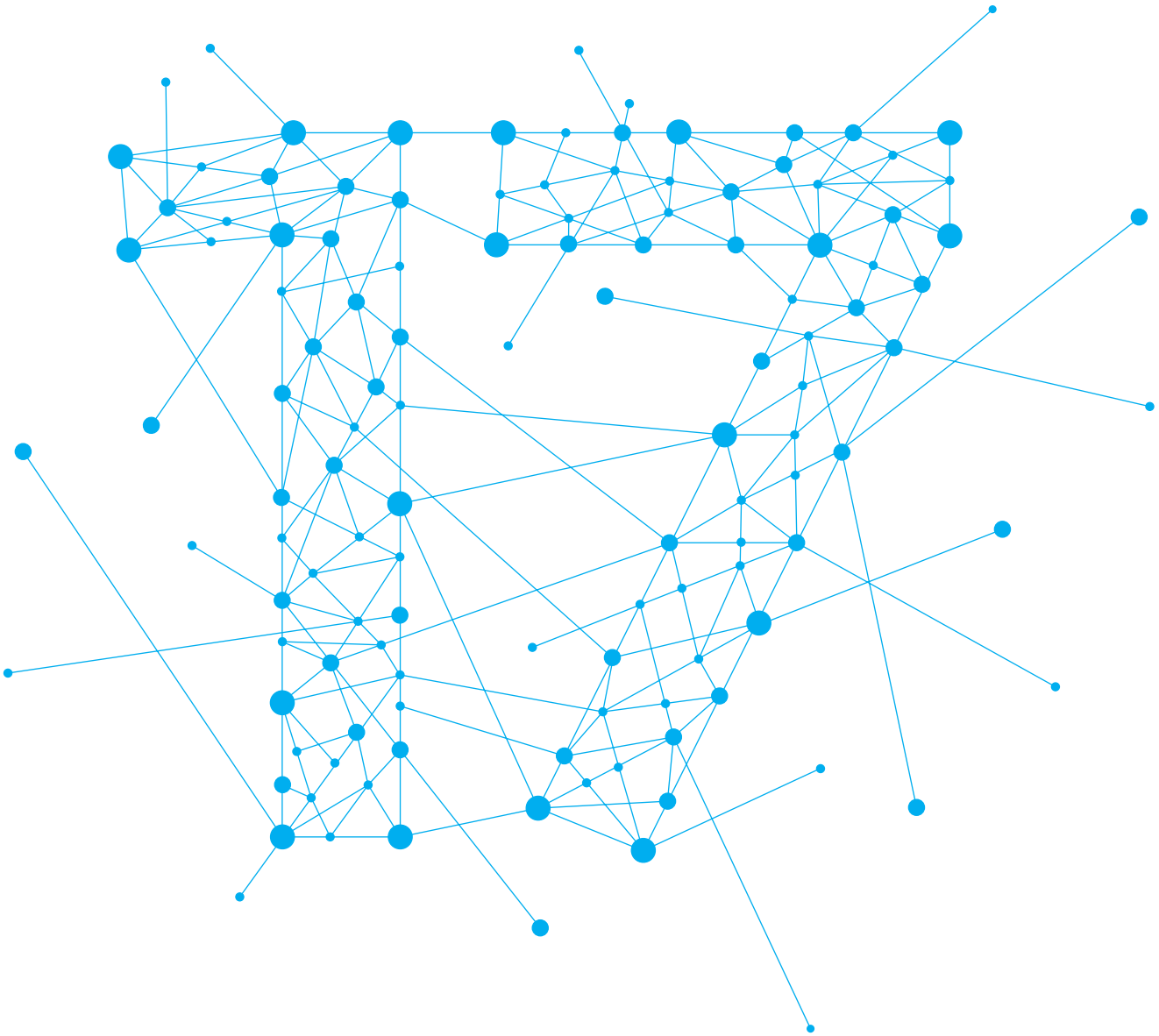
Upgrade Dentistry

Annual Report 2017



COLTENE

Product Overview

Restoration

24.6 %

The Restoration product group offers a comprehensive range of products for restorative fillings, from complementary adhesive systems and restorative filling materials to curing lights.

Prosthetics

20.5 %

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

Endodontics

20.7 %

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

Treatment Auxiliaries

13.6 %

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

Rotary Instruments

8.5 %

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

Infection Control

6.6 %

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

Facts and Figures

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, Germany, the USA and Brazil. The Group's sales organization helps to align the activities and priorities of the R&D and technology units with customer needs in the targeted markets of Europe, North and South America and Asia.

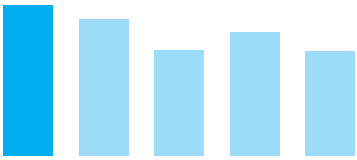
5-Year Overview (2013–2017)

(in CHF million)

Net Sales

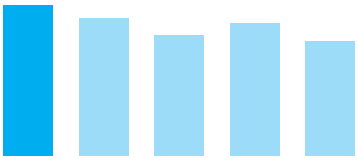
2017	2016	2015	2014	2013
168.0	160.7	154.5	162.3	160.0

Net Profit



2017	2016	2015	2014	2013
19.1	17.3	13.3	15.6	13.2

EBIT

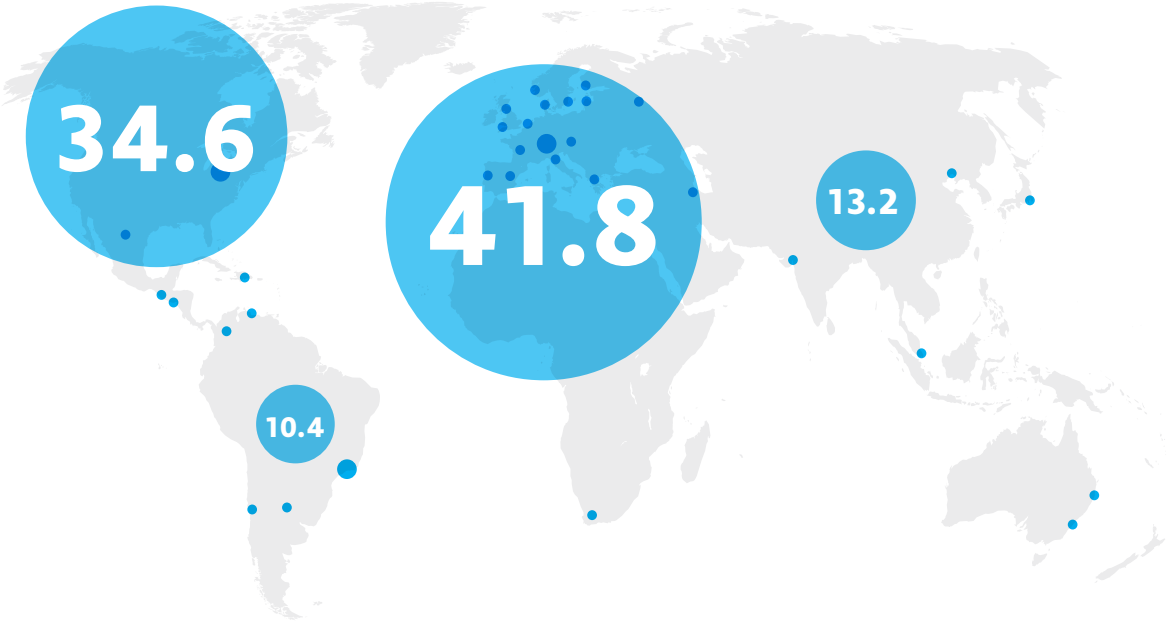


2017	2016	2015	2014	2013
25.5	23.3	20.4	22.4	19.4

Free Cash Flow

2017	2016	2015	2014	2013
16.0	17.1	13.7	16.7	17.0

Net Sales 2017 in %



Upgrade Dentistry 12

Everyone likes upgrades. Thanks to the new opportunities spawned by digital dentistry applications, COLTENE can offer dentists a higher level of quality, reliability and flexibility in the work they do. COLTENE dubs this approach "Upgrade Dentistry". This is not an empty promise, it's a mission.

Operational Review 14

COLTENE Group grew faster than the market last year. All of the Company's regional markets – Europe, the Americas and Asia – reported positive sales growth. Business was particularly pleasing in India, China and Brazil. Regarding the various product groups, Rotary Instruments posted the fastest growth, buoyed by the acquisition of Diatech in the US.

Production and Environment 20

COLTENE takes its responsibility as a global corporate citizen seriously and undertakes efforts to mitigate the Group's environmental impact throughout the entire design and production process to preserve limited resources and provide dental professionals and their patients with safe and reliable products.

Financial Commentary 56

COLTENE increased its sales in fiscal 2017 by 4.6 % to CHF 168.0 million. Operating profit (EBIT) rose 9.3 % to CHF 25.5 million thanks to the top-line growth and efficiency gains. The resulting EBIT margin climbed to 15.2 % and surpassed the targeted level of 15 %. Net profit advanced 10.4 % to CHF 19.1 million.

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Information about COLTENE share

Share Capital and Capital Structure

	2017	2016	2015	2014	2013
Par value per share (CHF)	**0.10**	0.10	0.10	0.10	0.10
Total registered shares	**4 219 000**	4 219 000	4 219 000	4 219 000	4 219 000
Cleared shares	**14.00%**	16.30%	12.53%	19.88%	14.98%
Number of treasury shares	**0**	3 700	5 100	100	993
Number of dividend-bearing shares	**4 219 000**	4 215 300	4 213 900	4 218 900	4 218 007
Registered capital (CHF 1000)	**422**	422	422	422	422
Conditional capital (CHF 1000)	**0**	0	0	0	0
Authorized capital (CHF 1000)	**0**	0	0	0	0
Total voting rights	**4 219 000**	4 215 300	4 213 900	4 218 900	4 218 007

Key Stock Exchange Figures per Share

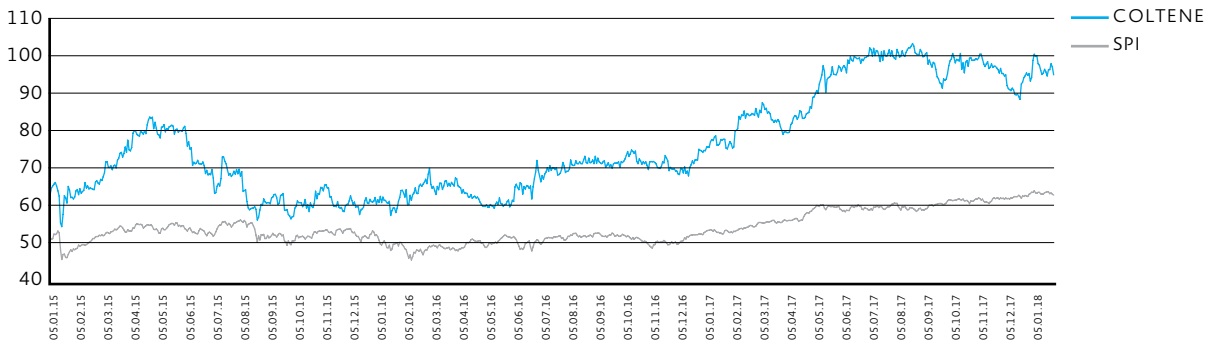
CHF	2017	2016	2015	2014	2013
Share price high	**103.50**	75.50	83.65	65.40	49.80
Share price low	**74.50**	57.00	54.00	45.03	30.25
Closing share price	**94.90**	74.05	60.90	63.00	45.85
Average volume per trading day (number of shares)	**4 324**	2 728	5 044	5 314	5 554
Market capitalization in CHF million (31.12.)	**400**	312	257	266	193

Key Figures per Share

CHF	2017	2016	2015	2014	2013
Earnings per share – basic	**4.52**	4.10	3.16	3.71	3.13
Earnings per share – diluted	**4.52**	4.10	3.16	3.71	3.13
Operational cash flow per share	**5.19**	5.38	4.31	4.73	5.52
Free cash flow per share	**3.80**	4.05	3.25	3.96	4.03
Dividend per share	**3.00**[1]	2.70	2.20	2.50	2.20[2]
Equity per share	**28.85**	26.63	24.10	24.68	23.15

[1] Board of Directors' proposal to the Annual General Meeting on March 28, 2018
[2] Thereof CHF 0.28 dividend payout per share from capital reserves

Share Price Performance (05.01.2015 to 05.01.2018)



COLTENE's share price increased by 28.2% from CHF 74.05 to CHF 94.90 in 2017. In the year under review, COLTENE paid a dividend of CHF 2.70 per share at the beginning of April. The stock's total performance for the year was 31.8%.

Shareholder Structure*

As at December 31, 2017, there were 1743 shareholders entered in the share register (1684). The following shareholders held 3 % or more of the outstanding share capital of COLTENE Holding AG at year-end:

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

* For more details, see page 26 f. in the Corporate Governance section of this Annual Report.

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Corporate Calendar

Media and analyst conference 2017	March 6, 2018
Annual Report 2017	March 6, 2018
Annual General Meeting 2018	March 28, 2018
Interim Report 2018	August 3, 2018
Media and analyst conference 2018	March 7, 2019
Annual Report 2018	March 7, 2019
Annual General Meeting 2019	April 3, 2019

Highlights 2017

15.2 %

EBIT margin passes the 15 % mark

Thanks to the top-line growth, ongoing optimization and efficiency gains, COLTENE topped its EBIT margin target of 15 %.

4.6 %

Growing faster than the market

COLTENE's sales growth exceeded the market's growth rate thanks to higher sales volumes, the takeover of Diatech Inc. and some tailwind on the currency front.

2

targeted acquisitions

With the acquisition of Diatech and the takeover of KENDA, COLTENE strengthens its market position and broadens its product portfolio.

11 million

Firm commitment to Switzerland as a production base

COLTENE is investing approximately CHF 11 million to modernize and enlarge its corporate headquarters in Altstaetten, Switzerland. The new addition will be ready for occupancy at the end of 2018.

Foreword

Dear Shareholders,

COLTENE extended its leading technical edge and its market leadership during the 2017 fiscal year. It launched a large number of new products, offered more training courses to deepen customer relationships and expanded its international sales teams. The Company also announced two acquisitions. By streamlining its product range and phasing out older, lower-margin products, COLTENE reshaped its offering for dentists and clearly strengthened the Rotary Instruments product group. COLTENE acquired Diatech AG in 2001, a specialized manufacturer of high-quality diamond burs for dental applications, but Diatech's US operations were not part of that transaction. Its acquisition in March 2017 of Diatech LLC, based in Mount Pleasant, South Carolina, thus brought more cohesion to Diatech's brand profile and secured a valuable sales and distribution platform for COLTENE's own high-quality Diatech diamond and carbide burs in North America.

COLTENE expanded its range of rotary instruments with the acquisition of the Liechtenstein company KENDA based in Vaduz, effective January 2018. KENDA is focused on the development, production and global marketing of high-quality silicon polishing instruments. The Group established more research and training alliances as a further means of ensuring the continuity of its market leadership. These alliances help COLTENE to open up new sales channels and business areas and allow it to actively contribute to dental educational programs, thereby introducing and familiarizing students with COLTENE products.

EBIT margin passes the 15 % mark

The general market environment remained challenging in 2017. It was distinguished by a variety of structural changes. The growing multitude of digital options in dental treatments, the steady growth of group practices and dental chains, and mounting pressure on the reimbursement of dental treatment costs are but a few of the challenges that the dental industry is confronted with. Amid this challenging environment, COLTENE Group's sales grew at a much faster pace than the underlying market thanks to intensified sales efforts and the launch of new products. The acquisition of Diatech LLC and a positive currency effect also contributed to the reported sales growth. Group sales grew faster than the market in organic terms too. Profitability was likewise pleasing. At 15.2 %, the Group EBIT margin passed the 15 % mark and met management's medium-term profit target on the wings of organizational optimization and efficiency gains. Net profit rose from the prior year's good level and corresponded to 11.3 % of sales.

COLTENE passed the 15 % EBIT margin mark and achieved its mid-term profit target thanks to organizational optimization and efficiency gains.

Nick Huber, Chairman of the Board of Directors Martin Schaufelberger, CEO

Upgrade Dentistry

One of COLTENE's chief aims is to deliver value to dental practitioners. It does so through safe and efficient dental treatment solutions, solutions that save time and money, both for the dental professionals and for the patients. The dental market is experiencing fundamental change brought on by current trends such as digital dental treatments, the digitalization of operating workflows and service offerings, and other aspects of Industry 4.0. This change is creating new business opportunities. COLTENE is focusing its innovative skills on precisely these opportunities in its unrelenting efforts to offer customers more value and enticing upgrades. In keeping with its strategic goals for 2016–2018, these efforts will be directed towards improvements on the marketing and sales fronts, the launch of innovative new products and services, and the intensification of cooperative arrangements with leading universities and dental education centers.

Current trends such as digitalization and Industry 4.0 open up new opportunities for COLTENE in the dental market.

Direct contact with customers is highly important to COLTENE, which is why the Group is selectively expanding its sales teams. These additional sales specialists will primarily strengthen the relationships with dentists in their practices and ongoing efforts to penetrate special markets. Highlights of the 2017 fiscal year were the Company's presence at the IDS trade show in Cologne and the COLTENE Key Opinion Leader Seminar (KOL) for Europe, which was held in Glattfelden, Switzerland. Upgrade Dentistry was the slogan COLTENE used for the presentation of its latest innovations at IDS, the world's premiere dental trade show, held in Cologne, Germany, from March 21 to 25. These innovations included the trailblazing BRILLIANT Crios blocks, which make the chairside manufacture of definitive inlays, onlays, fully anatomic crowns and veneers possible during a single visit to the dentist without any firing, and the new ultrasonic cleaning system called BioSonic UC150. The KOL seminar from July 15–17, 2017, attracted about 120 Key Opinion Leaders, academics and dental specialists in the fields of restoration and endodontics. Keynote speeches and presentations on recent developments in dental treatment methods as well as on COLTENE's latest innovations and product launches were the focus of this event.

Changes in the Board of Directors

Astrid Waser was elected as a new director at the Annual General Meeting on March 29, 2017. Astrid Waser has many years of experience as a corporate legal counsel and has specialized in competition law, procurement law and in compliance issues. Robert Heberlein did not stand for reelection, having resigned from his role as Vice Chairman for reasons of age. The Board of Directors thanks Robert Heberlein for his far-sighted and extremely valuable contribution to the solid development of COLTENE Holding AG ever since it was established and subsequently spun off from the then Gurit-Heberlein AG.

Accounting standards changed to Swiss GAAP FER
COLTENE is switching its accounting standards from IFRS to Swiss GAAP FER as of the 2018 fiscal year. Its financial statements for the first half of 2018, the entire fiscal year 2018 and the periods thereafter will be prepared in accordance with the new standards. With the switch to Swiss GAAP FER, COLTENE is adopting a pragmatic accounting and reporting standard whose informative value is comparable with that of IFRS and which is more congruent with the needs of an internationally active, mid-sized company, less complex and less costly. Reporting under Swiss GAAP FER will continue give a "true and fair view" of the Company's financial performance and position.

As a result of the transition to Swiss GAAP FER, COLTENE Holding AG will submit a request to SIX Swiss Exchange for a segment switch from the International Reporting Standard to the Swiss Reporting Standard, effective as of July 2, 2018 (first trading day of the COLTENE shares in the Swiss Reporting Standard). The shares of COLTENE Holding AG will remain in the indices of the SPI family as well as in the two SXI-indices, SXI Life Sciences and SXI Bio+Medtech of the SIX Swiss Exchange.

Outlook
Management is convinced that strong innovation, transparent and easily accessible information on Company products and services, intensified customer relationship management and needs-based educational and training programs are the key factors that will ensure the Group's profitable growth going forward.

In its guidance for fiscal 2018, management aims to strengthen the Group's leading position and thereby reap the rewards of the dental market's anticipated growth and to consolidate the EBIT margin at the current level of 15 % or more. Looking further ahead, management intends to further improve the EBIT margin in step with future top-line growth.

In its guidance for fiscal 2018, management aims to strengthen the Group's leading position.

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

Sincerely,

Nick Huber	Martin Schaufelberger
Chairman of the Board of Directors	CEO

24.03.2017

Diatech brand strengthened

With the acquisition of the US company Diatech LLC, COLTENE strengthened the Diatech brand and extended its market leadership in the Rotary Instruments product group. The tele sales and online sales specialist for diamond and carbide burs will add about CHF 2.0 million to COLTENE Group sales. Its site in Mount Pleasant (South Carolina, USA) will continue to operate as before and all employees will be retained.

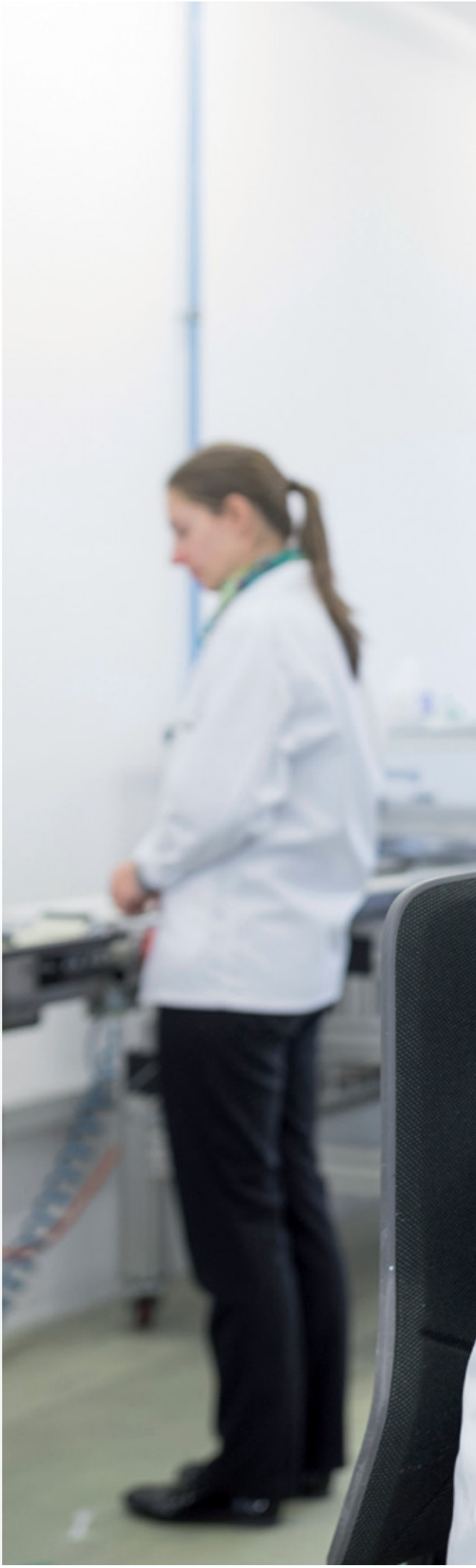


Photo: Igbale Qazimi inspects diamond and carbide burs for quality control purposes

Upgrade Dentistry

COLTENE is convinced that everything can always be a little bit better, easier and more reliable. With expertise and enthusiasm, we turned this claim into reality. The Company knows exactly what its end customers need and want and works tirelessly to provide them with innovative and smart solutions. COLTENE dubs its approach "Upgrade Dentistry". That is not an empty promise, it is a mission.

Everyone likes upgrades. Who wouldn't enjoy the extra comfort and service you get with an upgrade, say in an airplane or a hotel? So why not treat yourself to a higher level of quality, reliability and flexibility in the dental practice? Offering an extra dose of cleverness and comfort has long been part of COLTENE's mission: "Upgrade Dentistry" in short – or "Better Quality, Better Reliability, Better Practice". The overriding objective is to take the professionalism, safety and efficiency of dental treatments and workflows, whether in dental practices or laboratories, to a higher level on the back of innovative products and solutions. Upgrading Dentistry makes dental treatments more effective and safe, while saving time and money for the dental professionals as well as for the patients.

Better Quality.

Our high-quality products deliver what they promise. The high-performance composite block BRILLIANT Crios, for example, one of the most flexible dental materials ever produced, is now blazing new trails in the world of CAD/CAM technology.

Better Reliability.

Reliability is a particularly important factor during the course of day-to-day hygiene management. Increasingly strict hygiene regulations are placing growing demands on everyone who works in a dental practice. Seamless documentation of cleaning processes creates legal peace of mind and protects the health of patients as well as of practice staff. With the intelligent BioSonic UC150, COLTENE has introduced a high-tech ultrasonic cleaning system that makes hygiene management much easier than before. This trustworthy helper thinks like you do and automatically keeps a log of every cleaning process on its internal storage disk.

Better Practice.

As a rule, all of COLTENE's clever new developments put the needs of dental practitioners front and center. That's why COLTENE specialists like to look over a dentist's shoulders and that's how they were able to create BRILLIANT EverGlow Flow, for example, a flowable composite that shines without requiring lengthy polishing, or GuttaFlow bioseal, a bioactive obturation material that effectively supports the regeneration of root canals. The list of smart solutions from the house of COLTENE is long. With its inventive spirit and razor-sharp focus on relevancy in the practice, COLTENE can and does deliver that crucial extra dose of value and service that keeps its customers coming back for more.

Operational Review

COLTENE Group widened its share of market during the 2017 fiscal year and grew at a faster pace than the underlying market, which remained somewhat reserved and grew at a modest rate of about 2 %. COLTENE's regional markets and product groups showed divergent developments. Dynamic sales growth was again recorded in the key markets of India and China. In the EMEA region, southern Europe and France experienced pleasing growth. In Latin America, business in Brazil showed very positive signs despite the country's fragile economy, offsetting the year-on-year declines in some other Latin American countries. In North America sales grew amid a challenging environment with the underlying market. At the product level, Rotary Instruments achieved the fastest growth, thanks to the acquisition of Diatech LLC. All product groups posted positive sales growth except for Infection Control.

COLTENE Group's sales increased by 4.6 % in Swiss francs to CHF 168.0 million in fiscal year 2017 (2016: CHF 160.7 million). Organic growth in local currencies amounted to 2.6 %. Currency translation had a positive effect of CHF 1.7 million or 1.1 % on reported sales. Average exchange rates to the Euro and the Brazilian real rose during the period under review, while the US dollar weakened somewhat. Diatech Inc. was fully consolidated as of April and contributed CHF 1.8 million in sales. Operating profit (EBIT) rose to CHF 25.5 million, 9.3 % more than the prior-year figure (2016: CHF 23.3 million), thanks to the top-line growth and further efficiency gains. With this renewed improvement, COLTENE surpassed its EBIT margin target of 15 %. The EBIT margin for the entire fiscal year 2017 came in at a pleasing 15.2 % (2016: 14.5 %). An improved product mix and the modernization of production equipment and marketing instruments had a positive effect on the margin. Net profit grew by 10.4 % to CHF 19.1 million (2016: CHF 17.3 million). Despite negative currency effects coming from lower closing rates in all major currencies, COLTENE improved its net profit margin thanks to a lower tax rate. COLTENE expects the recent cut in corporate tax rates in the US to lower its overall tax expense by about CHF 1 million in future.

COLTENE Group increased its sales by 4.6 %. The EBIT margin climbed to 15.2 %.

During the period under review, COLTENE strengthened its market position through a series of innovations and the acquisition of Diatech LLC. Another priority was the expansion of its sales teams. A total of 15 new field sales professionals were hired in 2017 to augment COLTENE's local presence in key markets. These new sales specialists enable the Company to address specific needs within the targeted customer groups more effectively and to strengthen its Key Account Management practices. COLTENE is planning a similar expansion of its sales teams in 2018. The use of modern Customer Relationship Management (CRM) systems and the

recently introduced Product Information Management (PIM) system will facilitate further optimization of marketing and sales processes.

Expansion of Rotary Instruments

COLTENE rounded out its range of products in Rotary Instruments with two acquisitions. In April 2017, COLTENE acquired Diatech LLC, a US company headquartered in Mount Pleasant, South Carolina. This transaction sharpens Diatech's international brand profile. The US subsidiary was not included in COLTENE's 2001 acquisition of Diatech AG, a Swiss manufacturer of high-quality diamond burs for dental professionals. Since then, the two companies have continued their close collaboration in the areas of R&D, production and sales of diamond and carbide burs. In today's market environment, management identified additional new business opportunities that could be captured by bringing the US Diatech firm into fold of COLTENE Group. COLTENE's second acquisition was announced in December 2017. The acquisition of KENDA AG, headquartered in Vaduz, Liechtenstein, was consummated in January 2018 and enhances COLTENE Group with an internationally active specialist for highly precise rotary silicon polishers. In the wake of the acquisition, KENDA's competencies will be harnessed throughout the Rotary Instruments product group and broaden the overall product offering.

COLTENE rounded out its range of products in Rotary Instruments with two acquisitions.

Direct customer contact

COLTENE teams intensified their direct contact with customers during the course of 2017. From March 21–25, COLTENE welcomed existing and potential new customers at the IDS in Cologne, the world's premier dental trade show, with an exhibition stand covering 324 m² (3500 square feet) of floor space. The new ultrasonic cleaning system BioSonic UC150 caused quite a sensation. An intelligent, high-performance system, the BioSonic UC150 automatically logs all hygiene-related processes. COLTENE's BRILLIANT Crios reinforced composite block for the CAD/CAM system developed by Sirona was also an attention-getter. The block is used for making and placing permanent inlays, onlays, fully anatomical crowns and veneers at the chairside in a single dental visit and without the need for firing. In addition, COLTENE unveiled various new products from the Restoration, Endodontics and Rotary Instruments groups at the IDS. These included DIATECH Z-Rex diamond instruments for easy preparation, removal or trepanation (fitting) of ceramic restorations.

From June 15–17, COLTENE organized a Key Opinion Leader Seminar (KOL) for a European audience in Glattfelden, Switzerland. Keynote speeches and presentations by specialists provided participants with updates on recent developments in dentistry as well as on COLTENE's latest innovations and product launches. The seminar agenda included valuable opportunities for networking and interacting. It attracted considerable interest. About 120 Key Opinion Leaders, university professors and dental specialists from the fields of restoration and endodontics attended the event. As in the previous year in conjunction with the Latin America KOL seminar, the European conference was accompanied by an internet and social media campaign. This included a special event website as well as YouTube, Twitter and Facebook postings.

2017, the COLTENE teams intensified their direct contact with customers.

Strong commitment to Switzerland as a production base
COLTENE is enlarging its head office in Altstaetten, Switzerland, to capture further efficiency gains and enhance its attraction as an employer. The new addition consists of a two-story production hall as well as three floors of modern offices. It will allow COLTENE to vacate leased premises, increase its production capacity and further improve internal workflows. With the modernization and enlargement of its headquarters in Altstaetten, COLTENE is standing by its strong commitment to Switzerland as its home base of innovation and production and to maintaining a well-trained and highly qualified work force. A building permit was issued in September 2017 and the new facilities should be ready for full operations at the end of 2018. Total investment for the construction project amounts to CHF 11 million.

Business performance by region: Growth on every continent
Sales of COLTENE Group rose in all four major regions of the world during the 2017 fiscal year, both in Swiss francs and in local currency. Growth rates for the various regional markets varied. In Asia, COLTENE increased its sales by 7.6 % in local currency from the previous fiscal year. Sales in India and China, key markets for the future, showed very pleasing local-currency growth rates of 20.8 % and 14.8 %. Asian sales were also boosted by the Group subsidiary established in Japan in 2016, where COLTENE now has a firm foothold. In Europe, the Middle East and Africa (EMEA), sales rose by 1.0 % in local currency. Sales growth rates within the region varied. Growth was positive in Southern Europe, France, the Benelux countries and Switzerland. Sales backtracked in Germany and Scandinavia in the face of competitive headwinds.

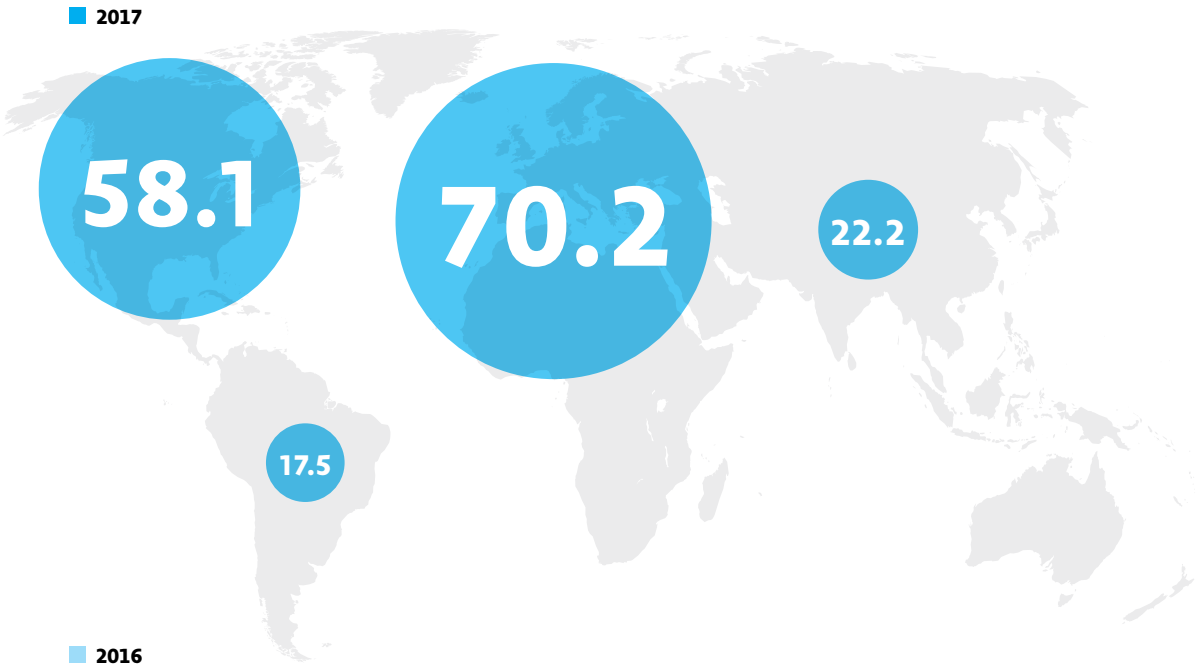
The flat sales trend in the Middle East can be traced to the volatile tender business. In North America, COLTENE's sales grew in line with the underlying market amid a challenging environment. Sales rose 3.4 % in local currency and 0.9 % in organic terms. Sales in Latin America advanced 9.4 % in local currency, led by the strong growth of the Group's Brazilian subsidiary. At Vigodent in Brazil, a simplification of the management structure and

a new sales strategy propelled an improvement in sales and profitability. Vigodent increased its sales by 25.8 % in local currency. Thanks to that growth, Brazil was able to compensate for the lower year-on-year contributions of some other South American countries such as Venezuela.

Ongoing dynamic growth in the key markets of India and China.

Looking at the regional breakdown of consolidated sales for the entire 2017 fiscal year, COLTENE generated 41.8 % of its total sales in the EMEA region, which represents Europe, the Middle East and Africa (2016: 42.4 %), 34.6 % in North America (2016: 35.1 %), 13.2 % in Asia (2016: 12.9 %) and 10.4 % in Latin America (2016: 9.6 %). Sales in emerging markets increased by 9.2 % in Swiss francs from the previous year, largely attributable to the positive trends in India and Brazil, and by 7.4 % in local currency. Emerging markets accounted for 28.4 % of consolidated sales (2016: 29.9 %).

Sales by Region
in CHF million

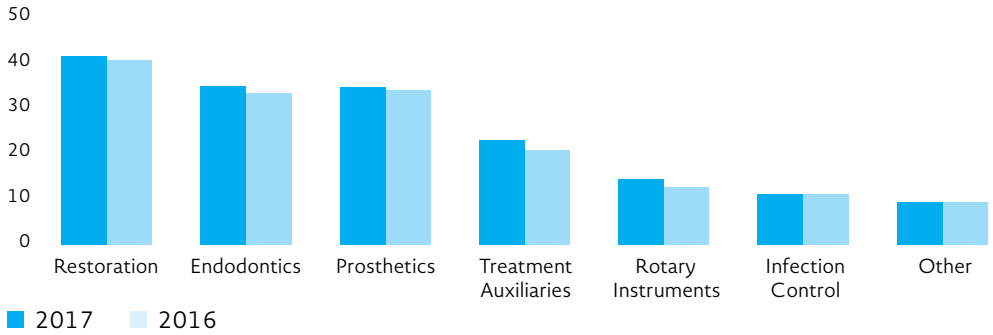


2016			
North America	Latin America	EMEA	Asia
56.4	15.4	68.2	20.7

Business performance by product group:
Treatment Auxiliaries strong

In fiscal 2017, COLTENE generated positive sales growth in every product group except for Infection Control, where sales were flat year-on-year. Rotary Instruments delivered the fastest growth at 14.0 %, which is largely attributed to the acquisition of Diatech LLC. Treatment Auxiliaries ranked second with a sales increase of 10.4 % to CHF 22.8 million (2016: CHF 20.7 million). Both product groups benefited from the launch of new products that bolstered the established product ranges. Sales of the Restoration product group increased by 2.5 % to CHF 41.3 million (2016: CHF 40.3 million). Sales of the Prosthetics product group grew 2.3 % to CHF 34.4 million (2016: CHF 33.7 million). Sales of Other products rose by 1.2 %.

Sales by product group
in CHF million



Production and Environment

COLTENE takes its responsibility as a global corporate citizen seriously and undertakes efforts to mitigate the Group's environmental impact throughout the entire design and production process to preserve limited resources and provide dental professionals and their patients with safe and reliable products. COLTENE's Production & Environment report defines a set of key values as well as the activities and parameters monitored. Further, the Company aims to increase awareness of sustainability issues within its teams of experts at all levels of the organization. COLTENE strives to strengthen the reach of its group-wide sustainability management on an ongoing basis.

Global Manufacturing Sites of COLTENE
COLTENE Group's production facilities are specialized in different technologies and products. The global manufacturing sites of the COLTENE Groups are as follows:

In Altstaetten, Switzerland, COLTENE operates a chemical production site that is mainly specialized in the development and manufacturing of:
- A wide range of precision dental impression materials, including renowned C-Silicone and A-Silicone products. Impression materials from COLTENE belong to today's globally leading products and many dentists have relied on the competence and expertise of these Swiss products for decades.
- High-grade restorative products for innovative and clinically proven, aesthetic filling therapy as well as a wide range of adhesive and luting materials. COLTENE pioneered the development of white tooth fillings with composite material to replace amalgam fillings, which used to be the standard in earlier years.
- Key technologies include chemical processes mainly focusing on mixing and dosing.

In Langenau, Germany, the COLTENE factory is focused on the development and manufacturing of:
- Internationally renowned endodontic products and brands, ranging from root canal rinsing and drying to obturation. Products are well known under the brand names and trademarks of Roeko, Hygenic, Luna, and Surgitip.
- Reliable, high-quality products for wound care, moisture and infection control. Dentists like these well-established products as they make dental treatments easier and provide patient comfort. A very high standard of quality is guaranteed through fully automated manufacturing processes.
- Key technologies include gutta-percha, paper and textile-related processes as well as processing and assembly of treatment auxiliary products.

In Cuyahoga Falls/Ohio, USA, the production facility is mainly specialized in mechanical operations and offers a wide range of:
- Ultrasonic cleaning and disinfection products. These devices provide effective barriers to infection in the dental practice.
- Pins and posts such as the ParaPost X system, endodontic files and carbide burs. Each product line has been the leader in many markets for decades.
- Key processes include mechanical treatment as well as manufacturing and assembly of electro-mechanical components.

In Rio de Janeiro, Brazil, Vigodent manufactures chemical products for the Latin American market and offers products in the areas of:
- Dental impression materials that allow precise impressions to be made quickly and easily. Thanks to the wide product range, dental practitioners can utilize the right material for every indication.
- Composite material for restorative dentistry.
- Key production technologies in Brazil are similar to those used at the Swiss site.

Environmental management: multiple new initiatives
COLTENE Group is vigilantly looking for new opportunities to minimize its environmental impact. As a manufacturer of dental consumables, COLTENE is subject to stringent regulations that require monitoring rigorously the items it produces and the processes used to manufacture them. It applies strict quality-control protocols to test raw materials for identity, purity and content, to ensure that its products function safely and effectively, and to fully document all aspects of the manufacturing processes to ensure traceability and patient safety.

COLTENE's commitment to continuous improvement is supported by the COLTENE Code of Conduct, which requires that managers encourage all staff to include environmental protection in their daily responsibilities.

Apart from production and research activities, COLTENE's environmental impacts are rather low for an organization of its size, and in fact are low in comparison to many manufacturing companies. It manufactures neither implants nor amalgam fillings, and therefore does not use significant amounts of titanium metals, mercury, lead, or manganese that are often found in the production processes of other manufacturers serving the dental industry.

COLTENE's facilities and production methods are modern and environmentally efficient. It continues to look for new opportunities to reduce material usage and energy consumption in order to realize improvements where they make sense from a technical and economic perspective. While the quality of its products and the safety of patients remain the overriding consideration, COLTENE will explore additional activities in this respect that benefit its business and all its stakeholders.

The environmental data monitored and disclosed focus on the key aspects of COLTENE's operations. In its production processes, the main material product groups that are used are as follows:

- Restorative materials: Polyamide matrix with glass filler
- Impression materials: Silicone oils
- Endodontic products: NiTi metal, rubber, paper
- Treatment Auxiliaries: Rubber, metal, textile fibers, cotton, cleaning solutions
- Operating materials: Water, cleaning agents, galvanic baths solution, paper

In line with its efforts to improve the manufacturing and workflow processes, COLTENE strives to reduce the use of operating materials year after year. The relatively low amounts of untreated wastewater, which is collected in drums and tanks and is disposed of by authorized specialist contractors, contain very low concentrations of cleaning detergents, solvents, acid, and oil.

COLTENE began to report on its sustainability performance in its 2015 Annual Report. Data collection as well as the preparation of the first report led to an increased awareness of the subject within the organization – a desired effect indeed. However, improvements in collecting and processing data were made throughout the process. Today, a standardized process for gathering and converting all relevant data has been established. Conversion of energy into carbon emissions respects country-specific energy factors.

In 2017, the sustainability reporting activities did not only increase awareness within the organization but also led to various initiatives and actions in different areas. Management focus for the year 2018 is on consolidating the accurate reporting of the sustainability key figures and on strengthening general awareness of the topic across all group entities.

With regard to the reported figures of 2017, the following remarks shall demonstrate our efforts to reduce our environmental footprint:

- COLTENE drew up plans in 2017 for building a new two-story production hall in Switzerland along with three floors of modern offices. After receiving the building permit in September 2017, construction work began during the fourth quarter. To minimize energy consumption, the envelope of the new building, which will be ready for occupancy by the end of 2018, will comply with Minergie, the Swiss energy efficiency standard. Thanks to the high construction quality of the new building at COLTENE's headquarters in Altstaetten, it will retain its value for longer and energy costs will be considerably lower. Plans to install a photovoltaic plant to harness renewable energy from the sun were also initiated in 2017. Positive effects were observed from the measures taken in 2016 to improve building efficiency, which included renovation work on the rooftop and on the site's main water line, the replacement of compressors and electric motors for our IT infrastructure, and the installation of a new insulated warehouse entrance door.

- In Germany, neon lights in the manufacturing and warehouse facilities were replaced with approximately 750 LED light fixtures, which will save about 100 000 kWh of electricity a year. Furthermore, COLTENE retrofitted its compressors with a heat recovery system at the end of 2017 and expects this to produce energy savings of about 60 000 kWh a year (mainly natural gas). Waste heat from the compressors is captured and used to heat water in the hot water boiler.

- In the US, renovations on site, mainly in the front lobby, auditorium and conference rooms, led to improvements in the workspace environment. Further, a Class 8 clean room has been installed as part of a packaging standardization and sterilization project.

- In Brazil, Vigodent 2016/2017 made an important investment in a plant air system to improve dust control in its four main production areas in response to regulatory requests. This investment improved the workspace environment and contributed to adjust the current plan of environmental and regulatory improvements.

- Teams in Switzerland, the US and Brazil managed to reduce waste generation and to increase recycling in various areas on their own initiative. With regard to recycling figures, some of the reported changes might also be attributable to more accurate tracking of material flows.

Thanks to the above efforts and achievements, COLTENE management has laid the foundation for further sustainability improvements in the future. Group management is convinced that such efforts are of great value and produce tangible benefits. COLTENE will continue its efforts to mitigate the Group's environmental impact throughout the entire design and production process.

Environmental Impact: Input and Output from 2015 to 2017

Consumption of the environmentally relevant input factors of oil, gas and water is affected by many variables. These include the weather, production volumes and product mix, as well as increasingly strict regulatory requirements. Regulations regarding workplace hygiene, manufacturing processes, product packaging and quality controls for the finished products are increasingly strict. Compliance with these norms, which primarily concern product safety and patient safety, can result in higher energy consumption.

Germany

	2015	2016	2017
Electricity	1.06 GWh	0.98 GWh	0.87 GWh
Oil	16.3 t	0.0 t	0.0 t
Gas	92 000 m³	118 200 m³	105 700 m³
Water	1 800 m³	1 629 m³	1 280 m³

	2015	2016	2017
CO_2	1 012 t	961 t	854 t
Recycling	33.2 t	34.1 t	46.0 t
Waste	10.6 t	10.9 t	12.0 t
Waste water	1 800 m³	1 629 m³	1 280 m³

Switzerland

	2015	2016	2017
Electricity	0.90 GWh	0.99 GWh	1.02 GWh
Oil	36.3 t	36.3 t	42.6 t
Gas	0.0 m³	0.0 m³	0.0 m³
Water	1 300 m³	1 522 m³	1 600 m³

	2015	2016	2017
CO_2	292 t	305 t	377 t
Recycling	30.5 t	48.9 t	41.9 t
Waste	95.3 t	60.4 t	63.1 t
Waste water	1 300 m³	1 522 m³	1 600 m³

USA

	2015	2016	2017
Electricity	3.16 GWh	2.77 GWh	2.68 GWh
Oil	0.0 t	0.0 t	0.0 t
Gas	160 300	75 600 m³	106 600 m³
Water	3 497 m³	4 054 m³	3 086 m³

	2015	2016	2017
CO_2	2 511 t	2 017 t	1 749 t
Recycling	14.6 t	57.5 t	55.2 t
Waste	10.9 t	7.3 t	28.9 t
Waste water	3 497 m³	4 054 m³	3 086 m³

Brazil

	2015	2016	2017
Electricity	0.41 GWh	0.44 GWh	0.63 GWh
Oil	0.0 t	0.0 t	0.0 t
Gas	2 110 m³	2 130 m³	2 410 m³
Water	1 584 m³	1 826 m³	2 029 m³

	2015	2016	2017
CO_2	125 t	134 t	182 t
Recycling	4.7 t	1.4 t	0.0 t
Waste	30.7 t	18.8 t	20.7 t
Waste water	1 584 m³	1 826 m³	2 029 m³

Total 2016/2017

- 5.18 GWh Electricity
  5.20 GWh Electricity
- 36.3 t Oil
  42.6 t Oil
- 195 930 m³ Gas
  214 663 m³ Gas
- 9 031 m³ Water
  7 995 m³ Water
- 3 416 t CO_2
  3 122 t CO_2
- 141.9 t Recycling
  142.6 t Recycling
- 97.4 t Waste
  124.7 t Waste
- 8 181 m³ Waste water
  9 031 m³ Waste water

29.09.2017

Intelligent ultrasound cleaning system

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

Photo: Sandra Arpagaus performs final assembly of the BioSonic UC150


BioSonic
COLTENE
BioSonic
COLTENE
BioSonic

Corporate Governance COLTENE Holding AG

The following chapter describes the principles of corporate governance applied at Group and senior management level within the COLTENE Group. The main elements are contained in the Articles of Incorporation and organizational regulations, and are based on the "Guidelines concerning information on corporate governance" published by SIX Swiss Exchange as well as on the guidelines and recommendations set out in the "Swiss Code of Best Practice for Corporate Governance" published by economiesuisse. The compensation report is published separately in this Annual Report on page 44 to page 50. All information is valid as at December 31, 2017, unless otherwise stated. Significant changes that have occurred between that date and the publication date of this report have also been indicated as appropriate.

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

Group Structure and Shareholders

Group Structure

Operative Group Structure

COLTENE Group is targeting the markets for dental consumables. The Company evolved from the Health Care Division of the former Gurit-Heberlein AG and was incorporated as per December 15, 2005, under the formerly name Medisize Holding AG and listed as an independent company on June 23, 2006, on SIX Swiss Exchange. Medisize was operating with two segments in the dental and medical consumables markets. Effective as at April 30, 2008, the medical segment was sold to the Finnish Medifiq Group and the Company name was changed to COLTENE Holding AG. Since then, COLTENE Group is active in the dental consumables market only and operates one segment in line with its management structure, the organizational setup, the reporting and the allocation of resources.

Legal Structure of Subsidiaries

Of all the companies consolidated, COLTENE Holding AG (the COLTENE Group's holding company) is the only one listed. It is headquartered in Altstaetten/SG; COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2017, the market capitalization amounted to CHF 400.4 million (prior year CHF 312.4 million). All Group companies are ultimately owned at 100 % by the Group's holding company.

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

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

Major Shareholders

On December 31, 2017, there were 1743 shareholders (previous year: 1684) entered in the share register and the following shareholders held stakes equaling or exceeding the legal disclosure threshold of 3 % of the voting stock of COLTENE Holding AG:

Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG, Switzerland, Bahnhofstrasse 2, 9435 Heerbrugg, held 1 110 964 registered shares. This equals voting rights of 26.33 %. Huwa Finanz- und Beteiligungs AG is representing the families of Ruedi Huber, Balgach/SG, Helene Huber, Heerbrugg (Au/SG) and Nick Huber, Balgach/SG. Further details are available on the disclosure of shareholdings website of SIX Swiss Exchange.

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

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

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

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

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

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

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

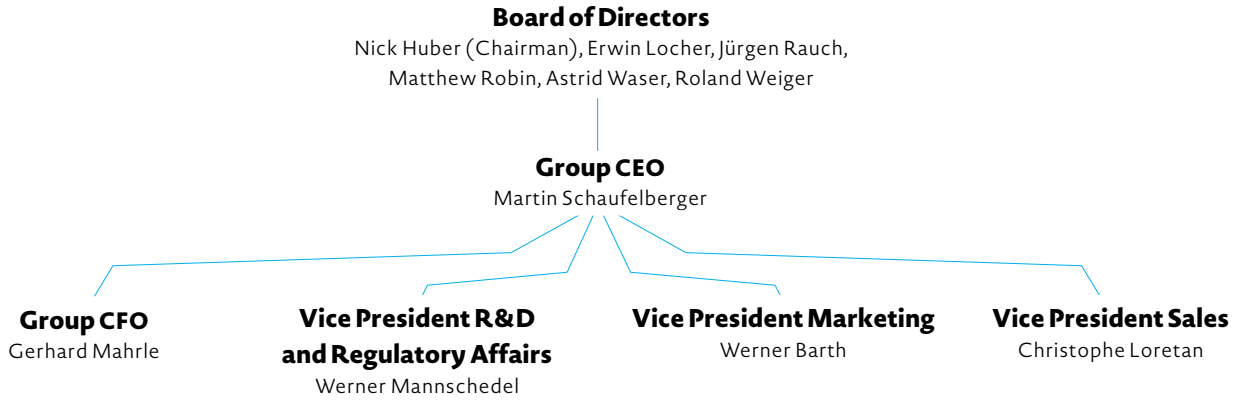
Cross-Shareholding

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

Structure of Group Operations

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

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



Capital Structure

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

Capital

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

Authorized or Contingent Capital in Particular

COLTENE Holding AG has no authorized or contingent capital.

Changes in Capital

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

Changes in equity

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

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

Shares and Participation Certificates

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

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

Profit-Sharing Certificates

COLTENE Holding AG has not issued any profit-sharing certificates

Restrictions on Transferability of Shares and Nominee Registrations

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

Convertible Bonds and Warrants/Options

COLTENE Holding AG has no outstanding convertible bonds or options.

Board of Directors

Members of the Board of Directors

On December 31, 2017, the Board of Directors of COLTENE Holding AG consisted of six members. The Articles of Incorporation stipulate a minimum of three.

The General Meeting of Shareholders elected at the meeting of March 29, 2017, Astrid Waser as an additional member of the Board for the first time. As of the 2017 General Meeting, Robert Heberlein stepped down as member of the Board and Vice Chairman of the Board of Directors of COLTENE Holding AG for reasons of age. All Board members are non-executive and have no material business interest with the COLTENE Group. They are independent in the sense of the Swiss Code of Best Practice for Corporate Governance, and have not served on either the management of COLTENE Holding AG (holding company) or the management board of any subsidiary during the past three years. In the year under review, the law firm Lenz & Staehelin, Zurich, where Robert Heberlein serves as a Counsel and Astrid Waser is partner, received CHF 66 000 for legal advice.

The personal details together with the other activities and vested interests of individual members of the actual Board of Directors are listed on pages 32 to 35.

Election and Term of Office

The members of the Board of Directors are elected by the shareholders for a period of one year. At the end of their term of office, members may be re-elected. There is no limit to the period of office or age of members of the Board of Directors. The members of the Board of Directors are elected person by person. The Chairman of the Board of Directors is elected by the shareholders for a period of one year. In the event of incapacity of the Chairman, the Chairman of the Audit and Corporate Governance Committee will temporarily assume the role of the Vice Chairman of the Board of Directors.

Restrictions on Activities outside of COLTENE Group

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

Internal Organization

Allocation of Tasks within the Board of Directors

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

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

- determination and formulation of the business strategy
- purchase and sale of participations or establishment and liquidation of Group companies
- approval of investments in and divestments of fixed assets exceeding CHF 200 000 in value
- approval of intercompany loans in excess of CHF 400 000 per fiscal year per group company
- definition of COLTENE Group's finance strategy
- determination of financial accounting and reporting, financial control, and financial planning
- definition of COLTENE Group's organizational structure
- appointment of the persons in charge of the management and their supervision
- approval of the Auditor's report and Annual Report as well as preparation of the General Meeting of Shareholders and the execution of its resolutions

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

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

The permanent committees of the Board of Directors are composed as follows:

Audit and Corporate Governance Committee

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

Chairman: Erwin Locher

Members: Jürgen Rauch and Astrid Waser

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

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

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

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

The Nomination and Compensation Committee carries out the following duties:
- recommendation of the remuneration of the members of the Board of Directors
- definition of the principles for the remuneration of the members of the Group Management and submission of these to the Board of Directors for approval
- definition of principles for the selection of candidates for election or re-election to the Board of Directors
- preparation of the selection and assessment of the candidates for the position of the CEO
- approval of appointments of members of the senior management
- approval of the remuneration to be paid to the senior management
- approval of the general guidelines for the Human Resources management of the Group
- yearly elaboration of the compensation report to be presented to the AGM

Working Methods of the Board of Directors and its Committees
The Board of Directors meets annually for at least four ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board of Directors is entitled to request an immediate meeting, provided that he names its purpose. In 2017, the Board of Directors met eight times. These meetings lasted in average four to eight hours. In one meeting, the Board of Directors discussed the Group Strategy together with the entire Group management during a two-day workshop. The Audit and Corporate Governance Committee met three times for a two hours' meeting. The Nomination and Compensation Committee met three times for a two hours' meeting.

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

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

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

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

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

Definition of Areas of Responsibility

The areas of responsibility between the Board of Directors and the Group Management are defined in COLTENE Holding AG's organizational regulations and can be summarized as follows: with the exception of decisions which according to article 716a of the Swiss Code of Obligations are part of its indefeasible and non-transferable duties, and those additional duties listed on pages 29 to 31, the Board of Directors has delegated the executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group, to the Group Management.

Information and Control Instruments vis-à-vis Group Management

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

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

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

Regarding the management of financial risks, see the notes to Group Financial Statements on pages 67 and 68.

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

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

Board of Directors

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

Matthew Robin | Jürgen Rauch | Astrid Waser | Nick Huber | Roland Weiger | Erwin Locher

Nick Huber

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

Professional background (main stages)

1990–1995	Account Manager, IBM (Switzerland) AG, Zurich/ZH
1995–2005	Divisional Head, SFS Unimarket AG, Heerbrugg/SG
2005–2016	Member of the Executive Management of SFS Services AG, Heerbrugg/SG

Other important activities and vested interests

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

Key knowledge and experience

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

Matthew Robin

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

Professional background (main stages)

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

Other important activities and vested interests

- President of the Qids Future Foundation

Key knowledge and experience

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

Erwin Locher

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

Professional background (main stages)

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

Other important activities and vested interests

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

Key knowledge and experience

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

Roland Weiger

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

Professional background (main stages)

2000–2002	Professor of Endodontology, University of Tübingen, Germany
2002–2011	Chairman of the Research Committee, European Society of Endodontology (ESE)
Since 2002	Professor and Director, Clinic of Periodontology, Endodontology and Cariology at the University of Basel/BS
2012–2015	Director of the Department of Dental Medicine, University of Basel/BS
Since 2016	Director of the University Dental Clinics and member of the Executive Board of the University Center of Dentistry (UZB), Basel/BS

Other important activities and vested interests

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

Key knowledge and experience

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

Jürgen Rauch

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

Professional background (main stages)

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

Other important activities and vested interests

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

Key knowledge and experience

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

Astrid Waser

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

Professional background (main stages)

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

Other important activities and vested interests

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

Key knowledge and experience

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

Group Management

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

Werner Mannschedel Gerhard Mahrle Christophe Loretan Martin Schaufelberger Werner Barth

Martin Schaufelberger

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

Professional background (main stages)

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

Martin Schaufelberger has no other important activities and vested interests.

Gerhard Mahrle

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

Professional background (main stages)

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

Gerhard Mahrle has no other important activities and vested interests.

Werner Mannschedel

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

Professional background (main stages)

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

Werner Mannschedel has no other important activities and vested interests.

Werner Barth

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

Professional background (main stages)

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

Werner Barth has no other important activities and vested interests.

Christophe Loretan

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

Professional background (main stages)

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

Christophe Loretan has no other important activities and vested interests.

Group Management

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

Members of the Group Management

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

Management Contracts

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

Restrictions on Activities outside of COLTENE Group

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

Principles on Compensation of the Members of the Board of Directors and the Group Management

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

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

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

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

Shareholders' Participation Rights

Details of shareholders' participation rights can be found in the Articles of Incorporation of COLTENE Holding AG. The Articles of Incorporation in German and in English are available on the website at https://docs.coltene.com/statuten (German version) and https://docs.coltene.com/aoi (English version).

Voting Right Restrictions and Representation

The Articles of Incorporation contain no restrictions on voting rights. Every registered share represented at the General Meeting is entitled to one vote. A shareholder may vote his own shares or be represented at the General Meeting by way of a written proxy. Since the Annual General Meeting 2015, every shareholder can use also the online platform of ShareCommService AG ("Indirect Voting System – IDVS") in order to grant the independent proxy a power of attorney and to forward his instructions to such independent proxy.

Statutory Quorums

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

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

Convocation of the General Meeting of Shareholders

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

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

Agenda

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

Entries in the Share Register

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

Changes of Control and Defense Measures

Public Purchase Offers

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

Clauses on Changes of Control

No change of ownership clauses are in effect at December 31, 2017, at COLTENE Group and senior management level.

Auditors

Duration of Mandate and Lead Auditor's Term of Office

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

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

Auditing Fees

The total sum charged for auditing services during the year under review by EY in its capacity as COLTENE

Group's statutory auditor amounted to CHF 230 560 (CHF 227 360 in previous year).

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

Additional Fees

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

Supervisors and Control Instruments Pertaining to the Auditors

As explained on page 29 to 30, the Board of Directors has established an Audit and Corporate Governance Committee to monitor the external auditors (statutory and COLTENE Group auditors).

The Audit and Corporate Governance Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of EY and statutory auditors. During 2017, the Audit and Corporate Governance Committee held three meetings. At these meetings, the Group auditors of EY participated during the discussion of agenda items that dealt with accounting, financial reporting or auditing matters and any other matters relevant for their audit.

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

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

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

The Audit and Corporate Governance Committee recommended to the Board of Directors the approval, and the Board of Directors approved the Annual Report for the year ended December 31, 2017, including the audited financial statements.

Information Policy

COLTENE Holding AG provides its shareholders with information in the form of the Annual Report and Half-year Report. Important events are published immediately through press releases and/or letters to shareholders. Further information can be requested at the contact address indicated on page 3 and page 94.

Internet

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

Ad Hoc Publicity

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

For important dates of publications this year, the following year and contact addresses refer to page 3.

03.10.2017

Firm endorsement of its Swiss manufacturing roots

COLTENE is investing approximately CHF 11 million to modernize and enlarge its headquarters in Altstaetten, Switzerland. The additional building has a gross floor area of 5095 m^2 and a gross volume of 25 730 m^3 and should be ready for occupancy at the end of 2018. The new facility will house production lines for diamond burs and innovative composite materials, a clean room for the sterile packaging of single-use products, as well as new training rooms and offices.

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

Compensation Report

1 Introduction

This report provides an overview of COLTENE's compensation principles and practices. It provides information on the compensation of Directors, Group Management and Senior Management in 2016 and in 2017. It explains the variable compensation systems and equity participation programs and discloses equity participations of Directors and Management in the Company.

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

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

1.1 Reporting Standards

This report is in line with the "Swiss Code of Best Practice for Corporate Governance". In accordance with the IFRS financial reporting standards and Swiss law, the compensation paid or granted to Directors and the Group Management is presented in our audited Financial Report (see pages 81 and 90).

1.2 Management Structure

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

Fig. 1: Management Structure

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

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

1.3 Corporate Governance

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

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

The Board of Directors determines the NCC's responsibilities, and passes all resolutions on the Company's compensation system (see pages 45 to 48). The NCC is entrusted with the design of the compensation system that applies to Directors, Group Management and Senior Management. It reviews the principles and programs for compensation, and ensures that the compensation paid by the Company is based on market and performance related criteria. The NCC reports to the Board of Directors on compensation practices as well as on Management compensation at least once a year and proposes changes when necessary. Any recommendations made to the Board of Directors by the NCC are discussed, adjusted if required and formally approved by the Board of Directors. Among others, the NCC carries out the following duties:

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

Recommendation and decision responsibilities with regard to compensation

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

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

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

2 Compensation Principles

2.1 Driving Values through Compensation

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

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

- offers competitive salaries
- fosters a high-performance culture that differentiates and rewards above-average individual performance, both in the short and long term
- links variable long-term compensation to value generated by the Company over the long term based on shareholder expectations

– is benchmarked with other companies in the industry
– provides employees with benefits based on good practices and regulations in local markets

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

2.2 Comprehensive Benchmark

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

Benchmark reviews for the remuneration of the Board of Directors, the Group Management, and the Senior Management are conducted regularly by COLTENE, including the use of independent specialists and/or external studies if appropriate. Comparable companies in similar industries are selected for the benchmark applying the following criteria:
– comparable scope and business complexity
– similar geographic footprint and size
– competitiveness to attract talent

2.3 Ethical, Fair Standards

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

3 Total Compensation and Compensation Elements

Total compensation for all employees including management and Directors can be found in the financial section of the Annual Report on page 72. The compensation of managers comprises fixed and variable components, the mix of which is defined by role, profile, location and strategic impact. For Group Management and Senior Management, emphasis is placed on the long-term variable component, in line with our strategic goal of promoting ownership. The compensation mix for Group Management includes a long-term variable remuneration element, part of which is paid in shares blocked for three years. Directors receive a fixed annual cash fee and a fixed amount of money in shares, also blocked for three years.

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

Elements of the compensation

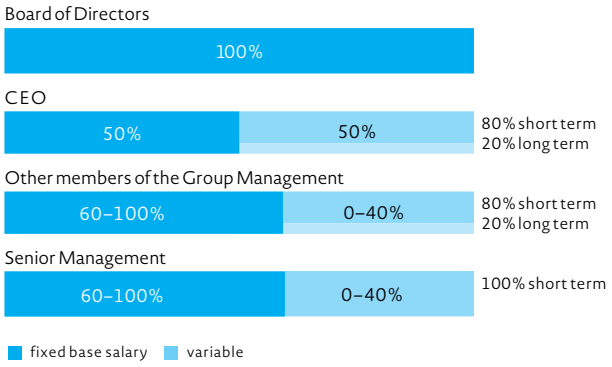


Fig. 2: Display of the compensation

3.1 Fixed Components

The fixed compensation elements include the following components:
– base salary
– pension plans[1]
(depending on local practices and regulations)
– other benefits
(depending on local practices and regulations)

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

Base salary
Each COLTENE employee receives a base salary based on:
- job profile
- experience and skills
- comparison with external benchmarks
- location and local regulations
- strategic impact

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

3.2 Variable Components
Variable compensation components included one or more of the following:
- performance-related incentives
- short-term and long-term component

Performance-related incentives
The payout under the incentive scheme is based on a combination of the following:
- company performance
- financial and functional target achievement
- individual performance

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

Weighting of performance criteria
The weighting of the different targets depends on the role and responsibilities of the individual (see table on page 45). Overall, there is a stronger focus on individual targets as determined by management, making it possible to encourage and reward above average individual performance appropriately. The measurement scale for the achievement of financial targets (company performance and financial targets) extends from 0 % to a maximum of 120 % and is based on a line joining three points as explained in the illustration. The entitlement for a bonus based on financial targets may start at a higher percentage than at 80 % of the defined target.

Scale of variable compensation elements

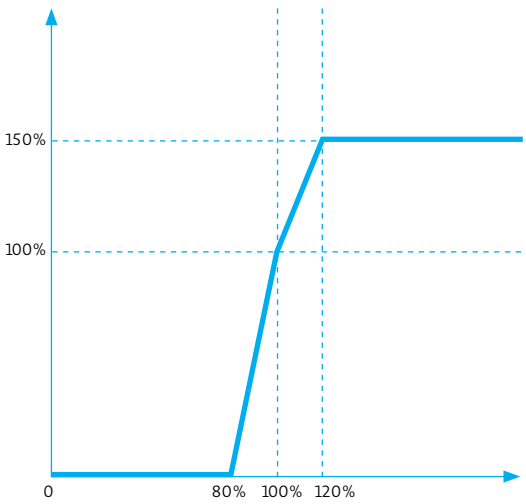


Fig. 3: Scale of variable compensation (financial targets)

The assessment scale for individual and functional target achievement extends from 0 % to 100 %. Partial financial targets might be over 100 % fulfilled (up to a maximum of 120 %); however, the total variable compensation is capped at the maximum variable compensation agreed with each member of the management and may not exceed the total fixed compensation comprising all elements according section 3.1. Fixed Components on page 46.

Illustration target achievement

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

Long-term component

For Group Management, 20 % of the variable component is defined as long-term and is remunerated in the form of shares, which are blocked for three years. The calculation of the grant price for these shares is based on the Swiss Performance Index (SPI) of the SIX Swiss stock exchange. The free-float-adjusted SPI is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein. The shares are granted at an index price based on COLTENE's share price of that year. The index price is recalculated every four years forming the base for the following four-year period. Based on this index price the relative year-on-year performance of the SPI is applied to calculate the new grant price for COLTENE shares during the following four-year period. See also Fig. 2.

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

3.3 Contract Duration and Notice Period

Duration of term of office of the members of the Board of Directors: Each member of the Board of Directors is elected every year at the AGM for one year of service until the next AGM. Notice period for members of the Group Management: No member of the Group Management has a notice period that exceeds twelve months.

3.4 Other Types of Payment

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

4 Remuneration to Directors and Group Management

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

Remuneration to the Board of Directors

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

[1] The value of the number of shares granted is calculated on the weighted average share price of the month of March of the subsequent year.
[2] Company paid social security contribution incl. AHV, IV and ALV.
[3] On the general Meeting, March 29, 2017, Robert Heberlein stepped down as Board member for reasons of age.
[4] On the General Meeting, March 29, 2017, Astrid Waser was elected as a new Board member.

Remuneration to the Group Management

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

[1] The variable remuneration, which includes cash bonus and shares, is not paid out in the reporting period. It is accrued for and paid out in the following year based on the decision of the Board of Directors.
[2] The value of shares granted is calculated with the share price at closing of the grant date. For 2016, it was February 22, 2017, and the share price was CHF 84.10. For 2017, it was February 20, 2018, and the share price was CHF 98.30.
[3] Company paid social security contribution incl. pension funds payments, AHV, IV, ALV, NBU and KTG.

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

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

Approved remuneration to the Board of Directors for 2017

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

Compensation to the Board of Directors in 2017 in CHF

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

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

Approved remuneration to the Group Management for 2017

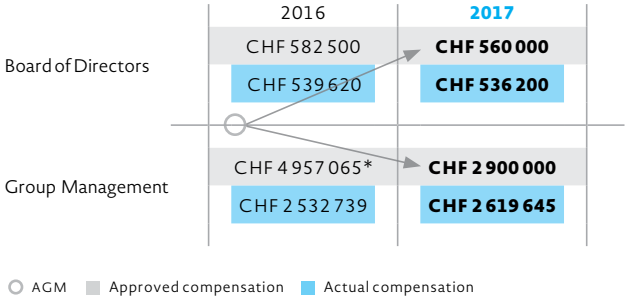
The AGM approved an aggregate remuneration to the Group Management of CHF 2 900 000 for the financial year 2017. In total, the Group Management received as compensation CHF 2 614 583.

Compensation to the Group Management in 2017 in CHF

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

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

Compensation to the Board of Directors and the Group Management



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

Fig. 4: Overview approved and actual compensation

Loans

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

Number of shares held by the Board of Directors

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

Number of shares held by the Group Management

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

5 Approval of the Compensation Report

This compensation report provides comprehensive transparency with regard to the Company's general compensation principles and in particular to the compensation of the Group Management and the Board of Directors. The Board of Directors will present this report to the shareholders for consultative approval at the Annual General Meeting on March 28, 2018.

Report of the Statutory Auditor

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

Report of the Statutory Auditor on the Compensation Report

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

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2017 of COLTENE Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Ralf Truffer
Licensed audit expert

St. Gallen, February 28, 2018

19.12.2017

New competencies thanks to KENDA

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

Photo: Anabela Magalhães Goncalves marks the shaft of a "Nobilis" diamond polisher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Financial Commentary

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

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

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

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

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

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

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

Group Statement of Profit and Loss

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

Group Statement of Comprehensive Income

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

Group Statement of Financial Position

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

The notes are part of COLTENE Group Financial Statements.

Group Cash Flow Statement

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

The notes are part of COLTENE Group Financial Statements.
[1] In 2017, the position of other non-cash items included the change in income tax, interest expense, provisions and currency translation adjustments. The year before, it also included the change in allowances on net working capital.

Group Statement of Changes in Equity

In CHF 1000	Ref.	Share capital	Treasury shares	Currency translation adjustments	Retained earnings	Total
01.01.2016		**422**	**–307**	**–33 201**	**134 664**	**101 578**
Comprehensive income for the year		0	0	1 703	18 152	19 855
Share-based payment transactions	3,24	0	192	0	0	192
Dividends	22	0	0	0	–9 276	–9 276
Change in treasury shares		0	–98	0	0	–98
Remeasurement treasury shares		0	–45	0	45	0
31.12.2016		**422**	**–258**	**–31 498**	**143 585**	**112 251**
Comprehensive income for the year		0	0	–35	20 547	20 512
Share-based payment transactions	3,24	0	284	0	0	284
Dividends	22	0	0	0	–11 381	–11 381
Change in treasury shares		0	39	0	0	39
Remeasurement treasury shares		0	–65	0	65	0
31.12.2017		**422**	**0**	**–31 533**	**152 816**	**121 705**

Notes to Group Financial Statements

Reporting Entity

COLTENE Holding AG, the holding company of the COLTENE Group ("the Group"), is a stock corporation according to Swiss Code of Obligations. The Company's legal domicile is in Altstätten, Switzerland. COLTENE Holding AG was founded in accordance with Swiss company law on December 15, 2005. The Group is active in the dental consumables market. COLTENE Holding AG was listed as an independent company at the SIX Swiss Exchange on June 23, 2006.

Operating Segments and Products

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

Principles of Consolidation

General Remarks

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

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

The International Accounting Standard Board (IASB) and the IFRS Interpretation Committee (IFRIC) issued the following new and amended IFRS interpretations to be applied by the Group in financial year 2017:

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

Announced adoption of Swiss GAAP FER accounting standards

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

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

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

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

The COLTENE Holding AG Board of Directors authorized these financial statements on March 06, 2018, for issue. The financial statements are subject to approval by the Annual General Meeting of Shareholders scheduled to take place on March 28, 2018.

Companies Consolidated

Group subsidiaries, controlled directly or indirectly by COLTENE Holding AG, are fully consolidated. Subsidiaries are fully consolidated as of the date on which control is obtained. Subsidiaries are deconsolidated as of the date on which control ceases. The companies consolidated are shown in the summary provided on page 82.

Consolidation Method and Goodwill

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

Net assets acquired comprise identifiable assets, liabilities, and contingent liabilities and are recognized at fair value. The difference between the acquisition costs and the fair value of the proportionate interest in the net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the negative difference is accounted for in the income statement.

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

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

Associates

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

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

Principles of Valuation

Cash and Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Property, Plant, and Equipment

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

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

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

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

Financial Assets

Classification

The Group classifies its financial assets as follows:

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

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise from the ordinary course of business or from lending activities. Receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date. Such loans and receivables are classified as non-current financial assets.

Financial Assets at Fair Value Through Profit or Loss

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

Recognition

Regular purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs

for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

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

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

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

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

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

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

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

Post-Employment Benefits

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

The Group recognizes the following changes in the net defined benefit obligation under personnel expenses and financial expenses in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and settlements (personnel expenses)
- Net interest expense or income (financial expenses)

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Share-Based Payments

All members of the Board of Directors are paid for their services with a yearly fixed amount in cash. In addition, all members of the Board of Directors receive a fixed number of shares having a blocking period of three years without any vesting conditions. The Group Management receives a fixed and a variable remuneration. Part of the variable remuneration is payed in shares having a blocking period of three years without any vesting conditions. The valuation of the shares takes place on the grant date, the related expense is recognized immediately in the income statement. The yearly compensation of the Board of Directors and the Group Management is determined by the Nomination and Compensation Committee annually. For further details see page 49 of the Compensation Report.

Taxes

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

Net Sales

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

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

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

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

Dividend and Capital Distribution
Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, until paid out.

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

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

The most important exchange rates are listed below:

The most important exchange rates

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

Financial Risk Management
Financial risk management is ensured according to the principles defined by Group Management. These principles define how credit, interest, and currency risks are to be managed. Additional rules governing the management of liquidity and other financial assets were also defined.

The subsidiaries manage their financial risk according to the defined risk policy. If appropriate, derivative financial instruments are used to hedge certain risk positions. The Group does not apply hedge accounting. Derivative financial instruments are only agreed upon with high-quality counterparties (banks with rating A or better).

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

Liquidity Risk

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

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

Financial liabilities cash outflows

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

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

Interest Risk

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

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

Currency Risk

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

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

Foreign currency sensitivity

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

Categories of Financial Assets and Liabilities

Financial assets

In CHF 1000	Loans and receivables	Financial assets at fair value through profit and loss	Carrying amount 31.12.[2]	Fair value level
2017				
Cash and cash equivalents	22 040		22 040	n/a
Trade accounts receivable	37 068		37 068	n/a
Other receivables and prepaid	3 241		3 241	n/a
Total	**62 349**	**0**	**62 349**	
2016				
Cash and cash equivalents	21 570		21 570	n/a
Trade accounts receivable	33 426		33 426	n/a
Other receivables and prepaid	2 445		2 445	n/a
Total	**57 441**	**0**	**57 441**	

Financial liabilities

In CHF 1000	Financial liabilities measured at amortized cost	Financial liabilities at fair value through profit and loss	Carrying amount 31.12.[2]	Fair value level
2017				
Financial liabilities	8 281		8 281	n/a
Trade accounts payable	6 506		6 506	n/a
Other accounts payable and accruals	11 951		11 951	n/a
Forwards[1]	0	150	150	Level 2[3]
Total	**26 738**	**150**	**26 888**	
2016				
Financial liabilities	12 921		12 921	n/a
Trade accounts payable	4 698		4 698	n/a
Other accounts payable and accruals	11 076		11 076	n/a
Total	**28 695**	**0**	**28 695**	

[1] Included in line item Other accounts payable and accruals in the Group statement of financial position, see also note 19.
[2] Carrying amount is a reasonable approximation for fair value.
[3] Level 2: financial instruments with directly observable market inputs.

Capital Risk Management

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

Capital risk management

In CHF 1000	2017	2016
Interest-bearing debt	8 281	12 921
EBITDA	31 196	28 915
Leverage factor	**0.3**	**0.4**
Equity ratio in %	**72.7%**	**70.0%**

Targets for these ratios are for leverage factor below 3.0 and for equity ratio above 40 %. Group Management would allow these ratios to be higher respectively lower for a short period of time in case strong evidence is given that the targets can again be achieved within a reasonable time frame.

Acquisitions

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

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

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

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

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

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

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

Significant Estimates and Judgments

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

Goodwill

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

IAS 19 Post-Employment Benefits

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

Tax

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

Tax liabilities comprise expected income tax payments based on taxable profit of the year as well as pending tax assessments. The Group recognizes deferred tax assets only if they can be used within a period of five years in general. All tax credits from capitalized tax losses are assessed annually. The assessments are based on business plans. Underlying estimation and assumptions are main sources of uncertainties.

1 Group-wide Information

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

Net sales by geographical areas

In CHF 1000	2017	2016
Switzerland	2 024	1 839
Germany, Austria	15 856	16 638
Great Britain, Ireland	7 128	6 979
France	6 882	6 182
Other Europe	24 816	23 373
Russia and other CIS	6 232	5 762
Middle East and Africa	7 207	7 412
North America	58 104	56 407
Brazil	7 507	5 189
Other South America	10 001	10 197
China	6 755	6 017
India	4 050	3 262
Other Far East, Oceania	11 427	11 407
Net sales	**167 989**	**160 665**

Net sales by products and services

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

Net sales of TCHF 33 647 (previous year TCHF 32 598) corresponding to 20.9 % of Group net sales (previous year 20.3 %) were generated with one customer (large distribution group). No other major customers exist.

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

Property, plant, and equipment by geographical areas

In CHF 1000	31.12.2017	31.12.2016
Switzerland	12 774	12 146
Germany	2 096	1 713
Other Europe	271	209
China	113	42
India	67	150
USA	11 348	13 868
Brazil	1 745	1 830
Property, plant, and equipment	**28 414**	**29 958**

Intangible assets by geographical areas

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

2 Raw Material and Consumables Used

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

3 Personnel Expenses

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

Personnel expenses

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

Personnel expenses include TCHF 284 (previous year TCHF 192) for share-based payment transactions with the Board of Directors and Group Management. For information on expenses for post-employment benefits according to IAS 19, please refer to note 4.

4 Pension Liabilities

Employee Benefit Obligation

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

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

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

The pension plans of Coltène/Whaledent AG account for 100 % of COLTENE's entire defined benefit pension obligations and 100 % of plan assets. The pension solution adopted for the Group's Swiss companies is affiliated to a legally independent collective foundation, financed through employer and employee contributions. All actuarial risks are borne by the foundation and all of the foundation's actuarial risks of death and invalidity are reinsured. The Company (employer) and the beneficiaries (employees) are represented equally in a board of trustees.

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

Pension liabilities

In CHF 1000	2017	2016
Pension costs		
Current service cost	958	1 078
Past service cost	0	0
Interest expenses on defined benefit obligation (DBO)	189	188
Interest income on plan assets	–136	–122
Total	**1 011**	**1 144**
Reconciliation of the present value of the DBO		
DBO 1.1.	26 224	25 010
Current service cost	958	1 078
Ordinary contribution paid by employees	733	620
Interest expenses on (DBO)	189	188
Benefits paid / transferred	869	–125
Actuarial (gain) and loss arising from changes in financial assumptions	–350	–1 036
Actuarial (gain) and loss arising from experiences adjustments	51	1 012
Actuarial (gain) / loss arising from changes in demographic assumptions	0	–523
DBO 31.12.	**28 674**	**26 224**
Reconciliation of fair value of plan assets		
Fair value 1.1.	18 156	16 231
Interest income on plan assets	136	122
Ordinary contribution paid by employer	902	784
Ordinary contribution paid by employees	733	620
Benefits paid / transferred	869	–125
Return on plan assets excl. interest income (gains/losses)	1 500	524
Fair value 31.12.	**22 296**	**18 156**
Details to plan assets		
Receivables from insurance company	22 296	18 156
Total	**22 296**	**18 156**

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

Pension liabilities

In CHF 1000	2017	2016
Net defined liability (asset)		
Present value of the defined benefit obligation, 31.12.	28 674	26 224
Fair value of plan assets, 31.12.	–22 296	–18 156
Net defined benefit liability (asset) recognized in balance sheet[1]	**6 378**	**8 068**
Changes in net amount		
Net defined benefit liability (asset), 1.1.	8 068	8 780
Defined benefit cost recognized in profit and loss	1 012	1 144
Defined benefit cost recognized in other comprehensive income	–1 800	–1 072
Ordinary contribution paid by employer	–903	–784
Balance 31.12.	**6 377**	**8 068**
Actuarial assumptions		
Discount rate	0.70%	0.70%
Future salary increase	1.00%	1.00%
Mortality (GT)	BVG 2015 GT	BVG 2015 GT

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

Pension liabilities – Sensitivity analysis

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

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

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

Future expected contributions to the defined benefit plans

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

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

5 Other Operating Expenses

Other operating expenses

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

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

6 Depreciation and Amortization

Depreciation and amortization

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

7 Financial Income and Expenses

Financial income and expenses

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

8 Tax Expenses

Tax expenses comprise the following positions:

Tax expenses

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

Tax expenses can be analyzed as follows:

Tax expenses

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

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

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

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

Tax losses

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

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

9 Deferred Taxes

Deferred tax assets

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

Deferred tax liabilities

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

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

Deferred tax details

In CHF 1000	2017		2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Receivables and accruals	119	170	0	172
Inventories	1 763	404	1 539	347
Property, plant, and equipment	0	1 702	0	2 590
Intangible assets	10	7 086	0	8 101
Provisions	1 129	54	1 556	52
Deferred taxes from losses carried forward	399	0	435	0
Offset of deferred tax assets and liabilities	–2 180	–2 180	–3 050	–3 050
Total	**1 240**	**7 236**	**480**	**8 212**

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

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

10 Earnings per Share

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

Earnings per share

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

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

11 Trade Accounts Receivable

Trade accounts receivable

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

Trade accounts receivable by currency

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

Trade accounts receivable (gross) by maturity

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

Trade accounts receivable by maturity including allowance

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

Change in allowance

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

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

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

As per December 31, 2017, no trade accounts receivable are pledged (previous year also none).

12 Other Receivables and Prepaid Expenses

These items include:

Other receivables and prepaid expenses

In CHF 1000	2017	2016
Other receivables	2 358	1 838
Prepaid expenses	900	624
Allowance	–17	–17
Total	**3 241**	**2 445**

13 Inventories

Inventories are as follows:

Inventories (net)

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

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

Inventories (gross)

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

Change in allowance

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

14 Property, Plant, and Equipment

Gross values

In CHF 1000	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2015	**43 513**	**3 535**	**42 546**	**1 464**	**91 058**
Additions	1 140	0	1 964	1 853	4 957
Disposals	–1 307	0	–803	0	–2 110
Currency effects	796	60	601	42	1 499
Reclassification	887	0	436	–1 323	0
Value 31.12.2016	**45 029**	**3 595**	**44 744**	**2 036**	**95 404**
Additions	714	0	1 355	2 504	4 573
Disposals	–936	0	–1 655	–27	–2 618
Currency effects	–344	–54	–362	–46	–806
Reclassification	254	0	218	–1 861	–1 389
Value 31.12.2017	**44 717**	**3 541**	**44 300**	**2 606**	**95 164**

Accumulated depreciation

In CHF 1000	Machinery and Equipment	Land	Buildings (incl. inst.)	Assets under Construction	Total
Value 31.12.2015	**33 756**	**715**	**27 242**	**0**	**61 713**
Depreciation	2 523	59	1 837	0	4 419
Disposals	–777	0	–730	0	–1 507
Currency effects	555	21	245	0	821
Reclassification	7	0	–7	0	0
Value 31.12.2016	**36 064**	**795**	**28 587**	**0**	**65 446**
Depreciation	2 403	59	1 961	0	4 423
Disposals	–872	0	–1 562	0	–2 434
Currency effects	–145	–34	–138	0	–317
Reclassification	–367	0	0	0	–367
Value 31.12.2017	**37 083**	**820**	**28 848**	**0**	**66 751**

Net values

In CHF 1000	Machinery and Equipment	Land	Buildings (incl. Inst.)	Assets under Construction	Total
Value 31.12.2016	8 965	2 800	16 157	2 036	29 958
Value 31.12.2017	**7 634**	**2 721**	**15 452**	**2 606**	**28 413**

Contractual Commitments

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

Pledged Assets

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

15 Financial Assets

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

16 Intangible Assets

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

Following assumptions were made:

Goodwill assumptions

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

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

Gross values

In CHF 1000	Goodwill	Other intangible assets	Total
Value 31.12.2015	**37 089**	**12 428**	**49 517**
Additions	0	653	653
Disposal	0	–1 355	–1 355
Currency effects	989	468	1 457
Value 31.12.2016	**38 078**	**12 194**	**50 272**
Additions[1]	939	430	1 369
Disposal	0	–175	–175
Currency effects	746	–178	568
Reclassification	0	1 022	1 022
Value 31.12.2017	**39 763**	**13 293**	**53 056**

Accumulated amortization

In CHF 1000	Goodwill	Other intangible assets	Total
Value 31.12.2015	**0**	**8 702**	**8 702**
Amortization	0	1 187	1 187
Disposal	0	–1 355	–1 355
Currency effects	0	187	187
Value 31.12.2016	**0**	**8 721**	**8 721**
Amortization	0	1 287	1 287
Disposal	0	–75	–75
Currency effects	0	–68	–68
Value 31.12.2017	**0**	**9 865**	**9 865**

Net values

In CHF 1000	Goodwill	Other intangible assets	Total
Value 31.12.2016	38 078	3 473	41 551
Value 31.12.2017	**39 763**	**3 428**	**43 191**

[1] Acquistion Diatech Inc.

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

No impairment was recognized for the periods presented.

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

17 Financial Liabilities

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

Current bank loans

In CHF 1000	2017	2016
Unsecured bank loans	8 281	12 921
Total	**8 281**	**12 921**

Current bank loans

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

Current bank loans

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

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

The Group intends to repay the current bank loans of TCHF 8281 within less than twelve months and to finance cash needs by renewing existing bank loans and by additional bank loans out of existing credit lines.

18 Trade Accounts Payable

Trade accounts payable

In CHF 1000	2017	2016
CHF	1 450	711
EUR	1 933	1 249
USD	2 356	2 011
Other currencies	767	727
Total	**6 506**	**4 698**

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

19 Other Accounts Payable and Accruals

Other accounts payable and accruals

In CHF 1000	2017	2016
Other accounts payable	2 904	2 351
Accruals	9 199	8 725
Total	**12 103**	**11 076**

Derivative financial instruments

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

The tables show the contract or underlying principal amounts and fair values of derivative financial instruments analyzed by type of contract at December 31, 2017 and 2016. Contracts or underlying principal amounts indicate the volume of business outstanding at the consolidated balance sheet date and do not represent amounts at risk. The fair values are determined by reference to market prices or standard pricing models that used observable market inputs at December 31, 2017 and 2016.

20 Provisions

The column "Legal & personnel-related" covers the risk of litigation and employment contract termination benefits. The next category "Pension plans & social security" includes provisions for pension plans and other social security as well as future pension claims and age-related part-time work agreements, promised pension, or capital payments to the extent to which these payables are not included or reinsured by a legally separate fund. The remaining column "Guarantees & others" mainly contains provisions for estimated guarantees based on experience for guarantee claims that cannot be insured and are based on the assessment of specific cases. A capital outflow from long-term provisions is expected in the next one to five years with the exception of pension plans where the outflow lasts more than five years. Provisions are as follows:

Provisions

In CHF 1000	Legal & personnel-related	Pension plans & social security	Guarantees & others	Total
31.12.2015	**494**	**8 900**	**266**	**9 660**
Additions	82	0	11	93
Reversals	–65	0	0	–65
Used	–272	–708	–20	–1 000
Currency effects	34	0	–2	32
31.12.2016	**273**	**8 192**	**255**	**8 720**
Additions	179	37	228	444
Reversals	0	0	–130	–130
Used	0	–1 691	–2	–1 693
Currency effects	–6	7	19	20
31.12.2017	**446**	**6 545**	**370**	**7 361**

Provision by maturity

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

21 Operating Leasing

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

Leasing

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

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

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

22 Equity

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

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

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

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

23 Contingent Liabilities

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

24 Transactions with Related Parties

Key Management compensation[1]

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

[1] See also notes COLTENE Holding AG page 90.

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

25 Subsequent Events

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

Major Group Companies

Company	Activity	Currencies	Registered capital	Group ownership 2017	Group ownership 2016
Coltène/Whaledent AG, Altstätten CH	**1**	**CHF**	**1 600 000**	**100%**	**100%**
Coltène/Whaledent 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 HU	1	HUF	3 000 000	100%	100%
Coltène/Whaledent Ltd., Burgess Hill GB	3	GBP	200 000	100%	100%
Coltène/Whaledent S.à.r.l., Lezennes FR	3	EUR	503 000	100%	100%
Coltène Italy S.r.l., Milano IT	3	EUR	10 000	100%	100%
Coltène Iberia S.L., Madrid ES	3	EUR	10 000	100%	100%
Coltene Turkey Diş Sağlığı Ürünleri Ltd. Şti, Istanbul TR	3	TRY	20 000	100%	100%
Coltène/Whaledent Dental Materials & Equipment Trading Co. Ltd, Beijing CN	3	CNY	10 000 000	100%	100%
Coltène/Whaledent Private Limited, Mumbai IN	3	INR	64 800 000	100%	100%
Coltene Japan LLC, Tokyo JP	3	JPY	1 400 000	100%	100%
Coltène/Whaledent Inc., Cuyahoga Falls US	**1**	**USD**	**8 400 000**	**100%**	**100%**
Dentronix Inc., Cuyahoga Falls US	1	USD	1 265 000	100%	100%
Diatech Inc., Mount Pleasant US	1	USD	100 000	100%	0%
Vigodent SA Indústria e Comércio, Rio de Janeiro BR	**1**	**BRL**	**54 677 752**	**100%**	**100%**

[1] Production and sales of dental specialities
[2] Sales services and marketing of dental specialities
[3] Sales of dental specialities

Statutory Auditor's Report

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

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

Opinion

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Valuation of Inventory

Area of Focus

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

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

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

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

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

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

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

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

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

Report on other Legal and Regulatory Requirements

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

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

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Ralf Truffer
Licensed audit expert

St. Gallen, February 28, 2018

Income Statement COLTENE Holding AG

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

Balance Sheet COLTENE Holding AG

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

Statements of Changes in Equity COLTENE Holding AG

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

Notes to COLTENE Holding AG

Principals

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

Financial Assets

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

Treasury Shares

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

Investments

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

Foregoing a Cash Flow Statement and Additional Disclosures in the Notes

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

Investments in Subsidiaries

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

Full-time equivalents

COLTENE Holding AG has no employees.

Contingent liabilities

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

Significant investments

See list on page 82.

Treasury shares

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

Significant shareholders (shareholdings in %)*

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

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

Number of shares held by Board of Directors

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

Number of shares held by Group Management

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

Remuneration to the Board of Directors

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

[1] The value of the number of shares granted is calculated on the weighted average share price of the month of March of the subsequent year.
[2] Company paid social security contribution incl. AHV, IV and ALV.
[3] On the general Meeting, March 29, 2017, Robert Heberlein stepped down as Board member for reasons of age.
[4] On the General Meeting, March 29, 2017, Astrid Waser was elected as a new Board member.

Remuneration to the Group Management

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

[1] The variable remuneration, which includes cash bonus and shares, is not paid out in the reporting period. It is accrued for and paid out in the following year based on the decision of the Board of Directors.
[2] The value of shares granted is calculated with the share price at closing of the grant date. For 2016, it was February 22, 2017, and the share price was CHF 84.10. For 2017, it was February 20, 2018, and the share price was CHF 98.30.
[3] Company paid social security contribution incl. pension funds payments, AHV, IV, ALV, NBU and KTG.

Subsequent Events

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

Proposed Appropriation of Disposable Profit and Dividend Distribution

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

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

Report of the Statutory Auditor

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of COLTENE Holding AG, which comprise the income statement, balance sheet, statement of changes in equity and notes (pages 86 to 91), for the year ended 31 December 2017.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

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

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

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

Valuation of Investments

Area of Focus

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

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

Our Audit Response

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

Report on other Legal Requirements

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

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

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

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

Ralf Truffer
Licensed audit expert

St. Gallen, February 28, 2018

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

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