject to fixed as well as variable interest rates, with management deciding upon the interest rate risk to be taken in every individual case. For further details see note 17.

If the interest rates had been higher by 50 bps for 2013 with all other variables held constant, net profit for the year would have been TCHF 130 (previous year TCHF 161) lower, as a result of higher interest expenses on current bank loans. If the interest rates had been lower by 50 bps for 2013 with all other variables held constant, net profit for the year would have been TCHF 130 (previous year TCHF 161) higher, as a result of lower interest expenses on current bank loans.

Currency Risk

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

At December 31, 2013, if the CHF had weakened by 5% against the USD with all other variables held constant, net profit for the year would have been TCHF 434 lower (previous year TCHF 187), mainly as a result of foreign exchange differencies on translation of USD denominated accounts receivables from deliveries and sales, accounts payables to suppliers, current bank loans and intercompany loans. Net profit is more sensitive to movement in CHF/USD exchange rates in 2013 than 2012 mainly because of the increased net liability in USD. At December 31, 2013, if the CHF had strengthened by 5% against the USD, net profit would have been TCHF 434 higher (previous year TCHF 187). The same sensitivity analysis (+/– 5%) for EUR results in a change of net profit of TCHF +/– 76 (previous year TCHF +/– 84).

At December 31, 2013, if the CHF had weakened by 5% against the USD with all other variables held constant, equity at the year would have been TCHF 1334 higher (previous year TCHF 1668), mainly as a result of the conversion of the financial statements of foreign subsidiaries.If the CHF had strengthened by 5% against the USD, the equity would have been TCHF 1334 lower (previous year TCHF 1668). The same sensitivity analysis (+/– 5%) for EUR results in a change of equity of TCHF +/– 370 (previous year TCHF +/– 558).

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
2013				
Cash and cash equivalents	6 509		6 509	n/a
Trade accounts receivable	30 001		30 001	n/a
Other receivables and prepaid	2 732		2 732	n/a
Forwards[1]	0	32	32	Level 2[3]
Total	**39 242**	**32**	**39 274**	
2012				
Cash and cash equivalents	4 000		4 000	n/a
Trade accounts receivable	30 892		30 862	n/a
Other receivables and prepaid expenses	4 155		4 155	n/a
Total	**39 017**		**39 017**	

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
2013				
Bank loans	16 828	0	16 828	n/a
Trade accounts payable	4 668	0	4 668	n/a
Other accounts payable and accruals	10 828	0	10 828	n/a
Total	**32 324**	**0**	**32 324**	
2012				
Bank loans	24 566	0	24 566	n/a
Trade accounts payable	6 506	0	6 506	n/a
Other accounts payable and accruals	10 954	0	10 928	n/a
Forwards[1]	0	26	26	Level 2[3]
Total	**42 026**	**26**	**42 026**	

1 Included in line item Other receivables and prepaid expenses for 2013 and Other accounts payable and accruals for 2012 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 the capital is to assure the Group's ability to maintain going concern of the Group, to support the Group's strategy, to provide attractive returns to shareholders and to aim for an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may propose to adjust the dividend policy, to return capital to shareholders or issue new shares. In line with industry measures, the Group monitors the capital basis with the two ratios interest-bearing debt divided by EBITDA (leverage factor) and total equity divided by total liabilities and equity (equity ratio). These ratios were at December 31 as follows:

Capital risk management

In CHF 1000	2013	restated 2012
Interest-bearing debt	16 828	24 566
EBITDA	24 631	21 978
Leverage factor	**0.7**	**1.1**
Equity ratio in %	**66.5%**	**61.0%**

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.

Significant Estimates and Judgements

The Group makes judgements and estimates concerning the future. The resulting accounting estimates therefore may not correspond to the actual results. The estimates and assumptions bearing a significant risk of entailing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the following section.

Goodwill

The Group's goodwill is tested annually for impairment using discounted cash flow projections. These calculations require the use of estimates regarding projected sales, product prices and costs, interest rate as well as tax rate (see note 16).

Property, Plant, and Equipment

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

IAS 19 Post-Employment Benefits

The annual calculations done by the independent actuaries are based on several estimates and assumptions. Those estimates and assumptions include a certain risk. Changes in estimates will lead to actuarial gains and losses recognized in other comprehensive income. For sensitivity analysis please see note 4 Pension liabilities.

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.
Tax liabilities comprise expected income tax payments based on taxable profit of the year as well as pending tax assessments. All tax credits from capitalized tax losses are assessed annually. The assessments are based on business plans. Underlying estimation and assumptions are main sources of uncertainties.

1 Group-wide Information

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

Net sales by geographical areas

In CHF 1000	2013	2012
Switzerland	2 412	3 027
Germany, Austria	18 293	20 633
Great Britain, Ireland	7 525	6 907
France	6 627	6 610
Other Europe	23 340	20 839
Russia and other CIS	6 334	5 630
Middle East and Africa	6 765	6 110
North America	52 799	53 813
Brazil	10 093	10 697
Other South America	9 280	8 183
China	3 716	3 241
India	2 386	2 126
Other Far East, Oceania	10 441	10 259
Net sales	**160 011**	**158 075**

Net sales by products and services

In CHF 1000	2013	2012
Endodontics	30 163	29 428
Prosthetics	33 151	35 084
Rotary	10 909	11 390
Restoration	44 878	42 770
Laboratory	7 385	7 406
Infection control	11 994	10 818
Treatment auxiliaries	16 999	15 718
Miscellaneous	4 532	5 461
Net sales	**160 011**	**158 075**

In the process of a new strategy for COLTENE the allocation of the different product groups was refined. Prior year figures were amended accordingly.

Net sales of TCHF 32 967 (previous year TCHF 32 510) corresponding to 20.6 % of Group net sales (previous year 20.6 %) were generated with one customer (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	31.12.2013	31.12.2012
Switzerland	11 592	9 784
Germany	1 357	1 307
Other Europe	292	266
China	21	21
India	31	38
USA	14 218	14 587
Brazil	2 137	2 717
Property, plant, and equipment	**29 648**	**28 720**

Intangible assets by geographical areas

In CHF 1000	31.12.2013	31.12.2012
Switzerland	8 252	8 610
Germany	18 564	18 235
Other Europe	118	106
China	7	7
India	0	1
USA	12 260	12 657
Brazil	6 673	8 013
Intangible assets	**45 874**	**47 629**

2 Raw Material and Consumables Used

Raw material and consumables used amounted to 29.8 % (previous year 32.4 %) of net sales.

3 Personnel Expenses

The average workforce amounted to 942 employees (previous year 899).

Detailed information on personnel expenses:

Personnel expenses

In CHF 1000	2013	restated 2012
Wages and salaries	44 277	43 004
Expenses for defined benefit plans	781	744
Expenses for defined contribution plans	3 420	1 799
Other personnel expenses	8 567	9 233
Total	**57 045**	**54 780**

Personnel expenses include TCHF 184 (previous year TCHF 64) for share-based payment transactions with management. For information on expenses for post-employment benefits according to IAS 19 revised, please refer to note 4.

4 Pension Liabilities

Defined benefit plan exists for Coltène/Whaledent AG. All other subsidiaries operate defined contribution plans. Detailed information on the defined benefit plan:

Pension liabilities

In CHF 1000	2013	restated 2012
Pension costs		
Current service cost	781	744
Interest expenses on defined benefit obligation (DBO)	320	366
Interest income on plan assets	– 225	– 276
Total	**876**	**834**
Reconciliation of the present value of the DBO		
DBO 1.1.	18 301	16 255
Current service cost	781	744
Ordinary contribution paid by employees	564	537
Interest expenses on (DBO)	320	366
Contribution paid by plan participants	734	1 183
Benefits paid	– 1 051	– 2 136
Actuarial (gain) and loss on DBO	– 494	1 352
DBO 31.12.	**19 155**	**18 301**
Actuarial (gains)/losses arising from changes in financial assumptions	**– 930**	**1 014**
Reconciliation of fair value of plan assets		
Fair value 1.1.	12 900	12 268
Interest income on plan assets	225	276
Ordinary contribution paid by employer	730	698
Ordinary contribution paid by employees	564	537
Contribution paid by plan participants	734	1 183
Contribution paid to plan participants	– 1 051	– 2 136
Return on plan assets excl. interest income	99	74
Fair value 31.12.	**14 201**	**12 900**
Details to plan assets		
Receivables from insurance company	14 201	12 900
Total	**14 201**	**12 900**
Split of plan assets (in %)		
Fixed interest-bearing securities	78.50%	78.24%
Mortgages	6.89%	7.35%
Shares and fund participation	0.28%	0.84%
Private equity and hedge funds	0.16%	0.41%
Shares in investments and in affiliated companies	0.67%	0.80%
Real estate	12.37%	11.17%
Other capital investments	1.13%	1.19%
Total	**100.00%**	**100.00%**

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

Pension liabilities In CHF 1000	2013	restated 2012
Net defined liability (asset)		
Present value of the defined benefit obliagtion, 31.12.	19 155	18 301
Fair value of plan assets, 31.12.	– 14 201	– 12 900
Net defined benefit liability (asset) recognized in balance sheet	**4 954**	**5 401**
Changes in net amount		
Net defined benefit liability (asset), 1.1.	5 401	3 987
Defined benefit cost recognized in profit and loss	876	834
Defined benefit cost recognized in other comprehensive income	– 593	1 278
Ordinary contribution paid by employer	– 730	– 698
Balance 31.12.	**4 954**	**5 401**
Actuarial assumptions		
Discount rate	2.00 %	1.75 %
Interest rate on the saving accounts	2.00 %	2.00 %
Future salary increase	1.50 %	1.50 %
Inflation	1.00 %	1.00 %
Future pension increase	0.00 %	0.00 %
Mortality (Generation table)	BVG 2010	BVG 2010

Pension liabilities – Sensitivity analysis In CHF 1000	2013	2012
Sensitivity to discount rate assumptions		
Discount rate +0.50 % – effect on DBO	– 1 015	– 1 007
Discount rate –0.50 % – effect on DBO	1 149	1 135
Sensitivity to salary increase assumptions		
Salary inrease rate +0.50 % – effect on DBO	– 345	
Salary inrease rate –0.50 % – effect on DBO	364	
Sensitivity to mortality assumptions		
+1 additional year – effect on DBO	– 306	
–1 additional year – effect on DBO	326	

The expected return of plan assets is the expected rate of Swiss Life AG "Portfolio for Kollektivleben". The pension liabilities are reported in other long-term provisions.

5 Other Operating Expenses

Other operating expenses include repair and maintenance cost of property, plant, and equipment as well as R&D costs. In 2013, TCHF 4115 (previous year TCHF 4908) were spent on research and development and accounted for as such in the income statement. Other operating expenses include gains from sales of property, plant, and equipment of TCHF 8 (previous year TCHF 32).

6 Depreciation and Amortization

Depreciation and amortization In CHF 1000	2013	2012
Depreciation on property, plant, and equipment	3 890	4 129
Amortization of intangible assets	1 296	830
Total	**5 186**	**4 959**

7 Financial Income and Expenses

Financial income and expenses In CHF 1000	2013	restated 2012
Interest income on cash and cash equivalents	88	121
Other financial income	29	49
Total financial income	**117**	**170**
Interest expenses for bank overdrafts and loans	–879	–1 132
Exchange rate differences and other financial expenses	–1 681	–1 154
Total financial expenses	**–2 560**	**–2 286**
Total financial result (net)	**–2 443**	**–2 116**

8 Tax Expenses

Tax expenses comprise the following positions:

Tax expenses In CHF 1000	2013	restated 2012
Current taxes	3 264	5 377
Deferred taxes	549	136
Total	**3 813**	**5 513**

For restatement details see page 43.

Tax expenses can be analyzed as follows:

Tax expenses In CHF 1000	2013	restated 2012
Net profit before tax expenses	17 002	15 290
Tax expenses at applicable tax rate of 25.1 % (23.7 %)	4 265	3 624
Effects of non-tax-deductible expenses	29	741
Effects of tax-exempt or reduced income	–706	1
Effects of tax loss not capitalized in current year	620	790
Effects of tax loss used not capitalized in prior years	–18	–18
Effects of change in tax rate of deferred taxes	–398	0
Tax adjustments prior years by tax authorities	–69	312
Other impacts	90	63
Actual tax expense	**3 813**	**5 513**
Effective tax rate in %	22.4 %	36.1 %

For restatement details see page 43.

The applicable tax rate represents a weighted average rate based on all Group companies. Compared to last year the applicable tax rate increased from 23.7% to 25.1%. The slight increase is related to the changed taxable contribution of the different entities with different tax rates.

The expected tax rates applied by the different companies are unchanged to prior year except for Coltène/Whaledent AG with a tax rate of 11% compared to 17% in 2012.

Tax expenses of TCHF 3813 represent an effective tax rate of 22.4% (prior year 36.1%) of the net profit before tax expenses. For 2013 the difference between applicable and effective tax rate is mainly due to Vigodent's tax losses not capitalized, effects of reduced income at the Holding company and a reduced deferred tax rate at Coltène/Whaledent AG.

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

Tax losses In CHF 1000	2013	2012
Tax losses capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	2 297	2 659
Expiration over 5 years	3 145	3 704
Total	**5 442**	**6 363**
Tax credits of capitalized tax losses		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	677	786
Expiration over 5 years	1 052	1 238
Total	**1 729**	**2 024**
Tax losses not capitalized		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	0
Expiration over 5 years	2 513	4 845
Total	**2 513**	**4 845**
Tax credits of not capitalized tax losses		
Expiration within 1 year	0	0
Expiration between 1 and 5 years	0	0
Expiration over 5 years	854	1 647
Total	**854**	**1 647**

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

9 Deferred Taxes

Deferred tax assets include the following positions:

Deferred tax assets In CHF 1000	2013	2012
1.1.	3 055	3 255
Additions	10	375
Reversals	–514	–346
Currency effects	–264	–229
31.12.	**2 287**	**3 055**

Deferred tax liabilities include the following positions:

Deferred tax liabilities In CHF 1000	2013	restated 2012
1.1. (restated for 2012)	8 568	8 757
Additions	1 295	1 192
Reversals	–1 120	–1 286
Currency effects	–95	–95
31.12.	**8 648**	**8 568**

For restatement details see page 43.

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	2013		restated 2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Receivables and accruals	0	173		276
Inventories	499	373	697	714
Property, plant, and equipment	0	5 347	0	5 478
Intangible assets	0	4 065	0	3 636
Financial liabilities	862	0	918	0
Provisions	558	51	1 031	79
Deferred taxes from losses carried forward	1 729	0	2 024	0
Offset of deferred assets and liabilities	–1 361	–1 361	–1 615	–1 615
Total	**2 287**	**8 648**	**3 055**	**8 568**

For restatement details see page 43.

Deferred tax assets to be recovered after more than twelve months amount to TCHF 2287 (previous year TCHF 3055). There are no deferred tax assets to be recovered within twelve months for both years.

Deferred tax liabilities to be recovered after more than twelve months amount to TCHF 8149 (previous year TCHF 7871). Deferred tax liabilities to be recovered within twelve months amount to TCHF 499 (previous year TCHF 697).

10 Earnings per Share

Net profit amounts to TCHF 13 189 (previous year TCHF 9777). Earnings per share (EPS) are calculated as follows:

Earnings per share

	2013	restated 2012
Weighted number of shares issued at 31.12.	4 216 542	4 188 545
Earnings per share (based on net profit for the period)	CHF 3.13	CHF 2.33
Diluted earnings per share (based on net profit for the period)	CHF 3.13	CHF 2.33

For restatement details see page 43.

11 Trade Accounts Receivable

Trade accounts receivable (net)

In CHF 1000	2013	2012
Trade accounts receivable (gross)	30 930	32 288
Allowance	– 929	– 1 396
Total	**30 001**	**30 892**

Trade accounts receivable (net) by currency

In CHF 1000	2013	2012
CHF	2 956	4 100
EUR	8 116	8 636
USD	13 036	12 755
Other currencies	5 893	5 401
Total	**30 001**	**30 892**

Trade accounts receivable (gross) by maturity

In CHF 1000	2013	2012
Not due	23 852	25 544
Past due 1 to 30 days	4 468	3 798
Past due 31 to 60 days	802	570
Past due 61 to 90 days	95	288
Past due 91 to 120 days	441	413
Past due over 120 days	1 272	1 675
Total	**30 930**	**32 288**

Trade accounts receivable (net) by maturity

In CHF 1000	2013	2012
Not due	23 725	25 415
Past due 1 to 30 days	4 460	3 788
Past due 31 to 60 days	786	539
Past due 61 to 90 days	63	237
Past due 91 to 120 days	437	297
Past due over 120 days	530	616
Total	**30 001**	**30 892**

Change in allowance

In CHF 1000	2013	2012
1.1.	1 396	1 039
Additions	205	400
Used	– 443	– 61
Reversals	– 193	52
Currency effects	– 36	– 34
31.12.	**929**	**1 396**

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, 2013, no trade accounts receivable are pledged (previous year none).

12 Other Receivables and Prepaid Expenses

These items include:

Other receivables and prepaid expenses

In CHF 1000	2013	2012
Other receivables	1 724	3 715
Prepaid expenses	1 057	805
Allowance	– 17	– 365
Total	**2 764**	**4 155**

Change in allowance

In CHF 1000	2013	2012
1.1.	365	0
Additions	17	375
Used	– 20	0
Reversals	– 351	0
Currency effects	6	– 10
31.12.	**17**	**365**

13 Inventories

Inventories are as follows:

Inventories (net)

In CHF 1000	2013	2012
Raw materials	9 410	13 261
Trade merchandise	1 637	2 042
Work in progress	8 982	7 454
Finished goods	9 663	11 477
Total	**29 692**	**34 234**

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

Inventories (gross)

In CHF 1000	2013	2012
Raw materials	11 076	16 208
Trade merchandise	1 811	2 357
Work in progress	9 298	8 628
Finished goods	10 676	12 569
Allowance	– 3 169	– 5 528
Total	**29 692**	**34 234**

Change in allowance

In CHF 1000	2013	2012
1.1.	5 528	4 551
Additions	– 248	2 530
Used	– 1 872	– 1 479
Reversals	– 233	0
Currency effects	– 6	– 74
31.12.	**3 169**	**5 528**

14 Property, Plant, and Equipment

Gross values

In CHF 1000	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2011	**40 030**	**1 556**	**39 316**	**500**	**81 402**
Additions	438	0	1 470	1 642	3 550
Disposals	–1 700	0	–1 736	–3	–3 439
Currency effects	–659	–52	–504	–38	–1 253
Reclassification	197	0	357	–554	0
Value 31.12.2012	**38 306**	**1 504**	**38 903**	**1 547**	**80 260**
Additions	687	2 056	952	1 950	5 645
Disposals	–380		–444	–15	–839
Currency effects	–592	–60	–530	–39	–1 220
Reclassification	1 485		140	–1 641	–16
Value 31.12.2013	**39 507**	**3 500**	**39 021**	**1 802**	**83 830**

Accumulated depreciation

In CHF 1000	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2011	**27 695**	**449**	**22 718**	**0**	**50 862**
Depreciation	2 268	55	1 806	0	4 129
Disposals	–1 411	0	–1 486	0	–2 897
Currency effects	–375	–11	–168	0	–554
Reclassification	–13	0	13	0	0
Value 31.12.2012	**28 164**	**493**	**22 883**	**0**	**51 540**
Depreciation	2 114	55	1 721	0	3 890
Disposals	–369		–401	0	–770
Currency effects	–283	–14	–172	0	–469
Reclassification	–12		3	0	–9
Value 31.12.2013	**29 614**	**534**	**24 034**	**0**	**54 182**

Net values

In CHF 1000	Machinery and Equipment	Land	Buildings (incl. Inst.)	Assets under Construction	Total
Value 31.12.2011	12 335	1 107	16 598	500	30 540
Value 31.12.2012	10 142	1 011	16 020	1 547	28 720
Value 31.12.2013	**9 893**	**2 966**	**14 987**	**1 802**	**29 648**

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

Contractual commitments

As per December 31, 2013, contractual commitments to acquire machinery and equipment of TCHF 424 were entered upon (previous year TCHF 375).

Pledged assets

No property, plant, and equipment was pledged for as of December 31, 2013 and 2012.

Fire insurance values

Fire insurance values of property, plant, and equipment amount to TCHF 95 264 (previous year TCHF 91 584).

15 Financial Assets

Financial assets consist of TCHF 1 securities (previous year TCHF 1) and of TCHF 10 loans (previous year TCHF 18).

16 Intangible Assets

Goodwill is allocated to the Group's cash-generating unit (CGU), which is the Group in total. Further, executive management monitors goodwill on a Group level. This impairment test for goodwill is based on the discounted cash flow method and on approved budgets and key business plan figures (2014 – 2017). Cash flow after this period is extrapolated by the rates given below. The value in use is the basis to calculate the recoverable amount.

Following assumptions were made:

Goodwill assumptions

	2013	2012
CGU Group		
Long-term growth rate	2.5 %	2.5 %
Gross profit margin	69 – 69.5 %	70 – 72 %
Discount rate	9.5 %	8.6 %

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

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

Gross values

In CHF 1000	Goodwill	Other intangible assets	Total
Value 31.12.2011	**41 738**	**11 407**	**53 145**
Additions	0	1 013	1 013
Disposals	0	– 113	– 113
Currency effects	– 1 147	– 419	– 1 566
Reclassification	0	0	0
Value 31.12.2012	**40 591**	**11 888**	**52 479**
Additions	0	803	803
Disposals	0	– 13	– 13
Currency effects	– 898	– 482	– 1 380
Reclassification	0	7	7
Value 31.12.2013	**39 693**	**12 203**	**51 896**

Accumulated amortization

In CHF 1000	Goodwill	Other intangible assets	Total
Value 31.12.2011	**0**	**4 218**	**4 218**
Amortization	0	830	830
Disposals	0	– 113	– 113
Currency effects	0	– 85	– 85
Value 31.12.2012	**0**	**4 850**	**4 850**
Amortization	0	1 296	1 296
Disposals	0	– 13	– 13
Currency effects	0	– 111	– 111
Value 31.12.2013	**0**	**6 022**	**6 022**

Net values

In CHF 1000	Goodwill	Other intangible assets	Total
Value 31.12.2011	41 738	7 189	48 927
Value 31.12.2012	40 591	7 038	47 629
Value 31.12.2013	**39 693**	**6 181**	**45 874**

No impairment was recognized for the periods presented. No intangible assets with an indefinite useful life are held by the group. The other intangible assets mainly consist of the ERP system amounting to CHF 3.1 million, trade names and customer relationship amounting to CHF 2.6 million as well as patents amounting to CHF 0.5 million.

As per December 31, 2013 and 2012, there are no contractual commitments to acquire intangible assets.

17 Bank Loans

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

Current bank loans

In CHF 1000	2013	2012
Unsecured bank loans	16 828	24 566
Secured bank loans	0	0
Total	**16 828**	**24 566**

Current bank loans

In CHF 1000 Maturity		Currency	Interest rate	2013
31.01.14	unsecured	CHF	0.68 %	150
28.02.14	unsecured	CHF	0.94 %	2 056
31.01.14	unsecured	USD	1.24 %	1 602
31.01.14	unsecured	USD	1.07 %	4 229
31.01.14	unsecured	CHF	1.15 %	5 528
31.12.13	unsecured	INR	11.50 %	421
04.04.14	unsecured	BRL	11.47 %	188
26.05.14	unsecured	BRL	11.72 %	565
20.11.14	unsecured	BRL	12.12 %	619
18.11.14	unsecured	BRL	11.37 %	452
08.05.14	unsecured	BRL	11.47 %	603
21.08.14	unsecured	BRL	11.74 %	415
Total				**16 828**

Current bank loans

In CHF 1000 Maturity		Currency	Interest rate	2012
31.01.13	unsecured	CHF	0.68 %	1 500
31.01.13	unsecured	CHF	0.94 %	2 600
31.01.13	unsecured	USD	1.24 %	4 416
31.01.13	unsecured	USD	1.07 %	12 078
28.02.13	unsecured	CHF	1.15 %	1 100
04.04.13	unsecured	BRL	13.47 %	223
31.05.13	unsecured	BRL	13.26 %	669
18.11.13	unsecured	BRL	11.37 %	535
25.11.13	unsecured	BRL	11.47 %	732
08.05.14	unsecured	BRL	11.47 %	713
Total				**24 566**

Total uncommitted credit lines amount to TCHF 92 256 (previous year TCHF 92 073) of which 18 % are used (previous year 27 %). Covenants exist for selected bank loans. Covenants were met for both periods.

The Group intends to repay the current bank loans of TCHF 16 828 and the accrued interest of TCHF 164 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	2013	2012
CHF	818	2 348
EUR	1 486	1 794
USD	2 085	1 766
Other currencies	279	598
Total	**4 668**	**6 506**

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	2013	2012
Other accounts payable	2 571	2 674
Accruals	8 257	8 280
Total	**10 828**	**10 954**

Derivative financial instruments		
In CHF 1000	2013	2012
Currency related instruments		
Contract amount (Forward exchange rate contracts)	2 427	4 704
Fair value (included in prepaid expenses/accruals)	32	–26
Forward exchange rate contracts by currencies		
EUR	2 427	4 704

The tables show the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract at December 31, 2013, and 2012. Contract or underlying principal amounts indicate the volume of business outstanding at the consolidated balance sheet date and do not represent amounts at risk. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31, 2013, and 2012.

20 Provisions

The column "Legal and personnel related" covers the risk of litigation and employment contract termination benefits. The next category "Pension plans and social security" includes provisions for pension plans and other social security include future pension claims and age-related part-time work agreements, promised pension or capital payments to the extent to which these payables are not included or reinsured by a legally separate fund. The remaining column "Guarantees and others" mainly contains provisions for guarantees estimated 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	Guaran-tee & others	Total
1.1.2012 restated	**408**	**4 163**	**328**	**4 899**
Additions	570	1 414	54	2 038
Reversals	0	–50	0	–50
Used	–362	–54	0	–416
Currency effects	–3	–1	–1	–5
31.12.2012 restated	**613**	**5 472**	**381**	**6 466**
Additions	1 071			1 071
Reversals	–1 040	–449	–150	–1 639
Used			–1	–1
Currency effects	–44	1	1	–42
31.12.2013	**600**	**5 024**	**231**	**5 855**

Provision by maturity In CHF 1000	Legal & personnel related	Pension plans & social security	Guaran-tee & others	Total
31.12.2012				
Short-term provisions	545	0	231	776
Long-term provisions	68	5 472	150	5 690
31.12.2013				
Short-term provisions	0	0	131	131
Long-term provisions	600	5 024	100	5 724

21 Operating Leasing

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

Operating leasing		
In CHF 1000	2013	2012
No later than 1 year	996	1 221
Later than 1 year and no later 5 years	2 012	2 333
Later than 5 years	209	270
Total	**3 217**	**3 824**
Total over 1 year	2 221	2 603

For 2013 lease expenses amounted to TCHF 1985 (previous year TCHF 2072).

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

22 Equity

The share capital represents the capital of COLTENE Holding AG adjusted by treasury stock. Treasury stock on December 31, 2013, included 993 shares (previous year 9739).

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 0.28 per share out of the capital contribution reserves and a dividend of CHF 1.92 will be proposed to the General Meeting on April 15, 2014.

Based on the General Meeting decision on April 15, 2013, the Company distributed from the capital contribution reserve CHF 1.80 (previous year CHF 1.10) per share to its shareholders on April 21, 2013. The total amount paid was TCHF 7592 (previous year TCHF 4632).

23 Contingent liabilities

On April 30, 2008, COLTENE Holding AG sold its entire Medical segment by transferring the shares of the two subsidiaries Medisize Schweiz AG and Medisize Medical Business Beheer B.V. together with its subsidiaries to Medifiq Healthcare Corporation. Consequently, the Group signed a sale and purchase agreement in which the Group represents and warrants to the buyer a comprehensive catalogue of items to an extent generally in line with industry standard for such kind of transactions. The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than provided for. With regard to operating activities, the Group has no contingent liabilities resulting from bills of exchange, letter of credits or guarantees.

24 Transactions with Related Parties

Key management compensation[1]

In CHF 1000	2013	2012
Salaries and other short-term employee benefits	1 832	1 735
Share-based payments	184	64
Post-employment benefits	352	236
Total	**2 368**	**2 035**

[1] See also notes COLTENE HOLDING AG page 75.

For further details concerning the remuneration to the Board of Directors and Executive Management see notes to COLTENE Holding AG on page 75.

25 Subsequent Events

The Board of Directors authorized the Group financial statements on February 27, 2014, for issue. As per this date, the Board of Directors and the Executive Management were unaware of any important events subsequent to the reporting date.

Major Group Companies

Company	Activity	Currencies	Registered capital	Group ownership 2013	Group ownership 2012
Coltène/Whaledent AG, Altstätten CH	**1**	**CHF**	**1 600 000**	**100%**	**100%**
Coltène/Whaledent Vertriebsservice und Marketing GmbH, Altstätten CH	2	CHF	20 000	100%	100%
Coltène/Whaledent GmbH + Co. KG, Langenau DE	1	EUR	1 850 000	100%	100%
– Dentalia Kft., Bicske HUN	1	HUF	3 000 000	100%	100%
– Endodent Inc., Duarte CA/USA*	1	USD	30 000	n.a.	100%
Coltène/Whaledent Ltd., Burgess Hill GB	3	GBP	200 000	100%	100%
Coltène/Whaledent S.à.r.l., Le Mans FR	3	EUR	503 000	100%	100%
Coltène Italy S.r.l., Milano IT	3	EUR	10 000	100%	n/a
Coltène/Whaledent Dental Materials & Equipment Trading Co. Ltd, Beijing CN	3	CNY	5 000 000	100%	100%
Coltène/Whaledent Private Limited, Mumbai IN	3	INR	64 800 000	100%	100%
Coltène/Whaledent Inc., Cuyahoga Falls OH/USA	**1**	**USD**	**5 000 000**	**100%**	**100%**
Vigodent SA Indústria e Comércio, Rio de Janeiro BR	**1**	**BRL**	**33 578 255**	**100%**	**100%**

[1] Production and sales of dental specialities.
[2] Sales services and marketing of dental specialities.
[3] Sales of dental specialities.
* Liquidated in 2013.

Building a better working world

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of COLTENE Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 44 to 69), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Rico Fehr Licensed audit expert (Auditor in charge)	Iwan Zimmermann Licensed audit expert

St. Gallen, February 27, 2014

Income Statement COLTENE Holding AG

In CHF	2013	2012
Income from investments	9 550 000	2 809 890
Financial income	1 467 925	1 579 642
Total income	**11 017 925**	**4 389 532**
Financial expenses	– 287 214	– 608 968
Administrative expenses	– 1 526 559	– 1 243 111
Tax expenses	– 14 400	0
Total expenses	**–1 828 173**	**–1 852 079**
Profit of the year	**9 189 752**	**2 537 453**

Balance Sheet COLTENE Holding AG

In CHF	31.12.2013	31.12.2012
Cash and cash equivalents	238 969	227 906
Other receivables from third parties	3 306	41 027
Other receivables from subsidiaries	279 750	808 133
Prepaid expenses and accrued income	825	825
Current assets	**522 850**	**1 077 891**
Loans to subsidiaries	26 527 592	44 209 198
Investments in subsidiaries	33 819 068	22 031 114
Own shares	44 985	274 911
Non-current assets	**60 391 645**	**66 515 223**
Total assets	**60 914 495**	**67 593 114**
Bank loans	13 564 952	21 694 198
Other liabilities to third parties	139 530	122 783
Other liabilities to subsidiaries	3 962	23 339
Accruals and provisions	117 400	261 850
Current liabilities	**13 825 844**	**22 102 170**
Share capital	421 900	421 900
Statutory reserves	84 380	84 380
Capital contribution reserve	1 192 954	8 784 999
Reserves for treasury stock	44 985	274 911
Net income brought forward	45 344 432	35 924 754
Total equity	**47 088 651**	**45 490 944**
Total liabilities and equity	**60 914 495**	**67 593 114**

Statements of Changes in Equity COLTENE Holding AG

In CHF	Share capital	Statutory reserves	Capital contribution reserves	Reserves for treasury stock	Net income brought forward	Total
31.12.2011	**421 900**	**84 380**	**13 416 733**	**3 239 947**	**30 422 265**	**47 585 225**
Distribution to shareholders			– 4 631 734			– 4 631 734
Transfer				– 2 965 036	2 965 036	0
Profit of the year					2 537 453	2 537 453
31.12.2012	**421 900**	**84 380**	**8 784 999**	**274 911**	**35 924 754**	**45 490 944**
Distribution to shareholders			– 7 592 045			– 7 592 045
Transfer				– 229 926	229 926	0
Profit of the year					9 189 752	9 189 752
31.12.2013	**421 900**	**84 380**	**1 192 954**	**44 985**	**45 344 432**	**47 088 651**

Notes to COLTENE Holding AG

In CHF	31.12.2013	31.12.2012
Contingent liabilities		
Warrants Medifiq Healthcare Corporation (see notes to the Group financial statements, note 23)	p. m.	p. m.
Joint and several liability for VAT liabilities of COLTENE Holding AG, Altstätten, Coltène/Whaledent AG, Altstätten, Coltène/Whaledent Vertriebsservice und Marketing GmbH, Altstätten	p. m.	p. m.
Significant investments		
See list on page 69		
Treasury stock		
993 (9739) shares par value CHF 0.10 (CHF 0.10)	44 985	274 911
Purchases: 23 673 (52 045) shares at an average price of	44.43	28.99
Sales: 32 419 (121 797) shares at an average price of	39.54	30.92
Share-based transactions with management: 6350 (2000) shares at an average price of	43.70	31.90
Significant shareholders*		
Huwa Finanz- und Beteiligungs AG, Heerbrugg	21.96%	21.93%
Credit Suisse Asset Management Funds AG, Zurich	7.73%	5.37%
Tweedy, Browne Company LLC, New York/USA	5.73%	7.30%
UBS Fund Management (Switzerland) AG, Zurich	4.98%	3.01%
Robert Heberlein, Zumikon	3.95%	3.94%
Schroder Investment Management	3.03%	< 3%
Number of shares held by Board of Directors		
Nick Huber, Chairman	2 550	2 300
Robert Heberlein, Member	166 653	166 303
Erwin Locher, Member	10 056	10 806
Matthew Robin, Member	2 500	2 250
Jerry Sullivan, Member[1]	n.a.	677
Roland Weiger	0	n.a.
Total	**181 759**	**182 336**
Number of shares held by Executive Management		
Martin Schaufelberger; CEO	3 151	2 000
Hans Grüter, CFO (left the company as of January 31, 2014)	5 340	3 420
Total	**8 491**	**5 420**

* The Company is aware of the following registered shareholders who own over 3% of the shares.
[1] resigned from BoD in April 2013.

Remuneration to Board of Directors

In CHF	Base remuneration		Variable remuneration [3]		Other remuneration		Total
	in cash	in shares	in cash	in shares	Social security	Other benefits	
2013							
Nick Huber, Chairman	100 000	12 110	5 000	0	17 961	0	135 071
Robert Heberlein, Member	80 000	12 110	0	0	9 040	0	101 150
Erwin Locher, Member	80 000	12 110	0	0	14 208	0	106 318
Matthew Robin, Member	80 000	12 110	0	0	14 208	0	106 318
Roland Weiger, Member	60 000	11 460	0	0	10 739		82 199
Jerry Sullivan, Member	20 000	650	0	0	0	0	20 650
Total	**420 000**	**60 550**	**5 000**	**0**	**66 156**	**0**	**551 706**
2012							
Nick Huber, Chairman	80 000	8 988	20 000	0	8 301	0	117 289
Robert Heberlein, Member	60 000	8 988	20 000	0	4 833	0	93 821
Erwin Locher, Member [1]	60 000	8 988	20 000	0	6 756	0	95 744
Matthew Robin, Member	60 000	8 988	20 000	0	6 756	0	95 744
Jerry Sullivan, Member	60 000	8 988	20 000	0	0	0	88 988
Total	**320 000**	**44 940**	**100 000**	**0**	**26 646**	**0**	**491 586**

Remuneration to Executive Management

In CHF	Base remuneration		Variable remuneration [3]		Other remuneration		Total
	in cash	in shares	in cash	in shares	Social security	Other benefits	
2013							
Martin Schaufelberger, CEO	370 000	0	326 677	44 371	142 132	36 393	919 573
Other members	360 100	0	288 010	74 016	144 191	30 226	896 543
Total	**730 100**	**0**	**614 687**	**118 387**	**286 323**	**66 619**	**1 816 116**
2012							
Hans Grüter, CFO	360 100	0	280 000	61 029	131 010	32 633	864 772
Other members [2]	361 633	0	172 800	43 200	78 524	22 664	678 821
Total	**721 733**	**0**	**452 800**	**104 229**	**209 534**	**55 297**	**1 543 593**

[1] The total remuneration for Erwin Locher for 2012 amounts to CHF 242 554 including the remuneration for his function as ad interim CEO (see also below remuneration to executive management).
[2] Including remuneration for 2012 of CHF 145 800 for Erwin Locher as CEO ad interim.
[3] The variable remuneration which includes cash bonus and shares is basically not a cash payment in the reporting period. It is mainly accrued for and will be paid out the next year based on the decision of the Compensation Committee.

Risk management

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

Proposed Appropriation of Disposable Profit, Distribution out of Reserves from Capital Contributions, and Dividend Distribution

In CHF	2013	2012
Allocation of the profit of the year		
Net income carried forward from previous year	35 924 754	30 422 265
Profit of the year	9 189 752	2 537 453
Transfer to reserves for treasury stocks	229 926	2 965 036
Total amount at the disposal of the AGM	45 344 432	35 924 754
Dividend distribution (1.92 per share)	– 8 100 480 *	0
Balance to be carried forward	37 243 952	35 924 754
Distribution out of reserves from capital contributions		
Available reserves from previous capital contributions	1 192 954	8 784 999
Distribution to shareholders of CHF 0.28 per share (1.80 per share) without treasury shares	– 1 181 320 *	– 7 592 045
Balance to be carried forward	11 634	1 192 954

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

Building a better working world

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 72 to 76), for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Rico Fehr	Iwan Zimmermann
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

St. Gallen, February 27, 2014

Investor Relations

Company Capital

The registered shares of COLTENE Holding AG were listed on SIX Swiss Exchange as at June 23, 2006. After the par value reduction on July 14, 2008, and after the share repurchase on December 9, 2008, the share capital of COLTENE Holding AG consists of 4 219 000 registered shares at CHF 0.10 par value Securities number 2.534.325

Stock Market Trading

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

Symbol: CLTN
Swiss Securities No.: 2.534.325
ISIN: CH0025343259

Key Figures per Share (in CHF)

Price at year-end	45.85
Highest price (13.05.2013)	49.80
Lowest price (03.01.2013)	30.25
Earnings per share	3.13
Equity per share	23.15
Distribution per share	2.20
Taxable value	45.85

Important Dates

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

February 28, 2014
Presentation of annual results 2013
Financial analysts' and media conference
Publication of Annual Report 2013

April 15, 2014
General Meeting of the Shareholders,
at Hotel Sonne, Altstätten/SG

August 7, 2014
Presentation of half-year results 2014
Conference Call
Publication of Half-Year Report 2014

February, 2015
Presentation of annual results 2014
Financial analysts' and media conference
Publication of Annual Report 2014

April, 2015
General Meeting of the Shareholders

Internet/E-Mail Bulletins

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

Important Addresses

COLTENE Holding AG
Feldwiesenstrasse 20
9450 Altstätten
Switzerland
Phone +41 (0)71 757 5472
Telefax +41 (0)71 757 5303
www.coltene.com
info@coltene.com

Coltène/Whaledent Inc.
235 Ascot Parkway
Cuyahoga Falls, Ohio 44223
USA
Phone +1 330 916 8800
Telefax +1 330 916 7077

Coltène/Whaledent AG
Feldwiesenstrasse 20
9450 Altstätten
Switzerland
Phone +41 (0)71 757 5300
Telefax +41 (0)71 757 5301

Coltène/Whaledent GmbH + Co. KG
Raiffeisenstrasse 30
P. O. Box 1150
89122 Langenau
Germany
Phone +49 7345 805 0
Telefax +49 7345 805 201

Vigodent SA Indústria e Comércio
Rua Pesqueira 26 Bonsucesso
Rio de Janeiro CEP 21041-150
Brazil
Phone +5521 3865-5600
Telefax +5521 2280-8411

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