COMET Group Consolidated Financial Statements

Consolidated balance sheet

In thousands of CHF	Note	Dec. 31, 2016	%	Dec. 31, 2015	%
Assets					
Cash and cash equivalents		74,832		24,295	
Trade and other receivables	5	60,893		44,483	
Other financial assets	6	152		25	
Inventories	7	81,473		65,820	
Prepaid expenses		2,651		3,104	
Total current assets		**220,001**	**63.8%**	**137,728**	**53.9%**
Property, plant and equipment	8	66,902		58,481	
Intangible assets	9	49,703		50,454	
Financial assets	6	234		349	
Employee benefit plan assets	16	0		997	
Deferred tax assets	11	8,068		7,633	
Total non-current assets		**124,907**	**36.2%**	**117,914**	**46.1%**
Total assets		**344,908**	**100.0%**	**255,642**	**100.0%**
Liabilities and shareholders' equity					
Current debt	12	2,666		11,287	
Trade and other payables	13	58,153		42,402	
Other financial liabilities	6	184		4,177	
Tax payables		5,408		2,201	
Accrued expenses	14	18,048		10,440	
Current provisions	15	7,842		5,993	
Total current liabilities		**92,301**	**26.8%**	**76,499**	**29.9%**
Long-term debt	12	67,760		10,749	
Non-current provisions	15	57		65	
Employee benefit plan liabilities	16	5,546		1,795	
Deferred tax liabilities	11	2,899		4,330	
Total non-current liabilities		**76,262**	**22.1%**	**16,938**	**6.7%**
Total liabilities		**168,563**	**48.9%**	**93,438**	**36.6%**
Capital stock	27	7,745		7,738	
Additional paid-in capital		37,576		45,615	
Retained earnings		156,033		133,105	
Foreign currency translation differences		(25,009)		(24,253)	
Total equity attributable to shareholders of COMET Holding AG		**176,345**	**51.1%**	**162,205**	**63.4%**
Total liabilities and shareholders' equity		**344,908**	**100.0%**	**255,642**	**100.0%**

Consolidated statement of income

In thousands of CHF	Note	2016	%	2015	%
Net sales	3	332,437		282,321	
Cost of sales		(197,428)		(174,625)	
Gross profit		**135,009**	**40.6%**	**107,696**	**38.1%**
Other operating income	18	5,820	1.8%	5,539	2.0%
Development expenses	20	(37,470)	–11.3%	(28,922)	–10.2%
Marketing and selling expenses		(45,162)	–13.6%	(38,001)	–13.5%
General and administrative expenses		(21,724)	–6.5%	(20,824)	–7.4%
Operating income		**36,473**	**11.0%**	**25,488**	**9.0%**
Financing expenses	22	(6,333)	–1.9%	(10,159)	–3.6%
Financing income	22	5,950	1.8%	6,750	2.4%
Income before tax		**36,090**	**10.9%**	**22,079**	**7.8%**
Income tax	11	(8,754)	–2.6%	(4,973)	–1.8%
Net income		**27,336**	**8.2%**	**17,106**	**6.1%**
Earnings per share in CHF, diluted and basic	23	35.31		22.13	
Operating income		**36,473**	**11.0%**	**25,488**	**9.0%**
Amortization	21	3,157	0.9%	2,506	0.9%
EBITA		**39,630**	**11.9%**	**27,994**	**9.9%**
Depreciation	21	8,069	2.4%	7,724	2.7%
EBITDA		**47,699**	**14.3%**	**35,718**	**12.7%**

Consolidated statement of comprehensive income

In thousands of CHF	Note	2016	2015	Change	Change in %
Net income		27,336	17,106	10,229	59.8%
Other comprehensive income					
Foreign currency translation differences		(756)	(5,042)	4,285	–85.0%
Total items that will be reclassified to the income statement on realization		**(756)**	**(5,042)**	**4,285**	**–85.0%**
Actuarial (losses) on defined benefit plans	16	(5,889)	(1,825)	(4,064)	222.7%
Income tax	11	859	251	608	242.2%
Total items that will not subsequently be reclassified to the income statement		**(5,030)**	**(1,574)**	**(3,456)**	**219.6%**
Total other comprehensive income		**(5,786)**	**(6,615)**	**830**	**–12.5%**
Total comprehensive income		**21,550**	**10,491**	**11,059**	**105.4%**

Consolidated statement of cash flows

In thousands of CHF	Note	2016	2015
Net income		27,336	17,106
Income tax	11	8,754	4,973
Depreciation and amortization	8/9	11,226	10,230
Interest expense/(income), net	22	1,451	1,024
Share-based payments	28	1,107	439
Losses on disposal of property, plant and equipment		9	7
Other non-cash (income)/expense		(625)	1,936
Change in provisions	15	1,834	102
Change in other working capital		(11,479)	7,724
Interest received		15	11
Taxes paid		(6,450)	(7,881)
Net cash provided by operating activities		33,178	35,672
Purchase price payment for acquisition of subsidiary	4/25	(2,630)	(8,190)
Purchases of property, plant and equipment	8	(16,995)	(11,371)
Purchases of intangible assets	9	(2,668)	(2,486)
Disposals of property, plant and equipment	8	715	72
Net cash used in investing activities		**(21,579)**	**(21,974)**
Proceeds from new bank loans	12	0	5,809
Net proceeds from issue of bond (2016-2021)		59,600	0
Repayment of bank loans	12	(11,237)	(4,270)
Interest paid		(635)	(745)
Distribution to shareholders of COMET Holding AG		(8,512)	(8,493)
Net cash used in financing activities		**39,216**	**(7,699)**
Net increase in cash and cash equivalents		50,816	5,999
Foreign currency translation differences on cash and cash equivalents		(279)	(261)
Cash and cash equivalents at January 1		24,295	18,559
Net cash and cash equivalents at December 31		**74,832**	**24,295**

Consolidated statement of changes in equity

	Equity attributable to shareholders of COMET Holding AG				
In thousands of CHF	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total shareholders' equity
December 31, 2014	**7,721**	**52,740**	**118,518**	**(19,212)**	**159,768**
Net income			17,106		17,106
Other comprehensive income			(1,574)	(5,042)	(6,615)
Total comprehensive income			**15,533**	**(5,042)**	**10,491**
Distribution to shareholders of COMET Holding AG		(8,493)			(8,493)
Increase in capital (for stock compensation)	17	1,367	(1,358)		27
Share-based payments			412		412
December 31, 2015	**7,738**	**45,615**	**133,105**	**(24,253)**	**162,205**
Net income			27,336		27,336
Other comprehensive income			(5,030)	(756)	(5,786)
Total comprehensive income			**22,306**	**(756)**	**21,550**
Distribution to shareholders of COMET Holding AG		(8,512)			(8,512)
Increase in capital (for stock compensation)	7	473	(417)		63
Share-based payments			1,039		1,039
December 31, 2016	**7,745**	**37,576**	**156,033**	**(25,009)**	**176,345**

Notes to the consolidated financial statements

01 Nature of COMET's business activities

The COMET Group ("COMET", the "Group") is one of the world's leading vendors of x-ray, radio frequency (RF) and ebeam technology. With high-quality components, systems and services, marketed under the "COMET", "YXLON" and "ebeam" brands, the Group helps its customers optimize the quality, reliability and efficiency of their products and processes. YXLON x-ray systems for non-destructive testing are supplied to end customers in the automotive, aerospace, electronics and energy sectors. Under the COMET brand, the Group builds components and modules such as x-ray sources, vacuum capacitors, RF generators and impedance matching networks, marketed to manufacturers in the automotive, aerospace, semiconductor and solar industries as well as for security applications at airports. Under the ebeam brand, the Group develops and markets compact ebeam sets and whole ebeam systems for the treatment of surfaces in the food and printing industries.

02 Accounting policies

The consolidated financial statements (except with respect to certain financial instruments) have been drawn up under the historical cost convention. The fiscal year-end of the subsidiaries is December 31. Assets and liabilities are recognized if they are likely to result in inflows or outflows, respectively, of future economic benefits and if the associated amounts can be measured reliably. These consolidated financial statements for 2016 have been prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS). All IFRS in force at the balance sheet date and all interpretations (IFRIC) of the International Accounting Standards Board (IASB) were applied. COMET did not early-adopt new standards and interpretations except as specifically stated below. The significant accounting policies applied are unchanged from the prior year except as set out below.

02.1 Changes in accounting policies

Revised and new accounting rules

With effect from January 1, 2016, COMET has applied the following new or revised IFRS/IAS for the first time:

- IAS 1 – Amendments – Disclosure Initiative
- IAS 16 and IAS 38 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 27 – Amendments – Equity Method in Separate Financial Statements
- IFRS 10, IFRS 12 and IAS 28 – Amendment – Investment Entities Consolidation Exception
- IFRS 11 – Amendment – Accounting for Acquisitions of Interests in Joint Operations
- Annual Improvements to IFRSs, published September 2014

The first-time application of the above new or amended standards and interpretations had no effect on the balance sheet and income statement in these financial statements.

02.2 New accounting rules becoming effective in subsequent periods

Standard	Expected impact	Effective date	Planned adoption by COMET
IAS 7 – Amendment – Disclosure Initiative	(1)	Jan. 1, 2017	Fiscal year 2017
IAS 12 – Amendment – Recognition of Deferred Tax Assets for Unrealised Losses	(1)	Jan. 1, 2017	Fiscal year 2017
IFRS 9 – Financial Instruments	(1)	Jan. 1, 2018	Fiscal year 2018
IFRS 15 – Revenue from Contracts with Customers	(2)	Jan. 1, 2018	Fiscal year 2018
IFRS 2 – Amendment – Classification and Measurement of Share-based Payment Transactions	(1)	Jan. 1, 2018	Fiscal year 2018
IFRS 16 – Leases	(3)	Jan. 1, 2019	Fiscal year 2019

(1) Expected to have no, or no significant, impact on the financial position, results of operations and cash flows. The new standards will lead to expanded disclosure.

(2) From January 1, 2018, COMET will apply IFRS 15, Revenue from Contracts with Customers, for the first time, using the full retrospective method (full restatement). Based on the analysis and understanding to date, potential impacts on the financial position, results of operations and cash flows of the COMET Group arise in the following areas:

The X-Ray Systems operating segment supplies customers with comprehensive and in some cases complex systems. Besides the equipment itself, the segment also provides services such as installation and complete integration into customers' processes. Under the new standard, these services are no longer regarded as separable. As a consequence, the timing of revenue recognition for some systems will shift to a later date. The effect cannot be quantified.

In the Group's other operating segments, income from research and development services must be re-evaluated under IFRS 15 with respect to its classification as revenue from contracts with customers or as other operating income. This can result in a different classification than under the current standards. At present the impact of the reclassification cannot yet be quantified.

Other than the changes cited above and the expansion of disclosures, COMET does not expect any material effects on the financial position, results of operations and cash flows.

(3) The first projections of the impacts of IFRS 16, Leases, indicate that, upon the adoption of the new standard from 2019, the balance sheet and statement of income will show the following changes:

– Total assets and liabilities will increase due to the capitalization of the usage rights as non-current assets ("right-of-use assets") and the recognition of the corresponding lease liabilities, which will result in a minor reduction in the equity ratio.

– For operating leases, the partition of the lease expense into depreciation and interest expense will not lead to a change in total net income over the term of the lease, only to a change in its timing: As a result of the discounting effect, expenses will no longer be recognized on a straight-line basis; instead, expenses near the beginning of the lease term will be slightly higher than before while expenses toward the end of the term will be lower. However, EBITDA operating earnings will improve by the amount of the interest expense, i.e., the EBITDA margin will see a slight increase.

02.3 Estimates

The consolidated financial statements of COMET Holding AG, Flamatt, Switzerland, contain assumptions and estimates that affect the reported financial position, results of operations and cash flows. These assumptions and estimates were made on the basis of management's best knowledge at the time of preparation of the accounts. Actual results may differ from the values presented. The following estimates have the greatest effects on the consolidated financial statements:

- Intangible assets (see note 9 and 10): For acquisitions, the fair value of the acquired net assets (including acquired intangible assets) is estimated. Any amount paid in excess of this estimate represents goodwill. Intangible assets with a finite life are written off over the expected period of use; those with an indefinite life (primarily goodwill and rights to trademarks and names) are not amortized, but are tested annually for impairment. Especially in the determination of the value in use of goodwill and rights to trademarks and names, differences between assumed and actual outcomes could lead to changes in the results of impairment testing. The assumptions concerning the achievable margins and the growth rates have a significant impact on impairment test outcomes. The valuation of goodwill and other intangibles, as well as the estimation of useful life, have an effect on the consolidated financial statements.
- Deferred tax assets (see note 11) are recognized only if it is likely that taxable profits will be earned in the future. The tax planning is based on estimates and assumptions as to the future profit trajectories of the Group companies that may later prove incorrect. This can lead to changes with an effect on income.
- Employee benefit plans (see note 16): The Group operates employee benefit plans for its staff that are classified as defined benefit plans under IFRS. These defined benefit plans are valued annually, which requires the use of various assumptions. Departures of current from past assumptions, particularly as to the discount rate for future obligations and as to life expectancy, may have effects on the valuation of plan assets and thus on the financial position of the Group. The effect of the most important parameters on the net present value of the obligation is presented in note 16.

02.4 Consolidation

02.4.1 Basis of consolidation

There were no changes in the basis of consolidation from the prior year. In the prior year, on May 1, 2015, COMET acquired sole ownership of PCT Engineered Systems LLC, Davenport, Iowa, USA, and the company has been fully consolidated from that date. The information on this transaction is provided below in note 4, "Acquisitions".

The consolidated financial statements comprise the accounts of the companies listed below.

Company	Registered office		**Equity interest in %**
		2016	2015
COMET Holding AG	Flamatt, Switzerland	100%	100%
COMET AG	Flamatt, Switzerland	100%	100%
COMET Electronics (Shanghai) Co. Ltd.	Shanghai, China	100%	100%
COMET Mechanical Equipment (Shanghai) Co. Ltd.	Shanghai, China	100%	100%
COMET Technologies USA, Inc. *	Shelton, CT, USA	100%	100%
COMET Technologies Korea Co. Ltd.	Suwon, Korea	100%	100%
YXLON International GmbH	Hamburg, Germany	100%	100%
YXLON International A/S	Taastrup, Denmark	100%	100%
YXLON International KK	Yokohama, Japan	100%	100%
YXLON (Beijing) X-Ray Equipment Trading Co. Ltd.	Beijing, China	100%	100%

* The company PCT Engineered Systems LLC was merged into COMET Technologies USA, Inc. effective December 31, 2016.

02.4.2 Method of consolidation

The consolidated financial statements represent the aggregation of the annual accounts of the individual Group companies, which are prepared using uniform accounting principles. Those companies controlled by the COMET Group are fully consolidated. This means that these companies' assets, liabilities, equity, expenses and income are entirely included in the consolidated financial statements. All intragroup balances and transactions, and unrealized gains and losses resulting from intragroup transactions and dividends, are eliminated in full. Interests in companies in which the Group holds between 20% and 50% of the voting power and over which it exerts significant influence, but which it does not control, are classified as investments in associates. These are consolidated by the equity method.

Acquisitions and goodwill

Companies are consolidated from the date on which effective control passes to the Group. Consolidation ends only when effective control ceases. On acquisition, the identifiable assets, liabilities and contingent liabilities are measured at fair value and included in the accounts using the purchase method. For acquisitions, intangible assets that arise from a contractual or legal right or are separable from the business entity, and whose fair value can be measured reliably, are reported separately as intangible assets. Goodwill, being the excess of the aggregate consideration transferred over the fair value of the net assets of the acquired subsidiary, is initially measured at cost. If the aggregate consideration transferred is lower than the fair value of the acquired net assets, the difference is recognized as negative goodwill in other operating income at the acquisition date. Goodwill and other intangible assets are allocated on acquisition to those companies expected to benefit from the acquisition or to generate future cash flows as a result of it. When consolidated companies are sold, the difference between their sale price and their net assets, plus accumulated currency translation differences, is recognized as operating income in the consolidated statement of income.

Foreign currency translation
The functional currency of the Group companies is their respective national currency. Transactions in a currency other than the functional currency are translated at the exchange rate prevailing at the transaction date. Financial assets and liabilities are translated at the balance sheet date at the exchange rate as of that date; the resulting currency translation differences are reported in the income statement. The consolidated financial statements are presented in Swiss francs. The financial statements of Group companies are translated at average exchange rates for the year (the "average rate" in the table below) for the income statement and at year-end rates (the "closing rate") for the balance sheet. The resulting currency translation differences are recognized in other comprehensive income. Currency translation differences from intragroup loans for the long-term financing of Group companies are also recognized in other comprehensive income, to the extent that repayment is neither planned nor is likely to occur in the foreseeable future.

The exchange rates used to translate the most important currencies are listed below:

			Closing rate		Average rate	
Foreign currency translation			**Dec. 31, 2016**	Dec. 31, 2015	**2016**	2015
USA	USD	1	1.018	1.001	0.985	0.963
Eurozone	EUR	1	1.072	1.087	1.090	1.068
China	CNY	1	0.146	0.154	0.148	0.153
Japan	JPY	100	0.870	0.832	0.909	0.796
Denmark	DKK	1	0.144	0.146	0.146	0.143
Republic of Korea	KRW	1,000	0.840	0.853	0.850	0.851

02.5 Measurement and recognition policies

Financial assets and liabilities
Financial assets are initially measured at fair value, including transaction costs, except in the case of financial assets categorized as at fair value through profit or loss, for which transaction costs are recorded directly in financing expenses. All purchases and sales of financial assets are recognized at the transaction date.

- Financial items at fair value through profit or loss: These include all derivatives, trading positions, and certain financial assets and liabilities designated as falling into this category. These assets are recognized at fair value in the balance sheet. Changes in value are reported as financing income or expense in the reporting period in which they occur.
- Available-for-sale financial assets: These assets are recognized at fair value in the balance sheet. Value changes are recognized in other comprehensive income until the financial instrument is sold or impaired. At that time the cumulative gain or loss recognized in comprehensive income is recorded in the income statement.
- Loans and receivables, and held-to-maturity investments: These items are measured at amortized cost using the effective interest method.
- Other financial liabilities: With the exception of derivatives, financial liabilities are measured at amortized cost.

In the case of derivatives used for cash flow hedges meeting the criteria of IAS 39, the remeasurement to fair value is recognized only in other comprehensive income until the underlying transaction has taken place. Once the transaction occurs, the remeasurement effect is reallocated to the underlying transaction and recognized in profit or loss. Fair value is measured based on quoted market prices and/or, in the case of derivatives, on the basis of market prices determined by banks. In the fiscal year and the prior year, no hedge accounting under IAS 39 was applied to any hedging transactions. Financial assets are recognized as soon as COMET acquires control of them, and derecognized when it ceases to have control, i.e., when it has sold the rights or they have lapsed. Financial liabilities are derecognized when the obligation specified in the contract is discharged or is canceled or expires.

Cash and cash equivalents
In addition to cash on hand and balances in checking accounts at banks, cash and cash equivalents can also include fixed-term deposits with original maturities of up to three months.

Trade and other receivables
Trade and other receivables are reported at their face value less any necessary write-downs. Such write-downs are based on uniform rules. On specific doubtful arrears, impairment charges are provided individually.

Inventories
Inventories are recorded at the lower of cost and net realizable value. Net realizable value represents the estimated normal sale price less the costs of completion, marketing, selling and distribution. Raw materials and purchased products are measured using the weighted-average method; internally produced goods are measured at target costs. Inventories include proportionate shares of production overheads.

Revenue recognition (sales and other income)
Net sales represent the revenue from goods sold and services rendered to third parties, net of discounts and other price reductions. In the case of the sale of goods, revenue is recognized at the time that the risks and rewards of ownership of the products sold are transferred to the customer. Depending on the product and the agreed shipment terms (Incoterms), this occurs at the time of shipment or only at the time of acceptance by the customer. Income (including revenue) is recognized only if an economic benefit is likely to accrue to the Group and the amount can be reliably measured. Customer contributions to development projects, including revenue from prototypes, are recorded in other operating income. Interest income is recognized on a time-proportion basis by the effective interest method unless the claim to the interest is in doubt. Dividend income is recognized when the right to receive payment is established.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Borrowing costs related to qualifying assets form part of the historical cost. Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Land values are not depreciated. Impairment charges are recognized as a separate line item under accumulated depreciation. Maintenance costs are recognized as assets only if the maintenance extends the expected life of the asset, expands production capacity or otherwise increases asset values. The cost of maintenance and repair that does not increase asset values is charged directly to income.

The following estimated useful lives are applied in determining depreciation:

Buildings	20-40 years
Plant and equipment	6-10 years
Other tangible assets	3-10 years

Intangible assets

The intangible assets recognized are goodwill, rights to trademarks and names, customer lists, technology, licenses, patents, and software. Intangible assets are recognized at cost and generally amortized on a straight-line basis over their expected useful life. Internally developed operating software for systems is in some cases amortized based on units of production, with the amortization period determined in advance. Goodwill and acquired rights to trademarks and names are not amortized but are tested annually for impairment (see section “Impairment of non-current assets” below). The expense for amortization of intangible assets with finite useful lives is recognized in the income statement under that expense category which corresponds to the function of the intangible asset in the Group.

The following estimated useful lives are applied in determining amortization:

Customer lists	10-15 years
Technology	5-10 years
Computer software	3-5 years

Provisions

Provisions are recognized only where COMET has a present obligation to a third party arising from a past event and the amount of the obligation can be estimated reliably. Possible losses resulting from future events are not recognized. Warranty provisions are measured based on historical experience.

Employee benefits

The COMET Group maintains various employee benefit plans that differ according to the local circumstances of the individual Group companies. The benefit plans are financed by contributions to benefit arrangements that are separate legal entities (foundations or insurance companies) or by the accumulation of reserves in the balance sheet of the respective Group company. In the case of defined contribution plans or economically equivalent arrangements, the expenses accrued in the reporting period represent the agreed contributions of the Group company. For defined benefit plans, the service costs and the present value of the defined benefit obligation are calculated in actuarial valuations by independent experts using the projected unit credit method. The calculations are updated annually. The surplus or deficit recognized in the balance sheet is equal to the present value of the defined benefit obligation as determined by the actuary, less the fair value of plan assets. Any resulting net surplus is recognized as an asset only to the extent of the potential economic benefit that the Company may realize from this asset in the future, taking into consideration IFRIC 14. The expense charged to income is the actuarially determined service cost plus the net interest cost. Actuarial gains and losses are recognized in other comprehensive income. They comprise experience adjustments (the effects of differences between the previous actuarial assumptions and the observed outcomes) and the effects of changes in actuarial assumptions (particularly regarding the discount rate and life expectancy).

Length-of-service awards
COMET grants length-of-service awards to employees in Switzerland, Germany, the USA and China after ten years of service and every five years thereafter, in the form of lump-sum payments that increase in amount with the number of years of service. COMET calculates the resulting obligation using the projected unit credit method. The obligation is recalculated annually and any actuarial gains or losses from the remeasurement are immediately taken to income.

Share-based payments
COMET pays some of the Board's compensation, and some of the variable compensation of the operational management, in the form of shares of COMET Holding AG. The expense is recognized at the value of the shares earned, measured at the quoted market price (fair value) at the grant date. The amount accrued for those components of compensation which must be equity-settled (i.e., for which there is no option of cash payment) is recognized directly in equity. For components which the beneficiary can choose to receive in equity or in cash, the value of the option which this choice represents is determined and recognized as an increase in equity, while the rest of the obligation is recorded as a liability.

Deferred taxes
Deferred taxes are accounted for by the liability method. Under this approach, the income tax effects of temporary differences between the financial statements and the corresponding tax bases are recorded as non-current liabilities or as other non-current assets. Deferred taxes are calculated at actual or expected local tax rates. Changes in deferred taxes are included in income tax expense in the income statement, except for deferred taxes in respect of items that are recognized outside profit or loss. These are likewise recognized outside profit or loss; according to the underlying accountable event, they are recognized either in other comprehensive income or directly in equity. Deferred tax liabilities are recognized on all taxable temporary differences except for goodwill. Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit for the period nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

Dividends

In accordance with Swiss law and the Company's Bylaws, dividends and other distributions to shareholders are recognized as distributions in the fiscal year in which they were approved by the Shareholder Meeting and paid, rather than the fiscal year in which they were accrued.

Leases

Leases of property, plant and equipment that transfer substantially all risks and rewards of ownership to Group companies are classified as finance leases. For assets acquired under finance leases, the lower of the fair value of the asset and the net present value of future non-cancelable lease payments is recognized as a non-current asset. Assets held under finance leases are depreciated over the shorter of their estimated useful life and the term of the lease. Service contracts (particularly outsourcing agreements) involving direct or indirect provisions on the use of specified assets are reviewed at inception as to whether the arrangements contain a lease under IFRS.

Unrealized income from sale-and-leaseback transactions that represent finance leases is deferred and realized over the term of the lease. Payments under operating leases are recorded as operating expenditure and recognized on a straight-line basis in profit or loss over the periods to which they relate.

Impairment of non-current assets

The value of property, plant and equipment and other non-current assets, including intangibles, is reviewed whenever it appears possible, as a result of changed circumstances or events, that the assets' carrying amount represents an overvaluation. Intangible assets under construction are always tested for impairment annually. If the carrying amount exceeds the amount recoverable through use or sale of the asset, the carrying amount is reduced to this recoverable amount and the difference is recorded as an impairment charge in the income statement. The recoverable amount is the higher of realizable value or value in use. Value in use is determined on the basis of discounted expected future cash inflows. Any acquired goodwill and any rights to trademarks or names with an indefinite useful life are not amortized but are reviewed annually at the same date for impairment. This impairment test is based on the results for the fiscal year, the rolling multi-quarter forecast and the rolling multi-year plan.

03 Segment reporting

The Group is managed on the basis of the four operating segments described below, which are delineated based on the products and services offered. With effect from the beginning of 2016, the "X-Ray & ebeam Technologies" segment was split into the Industrial X-Ray Modules segment and the ebeam Technologies segment. The segment reporting was adjusted accordingly, including a restatement of the prior-year data to conform with the new segment structure. This had effects on the results of all segments, as the creation of the additional segment entailed the redistribution of overhead costs.

- The **Plasma Control Technologies** segment develops, manufactures and markets vacuum capacitors, radio frequency (RF) generators and RF impedance matching networks for the high-precision control of plasma processes required, for instance, in the production of memory chips and flat panel displays.
- The **X-Ray Systems** segment develops, manufactures and markets x-ray systems and services for non-destructive testing using x-ray and microfocus technology and computed tomography.
- The Industrial **X-Ray Modules** segment develops, manufactures and markets highly compact x-ray sources and portable x-ray modules for non-destructive testing, steel metrology and airport security inspection.
- The **ebeam Technologies** segment develops, manufactures and markets compact ebeam sets and whole ebeam systems for the treatment of surfaces in the food and printing industries.

Segment operating income represents all revenues and expenses attributable to a particular segment. The only revenues and expenses not allocated to the segments are those of COMET Holding AG, certain government grants, and net financial items and income taxes. These unallocated expenses and revenues are reported in the "Corporate" column.

The segment assets and liabilities represent all operating items. The following assets and liabilities are not allocated to operating segments: the assets and liabilities of COMET Holding AG, all cash and cash equivalents, all current and long-term debt and all income tax assets and liabilities. These unallocated assets and liabilities are reported in the "Corporate" column.

03.1 Operating segments

Fiscal year 2016

In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)	Elimination of intersegment sales	Corporate	Consolidated
Net sales							
External net sales	137,586	120,851	57,120	16,879	0	0	332,437
Intersegment sales	0	595	12,498	0	(13,093)	0	0
Total net sales	**137,586**	**121,446**	**69,618**	**16,879**	**(13,093)**	**0**	**332,437**
Earnings							
Segment operating income	27,772	8,676	13,079	(10,991)	(194)	0	38,342
Unallocated costs	0	0	0	0	0	(1,870)	(1,870)
Operating income	**27,772**	**8,676**	**13,079**	**(10,991)**	**(194)**	**(1,870)**	**36,473**
Financing expenses							(6,333)
Financing income							5,950
Income before tax							**36,090**
Income tax							(8,754)
Net income							**27,336**
EBITDA	**30,919**	**11,460**	**16,475**	**(9,091)**	**(194)**	**(1,870)**	**47,699**
EBITDA in % of sales	22.5%	9.4%	23.7%	–53.9%			14.3%
Assets and liabilities at Dec. 31, 2016							
Segment assets	72,865	91,383	55,860	41,401	0	83,400	344,908
Segment liabilities	(21,337)	(36,454)	(13,262)	(17,398)	0	(80,113)	(168,563)
Net assets	**51,528**	**54,930**	**42,598**	**24,003**	**0**	**3,287**	**176,346**
Other segment information							
Capital expenditure	2,814	1,852	4,800	9,706	0	0	19,171
Depreciation and amortization	3,147	2,783	3,396	1,900	0	0	11,226
Change in provisions	688	736	(18)	545	0	(118)	1,834
Other non-cash expense/(income)	(375)	419	(355)	414	192	(887)	(591)
Number of employees at year end	407	389	285	149	0	0	1,230

Fiscal year 2015

In thousands of CHF	Plasma Control Technologies (PCT) [1]	X-Ray Systems (IXS) [1]	Industrial X-Ray Modules (IXM) [1]	ebeam Technologies (EBT) [1]	Elimination of interseg-ment sales [1]	Corporate	Consolidated
Net sales							
External net sales	111,949	99,814	52,483	18,075	0	0	282,321
Intersegment sales	0	1,555	12,286	2	(12,286)	0	0
Total net sales	**111,949**	**101,369**	**64,768**	**18,078**	**(12,286)**	**0**	**282,321**
Earnings							
Segment operating income	19,379	10,133	8,875	(10,790)	(217)	0	27,381
Unallocated costs	0	0	0	0	0	(1,893)	(1,893)
Operating income	**19,379**	**10,133**	**8,875**	**(10,790)**	**(217)**	**(1,893)**	**25,488**
Financing expenses							(10,159)
Financing income							6,750
Income before tax							**22,079**
Income tax							(4,973)
Net income							**17,106**
EBITDA	**22,458**	**12,834**	**12,214**	**(9,679)**	**(217)**	**(1,893)**	**35,718**
EBITDA in % of sales	20.1%	12.9%	18.9%	–53.5%			12.7%
Assets and liabilities at Dec. 31, 2015							
Segment assets	54,813	84,541	54,102	30,228	0	31,957	255,642
Segment liabilities	(11,640)	(30,717)	(9,408)	(12,009)	0	(29,663)	(93,438)
Net assets	**43,173**	**53,825**	**44,694**	**18,219**	**0**	**2,293**	**162,205**
Other segment information							
Capital expenditure	2,739	2,238	4,967	3,913	0	0	13,857
Depreciation and amortization	3,079	2,700	3,339	1,111	0	0	10,230
Change in provisions	754	(179)	(449)	(26)	0	0	101
Other non-cash (income)/expense	(343)	593	223	90	307	1,051	1,921
Number of employees at year end	336	355	273	131	0	0	1,095

[1] Values adjusted to reflect the new organizational and reporting structure.

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	**2016**	2015
Operating segments' assets	261,509	223,685
Total cash and cash equivalents	74,832	24,295
Derivatives used for foreign exchange hedging	152	25
Tax receivables	0	0
Deferred tax assets	8,068	7,633
COMET Holding AG's receivables from 3rd parties	348	3
Total assets	**344,908**	**255,642**
Operating segments' liabilities	(88,450)	(63,774)
Current and long-term debt	(70,426)	(22,036)
Derivatives used for foreign exchange hedging	(184)	(320)
Tax payables	(5,408)	(2,201)
Deferred tax liabilities	(2,899)	(4,330)
COMET Holding AG's payables to 3rd parties	(1,196)	(777)
Total liabilities	**(168,563)**	**(93,438)**

03.2 Geographic information

The COMET Group markets its products and services throughout the world and has its own companies in Switzerland, Germany, Denmark, the USA, China, Japan and South Korea. Net sales are allocated to countries on the basis of customer location.

Net sales by region

In thousands of CHF	**2016**	2015
Switzerland	3,325	3,396
Germany	34,394	27,435
Rest of Europe	44,083	37,883
Total Europe	**81,802**	**68,714**
Total USA	**142,891**	**105,316**
China	50,566	49,415
Japan	20,682	14,714
Rest of Asia	26,387	30,240
Total Asia	**97,636**	**94,368**
Rest of world	10,107	13,923
Total	**332,437**	**282,321**

Non-current assets by region

In thousands of CHF	**2016**	2015
Switzerland	68,005	57,569
Germany	34,171	35,211
USA	12,264	13,568
Rest of world	2,165	2,587
Total	**116,605**	**108,935**

03.3 Sales with key accounts

In the year under review, the Plasma Control Technologies segment recorded sales of CHF 75.4 million with its largest customer, which represented 22.7% of Group sales (prior year: CHF 56.9 million and 20.1%, respectively).

04 Acquisitions

04.1 Acquisitions in 2016

In 2016 no companies were acquired or disposed of and there were no changes in the ownership interests that the Group controlled in other companies.

04.2 Acquisitions in 2015

At May 1, 2015, COMET acquired sole ownership of PCT Engineered Systems LLC, Davenport, Iowa, USA. Acting as a system integrator, the company develops, manufactures and markets solutions for the curing and enhancement of plastic films and printing inks using electron beams (ebeam). Through the acquisition, COMET gained direct access to the ebeam end-user market and expanded its product portfolio. The subsidiary is reported under the Group's ebeam Technologies segment.

04.2.1 Acquired net assets

The assets and liabilities identified at the acquisition date are shown in the following table.

In thousands of CHF	Fair value at acquisition date
Cash and cash equivalents	321
Trade accounts receivable	1,503
Other receivables	330
Inventories	9,836
Property, plant and equipment	1,491
Intangible assets	6,929
Total assets	**20,410**
Liabilities	(9,113)
Accrued expenses	(428)
Provisions	(66)
Total liabilities	**(9,607)**
Total identified net assets, at fair value	**10,802**
Total consideration transferred	10,787
Gain on bargain purchase, recognized in income	**(15)**

The small "bargain purchase" excess of the identified net assets over the total consideration transferred resulted from differential cash flow projections for the acquired business and was recognized in other operating income.

The purchase price allocation – the measurement of the assets and liabilities at the acquisition date – was definitive at the end of 2015 and was thus not further adjusted.

For tax purposes in the USA the purchase was treated as an asset deal (a purchase of assets and liabilities) and therefore no deferred taxes arose at the acquisition date.

04.2.2 Purchase price

Both the non-contingent portion of the purchase price and the deferred, contingent consideration were paid entirely in cash.

In thousands of CHF	Cash flow from acquisition
Non-contingent consideration	6,798
Contractual repayment of existing financial debt of acquiree	1,962
Fair value of contingent consideration for purchase price allocation	2,028
Total consideration	**10,787**
Liability for contingent consideration	(2,028)
Liability for purchase price holdback	(249)
Cash and cash equivalents acquired	(321)
Net cash outflow on acquisition	**8,190**

The contingent consideration was governed by an earn-out agreement under which this further conditional payment was to be made in an amount that depended on the achievement of certain new-order targets during the twelve months following the acquisition. The potential range of this consideration extended from USD 0 to USD 8.0 million. See note 25, "Financial instruments", for details on the measurement of the contingent consideration.

The amount of the contingent consideration was determined in the second half of 2016 in accordance with the terms of the earn-out agreement and the amount owing was paid at the end of November.

04.2.3 Effect on consolidated results

The 2015 consolidated income statement included the acquired company's results for the period from May 1 to December 31, which were sales of CHF 12.5 million and a net loss of CHF 2.1 million.

05 Trade and other receivables

In thousands of CHF	**2016**	2015
Trade receivables, gross	57,344	41,201
Provision for doubtful accounts	(1,018)	(1,157)
Trade receivables, net	**56,326**	**40,043**
Refundable sales taxes and value-added taxes	1,868	1,716
Prepayments to suppliers	1,195	1,844
Sundry receivables	1,504	880
Total other receivables	**4,567**	**4,440**
Total trade and other receivables	**60,893**	**44,483**

COMET provides for doubtful accounts (impaired trade receivables) when there is an indication of payment difficulties on the part of customers.

The provision (the allowance account) for impaired trade receivables showed the following movement:

In thousands of CHF	2016	2015
January 1	**1,157**	**1,377**
Added	335	316
Released	(452)	(464)
Foreign currency translation differences	(22)	(71)
December 31	**1,018**	**1,157**

At the balance sheet date, full impairment was recognized and provided on CHF 472 thousand (prior year: CHF 810 thousand) of trade receivables. In all other receivables, there were no amounts past due and no impaired receivables. The Group does not hold security against trade and other receivables.

The aging schedule for past-due trade receivables for which impairment has been partly provided is summarized in the table below (at net amounts).

In thousands of CHF	2016	2015
Trade receivables, net	56,326	40,043
Not past due, no impairment provided	45,657	30,076
Total past due with impairment partly provided, net	10,669	9,967
1–30 days past due, impairment partly provided, net	7,045	5,403
30–60 days past due, impairment partly provided, net	1,666	1,698
Over 60 days past due, impairment partly provided, net	1,958	2,866

06 Other financial assets and liabilities

06.1 Other financial assets

In thousands of CHF	2016	2015
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	152	25
Total other financial assets at fair value through profit or loss	**152**	**25**
Loans and receivables		
Other non-current financial assets	234	349
Total loans and receivables	**234**	**349**
Total other financial assets	**386**	**374**
Total current	152	25
Total non-current	234	349

06.2 Other financial liabilities

In thousands of CHF	2016	2015
Other financial liabilities		
Derivatives used for foreign exchange hedging	184	320
Liability for contingent consideration	0	3,857
Total other financial liabilities	**184**	**4,177**

06.3 Derivative financial instruments

At the balance sheet date, open positions in forward exchange contracts were as follows:

In thousands of CHF	2016	2015
USD forward exchange contracts		
Contract amounts	11,723	14,713
Positive fair values	9	25
Negative fair values	184	268
JPY forward exchange contracts		
Contract amounts	2,594	1,846
Positive fair values	143	0
Negative fair values	0	52

The gains and losses from foreign exchange contracts are recognized as financing income or expense (see note 22). The contract amounts shown represent the notional principal amounts of the forward contracts. Consistent with the nature of the Group's activities, the forward exchange contracts have maturities of less than one year; most are due within six months.

07 Inventories

In thousands of CHF	2016	2015
Raw materials and semi-finished products	34,521	32,566
Work in process	25,922	16,311
Finished goods	21,030	16,943
Total inventories	**81,473**	**65,820**

The inventory amounts reflect any necessary individual write-downs for items with a market value below manufacturing cost. The expense recognized for inventory write-downs was CHF 3.1 million (prior year: CHF 2.2 million).

08 Property, plant and equipment

Fiscal year 2016

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Assets under construction	Total property, plant and equipment
Cost					
January 1, 2016	**50,578**	**67,312**	**13,509**	**5,919**	**137,318**
Additions	0	3,587	2,427	11,399	17,413
Commissioning of assets under construction	1,019	1,204	1,022	(3,245)	0
Disposals	0	(765)	(1,132)	0	(1,898)
Foreign currency translation differences	(8)	(31)	(35)	3	(70)
December 31, 2016	**51,589**	**71,307**	**15,790**	**14,077**	**152,763**
Accumulated depreciation					
January 1, 2016	**21,742**	**48,971**	**8,125**	**0**	**78,837**
Additions	1,687	4,572	1,810	0	8,069
Disposals	0	(746)	(247)	0	(993)
Foreign currency translation differences	(4)	(11)	(38)	0	(53)
December 31, 2016	**23,425**	**52,785**	**9,650**	**0**	**85,861**
Carrying amount					
January 1, 2016	28,837	18,341	5,384	5,919	58,481
December 31, 2016	**28,164**	**18,521**	**6,140**	**14,077**	**66,902**

In the year under review, the disposals of other tangible assets included the reclassification of CHF 587 thousand of internally produced demonstration equipment to inventories, which did not result in an outflow of funds. The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 297 thousand.

The assets under construction related largely to the building expansion in Flamatt. To finance it, a bond was issued on April 20, 2016 (see note 12). Interest cost at the effective interest rate of the bond is thus capitalized on the investment in this expansion construction. The capitalized interest in 2016 was CHF 106 thousand (2015: none).

Prepayments were made for assets under construction, with the outflow of funds shown as investment activity even if no addition of assets was yet recognized.

The building expansion in Flamatt is being carried out with a general contractor; the general contractor agreement was signed in the second half of 2016. COMET thus entered into an obligation to procure the deliverables defined in the contract. At the end of the year the amount of this obligation remaining was CHF 34.6 million, which is payable according to the progress of construction and is then capitalized as assets under construction. The completion and occupation of the new premises are planned for the end of 2018.

Fiscal year 2015

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Assets under construction	Total property, plant and equipment
Cost					
January 1, 2015	**50,635**	**62,483**	**12,564**	**2,177**	**127,860**
Acquisition of a subsidiary	0	1,229	262	0	1,491
Additions	0	3,927	2,244	5,199	11,371
Commissioning of assets under construction	0	1,250	131	(1,381)	0
Disposals	0	(1,222)	(1,262)	0	(2,484)
Foreign currency translation differences	(57)	(354)	(431)	(77)	(919)
December 31, 2015	**50,578**	**67,312**	**13,509**	**5,919**	**137,318**
Accumulated depreciation					
January 1, 2015	**20,078**	**45,937**	**7,186**	**0**	**73,202**
Additions	1,681	4,342	1,701	0	7,724
Disposals	0	(1,078)	(501)	0	(1,579)
Foreign currency translation differences	(17)	(230)	(261)	0	(509)
December 31, 2015	**21,742**	**48,971**	**8,125**	**0**	**78,837**
Carrying amount					
January 1, 2015	30,557	16,545	5,378	2,177	54,658
December 31, 2015	**28,837**	**18,341**	**5,384**	**5,919**	**58,481**

In the prior year, the disposals of other tangible assets included the reclassification of CHF 826 thousand of internally produced demonstration equipment in the X-Ray Systems segment to inventories, which did not result in an outflow of funds. The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 410 thousand.

Assets pledged or assigned as collateral for Group obligations (encumbered assets)

In thousands of CHF	**2016**	2015
Carrying amount of pledged real estate	26,872	28,502
Total principal amount of real estate liens (mortgage notes)	30,000	30,000
Of which held by the Group	(6,000)	(6,000)
Total deposited as security for Group obligations	**24,000**	**24,000**
Mortgage loan amounts drawn	10,500	13,500

09 Intangible assets

Fiscal year 2016

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2016	**27,669**	**27,825**	**4,676**	**15,159**	**227**	**75,556**
Additions	0	0	0	2,668	0	2,668
Disposals	0	0	0	(74)	0	(74)
Foreign currency translation differences	(295)	38	18	(68)	3	(303)
December 31, 2016	**27,374**	**27,863**	**4,694**	**17,686**	**230**	**77,847**
Accumulated amortization						
January 1, 2016	**0**	**15,264**	**1,031**	**8,772**	**35**	**25,101**
Additions	0	1,574	464	1,105	15	3,157
Disposals	0	0	0	(74)	0	(74)
Foreign currency translation differences	0	(29)	(3)	(9)	0	(41)
December 31, 2016	**0**	**16,809**	**1,492**	**9,794**	**50**	**28,144**
Carrying amount						
January 1, 2016	27,669	12,561	3,645	6,387	192	50,454
December 31, 2016	**27,374**	**11,054**	**3,203**	**7,892**	**180**	**49,703**

Fiscal year 2015

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2015	**29,876**	**24,896**	**2,169**	**13,063**	**39**	**70,042**
Acquisition of a subsidiary	0	4,183	2,551	15	180	6,929
Additions	0	0	0	2,486	0	2,486
Disposals	0	0	0	(10)	0	(10)
Foreign currency translation differences	(2,207)	(1,254)	(43)	(395)	8	(3,891)
December 31, 2015	**27,669**	**27,825**	**4,676**	**15,159**	**227**	**75,556**
Accumulated amortization						
January 1, 2015	**0**	**14,691**	**723**	**8,133**	**27**	**23,573**
Additions	0	1,431	367	697	11	2,506
Disposals	0	0	0	(10)	0	(10)
Foreign currency translation differences	0	(859)	(59)	(47)	(2)	(967)
December 31, 2015	**0**	**15,264**	**1,031**	**8,772**	**35**	**25,101**
Carrying amount						
January 1, 2015	29,876	10,205	1,446	4,931	12	46,469
December 31, 2015	**27,669**	**12,561**	**3,645**	**6,387**	**192**	**50,454**

The categories “goodwill and trademarks”, “customer lists” and “technology” were capitalized in connection with business combinations. The residual useful lives of the customer lists ranged up to eight years. Under a long-term multi-brand strategy, the established YXLON name is used alongside the COMET brand.

The Group therefore deems the capitalized YXLON brand to have an indefinite useful life.

In 2015 in the X-Ray Systems segment, CHF 1,024 thousand of internal development work on the new software platform for the systems was capitalized.

10 Impairment test of goodwill and intangible assets with indefinite useful lives

The impairment test for goodwill and other intangible assets with indefinite useful lives was performed as at September 30, 2016. For the purpose of the impairment test, the assets to be tested were allocated to and measured as the following two cash generating units at the segment level or (in the case of IXT) the business unit level:

- X-Ray Systems (IXS), as the relevant cash generating unit for all activities of the acquired YXLON group and for the FeinFocus product group with the exception of the generator business.
- Industrial X-Ray Technology (IXT), for the generator business acquired as part of the acquisition of YXLON.

The impairment test is based on the value in use method. The recoverable amount is determined from the present value of the future cash flows (DCF valuation). The calculations are based on the Board-approved rolling forecast, and on the Board-approved rolling medium-term plan for 2017 to 2021, current at the time of the impairment test. Using experience-based estimates, the amounts in the forecast and in the medium-term plan are based on growth projections for net sales, operating income and other parameters, taking into consideration the estimated market trends in the various regions. Cash flows beyond the forecast period are extrapolated using an assumed growth rate of 1.5%, which is less than the expected rate of market growth. The assumptions applied in determining value in use correspond to the expected long-term average growth rate of the X-Ray Systems segment's operating business and of the generator business of Industrial X-Ray Modules. Input variables with a critical impact on the outcome of the impairment test are the assumed rates of sales growth and the projected trend in operating income.

	X-Ray Systems (IXS) CGU		Industrial X-Ray Modules (IXM) CGU		Total	
In thousands of CHF	**2016**	2015	**2016**	2015	**2016**	2015
Goodwill	18,357	18,621	6,873	6,873	25,230	25,494
Trademarks (YXLON)	2,144	2,175	0	0	2,144	2,175
Total carrying amount	**20,501**	**20,795**	**6,873**	**6,873**	**27,374**	**27,669**

	X-Ray Systems (IXS) CGU		Industrial X-Ray Modules (IXM) CGU	
	2016	2015	**2016**	2015
Discount rate (WACC) before tax	12.5%	12.7%	12.7%	12.1%
Growth rate of terminal value	1.5%	1.5%	1.5%	1.5%
Inflation rate	1.0%	1.0%	1.0%	1.0%

Sensitivities to the assumptions applied in the valuation model
The measurement of value in use of the X-Ray Systems CGU is sensitive to the following assumptions in the planning period (2017 to 2021):

- Growth assumptions: Sales revenue is projected by product group and region. Based on the stable situation of 2016 as the starting point, the average annual rate of sales growth is assumed to be 6% (prior year: 9%).
- Gross margins: It is expected that with rising sales, gross margins will average approximately 43% in the medium term (prior year: 45%). Target achievement also depends in part on the trend in the purchasing prices of materials.
- Foreign exchange rates: The movement in exchange rates between the Swiss franc and the euro and US dollar has an effect on company value. The forecasts are based on September 2016 exchange rates.
- Discount rate (WACC): The capital costs were determined based on borrowing costs (before tax) as well as the long-term risk-free rate, a small-cap premium, and a market risk premium weighted by a COMET-specific beta factor.

COMET believes that, with a realistic change in the material assumptions, the recoverable amount would not fall below the carrying amount.

11 Income tax

11.1 Current and deferred income tax expense

In thousands of CHF	**2016**	2015
Current income tax expense in respect of the current year	9,465	5,204
Current income tax expense in respect of prior years	210	374
Deferred income tax (credit)	(921)	(605)
Total income tax expense	**8,754**	**4,973**

11.2 Reconciliation of tax expense

In thousands of CHF	**2016**	2015
Income before tax	36,090	22,079
Expected income tax at base tax rate of 28% (prior year: 28%)	10,105	6,182
Effect of tax rates other than base tax rate	(392)	487
Effect of tax exemption by canton of Fribourg	(1,049)	(541)
Effect of non-tax-deductible expenses	122	58
Effect of change in tax rate on deferred income tax	113	(201)
Effect of non-recognition of tax loss carryforwards	2	71
Effect of recognition/use of previously unrecognized tax loss carryforwards and effect of tax credits for R&D and domestic manufacturing	(518)	(1,845)
Effect of income tax from other periods	210	374
Effect of non-refundable withholding tax	127	345
Other effects	34	43
Income tax reported in the income statement	**8,754**	**4,973**
Effective income tax rate in % of income before tax	24.3%	22.5%

COMET AG, based in Flamatt, has been granted conditional tax relief by the canton of Fribourg in the form of a reduction in cantonal and municipal taxes for the period to 2022. For 2016 the tax reduction amounted to 50% (prior year: 50%).

11.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities can be analyzed by origin as follows:

In thousands of CHF	2016 Assets	2016 Liabilities	2015 Assets	2015 Liabilities
Financial instruments	27	53	81	6
Receivables	1,731	1	630	2
Inventories	3,900	1,154	2,741	513
Property, plant and equipment	278	184	226	166
Intangible assets	0	4,429	124	4,570
Employee benefit plan assets	0	0	0	144
Trade and other payables	310	5	347	112
Accrued expenses	1,442	58	1,149	20
Provisions	1,178	1	760	1
Employee benefit plan liabilities	539	0	8	32
Other	65	2	324	1
Tax loss carryforwards, and tax credits for R&D and domestic manufacturing	1,586	0	2,481	0
Total gross deferred tax of Group companies	**11,056**	**5,887**	**8,870**	**5,567**
Netting of deferred tax by Group companies	(2,988)	(2,988)	(1,237)	(1,237)
Amounts in the consolidated balance sheet	**8,068**	**2,899**	**7,633**	**4,330**

The deferred tax assets and liabilities were measured at local tax rates, ranging from 15% to 39%. No deferred tax liabilities were established for temporary differences of CHF 63.2 million (prior year: CHF 50.4 million) in respect of the value of the ownership interests in Group companies. Distributions of retained earnings by subsidiaries are not expected to have an effect on income taxes, except for future distributions from China. There were no tax provisions for non-refundable withholding taxes on future distributions of foreign subsidiaries to COMET Holding AG. Distributions by COMET Holding AG to its shareholders have no effect on the reported or future income taxes.

11.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2016	2015
Net asset at January 1	**3,303**	**2,173**
Origination and reversal of temporary differences recognized in the income statement	921	1,689
Use of tax loss carryforwards	0	(1,084)
Deferred tax credit in the income statement	**921**	**605**
Origination and reversal of temporary differences recognized in other comprehensive income	859	251
Foreign currency translation differences	86	275
Net asset at December 31	**5,169**	**3,303**

11.5 Unrecognized tax assets

Deferred tax assets, including tax loss carryforwards and expected tax credits, are recognized only if it is likely that future taxable profits will be available to which these deferred tax assets can be applied. Temporary differences (between the IFRS financial statements and the corresponding tax base) for which no tax assets were recognized were CHF 11 thousand (prior year: CHF 300 thousand). In addition, there were tax loss carryforwards on which no deferred tax assets were recognized, as presented in the following overview.

In thousands of CHF	2016 Loss carryforwards	2016 Potential tax asset	2015 Loss carryforwards	2015 Potential tax asset
Within one year	0	0	0	0
In two to five years	0	0	0	0
In more than five years	2,060	453	2,375	534
Total	**2,060**	**453**	**2,375**	**534**

12 Current and long-term debt

On April 20, 2016 a five-year, CHF 60 million bond was issued. The bond has a coupon rate of 1.875% and is listed on the SIX Swiss Exchange (ticker symbol COT16; security number 32 061 943). Its effective interest rate is 2%.

12.1 Current debt

In thousands of CHF	2016	2015
Bank borrowings with original maturities of less than twelve months	0	8,119
Current obligations under finance leases	166	168
Current portion of long-term debt	2,500	3,000
Total current debt	**2,666**	**11,287**

At the end of the fiscal year under review the COMET Group had undrawn credit facilities of CHF 36.8 million (prior year: CHF 23.1 million).

12.2 Long-term debt

The long-term debt consisted of the five-year bond maturing in 2021 and mortgage loans in respect of the Group's premises in Flamatt, Switzerland. In the year under review, all interest and principal payments were made as contractually agreed.

In thousands of CHF	2016	2015
Repayment due in two to five years	68,124	10,795
Repayment due in more than five years	0	0
Subtotal	**68,124**	**10,795**
Future amortization of costs	(364)	(46)
Total long-term debt	**67,760**	**10,749**

All long-term debt consisted of fixed-rate debt instruments denominated in CHF with fixed maturities. Loans with original maturities of more than twelve months coming due in the subsequent year were reclassified to current debt.

12.3 Finance lease obligations

Current and long-term debt included finance lease obligations with the following maturity schedule:

In thousands of CHF	2016	2015
Due within one year	166	168
Due in two to five years	124	294
Due in more than five years	0	0
Total payment obligations	**290**	**462**
Less interest component	(19)	(46)
Total finance lease obligations	**271**	**416**

13 Trade and other payables

In thousands of CHF	2016	2015
Trade payables	21,866	14,211
Sundry payables	3,135	3,073
Sales commissions	3,099	3,037
Total financial liabilities	**28,100**	**20,321**
Sales tax and value-added tax	1,284	927
Prepayments by customers	28,769	21,154
Total other payables	**30,053**	**22,081**
Total trade and other payables	**58,153**	**42,402**

14 Accrued expenses

In thousands of CHF	2016	2015
Accrued staff costs	10,419	4,896
Other accrued expenses	7,629	5,544
Total accrued expenses	**18,048**	**10,440**

Accrued staff costs consist mainly of the amount accrued for performance-based compensation, and employees' vacation and overtime credits. The item "other accrued expenses" consists largely of deliverables still to be supplied under projects already invoiced and recognized in sales, such as installation and similar non-material elements of orders.

15 Provisions

Fiscal year 2016

In thousands of CHF	Warranties	Other provisions	Total provisions
January 1, 2016	**5,817**	**241**	**6,058**
Added	4,792	815	5,607
Used	(2,458)	(190)	(2,648)
Released	(1,120)	(5)	(1,125)
Foreign currency translation differences	12	(5)	7
December 31, 2016	**7,043**	**856**	**7,899**
Of which:			
January 1, 2016			
Current provisions	5,817	176	5,993
Non-current provisions	0	65	65
December 31, 2016			
Current provisions	7,043	799	7,842
Non-current provisions	0	57	57

Provisions are classified as current to the extent that the related cash outflows are expected to occur within one year from the balance sheet date. Conversely, the cash outflows in respect of non-current provisions are expected to occur more than twelve months after the balance sheet date. Where the interest effect is material, the cash outflows are discounted. The provision for warranties covers the risk of expenses that have not occurred to date, but could potentially occur until the end of the warranty periods. COMET believes that the amount provided is sufficient to cover the expected costs over the warranty periods.

16 Employee benefits

16.1 Defined benefit plans

The COMET Group maintains defined benefit pension plans in Switzerland and Germany. These plans differ according to their particular purpose (retirement, disability, and/or survivor benefits) and are based on the legal requirements in the respective countries.

Switzerland
The defined benefit plans are managed within a multi-employer pension fund. This is a separate legal entity falling under the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pensions (the BVG). The pension fund is managed by an administration committee, composed of equal numbers of employee and employer representatives, that is required to act in the interests of the plan participants. This committee sets the investment strategy and makes the investment decisions.

The pension fund maintains a main ("base") plan for employees that provides the legally required benefits, and a supplemental plan that provides benefits in respect of pay components above the statutory range. Both plans are administered by the multi-employer pension fund, which is in the form of a foundation organized by an insurance company. Retirement, disability and survivor benefits are thus insured, but the investment risk is carried by the pension plans.

Plan participants are insured against the financial consequences of old age, disability and death. The benefits are specified in a set of regulations. Minimum levels of benefits are prescribed by law. Contribution levels are set as a percentage of the insured portion of employees' pay. The retirement benefit is calculated as the retirement pension asset existing at the time of retirement, multiplied by the conversion rate specified in the regulations. Plan participants can opt to receive their capital as a lump sum instead of drawing a pension. The retirement benefit from the additional plan is always paid as a lump sum. The amounts of the disability and survivor pensions are defined as a percentage of insured pay.

Germany
In Germany there is a closed plan with pension commitments which no longer has active participants. The obligations in respect of current pension payments and deferred pensions are recognized in the balance sheet. In addition, there is a partial early retirement agreement, which is in its latter, inactive phase. The Group's obligations are for the additional contributions (bonus element of the partial early retirement pay and additional contributions to the government pension plan) and the compensation arrears under the so-called block model: In standard block-model partial retirement, employees work full-time at half pay for the first half (the working phase) of the partial early retirement period, and then do not work at all during the second half (the inactive phase) but still receive half pay to complete the compensation for the service in the earlier, working phase.

Principal actuarial assumptions

	Switzerland		Germany	
	2016	2015	**2016**	2015
Discount rate at January 1	0.7%	1.2%	2.0%	2.3%
Discount rate at December 31	0.6%	0.7%	1.5%	2.0%
Expected rate of salary increases	1.0%	1.0%	–	–
Life tables used as basis for life expectancies	BVG 2015 GT	BVG 2010 GT	Heubeck 2005 GT	Heubeck 2005 GT

Movement in present value of defined benefit obligation, in plan assets and in net carrying amount for defined benefit plans.

Fiscal year 2016

In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	Effect of asset ceiling under IAS 19.57(b)	**Net carrying amount recognized in balance sheet**
January 1	**(57,164)**	**57,459**	**0**	**295**
Current service cost	(2,702)	0	0	(2,702)
Past service cost	1,640			1,640
Administration cost, excl. cost for managing plan assets	(28)	0	0	(28)
Current service cost	**(1,090)**	**0**	**0**	**(1,090)**
Interest (expense)/income	(441)	432	0	(9)
Defined benefit cost recognized in the income statement	**(1,531)**	**432**	**0**	**(1,099)**
Return on plan assets, excluding interest income	0	57	0	57
Actuarial loss arising from changes in financial assumptions	(2,608)	0	0	(2,608)
Actuarial gain arising from changes in demographic assumptions	803			803
Actuarial loss arising from experience adjustments	(4,140)	0	0	(4,140)
Defined benefit cost recognized in other comprehensive income	**(5,945)**	**57**	**0**	**(5,889)**
Benefits paid-in/deposited	(16)	39		23
Employee contributions	(1,658)	1,658		0
Employer contributions	0	2,305		2,305
Foreign currency translation differences	28	(17)		11
December 31	**(66,286)**	**61,932**	**0**	**(4,354)**
Reported as an asset				0
Reported as a liability				(4,354)

The demographic assumptions are based on the BVG 2015 cohort life tables.

The average duration of the defined benefit obligation was 13.1 years.

The pension costs of CHF 5.9 million recognized in 2016 in other comprehensive income arose primarily from the increase in the present value of the defined benefit obligation of the base plan in Switzerland, as a result of the additional percentage rate of return granted to the individual pension accounts of the plan's active participants.

For certain pension entitlements insured under the defined benefit plan in Switzerland, it was decided in the first half of 2016 to reduce the so-called conversion rate (the factor applied to occupational retirement assets at retirement age to arrive at an annual pension amount). This decision resulted in a one-time reduction in the present value of the defined benefit obligation measured in accordance with IFRS (IAS 19). As IFRS require such effects of plan changes to be recognized in profit or loss, the impact on income before tax was a total increase of CHF 1.6 million. Of this total, CHF 0.9 million was reflected in cost of sales, CHF 0.3 million was included in development expenses, CHF 0.1 million arose in marketing and selling expenses, and CHF 0.3 million was represented in general and administrative expenses. The breakdown of the effect by segment was CHF 0.5 million for the PCT segment, CHF 0.9 million for the IXM segment and CHF 0.2 million for the EBT segment.

Fiscal year 2015

In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	Effect of asset ceiling under IAS 19.57(b)	**Net carrying amount recognized in balance sheet**
January 1	**(49,167)**	**51,326**	**0**	**2,159**
Current service cost	(2,295)	0	0	(2,295)
Interest (expense)/income	(636)	653	0	17
Defined benefit cost recognized in the income statement	**(2,931)**	**653**	**0**	**(2,278)**
Return on plan assets, excluding interest income	0	1,615	0	1,615
Actuarial loss arising from changes in financial assumptions	(2,112)	0	0	(2,112)
Actuarial loss arising from changes in demographic assumptions	(716)			(716)
Actuarial loss arising from experience adjustments	(612)	0	0	(612)
Defined benefit cost recognized in other comprehensive income	**(3,440)**	**1,615**	**0**	**(1,825)**
Benefits paid-in/deposited	(317)	341		24
Employee contributions	(1,553)	1,553		–
Employer contributions	0	2,124		2,124
Foreign currency translation differences	244	(153)		91
December 31	**(57,164)**	**57,459**	**0**	**295**
Reported as an asset				997
Reported as a liability				(702)

Key figures by country

	Switzerland		Germany	
In thousands of CHF	**2016**	2015	**2016**	2015
Present value of defined benefit obligation	(64,335)	(55,150)	(1,951)	(2,014)
Fair value of plan assets	60,728	56,148	1,204	1,311
Net carrying amount recognized in the balance sheet	**(3,607)**	**997**	**(747)**	**(702)**
Defined benefit (cost)/gain recognized in the income statement	(1,085)	(2,314)	(14)	36
Defined benefit (cost)/gain recognized in other comprehensive income	(5,825)	(1,896)	(64)	71

The employer contributions to the plans in Switzerland for fiscal year 2017 are expected to amount to CHF 2,307 thousand.

Major categories of plan assets

In thousands of CHF	**2016**	2015
Cash and cash equivalents	3,975	4,863
Equity instruments	14,959	13,909
Debt instruments	32,247	28,649
Real estate	9,547	8,726
Total plan assets at fair value (quoted market price)	**60,728**	**56,148**
Other assets	1,204	1,311
Total non-quoted market price	**1,204**	**1,311**
Total plan assets	**61,932**	**57,459**

COMET does not invest the plan assets directly but only through investment funds offered by insurance companies or banks. These investment products could contain equity securities or debt instruments of COMET Holding AG; however, COMET has no influence of any kind on the investment decisions of the fund managers. Companies of the COMET Group do not make loans to the pension plans and do not utilize any real estate held by the plans.

Sensitivities

The following table presents an analysis of how the reported present value of the defined benefit obligation would change in response to hypothetical changes in the actuarial assumptions.

Sensitivity of present value of defined benefit obligation to different scenarios

	Switzerland		Germany	
In thousands of CHF	**2016**	2015	**2016**	2015
Discount rate: 0.25% decrease	66,499	57,087	2,018	2,075
Discount rate: 0.25% increase	62,321	53,346	1,886	1,941
Salaries: 0.25% decrease	64,191	54,998	1,950	2,006
Salaries: 0.25% increase	64,476	55,293	1,950	2,006
Life expectancy: 1-year increase	64,916	55,647	2,036	2,088
Life expectancy: 1-year decrease	63,756	54,656	1,864	1,924

16.2 Defined contribution plans

The contributions paid to defined contribution plans in the fiscal year amounted to CHF 5,208 thousand (prior year: CHF 3,875 thousand).

16.3 Length-of-service awards

COMET grants length-of-service awards to employees in Switzerland, Germany the USA and China after ten years of service and every five years thereafter, in the form of lump-sum payments that increase in amount with the number of years of service. The provision for this item changed as follows in the year under review:

In thousands of CHF	**2016**	2015
Provision at January 1	1,093	1,024
Current service cost	192	181
Interest cost	12	15
Benefits paid	(187)	(144)
Actuarial losses	89	59
Foreign currency translation differences	(7)	(42)
Provision at December 31	**1,192**	**1,093**

17 Net sales

Sales revenues from products and services supplied to third parties are stated on a net basis, that is, after deducting price discounts, sales taxes and value-added taxes, credits and refunds. Sales in the year under review did not include any amounts from current customer projects accounted for using the percentage of completion method (prior year: none).

18 Other operating income

In thousands of CHF	**2016**	2015
Customers' contributions to development projects	3,013	3,094
Government grants	82	124
Revenue from sale of prototypes	2,304	2,257
Miscellaneous income	421	64
Total other operating income	**5,820**	**5,539**

19 Staff costs and staff count

19.1 Staff costs

In thousands of CHF	**2016**	2015
Wages and salaries	102,346	83,854
Employee benefits	16,616	14,181
Total staff costs	**118,962**	**98,035**

19.2 Staff count

	2016	2015
Number of employees (year-end)	1,230	1,095
Average full-time equivalents during the year	1,123	1,014

20 Development expenses

Development expenses comprise the costs of new-product development, improvement of existing products, and process engineering. The COMET Group's development activities focus on the fields of vacuum technology, high voltage engineering and material science, and on the further development of the segments' core products. In view of the uncertainty of future economic benefits that may flow from development projects, COMET as a rule does not capitalize development costs but charges them directly to the income statement.

In 2015 in the X-Ray Systems segment, CHF 1,024 thousand of internal development work on the new software platform for the systems was capitalized. This software development was completed in 2015.

21 Amortization and depreciation

In thousands of CHF	**2016**	2015
Amortization	3,157	2,506
Depreciation	8,069	7,724
Total amortization and depreciation	**11,226**	**10,230**

22 Financing income and expenses

In thousands of CHF	**2016**	2015
Interest expense	1,466	1,036
Losses on derivatives used for currency hedging	491	1,445
Foreign currency translation losses	4,376	7,677
Total financing expenses	**6,333**	**10,159**

In thousands of CHF	**2016**	2015
Interest income	15	11
Gains on derivatives used for currency hedging	406	459
Foreign currency translation gains	5,529	6,279
Total financing income	**5,950**	**6,750**

In the year under review, financing costs of CHF 106 thousand for the building expansion in Flamatt were capitalized (2015: none).

In thousands of CHF	**2016**	2015
Net interest expense	1,451	1,024
Net foreign currency translation (gains)/losses	(1,068)	2,384

Foreign currency translation gains and losses resulted largely from items denominated in US dollars and euros.

23 Earnings per share

Basic earnings per share represents the reporting period's consolidated net income divided by the average number of shares outstanding.

	2016	2015
Weighted average number of shares outstanding	774,219	773,078
Net income in thousands of CHF	27,336	17,106
Net income per share in CHF, diluted and basic	35.31	22.13

There are no outstanding stock options or stock subscription rights that could lead to a dilution of earnings per share.

24 Off-balance sheet transactions

24.1 Contingent liabilities

As a global company, COMET is exposed to numerous legal risks. These can include, especially, risks relating to product liability and patent, tax and competition law. The outcomes of currently pending and future legal proceedings cannot be predicted with certainty. Expenses may therefore be incurred that are not, or not fully, covered by insurance benefits and which may thus have effects on business and on future financial results.

Provisions are established inasmuch as the financial consequences of a past event can be estimated reliably and the estimate can be confirmed by independent expert opinion. Contingent liabilities that are likely to result in an obligation are included in provisions.

In 2006 COMET sold a property in Switzerland that is listed in the register of contaminated sites. Although the experts involved do not believe that the situation will change significantly in the short to medium term, the site must be regularly monitored by means of test drilling. If the ground water testing under this monitoring does not produce new, significantly poorer findings, all monitoring activities will be terminated at the end of 2019. The site would then not require any further monitoring. At present a final assessment cannot yet be made of the matters at issue, and any resulting as yet unprovided additional costs cannot yet be estimated. However, based on the results of the groundwater sampling to date, COMET believes it is currently unlikely that any significant costs will be incurred.

24.2 Other off-balance sheet obligations

In the course of its operating activities, the COMET Group has concluded long-term rental and lease agreements resulting in payment obligations that come due as follows:

In thousands of CHF	**2016**	2015
Due within one year	3,593	3,245
Due within two to five years	4,711	4,292
Due in more than five years	101	0
Total payment obligations	**8,405**	**7,538**

The payment obligations arise from off-balance sheet operating leases for business premises and for road vehicles, office equipment and similar assets. The expense recognized in the fiscal year for operating leases was CHF 3,859 thousand (prior year: CHF 3,583 thousand).

25 Financial instruments

25.1 Classes of financial instruments

Fiscal year 2016

In thousands of CHF	Financial assets		Financial liabilities		
	Held for trading	Loans and receivables	Held for trading	At amortized cost	Fair value
Cash and cash equivalents		74,832			*
Trade and other receivables		56,326			*
Derivatives	152				152
Financial assets		234			*
Current debt				2,666	2,757
Trade and other payables				28,100	*
Derivatives			184		184
Long-term debt (fixed rate)				67,760	70,699
Interest income/(expense)	0	15	0	(1,466)	
Gain/(loss) on derivatives	406	0	(491)	0	
Change in provisions for doubtful accounts and in losses on trade receivables		117			
Total net gain/(loss) recognized in the income statement	**406**	**132**	**(491)**	**(1,466)**	

* The carrying amount approximates fair value.

There were no available-for-sale financial assets or held-to-maturity investments. IFRS require all financial instruments which are held at fair value, and all reported fair values, to be categorized into three classes (or “levels”) according to whether the fair values are based on quoted prices in active markets (Level 1), on models using other observable market data (Level 2), or on models using unobservable inputs (Level 3). The only financial instruments that COMET recognized at fair value were derivatives held for currency hedging and the liability for contingent consideration for the acquisition of PCT Engineered Systems LLC. The measurement of the derivatives falls into Level 2 and the measurement of the liability for contingent consideration represents Level 3 of the fair value measurement hierarchy under IFRS 13.

The amount of the deferred consideration under the purchase agreement for PCT Engineered Systems LLC, Davenport, Iowa, USA was determined in the second half of 2016 in accordance with the earn-out agreement, and the amount of USD 2.6 million was paid at the end of November. The amount was contingent upon the achievement of certain threshold values related to new orders booked in the first twelve months after the acquisition and to the resulting payments from customers. The difference relative to the latest measurement of the liability was recognized in other operating income.

Fiscal year 2015

In thousands of CHF

	Financial assets		Financial liabilities		
	Held for trading	Loans and receivables	Held for trading	At amortized cost	Fair value
Cash and cash equivalents		24,295			*
Trade and other receivables		40,043			*
Derivatives	25				25
Financial assets		349			*
Current debt				11,287	11,336
Trade and other payables				20,321	*
Derivatives			320		320
Liability for contingent consideration			3,857		3,857
Long-term debt (fixed rate)				10,749	11,711
Interest income/(expense)	0	11	0	(1,036)	
Gain/(loss) on derivatives	459	0	(1,445)	0	
Change in provisions for doubtful accounts and in losses on trade receivables		148			
Total net gain/(loss) recognized in the income statement	**459**	**159**	**(1,445)**	**(1,036)**	

* The carrying amount approximates fair value.

The deferred consideration specified in the purchase agreement for PCT Engineered Systems LLC, Davenport, Iowa, USA, was contingent on the achievement of certain threshold values related to new orders booked in the first twelve months after the acquisition and to the resulting payments from customers.

The unobservable material inputs used in the valuation were the probability of the expected new orders; the resulting contingent consideration, for which a range of USD 0 to USD 4.0 million was assumed; and the discount rate of 11.3%.

The movement in the liability for contingent consideration was as follows:

In thousands of CHF	Liability for contingent consideration
Fair value at acquisition date	2,028
Unrealized fair value adjustment in 2015 *	1,482
Effect of foreign exchange and unwinding of discount in 2015	347
Payment of the contingent consideration in 2016	(2,630)
Difference between liability and payment, including unwinding of discount and foreign exchange effects *	1,227

* Recognized in the ebeam Technologies segment under "general and administrative expenses".

25.2 Fair values of financial instruments

The only differences between fair values and carrying amounts occurred in fixed-rate long-term debt. For the CHF 60 million bond, the quoted market price is used as the fair value. The fair values of the other items of fixed-rate debt are determined by discounting the future cash flows at the interest rate prevailing at the year-end. The interest rate spreads used are those of the most recently obtained or refinanced loans.

26 Management of financial risks

COMET operates its own subsidiaries in a number of countries and also exports products to still other countries. As an international company, the Group is subject to various financial risks which are inseparable from its business activities. COMET seeks to avoid unreasonable financial risks and to mitigate risks through appropriate hedges. The key elements of risk management form an integral part of Group strategy. Clearly defined management information and control systems are used to measure, monitor and control risks. Detailed risk reports are produced on a regular basis.

26.1 Capital management

The primary goal of capital management is to manage equity and debt capital in such a way as to ensure the Group's high creditworthiness and an equity ratio appropriate to the Group's risk profile, thus supporting its business activities. COMET manages the Group's capital structure to meet liquidity requirements and pursue growth and profitability targets, taking into account the economic environment and the financial results achieved and planned. On this basis, the Board of Directors proposes dividend payments or capital repayments to the shareholders or recommends increases in capital stock.

COMET monitors and evaluates its capital structure by reference to net debt and the equity ratio, with the aim of ensuring that the capital structure covers the business risks and assures the Group's lasting financial flexibility.

In thousands of CHF	**2016**	2015
Current debt	2,666	11,287
+ Long-term debt	67,760	10,749
./. Cash and cash equivalents	74,832	24,295
Net debt	**(4,406)**	**(2,259)**
EBITDA	47,699	35,718
Debt ratio (net debt in relation to EBITDA)	**(0.1)**	**(0.1)**
Shareholders' equity	176,345	162,205
Equity ratio (equity in % of total assets)	**51.1%**	**63.4%**

26.2 Risks in connection with financial instruments

COMET is exposed to many risks associated with financial instruments. These can be divided into market risks, credit risks and liquidity risks.

26.2.1 Market risk

Market risk is the risk of changes in the price of financial assets, in currency exchange rates, interest rates and the price of exchange-traded commodities. As a manufacturer, COMET is inherently exposed to commodity price risks (for example, for inputs such as energy, copper and ceramics), but these are not considered financial risks for the purposes of IFRS 7, as COMET procures commodities only for use in manufacturing, not for trading of commodity contracts. Consequently, these risks are not explicitly determined and are not separately disclosed in the consolidated financial statements.

Exchange rate risk

With its worldwide activities and strong focus on exports, COMET has particularly high exposure to exchange rate risks, as revenues and costs often do not arise in the same currency. The currency risk from operations is reduced by purchasing and selling in local currency where possible, an approach known as natural hedging. In addition, to protect against fluctuation in exchange rates, significant foreign currency orders in the X-Ray Systems segment are hedged by means of forward exchange contracts at the time the order is received. The Industrial X-Ray Modules segment, ebeam Technologies segment and Plasma Control Technologies segment non-selectively hedge a large portion of the expected cash flows up to a one-year time horizon, using forward exchange contracts to do so. As COMET hedges only cash flows, there are no hedges of net investments in foreign operations. The table below shows the sensitivity of income before tax and of shareholders' equity to a possible movement in those exchange rates that are material for COMET, with all other variables held constant. The most important monetary foreign currency positions in the balance sheets of the Group companies are in euros and US dollars. The percentages of movement in exchange rates are based on an estimated potential range of fluctuation.

Fiscal year 2016

In thousands of CHF, except %	Increase in exchange rate in %	Effect on income before tax	Effect on equity
EUR/CHF	+10	+1,460	+4,471
USD/CHF	+10	+2,973	+2,401

Fiscal year 2015

In thousands of CHF, except %	Increase in exchange rate in %	Effect on income before tax	Effect on equity
EUR/CHF	+10	+2,293	+5,355
USD/CHF	+10	+575	+1,905

A reduction in exchange rates of the same percentage amount produces an equal and opposite effect. The sensitivity analysis covers only monetary balance sheet items that, relative to the functional currency of the respective Group company, are settled in foreign currencies.

Interest rate risk
COMET's debt financing exposes it to the risk of interest rate fluctuation. As the loans and bond of the COMET Group carry fixed rates of interest, movements in market interest rates have no short-term effect on the amounts of interest payable and hence on the income statement. All loans are measured at amortized cost; therefore, in the year under review and the prior year, changes in market interest rates did not have an effect on the carrying amounts of the loans, nor therefore on income before tax or on equity. The fair values of long-term debt based on the current interest rate situation are presented on an indicative basis in note 25.1.

26.2.2 Credit risk

Credit risk is the risk that a counterparty will not be willing or able to meet its obligations. To mitigate this risk, COMET deals with multiple well-established banks and spreads the credit risk as widely as necessary and reasonable.

Banking transactions: The COMET Group spreads its cash holdings among different banks in order to minimize the potential for losses from credit risk. Banking transactions are conducted only with reputable banks of national and international standing. The types of transactions in which subsidiaries are permitted to engage is determined centrally. The following table shows the amounts held at the four most important counterparties at the balance sheet date:

		2016		2015
In thousands of CHF	**Rating ***	**Balance**	Rating *	Balance
Bank A	A+	10,782	BBB+	3,062
Bank B	AAA	10,035	AAA	73
Bank C	Aa3	10,000	Aa3	0
Bank D	n/a	9,694	n/a	15
Other counterparties		34,321		21,145
Total bank deposits		**74,832**		**24,295**

* Long-term credit rating from Standard & Poor's (except bank C: Moody's)

Trade receivables: COMET operates worldwide, selling its products in various countries and to a large number of customers. Consequently there are no excessive concentration risks in individual countries or with respect to individual customers. Payment terms vary according to the market and customer. The credit limits and payment receipts for each customer are monitored by the individual Group companies and the resulting information is made available to Group management in the form of monthly special reports. Appropriate allowance for expected risk of default is made through the provision for doubtful accounts. Receivables are written off only when payment is highly unlikely to be forthcoming. Detailed information on the provision for doubtful accounts and its movement in the year can be found in note 5.

The amount of exposure to credit risk equals the carrying amount of the respective financial instruments in the balance sheet.

26.2.3 Liquidity risk

COMET defines liquidity risk as the risk that, at any time, it will not be able to meet its financial obligations fully as they become due. The foremost goal of financial management is the permanent assurance of the Group's solvency in order to prevent such a contingency. To this end, using liquidity planning, COMET always maintains sufficient liquid assets and credit lines to avoid shortages of liquidity. Ensuring solvency also includes active working capital management. The Group's credit quality is safeguarded by monitoring the leverage ratio of net debt to EBITDA. Liquidity planning and liquidity procurement are to a large extent performed centrally for the whole Group. A rolling three-month cash flow forecast is prepared monthly based on a decentralized, bottom-up approach. The long-term financing of subsidiaries is normally arranged through loans of COMET Holding AG. Following is an overview of all contractual payment obligations as at the balance sheet date, on an undiscounted basis:

Fiscal year 2016

In thousands of CHF	Carrying amount	Payments due by period			
		Total	2017	2018-2021	After 2021
Current and long-term debt	70,426	77,342	4,192	73,150	0
Trade and other payables	28,100	28,100	28,100	0	0
Derivatives (negative fair values)	184	184	184	0	0
Total	**98,709**	**105,625**	**32,475**	**73,150**	**0**

Fiscal year 2015

In thousands of CHF	Carrying amount	Payments due by period			
		Total	2016	2017-2020	After 2020
Current and long-term debt	22,036	22,232	10,527	11,705	0
Trade and other payables	20,321	20,321	20,321	0	0
Liability for contingent consideration	3,857	3,857	3,857	0	0
Derivatives (negative fair values)	320	320	320	0	0
Total	**46,533**	**46,730**	**35,024**	**11,705**	**0**

Current and long-term debt represents both the principal amounts of these borrowings and the contractual interest payments.

The key assumptions of the above summary of payment obligations are:
- For variable-rate debt, the interest rates at the balance sheet date are used
- All amounts denominated in foreign currencies are translated at the rate prevailing at the balance sheet date
- The maturity date used is the earliest possible

The contract amounts of open derivative positions are presented in note 6.3.

27 Equity capital structure and shareholders

Capital stock

The capital stock at January 1, 2016 was CHF 7,738,010, divided into 773,801 registered shares with a par value of CHF 10 per share. In fiscal year 2016 the capital stock was increased by 742 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 742 shares from this portion of authorized capital, COMET Holding AG at December 31, 2016 thus had CHF 7,745,430 of capital stock, divided into 774,543 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 11, 2016 the Board of Directors established that the capital increase from authorized capital for equity compensation was properly performed. The information on COMET Holding AG in the commercial register was updated to reflect the change in capital stock.

		2016		2015
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	773,801	7,738,010	772,066	7,720,660
Increase in capital from the portion of authorized capital designated for equity compensation	742	7,420	1,735	17,350
December 31	774,543	7,745,430	773,801	7,738,010

At the balance sheet date, COMET Holding AG held no treasury stock (prior year: none).

Authorized capital for equity compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only as equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). In such an increase, shares are issued to Executive Committee members and/or Board members of COMET Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors. Grants of stock and of subscription rights may be made at less than the market price.

In May 2016, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 208 shares of stock in payment of CHF 85,605 of fixed retainers due for fiscal year 2015. In addition, under fixed retainers for 2016, the members of the Board of Directors were granted a total of 104 shares in payment of CHF 42,803 of compensation due for the period from January 1, 2016 to the 2016 Annual Shareholder Meeting. The fully paid shares were applied to the compensation due at a price of CHF 411.56 per share.

Members of the Executive Committee were granted a total of 430 shares in payment of CHF 276,520 of profit-sharing compensation due for fiscal year 2016. The fully paid shares were applied to the compensation due at a price of CHF 643.07 per share.

As a result of these grants of a total of 742 shares during the year under review, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2016		2015	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	22,511	225,110	24,246	242,460
Increase in capital (awards to Board of Directors and Executive Committee for retainers and for profit-sharing compensation, respectively)	(742)	(7,420)	(1,735)	(17,350)
December 31	21,769	217,690	22,511	225,110

Authorized capital for other capital increases
At December 31, 2016, in addition to shares outstanding and unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). The Board of Directors is authorized, at any time until April 21, 2018, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 140,000 fully payable registered shares with a par value of CHF 10.00 per share. Increases by firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

27.1 Significant shareholders

At December 31, 2016 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as holding voting rights in excess of 3% of the COMET capital stock recorded in the Swiss commercial register of companies):

Beneficial owner	**Direct shareholder**	Share of voting rights as disclosed by shareholders
Haldor Foundation	Tringle Investment Pte Ltd	10.13%
Pictet Asset Management SA (Direction de Fonds)	Pictet (CH) - Swiss Mid Small Cap	8.15%
Eric R. Colson Charles J. Daley Gregory K. Ramirez	Artisan Partners Limited Partnership	5.08%
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	5.01%

The Company has not been notified of nor is aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

28 Share-based payments

Main elements of the compensation system
The compensation system of the COMET Group is designed to attract and retain excellent management and specialist staff. COMET seeks to set compensation levels that reflect individual levels of skills and responsibility in the Group and that are competitive with other employers.

For all employees (including the Executive Committee), the compensation system of the COMET Group provides a fixed base salary paid in cash, and a profit-sharing component. One-half of the profit-sharing remuneration of the Executive Committee members is paid in shares of COMET stock, as a long-term element of compensation. The other employees are paid their profit-sharing compensation entirely in cash. The compensation system for the Board of Directors does not have a performance-based element.

The compensation elements in place take into account short-term and long-term aspects of sustainable company performance and development. COMET is confident that its remuneration architecture creates an effective link between compensation and performance that generates lasting value for shareholders.

Compensation of the Board of Directors
To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which 75% is paid in cash and 25% is paid in stock of the Company.

Compensation of the Executive Committee
The compensation of the members of the Executive Committee includes a fixed base salary and a flat expense allowance. In addition to the base salary, the compensation plan provides a performance-related pay component, of which one-half must be drawn in stock. No termination benefits are provided.

Calculation of grant price for share awards
The grant price, at which the stock is awarded and transferred to recipients, is the average closing price of the stock (during the period from the stock's first trading day after the date of the annual results press conference, to its last trading day before the Annual Shareholder Meeting) less a discount of 36%. The discount is intended to make up for the deferral of the compensation and for the price risks associated with the holding period. The shares awarded are subject to a holding period of three years from the date of the award, during which they cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings.

Expenses recorded
The expense recognized for share-based payments in the year under review was CHF 1,107 thousand (prior year: CHF 492 thousand). The amount included CHF 68 thousand for shares already awarded to the Board of Directors in 2016.

29 Compensation of the Board of Directors and Executive Committee

Transactions with related parties are conducted at arm's length. The expense for compensation of the members of the Executive Committee and Board of Directors can be analyzed as follows:

in thousands of CHF	**2016**	2015
Cash compensation, including short-term employee benefits	4,171	2,823
Contributions to post-employment benefit arrangements	429	339
Expense for share-based payments	1,107	492
Total compensation	**5,707**	**3,654**

The expense for share-based payments was higher than the corresponding addition to equity shown in the consolidated statement of changes in equity. The reason for the difference is that the issuance stamp duty of CHF 5 thousand (prior year: CHF 12 thousand) payable on the capital increase was charged directly to additional paid-in capital.

Additional compensation for legal services
In the year under review the law firm Notter, Mégevand & Partner invoiced services in the amount of CHF 34,320 (prior year: CHF 30,600). Hans Leonz Notter (a Board member until April 21, 2016) is a partner at this firm, whose members provide legal advice and other legal services to the COMET Group.

30 Events after the balance sheet date

There have been no events after the balance sheet date with a material effect on the amounts in the consolidated financial statements.

31 Proposed distribution to shareholders

The Board of Directors will propose at the Annual Shareholder Meeting to pay a distribution of CHF 12.00 per share (prior year: CHF 11.00) to shareholders from distributable paid-in capital. The total amount of the proposed distribution is CHF 9,295 thousand (prior year: CHF 8,512 thousand).

32 Release of the consolidated financial statements for publication

The Board of Directors released these annual financial statements on March 7, 2017 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 20, 2017.

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To the General Meeting of
Comet Holding Ltd.

Berne, 7 March 2017

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Comet Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the 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 52 to 100) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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

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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.

Impairment of intangible assets – goodwill and other

Risk	Any impairment of goodwill or other intangible assets can have a material impact on the net income of the Comet Group. Furthermore, the valuation depends on assumptions regarding the future development of the business and on judgments made by management. The impairment tests are complex and described in Note 10. The recoverable amount is based on impairment tests that rest upon various assumptions such as future cash flows, terminal value growth rates, inflation rate and discount rate (WACC) of each cash-generating unit. These assumptions are determined by management and are therefore considered to be judgments.
Our audit approach	We assessed the assumptions made in the impairment tests and involved our own valuation specialists in evaluating the WACC. We compared the terminal value growth rate as well as the inflation rate with externally available data. Besides assessing the assumptions, we also checked the clerical accuracy of the model. In addition, we evaluated the estimates made by management in previous years in terms of the actual income generated. We also assessed the process for identifying possible losses in value together with management. Moreover, we evaluated the disclosures regarding impairment testing on goodwill and intangible assets with indefinite useful life with regard to the assumptions made.

Impairment of deferred tax assets

Risk	Recognition of tax credits and deferred tax assets from losses carried forward is based on assumptions made by management. Management assumes that, based on tax planning, the tax credits and the losses carried forward will be able to be offset with income in the foreseeable future. The handling of deferred tax assets is complex and described in Note 11. There are inherent uncertainties in determining the future offsetting ability. If it becomes clear that the ability to offset losses is no longer given, this results in an impairment of the deferred tax assets. This can have a material impact on the income of the Group.
Our audit approach	We assessed the process for identifying tax credits and loss carryforwards as well as their recognition as deferred tax assets together with management. We involved our own tax specialists in reviewing the existing loss carryforwards as well as the applicable tax rates. We assessed the tax planning on which recognition is based with regard to offsetting ability of losses carried forward with future income.

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 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.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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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

Bernadette Koch Licensed audit expert (Auditor in charge)	Philippe Wenger Licensed audit expert

Separate Financial Statements of COMET Holding AG

Balance sheet

In thousands of CHF	Note	Dec. 31, 2016	%	Dec. 31, 2015	%
Assets					
Cash and cash equivalents		10,290		125	
Trade receivables from subsidiaries		159		77	
Prepaid expenses		349		3	
Total current assets		**10,798**	**6.1%**	**205**	**0.2%**
Non-current financial assets - loans	3	102,794		61,448	
Investments in subsidiaries	2	61,785		61,785	
Intangible assets		821		1,120	
Total non-current assets		**165,400**	**93.9%**	**124,353**	**99.8%**
Total assets		**176,198**	**100.0%**	**124,558**	**100.0%**
Liabilities and shareholders' equity					
Current trade payables to non-Group entities		91		133	
Current trade payables to shareholders and governing bodies		259		209	
Current trade payables to subsidiaries		0		3,233	
Current interest-bearing liabilities		0		7,005	
Other current liabilities to non-Group entities		0		18	
Accrued expenses		1,105		417	
Long-term interest-bearing liabilities	8	60,000		0	
Total liabilities		**61,455**	**34.9%**	**11,015**	**8.8%**
Capital stock		7,745		7,738	
Statutory capital reserve		27,521		35,629	
Statutory earnings reserve		4,967		4,967	
Retained earnings brought forward		65,284		55,883	
Net income for the year		9,226		9,327	
Total retained earnings		**74,510**		**65,210**	
Total shareholders' equity		**114,743**	**65.1%**	**113,543**	**91.2%**
Total liabilities and shareholders' equity		**176,198**	**100.0%**	**124,558**	**100.0%**

Statement of income

In thousands of CHF	2016	%	2015	%
Dividend income	10,702		13,427	
Other financing income	2,465		1,877	
Other operating income	445		472	
Total income	**13,612**	**100.0%**	**15,776**	**100.0%**
Financing expenses	(1,914)		(4,029)	
Other operating expenses	(2,173)		(2,122)	
Amortization of rights to trademarks and names, FeinFocus	(299)		(299)	
Total expenses	**(4,386)**	**32.2%**	**(6,449)**	**40.9%**
Net income for the year	**9,226**	**67.8%**	**9,327**	**59.1%**

Notes to the separate financial statements of COMET Holding AG

General information

COMET Holding AG has its registered office in Flamatt, Switzerland and is the COMET Group's parent holding company listed on the Swiss stock exchange. The separate financial statements of COMET Holding AG at and for the year ended December 31, 2016 comply with the provisions of the Swiss Code of Obligations. The manner of the inclusion of COMET Holding AG in the consolidated accounts is governed by the measurement principles set out in the notes to the consolidated financial statements.

01 Accounting principles

These separate financial statements were prepared in accordance with the principles of the Swiss Accounting Law (Title 32 of the Swiss Code of Obligations).

Receivables and loans
Receivables and loans are stated at nominal amounts less any necessary write-downs.

Intangible assets
Intangible assets – the rights to trademarks and names related to FeinFocus – are recognized at historical cost less necessary amortization and impairment.

Investments in subsidiaries
Investments in subsidiaries are recognized at historical cost less necessary impairment; they are individually tested annually for impairment.

02 Investments in subsidiaries

The following subsidiaries were consolidated in the Group financial statements of COMET Holding AG at December 31, 2016:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2016	2015
COMET Holding AG	Flamatt, Switzerland	CHF	7,745,430	100%	100%
COMET AG	Flamatt, Switzerland	CHF	2,000,000	100%	100%
COMET Electronics (Shanghai) Co. Ltd.	Shanghai, China	CNY	5,466,148	100%	100%
COMET Mechanical Equipment (Shanghai) Co. Ltd.	Shanghai, China	CNY	1,655,420	100%	100%
COMET Technologies USA, Inc. **	Shelton, CT, USA	USD	1,000	100%	100%
COMET Technologies Korea Co. Ltd.	Suwon, Korea	KRW	500,000,000	100%	100%
YXLON International GmbH	Hamburg, Germany	EUR	110,000	100%	100%
YXLON International A/S	Taastrup, Denmark	DKK	601,000	100%	100%
YXLON International KK	Yokohama, Japan	JPY	10,000,000	100%	100%
YXLON (Beijing) X-Ray Equipment Trading Co. Ltd.	Beijing, China	CNY	1,077,000	100%	100%

* COMET Holding AG also holds 100% of the voting rights in all companies.
**The company PCT Engineered Systems LLC was merged into COMET Technologies USA, Inc. effective December 31, 2016.

03 Non-current financial assets – loans

Loans to subsidiaries were as follows:

In thousands of CHF	2016	2015
COMET AG	38,964	0
COMET Technologies USA, Inc.	39,580	31,221
COMET Technologies Korea Co. Ltd.	842	842
YXLON International GmbH	19,536	26,341
YXLON International A/S	3,002	3,045
YXLON International KK	870	0
Total loans to subsidiaries	**102,794**	**61,448**

04 Listing and shareholders

COMET Holding AG (the "Company") is the Group's only company listed on a stock exchange. The Company's registered office is in Flamatt, Switzerland. The registered shares of COMET Holding AG have been listed in the main market segment of the SIX Swiss Exchange in Zurich since December 17, 2002.

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2016	CHF 1,005
Market capitalization at December 31, 2016	CHF 778.4 million

Assorted data on the stock of COMET Holding AG is provided inside the cover flap at the front of the annual report.

Non-listed Group companies
COMET Holding AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are presented above in note 2, "Investments in subsidiaries".

Registered shareholders
At December 31, 2016, COMET Holding AG had 1,691 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,627). Of the total issued registered stock, 100% (prior year: 100%) represented free float.

The structure of share ownership size classes among the shareholders of record at December 31, 2016 was as follows:

Number of shares	Number of shareholders
1 to 100	1 365
101 to 1,000	271
1,001 to 5,000	36
5,001 to 10,000	13
More than 10,000	6

This analysis does not capture the stock of shareholders who were not registered in the share register; at December 31, 2016 these shares of unregistered owners amounted to 34% of the total (prior year: 34%).

Significant shareholders

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, $33\frac{1}{3}$%, 50% and $66\frac{2}{3}$% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 2016 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as holding voting rights in excess of 3% of the COMET capital stock recorded in the Swiss commercial register of companies):

Beneficial owner	**Direct shareholder**	Share of voting rights as disclosed by shareholders
Haldor Foundation	Tringle Investment Pte Ltd	10.13%
Pictet Asset Management SA (Direction de Fonds)	Pictet (CH) - Swiss Mid Small Cap	8.15%
Eric R. Colson Charles J. Daley Gregory K. Ramirez	Artisan Partners Limited Partnership	5.08%
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	5.01%

The Company has not been notified of nor is aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

Reportable changes during fiscal year 2016

In the fiscal year under review, ten reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange: www.six-exchange-regulation.com/publications/significant-shareholders.html

Cross-shareholdings

There were no cross-shareholdings with other publicly traded companies.

05 Equity capital structure

Capital stock

The capital stock at January 1, 2016 was CHF 7,738,010, divided into 773,801 registered shares with a par value of CHF 10 per share. In fiscal year 2016 the capital stock was increased by 742 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 742 shares from this portion of authorized capital, COMET Holding AG at December 31, 2016 thus had CHF 7,745,430 of capital stock, divided into 774,543 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 11, 2016 the Board of Directors established that the capital increase from authorized capital for equity compensation was properly performed. The information on COMET Holding AG in the commercial register was updated to reflect the change in capital stock.

	2016		2015	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	773,801	7,738,010	772,066	7,720,660
Increase in capital from the portion of authorized capital designated for equity compensation	742	7,420	1,735	17,350
December 31	774,543	7,745,430	773,801	7,738,010

At the balance sheet date, COMET Holding AG held no treasury stock (prior year: none).

Authorized capital for equity compensation
Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only as equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). In such an increase, shares are issued to Executive Committee members and/or Board members of COMET Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors. Grants of stock and of subscription rights may be made at less than the market price.

In May 2016, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 208 shares of stock in payment of CHF 85,605 of fixed retainers due for fiscal year 2015. In addition, under fixed retainers for 2016, the members of the Board of Directors were granted a total of 104 shares in payment of CHF 42,803 of compensation due for the period from January 1, 2016 to the 2016 Annual Shareholder Meeting. The fully paid shares were applied to the compensation due at a price of CHF 411.56 per share.

Members of the Executive Committee were granted a total of 430 shares in payment of CHF 276,520 of profit-sharing compensation due for fiscal year 2016. The fully paid shares were applied to the compensation due at a price of CHF 643.07 per share.

As a result of these grants of a total of 742 shares during the year under review, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2016		2015	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	22,511	225,110	24,246	242,460
Increase in capital (awards to Board of Directors and Executive Committee for retainers and for profit-sharing compensation, respectively)	(742)	(7,420)	(1,735)	(17,350)
December 31	21,769	217,690	22,511	225,110

Authorized capital for other capital increases

At December 31, 2016, in addition to shares outstanding and unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). The Board of Directors is authorized, at any time until April 21, 2018, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 140,000 fully payable registered shares with a par value of CHF 10.00 per share. Increases by firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

06 Disclosure of shareholdings of the Board of Directors and Executive Committee

The ownership interests in COMET Holding AG held by current members of the Board of Directors and of the Executive Committee are disclosed below. This disclosure covers all persons who held Board or Executive Committee positions for all or part of the year under review or of the prior year, regardless of whether they still did so at the balance sheet date. The shareholdings shown include those of respective related parties.

	Total number of shares		Of which: shares subject to holding periods ending			**Share of voting rights**	
	2016	2015	4/24/2017	4/22/2018	4/21/2019	**2016**	2015
Hans Hess Chairman of the Board	**4,870**	4,766	199	234	104	**0.6%**	0.6%
Hans Leonz Notter Vice Chairman and member of the Board (until April 21, 2016)	**3,887**	3,785	130	159	52	**0.5%**	0.5%
Lucas A. Grolimund Vice Chairman and member of the Board	**935**	883	109	120	52	**0.1%**	0.1%
Gian-Luca Bona Member of the Board	**515**	463	120	136	52	**0.1%**	0.1%
Rolf Huber Member of the Board	**1,309**	1,257	162	128	52	**0.2%**	0.2%
Mariel Hoch Member of the Board (from April 21, 2016)	**0**	0	0	0	0	**0.0%**	0.0%
Franz Richter Member of the Board (from April 21, 2016)	**0**	0	0	0	0	**0.0%**	0.0%
Ronald Fehlmann Chief Executive Officer	**890**	1,523	249	340	151	**0.1%**	0.2%
Markus Portmann Chief Financial Officer	**714**	960	91	122	54	**0.1%**	0.1%
Thomas Polzer Chief Operating Officer (from August 1, 2016)	**0**	0	0	0	0	**0.0%**	0.0%
Detlef Steck Segment President of X-Ray Systems (from April 1, 2016)	**25**	0	0	0	0	**0.0%**	0.0%
Stefan Moll Segment President of X-Ray Systems (until March 31, 2016)	**456**	415	38	86	41	**0.1%**	0.1%
Michael Kammerer Segment President of Plasma Control Technologies	**236**	283	55	114	53	**0.0%**	0.0%
Charles Flükiger Segment President of ebeam Technologies	**238**	358	71	114	53	**0.0%**	0.0%
Eric Dubuis Chief Information Officer	**277**	239	53	87	38	**0.0%**	0.0%
Christoph Bärtschi Chief Human Resource Officer (until December 31, 2016)	**135**	95	0	95	40	**0.0%**	0.0%

Each 1,000 registered shares of COMET Holding AG, of a par value of CHF 10 per share, represented a total of 0.1291% of all voting power (prior year: 0.1292%). The members of the Board of Directors and Executive Committee held a total of 1.9% of voting rights (prior year: 1.9%). No material changes in ownership interests arose after the balance sheet date of December 31, 2016.

07	**Options, conversion rights and treasury stock**	COMET Holding AG has not issued any conversion rights or stock options. In fiscal year 2016 and in the prior year, COMET Holding AG held no treasury stock.
08	**Bond**	On April 20, 2016, COMET Holding AG issued a bond with a total nominal value of CHF 60 million (denomination of CHF 5,000). The term is five years and the bond matures on April 20, 2021. The fixed coupon over the term of the bond is 1.875%, payable annually on April 20 and due for the first time on April 20, 2017. Listing: SIX Swiss Exchange (security number 32061943, ISIN number CH0320619437, ticker symbol COT16).
09	**Guarantees and pledged assets**	As the Group is taxed as a single entity for purposes of value-added taxation, COMET Holding AG has joint and several liability for the value-added tax obligations of its Swiss subsidiary.
10	**Number of full-time equivalents**	The annual average number of full-time equivalents in 2016 and 2015 was less than 10.
11	**Release of the separate financial statements for publication**	The Board of Directors released these financial statements on March 7, 2017 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 20, 2017.

Board of Directors’ proposal for the appropriation of retained earnings

In the fiscal year, COMET Holding AG had total income of CHF 13.6 million (prior year: CHF 15.8 million). The difference compared with the prior year resulted primarily from lower dividend income. Total expenses in the fiscal year, at CHF 4.4 million, represented a decrease of CHF 2.1 million from the year-earlier level. An absence of foreign currency translation losses led to correspondingly lower financing expenses. Amortization of rights to trademarks and names related to FeinFocus was offset (as in the prior year) by passing the expenses through to the user of the rights. The shareholders’ equity of COMET Holding AG at the end of the fiscal year was CHF 114.7 million (prior year: CHF 113.5 million), representing an equity ratio of 65.1% (prior year: 91.2%). On April 20, 2016, a five-year, CHF 60 million bond was issued. The bond has a coupon rate of 1.875% and is listed on the SIX Swiss Exchange (ticker symbol COT16; security number 32 061 943).

At the Annual Shareholder Meeting, the Board of Directors will propose to allocate retained earnings as follows:

In thousands of CHF	**2016**	2015
Earnings brought forward	65,210	55,883
Transfer from distributable paid-in capital reserve	74	0
Net income for the year	9,226	9,327
Retained earnings available for distribution	**74,510**	**65,210**
Earnings carried forward	**74,510**	**65,210**

At the Annual Shareholder Meeting, the Board of Directors will also propose to make a distribution to shareholders from distributable paid-in capital as follows:

In thousands of CHF	**2016**	2015
Distributable paid-in capital brought forward	27,117	34,248
Transfer to statutory earnings reserve	(74)	0
Additional paid-in capital from increase in capital stock	477	1,381
Distributable paid-in capital reserve	**27,520**	**35,629**
Repayment of CHF 12.00 per share from distributable paid-in capital (prior year: CHF 11.00 per share)	(9,295)	(8,512)
Distributable paid-in capital reserve carried forward	**18,225**	**27,117**

In order for additions to the distributable paid-in capital reserve to be distributable free of Swiss anticipatory tax, they must be confirmed by the Swiss Federal Tax Administration, on the basis of the audited annual accounts, as being paid-in capital reserves distributable free of this tax. At December 31, 2016, for a total amount of CHF 477 thousand, this confirmation had not yet been received or not yet applied for. From prior years an amount of CHF 74 thousand was not accepted by the Swiss Federal Tax Administration as being distributable free of this tax and was therefore reclassified to the statutory earnings reserve.

The Board of Director’s proposal for the appropriation of retained earnings covers all shares outstanding. No distribution is made in respect of any shares held as treasury stock at the record date. The actual total amount of the distribution may therefore be correspondingly less than shown above.

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To the General Meeting of
Comet Holding Ltd.

Berne, 7 March 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Comet Holding Ltd., which comprise the balance sheet, income statement and notes (pages 108 to 115), for the year ended 31 December 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

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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 judgement, 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.

Impairment of investments and loans	
Risk	As the parent company of the Group, the company holds investments in various subsidiaries. Furthermore, the parent company uses intragroup loans to fund a number of subsidiaries and sub-subsidiaries. Investments and loans each amount to approx. 50% of total assets and are therefore material. By definition, amounts recognized on the balance sheet are subject to an impairment risk. When there are indications of possible impairments, management prepares the required calculations and, if applicable, records a depreciation or allowance. The calculations are based in part on simplified principles, especially when management considered the risk of an impairment to be low.
Our audit approach	We reviewed the calculations performed by management, which were based on commercial balance sheets or calculations in connection with the consolidated financial statements. For complex calculations, we involved our valuation specialists in checking the plausibility of the discount rates used.

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

Bernadette Koch Licensed audit expert (Auditor in charge)	Philippe Wenger Licensed audit expert

Corporate governance 2016

Corporate governance is defined by COMET as all of the principles and practices aimed at safeguarding shareholder interests. While maintaining management's decision-making capability and efficiency, the aim of good corporate governance is to ensure an appropriate balance of leadership and control, along with transparent reporting.

This corporate governance report describes the management structure and control principles in place at the top organizational levels of the COMET Group. The key elements are defined in the Company's Bylaws and its organizational regulations (the Management Organization Manual).

The corporate governance report is based on the requirements of the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance (DCG).

The disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC) were fully complied with in the annual report 2016.

Group structure and ownership

Structure of the operating activities of the COMET Group

Plasma Control Technologies	**X-Ray Systems**	**X-Ray Modules**	**ebeam Technologies**

The Group's commercial activities are divided into four operating segments: Plasma Control Technologies (PCT), X-Ray Systems (IXS), X-Ray Modules (IXM) and ebeam Technologies (EBT). Financial information is reported by segment. The financial data for the individual segments is found in the segment information within the notes to the consolidated annual financial statements, beginning on page 65 of this annual report.

Listed Group company: COMET Holding AG

COMET Holding AG (the "Company") is the Group's only company listed on a stock exchange. The Company's registered office is in Flamatt, Switzerland. The registered shares of COMET Holding AG have been listed in the main market segment of the SIX Swiss Exchange in Zurich since December 17, 2002.

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2016	CHF 1,005
Market capitalization at December 31, 2016	CHF 778.4 million

Assorted data on the stock of COMET Holding AG is provided inside the cover flap at the front of the annual report.

Non-listed Group companies

COMET Holding AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are itemized in the notes to the company financial statements of COMET Holding AG on page 109.

Registered shareholders

At December 31, 2016, COMET Holding AG had 1,691 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,627). Of the total issued registered stock, 100% (prior year: 100%) represented free float. COMET Holding AG held no treasury stock at December 31, 2016 (prior year: none).

The structure of share ownership size classes among the shareholders of record at December 31, 2016 was as follows:

Number of shares	Number of shareholders
1 to 100	1365
101 to 1,000	271
1,001 to 5,000	36
5,001 to 10,000	13
More than 10,000	6

This analysis does not capture the stock of shareholders who were not registered in the share register; at December 31, 2016 these shares of unregistered owners amounted to 34% of the total (prior year: 34%).

Significant shareholders

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, $33\frac{1}{3}$%, 50% and $66\frac{2}{3}$% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 2016 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as holding voting rights in excess of 3% of the COMET capital stock recorded in the Swiss commercial register of companies):

Beneficial owner	Direct shareholder	Share of voting rights as disclosed by shareholders
Haldor Foundation	Tringle Investment Pte Ltd	10.13%
Pictet Asset Management SA (Direction de Fonds)	Pictet (CH) - Swiss Mid Small Cap	8.15%
Eric R. Colson Charles J. Daley Gregory K. Ramirez	Artisan Partners Limited Partnership	5.08%
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	5.01%

The Company has not been notified of nor is aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

Reportable changes during the fiscal year

In the fiscal year under review, ten reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange: www.six-exchange-regulation.com/publications/significant-shareholders.html

Cross-shareholdings

There were no cross-shareholdings with other publicly traded companies.

Capital structure

Capital stock

The capital stock at January 1, 2016 was CHF 7,738,010, divided into 773,801 registered shares with a par value of CHF 10 per share. In fiscal year 2016 the capital stock was increased by 742 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 742 shares from this portion of authorized capital, COMET Holding AG at December 31, 2016 thus had CHF 7,745,430 of capital stock, divided into 774,543 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 11, 2016 the Board of Directors established that the capital increase from authorized capital for equity compensation was properly performed. The information on COMET Holding AG in the commercial register was updated to reflect the change in capital stock.

	2016		2015	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	773,801	7,738,010	772,066	7,720,660
Increase in capital from the portion of authorized capital designated for equity compensation	742	7,420	1,735	17,350
December 31	774,543	7,745,430	773,801	7,738,010

At the balance sheet date, COMET Holding AG held no treasury stock (prior year: none).

Authorized capital for equity compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only as equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). In such an increase, shares are issued to Executive Committee members and / or Board members of COMET Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors. Grants of stock and of subscription rights may be made at less than the market price.

In May 2016, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 208 shares of stock in payment of CHF 85,605 of fixed retainers due for fiscal year 2015. In addition, under compensation for 2016, the members of the Board of Directors were granted a total of 104 shares in payment of CHF 42,803 of fixed retainers due for the period from January 1, 2016 to the 2016 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 411.56 per share.

Members of the Executive Committee were granted a total of 430 shares in payment of CHF 276,520 of profit-sharing compensation due for fiscal year 2016. The fully paid shares were applied to the compensation due at a price of CHF 643.07 per share.

As a result of these grants of a total of 742 shares during the year under review, the Company's unissued authorized capital for equity-based compensation showed the following movement:

		2016		2015
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	22,511	225,110	24,246	242,460
Increase in capital (awards to Board of Directors and Executive Committee for retainers and for profit-sharing compensation, respectively)	(742)	(7,420)	(1,735)	(17,350)
December 31	21,769	217,690	22,511	225,110

Authorized capital for other capital increases

At December 31, 2016, in addition to shares outstanding and unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). The Board of Directors is authorized, at any time until April 21, 2018, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 140,000 fully payable registered shares with a par value of CHF 10.00 per share. Increases by firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

Changes in shareholders' equity

Over the last three years the shareholders' equity of COMET Holding AG showed the following movements:

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Free reserve	Retained earnings	Total share-holders' equity
December 31, 2013	**7,701**	**4,967**	**47,843**	**0**	**44,577**	**105,088**
Net income	0	0	0	0	11,306	11,306
Distribution from distributable paid-in capital	0	0	(6,161)	0	0	(6,161)
Increase in capital stock	20	0	1,058	0	0	1,078
December 31, 2014	**7,721**	**4,967**	**42,740**	**0**	**55,883**	**111,311**
Net income	0	0	0	0	9,327	9,327
Distribution from distributable paid-in capital	0	0	(8,493)	0	0	(8,493)
Increase in capital stock	17	0	1,381	0	0	1,398
December 31, 2015	**7,738**	**4,967**	**35,629**	**0**	**65,210**	**113,543**
Net income	0	0	0	0	9,226	9,226
Distribution from distributable paid-in capital	0	0	(8,512)	0	0	(8,512)
Transfer	0	0	(74)	0	74	0
Increase in capital stock	7	0	478	0	0	485
December 31, 2016	**7,745**	**4,967**	**27,521**	**0**	**74,510**	**114,743**

The transfer item relates to the transfer of distributable paid-in capital reserves to retained earnings: An amount of CHF 74 thousand from capital increases of prior years was not accepted by the Swiss Federal Tax Administration as constituting paid-in capital reserves distributable free of tax and was therefore reclassified to the statutory earnings reserve.

The corresponding information for the prior two fiscal years is found on page 100 of the annual report 2014 and page 108 of the annual report 2015. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 55 of this annual report.

Shares

The Company's capital stock at December 31, 2016 consisted of 774,543 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. With the exception of any treasury stock, every share carries dividend rights and represents one vote at the Shareholder Meeting, provided that the shareholder is recorded in the share register.

Participation certificates

The Company has not issued any participation certificates.

Dividend right certificates

The Company has not issued any dividend right certificates.

Convertible bonds and options

The Company has not issued any conversion rights or stock options.

Bond

On April 20, 2016, COMET Holding AG issued a bond in the amount of CHF 60 million (denomination of CHF 5,000). The term is five years and the bond matures on April 20, 2021. The fixed coupon over the term of the bond is 1.875%, payable annually on April 20 and due for the first time on April 20, 2017.

Listing: SIX Swiss Exchange (security number 32061943,
ISIN number CH0320619437, ticker symbol COT16).

Restrictions on transferability and nominee registration

The Company keeps a share register in which the shares' owners and beneficial owners and the number of their shares are recorded. The share register is operated on behalf of the COMET Group by Devigus Engineering AG. For the purposes of the legal relationship with the Company, shareholders or beneficial owners of shares are recognized as such only if they are registered in the share register. Purchasers of registered stock or of beneficial rights with respect to registered stock are upon their request recorded as voting shareholders in the share register by the Board of Directors if the purchasers state explicitly that they have acquired, and will hold, the stock or beneficial interest for their own account. Registration in the share register requires evidence of the acquisition of full legal title to the shares or evidence of the establishment of beneficial ownership. For the purpose of this condition, nominee shareholders (nominees) are deemed to be those persons who do not explicitly state in their registration application that they hold the shares for their own account. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies. Where legal entities or groups with joint legal status are connected by capital, voting rights, management or in some other manner, they are deemed to constitute a single nominee, as are all natural persons, legal entities or groups with joint legal status that by agreement, as a syndicate or in any other way act in a coordinated manner in circumventing the nominee rules. The Company may, after hearing the affected party, void registrations in the share register with retroactive effect from the date of registration if they were based on false information given by the purchaser. The purchaser must be informed of the deletion immediately. The Board of Directors determines the details of the application of these provisions and makes the arrangements necessary to ensure compliance with them. In special cases, the Board may approve exceptions to the nominee rules. In the year under review, no applications for such special treatment were received.

Management transactions

The Listing Rules of the SIX Swiss Exchange require the disclosure of management transactions in stock of the company and related financial instruments. The Board of Directors has issued a corresponding regulation in order to comply with these requirements. The parties whose transactions of this nature are reportable to the Company are the members of the Board of Directors and of the Executive Committee (the Executive Committee is the most senior level of operational management). In the fiscal year, ten disclosures were filed. Published disclosures can be found on the website of the SIX Swiss Exchange.

Board of Directors

The Board of Directors has ultimate responsibility for supervising the top-level operational management personnel of the COMET Group. The Board sets the Group's strategic goals and the guidelines for organizational structure and financial planning.

Composition of the Board of Directors of COMET Holding AG

On December 31, 2016 the Board of Directors of COMET Holding AG had the following six members:

Name	Nationality	Position on the Board	Member since	Elected until
Hans Hess Dipl. Ing. ETH, MBA USC	Swiss	Chairman and non-executive member	2005	2017
Lucas A. Grolimund Dipl. Ing. ETH, MBA INSEAD	Swiss	Vice Chairman and non-executive member	2007	2017
Gian-Luca Bona Prof. Dr. sc. nat. ETH	Swiss	Non-executive member	2012	2017
Mariel Hoch Dr. iur. UZH	Swiss	Non-executive member	2016	2017
Rolf Huber Dipl. Ing. Agr. ETH	Swiss	Non-executive member	2008	2017
Franz Richter Dr. Ing. RWTH	German	Non-executive member	2016	2017

Secretary of the Board of Directors (since 2010) and non-member of the Board: Ines Najorka, Vice President of Corporate Communications.

Additional information on the members of the Board of Directors

The information below outlines the education, significant professional experience and current position of each Board member. Where a place name is not followed by a country or state, the country is Switzerland.

Hans Hess
(b. 1955, Swiss citizen)

Education
Dipl. Werkstoffingenieur (master's) degree in materials science from Federal Institute of Technology (ETH), Zurich; MBA from University of Southern California, Los Angeles, CA

Professional experience
1981 to 1983: development engineer at Sulzer AG, Winterthur; 1983 to 1988: head of PUR business unit, Huber & Suhner AG, Pfäffikon; 1989 to 1993: head of Medicinal and Stereo Microscopy, director, Leica AG, Heerbrugg; 1993 to 1996: president of Optronics division, Leica AG, Heerbrugg; 1996 to 2005: CEO of Leica Geosystems AG, Heerbrugg; since 2006: president of Hanesco AG, International Management Consulting, Pfäffikon

Lucas A. Grolimund
(b. 1966, Swiss citizen)

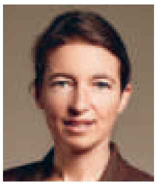
Education
Dipl. Elektroingenieur master’s degree in electrical engineering from Swiss Federal Institute of Technology (ETH), Zurich; M.Sc. degree in electrical engineering from Stanford University, Palo Alto, CA; MBA from INSEAD, Fontainebleau, France

Professional experience
1995 to 2000: McKinsey & Company, Zurich; 2000 to 2003: CFO of Gate Gourmet Group, Opfikon; 2003 to 2007: CEO of Schlatter Holding AG, Schlieren; 2007 to 2009: CEO of Cicor Technologies, Boudry; since 2009: independent consultant

Gian-Luca Bona
(b. 1957, Swiss citizen)

Education
Dipl. Phys. master’s degree in physics from Swiss Federal Institute of Technology (ETH), Zurich and Dr. sc. nat. doctorate in physics from ETH, Zurich

Professional experience
1987 to 2002: IBM Research Laboratory, Rüschlikon; 2002: IBM Watson Research Center, Yorktown Heights, NY; 2003 to 2004: research manager, Photonics Networks, IBM Research Laboratory, Rüschlikon; 2004 to 2008: research functional manager, Science and Technology, IBM Almaden Research Center, San José, CA; 2008 to 2009: director of tape storage solutions, IBM, Tucson, AZ; since September 2009: CEO of Empa (the Swiss Materials Science & Technology Laboratory) and professor of photonics at the Swiss Federal Institutes of Technology (ETH and EPF), Zurich and Lausanne



Mariel Hoch
(b. 1973, Swiss citizen)

Education
Lic. iur. degree in law from University of Zurich; Dr. iur. doctorate in competition law from University of Zurich

Professional experience
Partner at the law firm Bär & Karrer AG, Zurich, with a focus on mergers and acquisitions and advising of listed companies

Rolf Huber
(b. 1965, Swiss citizen)

Education
Dipl. Ing. Agr. master’s degree in agronomy from Swiss Federal Institute of Technology, Zurich

Professional experience
1993 to 1997: McKinsey & Company, Zurich; 1997 to 1998: member of executive management of Coop Switzerland; 1998 to 2001: CFO of Hero AG and Hero Group; since 2001: independent consultant and partner at Ceres Capital AG; from 2014 was CEO and since 2016 is chairman of H2 Energy AG, Zurich

Franz Richter
(b. 1955, German citizen)

Education
Dipl. Ing. master's degree in physics from Technische Hochschule Darmstadt, Germany; doctorate in mechanical engineering from Rheinisch-Westfälische Technische Hochschule Aachen, Germany

Professional experience
1985 to 1988: researcher at Carl Zeiss, Oberkochen, Germany; 1988 to 1990: researcher at Fraunhofer Institute for Laser Technology, Aachen, Germany; 1990 to 2004, and from 2016: various positions at Süss MicroTec, Garching, Germany, including CEO from 1998 to 2004 and since fall 2016; 2005 to 2007: president of Semiconductor Equipment segment, Unaxis, OC Oerlikon, Pfäffikon; from 2007: CEO and co-founder of Thin Materials, Eichenau, Germany

Operational management functions

At the reporting date of December 31, 2016, none of the members of the Board of Directors had operational management responsibilities in the COMET Group. In the three years immediately preceding the year under review, none of the current Board members was a member of the Executive Committee of the COMET Group.

Related party transactions

Hans Leonz Notter (a Board member until April 21, 2016) is a partner at Notter Mégevand & Partner, a law firm in Berne which provides legal services, including legal advice, to the COMET Group. The other Board members had no material business relationships with the COMET Group.

Activities and interests outside the Group

Section 27 of the Bylaws, which have been revised for compliance with the OAEC and approved by the Shareholder Meeting, specifies the allowable number of other external positions on top management or supervisory bodies that may be held by members of the Board of Directors, as follows:

- Members of the Board of Directors may each not hold more than five external positions on top management or supervisory bodies of listed (i.e., exchange-traded) companies and not more than seven such external positions in non-listed companies.
- Members of the Board of Directors may each not hold more than ten such positions in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by COMET Holding AG, or positions controlled by COMET Holding AG, are not subject to restriction.

At December 31, 2016 the members of the Board of Directors had the following positions on top management or supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations:

Hans Hess
Member of the board, Burckhardt Compression Holding AG, Winterthur; chairman of the board, Reichle & De-Massari Holding AG, Wetzikon; member of the board, dormakaba Holding AG, Rümlang; president, Swissmem (the trade association of the Swiss mechanical and electrical engineering industries); vice president, economiesuisse (the Swiss business federation)

Gian-Luca Bona
Member of the board, Bobst Group SA, Mexico; chairman of the board, Technopark Zürich Foundation; chairman, Swiss Technopark Allianz; chairman, glaTec technology center, Dübendorf; expert for knowledge and technology transfer, Commission for Technology and Innovation (KTI); member of the advisory board, Swiss Cleantech Initiative; member of the board, Zurich Innovation Park foundation; member of the board, Bundesanstalt für Materialien (BAM, German Federal Institute for Materials Research and Testing), Berlin; member, International Advisory Board, National Institute for Material Science (NIMS), Tsukuba, Japan

Mariel Hoch
Member of the board, ADUNIC AG, Frauenfeld; member of the board, The Schörling Foundation, Lucerne

Franz Richter
Member of the supervisory board, Siltronic AG, Munich, Germany; chairman of the board of trustees, Fraunhofer Institute for Reliability and Microintegration IZM, Berlin, Germany; chairman of the board, Scint-X Technologies AB, Kista, Sweden; chief executive officer, Süss MicroTec AG, Garching, Germany; member of the board, Meyer Burger Technology AG, Thun

Board elections and terms

Under the Bylaws of COMET Holding AG, its Board of Directors must have at least five members. The Board members are elected by the Annual Shareholder Meeting for a one-year term. They are individually elected when standing for election or re-election. The Shareholder Meeting also elects one member of the Board of Directors as the Chairman of the Board, and elects the members of the Nomination & Compensation Committee.

The term of office ends at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted. If elections are held during a term to replace or add Board members, the newly elected members serve for the remainder of the current term.

The maximum age for membership on the Board is 70 years. Every Board member must retire from the Board on the day of the Annual Shareholder Meeting held in the year in which he or she reaches 70 years of age.

The Bylaws are in accordance with the legal requirements of the OAEC.

Internal organizational structure

Except for the election of the Board Chairman and the members of the Compensation Committee by the Shareholder Meeting, the Board of Directors constitutes itself at its first meeting after its election or re-election by the Shareholder Meeting. The Board appoints its Vice Chairman, the members of the other Board committees and the Board Secretary. The Secretary need not be a member of the Board. The Board meets at the invitation of the meeting's chairman as often as business requires, or when requested by a Board member in writing for a stated purpose. The Board has a quorum when the majority of members are present. The Board passes its resolutions and performs its elections by an absolute majority of votes cast. In the event of an equality of votes, the chairman of the meeting has the casting vote. Resolutions on a motion may alternatively be reached in writing if no Board member objects to this method. Minutes must be kept of the deliberations and resolutions and be signed by the meeting chairman and the Board Secretary. The minutes are submitted to the Board for approval at its next meeting. The Bylaws are in accordance with the legal requirements of the OAEC.

Functioning of the full Board of Directors

The Board of Directors as a rule convenes for a regular meeting every two months. Additional meetings or telephone conferences are held as needed. Depending on the business at hand, the Board meetings are between half a day and a full day in length.

A total of six regular meetings of the full Board were held in the year. Besides several telephone conferences of the full Board, there were also meetings of the Board committees, which are normally half a day in length.

The Board of Directors is regularly kept informed of the course of business by the CEO and CFO at its meetings and is also briefed on an ad hoc basis as needed. Other members of the Executive Committee, other management staff and specialists of the COMET Group regularly attend Board meetings to report on particular projects in their area of responsibility. As well, external advisors are consulted as required to deal with specific matters. The Board receives monthly written reports on the current business performance and the financial planning variances.

Board committees
In fiscal year 2016 the Board committees had the following members:

Committee	Members
Nomination & Compensation Committee (NCC)	Rolf Huber (Committee chairman)
	Mariel Hoch
Audit Committee (AC)	Lucas A. Grolimund (Committee chairman)
	Hans Hess
Technology Committee (TC)	Gian-Luca Bona (Committee chairman)
	Franz Richter

Every committee normally consists of at least two members of the Board. The members of the Nomination & Compensation Committee (NCC) are elected anew every year by the Annual Shareholder Meeting. The members of the other committees are elected by the Board from among the Board members for a term of one year. Every committee normally meets at least twice per year, or as often as business requires. The reports to the full Board are made orally or in writing as required.

The committees' principal function is to prepare decision support for the full Board in special subject areas. At the regular meetings or as required, the full Board is kept informed of the activities of the individual committees. The overall responsibility for the tasks assigned to the committees remains with the full Board, which decides as a body on all proposals.

Nomination & Compensation Committee
The Nomination&Compensation Committee is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of Board members and Executive Committee members. The NCC itself does not make decisions but prepares proposals for the approval of the full Board of Directors.
The Committee has the following responsibilities in particular:

- Attend to the compensation policy for the remuneration of the Board of Directors and Executive Committee and to the compensation structure of the COMET Group
- Produce the proposed compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

The Company's organizational regulations and the committee charter of the NCC may assign additional responsibilities to the Committee.

The Nomination&Compensation Committee convenes for at least two regular meetings per year. The NCC may hold additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

In the year under review the Committee held three meetings, both of which were attended by both members of the Committee. Both meetings were also partly or fully attended, in an advisory role, by the CEO and the Chief Human Resources Officer. In connection with the search for new Board members, the whole Board also participated in various ad-hoc meetings.

Audit Committee
The Audit Committee supports the full Board in exercising oversight of accounting and financial reporting and in monitoring compliance with legal requirements. The Committee has the following responsibilities in particular:

- Evaluate the structure and form of the Group's accounting system
- Gauge the effectiveness of the independent auditors and the internal controls
- Evaluate the coordination of external and internal auditing, and review the performance and compensation of the external independent auditors
- Evaluate the effectiveness of risk management
- Review the rolling multi-year plan, the quarterly rolling forecast and the accuracy of the latter
- Review the financial reporting to shareholders and the public
- Issue directions to the internal audit function and, as may be required on a case-by-case basis by the resulting findings, issue directions to the Executive Committee

During the fiscal year, three meetings were held by the Audit Committee. They were attended by the external auditors, internal audit, the CEO and the Chief Financial Officer (CFO). The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

Technology Committee
The Technology Committee provides support to the full Board in matters of technology. The Committee has the following responsibilities in particular:

- Monitor international developments in technology and evaluate the emerging trends for their relevance to the COMET Group
- Assess the Group's internal research and development activities
- Ensure the Group holds at least one technology day or equivalent event per year

The Committee meets as often as business requires. During the year under review the Technology Committee held two meetings. In the year, the appraisal of technology sector developments, as well as the development measures taken by the Group, were regularly discussed with the segment presidents in the course of the Board's scheduled meetings. Additionally, a group-wide Science Day was held under the leadership of Gian-Luca Bona.

Division of authority

The Board of Directors is responsible for the overall direction and management of the Group and for the supervision of its most senior operational management. The non-delegable and inalienable duties of the Board of Directors are established by section 716a of the Swiss Code of Obligations. The Board's specific responsibilities and scope of authority are set out in the Company's organizational regulations (its Management Organization Manual). In particular, the Board of Directors has the authority to:

- Determine the Group's strategic direction and financial targets and allocate the resources required to achieve them
- Establish the Group's objectives, business policy and strategy, and organizational structure
- Approve the rolling short- and medium-term financial plans
- Approve the acquisition and disposal of subsidiaries and of equity interests in other companies, and approve collaborations with other firms
- Approve the purchase and sale of real estate
- Appoint and withdraw members of the Group's Executive Committee and the presidents of its subsidiaries and exercise oversight and control of their activities

The Board of Directors has delegated all day-to-day management of the Group to the CEO and the Executive Committee, except as otherwise required by law or the Company's Bylaws. The CEO and Executive Committee have the necessary powers to execute the business strategy within the framework set by the Board of Directors. In particular, the CEO has the authority to:

- Manage the COMET Group, implement the Board's strategic directions and decisions, and ensure timely and appropriate reporting to the Board
- Develop business targets within the general objectives established by the Board and present proposals for the rolling forecasts and for the strategic multi-year planning
- Request items of business to be placed on the agenda of Board meetings, prepare such business for transaction by the Board, and ensure the implementation of the Board's decisions
- Implement an internal control and management information system based on the specifications of the Board
- Regularly review the business risks, and establish a Board-approved risk management system for this purpose
- Regularly review the degree of achievement of the financial targets and strategic goals, as well as the liquidity of the subsidiaries
- The members of the Executive Committee report to the CEO

Monitoring and control with respect to the Executive Committee

The Chairman of the Board may attend the meetings of the Executive Committee and receives the minutes of all its meetings. The Board also receives regular reports on the course of business from the Executive Committee at Board meetings. In the case of extraordinary events, the Executive Committee informs the Board immediately. The CEO and CFO attend all regular meetings of the Board. At least one to two times per year, in the context of Board meetings, the other members of the Executive Committee also report to the Board on their business area.

Management information system

The monthly financial reporting by the Executive Committee on the current course of business and important transactions gives the full Board of Directors the information needed to properly discharge its responsibilities. The standardized internal reporting of the COMET Group consists of the IFRS-based consolidated balance sheet, statement of income and cash flow statement, as well as detailed management reporting. Complementing the monthly consolidated financial statements and a comprehensive range of financial ratios, the management reporting presents and comments upon additional information such as new orders and order backlog, staffing levels and accounts past due, provided in table and chart form. This data is presented by segment and on a consolidated basis for the Group and is compared to the prior year and the rolling forecast. The resulting insights and actions are discussed monthly by the Executive Committee. All monthly financial statements are submitted to the Board of Directors, which discusses them at its meetings.

As a longer-term control tool, a rolling multi-year plan is prepared annually for the subsequent three years. In addition, every quarter, management generates a rolling forecast for the following five quarters. These forward-looking control tools, which are accompanied by detailed commentary and documented with charts, enable the Board to continually evaluate the financial effectiveness of the business strategy adopted and then to take action if and as required.

Internal audit

Since 2006 the internal audit function is performed on a consulting basis by Robert Kruijswijk, who is based in Elgg, Switzerland. His compensation is determined by the amount of work performed. In the year under review, Robert Kruijswijk carried out various special audits at a number of locations. The reporting is based on the audit priorities newly approved by the Board annually. The nature of the coordination and cooperation between the internal audit function and the external audit firm, complete with the identification of the respective responsibilities, has been specified in writing and approved by the Board.

Key audit priorities in the fiscal year included all processes at the Plasma Control Technologies segment in San Jose, California, with a particular focus on supply chain processes. At COMET AG in Switzerland, the supply chain processes were audited in all segments. At the X-Ray Systems segment in Hamburg, the audit covered the manufacturing process and the marketing process. At the sites in USA (Davenport), in Japan and in Korea, audit activities were conducted on all processes.

The internal auditor reports directly to the Audit Committee of the Board of Directors, at least twice per year and more frequently as required. On completion of each special audit, he prepares an audit report. To initiate the implementation of the planned measures, the audit report is then discussed with the Executive Committee and the national lead personnel responsible (typically the local company presidents responsible for the relevant business) and/or the persons directly affected by the audit. The internal auditor then prepares a final audit report for the Board of Directors, with a corresponding action plan.

Risk management system

Risk management includes the annual evaluation of strategy by the Board and the assessment by the Executive Committee of insurance cover, of the general business risks and of the major balance sheet items. The approach to risk management is described in a risk strategy approved by the Board and is specified in a written risk management procedure for implementation by the Executive Committee. Under the direction of the CFO, the significant risks in the individual business areas and departments are identified in quarterly working group sessions, systematically described and categorized in a risk matrix, and, if required, assigned a new risk rating based on the probability of occurrence and the potential severity of loss. For the risks classified as important, action plans are formulated to minimize the probability and/or potential severity of loss. The Executive Committee of the COMET Group normally meets twice per year to review the effectiveness of the actions taken and to regularly update the description of existing risks in the risk portfolio so as to reflect new information and formally recognize new risks. Newly identified risks are added to the portfolio and action plans are formulated to manage them. In the year under review the Executive Committee held two meetings on risk management, which were also attended by the head of Corporate Quality, Risk & Process Management. Through separate reports, the Audit Committee at each of its meetings is kept advised of the current assessment of the Group's risks.

Internal control system
In the fiscal year, where required, the COMET Group further refined, expanded, trained or documented the existing system of internal control (the "internal control system"). The internal control system is in use at all levels of the enterprise and in all sizable locations within and outside Switzerland.

At PCT Engineered Systems LLC in Davenport, Iowa, the company acquired in the prior year, an internal control system will be introduced after the planned rollout of SAP in 2017.

The significant risks and controls were adjusted to fit the objectives and quality requirements established by the Board of Directors. The staff members responsible for the internal control system have been designated Group-wide, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures both the timely detection of risks and the ability to swiftly take the necessary countermeasures thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting.

In the year-end audit, the independent auditor audits the internal control system of the COMET Group in terms of risks related to financial reporting and provides a comprehensive report on the findings to the Board's Audit Committee.

Executive Committee

The Executive Committee – the Group's most senior management below Board level – is responsible for the operational management of the COMET Group within the powers delegated to it. As of December 31, 2016, the COMET Group's Executive Committee had the following eight members.

Ronald Fehlmann
(b. 1962, Swiss citizen)
Chief Executive Officer
With COMET since
Jan. 1, 2011;
Interim President of
Industrial X-Ray
Modules

Education
Dipl. Ing. master's degree in engineering from Swiss Federal Institute of Technology (ETH), Zurich; lic. oec. master's degree in business administration from University of St. Gallen (HSG)

Professional experience
1995 to 2000: head of sales Asia/direct exports and head of business development, Sarnafil International AG, Switzerland; 2000 to 2005: senior vice president, head of business unit, Hilti AG, Liechtenstein; 2005 to 2010: CEO, Wetrok AG, Switzerland

Markus Portmann
(b. 1959, Swiss citizen)
Chief Financial Officer
With COMET since
Aug. 23, 2004

Education
Betriebsökonom FH degree in business administration from Berne University of Applied Sciences (HWV); Controller SIB from Controller Academy, Zurich; Executive MBA from University of Rochester, NY

Professional experience
1992 to 1996: controller at SRG, Switzerland; previously: various management positions in finance; 1996 to 2001: CFO of Der Bund Verlag AG, Switzerland; 2001 to 2004: CFO of Enterprise Communication division at Ascom, Switzerland

Christoph Bärtschi
(b. 1962, Swiss citizen)
Chief Human
Resource Officer
With COMET from
Jan. 1, 2014 to
Dec. 31, 2016

Education
Lic. oec. master's degree in business administration from University of Zurich; Master of Advanced Studies in Human Resource Management from Zurich University of Applied Sciences

Professional experience
1989 to 1996: various management positions in human resources at UBS AG and Luwa AG, Switzerland; 1996 to 1998: deputy group head of human resources, Von Roll Management AG, Switzerland; 1999 to 2013: head of HR (from 2000: head of HR and social services), Scintilla AG, a member of the Bosch group, Switzerland; additionally from 2005: head of Robert Bosch AG, Switzerland

Eric Dubuis
(b. 1964, Swiss citizen)
Chief Information
Officer
With COMET since
Oct. 17, 2005

Education
Lic. phil. nat. degree in applied mathematics from University of Berne; Dr. phil. nat. doctorate in computer science from University of Berne; Executive MBA from University of Rochester, NY

Professional experience
1998 to 2000: MTS and technical manager, Lucent Technologies, Bell Labs, NJ; previously: various positions in software development; 2000 to 2003: director, Xebeo Communications, Inc., NJ; 2003 to 2005: senior software engineer, Akadia AG, Switzerland

Charles Flükiger
(b. 1960, Swiss citizen)
President of ebeam Technologies
With COMET since Dec. 8, 1980

Education
Ingenieur FH in engineering from Berne University of Applied Sciences; Betriebswirtschaftsingenieur FH/NDS degree in engineering from Berne University of Applied Sciences; MBA from University of St. Gallen (HSG)

Professional experience
Until 1996: various leadership positions in production; 1996 to 2000: Head of Technology (production and R&D); since 1989: Member of Executive Committee; from 2002 to 2015: President of Industrial X-Ray segment; since 2016: President of ebeam Technologies segment

Michael Kammerer (b. 1961, Swiss citizen)
President of Plasma Control Technologies
With COMET since Jan. 1, 2008

Education
Eidg. dipl. Einkäufer degree in procurement, SVME; MBA in strategy and procurement management from University of Birmingham, UK

Professional experience
1997 to 2000: head of purchasing & logistics, Von Roll Betec AG, Switzerland; 2000 to 2002: head of purchasing & logistics, Swisscom Solutions AG, Switzerland; 2002 to 2007: head of purchasing & supplier quality assurance, automotive, Saia-Burgess AG, Switzerland/Johnson Electric, Hong Kong

Thomas Polzer
(b. 1965, German citizen)
Chief Operating Officer
With COMET since Aug. 1, 2016

Education
Dipl. Ing. (BA) in mechanical engineering, Heidenheim, Germany; Executive MBA in corporate management from University of Augsburg, Germany

Professional experience
2002 to 2005: Managing Director, ASML Optics (USA); previously: various operational positions at Zeiss group; 2006 to 2008: EVP Service Centers, Carl Zeiss AG, Germany; 2009 to 2016: CEO, Carl Zeiss Jena GmbH, Germany

Detlef Steck (b. 1965, Swiss and German citizen)
President of X-Ray Systems
With COMET since Apr. 1, 2016

Education
Dr. sc. techn. doctorate in industrial engineering from Swiss Federal Institute of Technology (ETH) in Zurich; lic. oec. master's degree in business from University of St. Gallen (HSG)

Professional experience
1997 to 2015: at ABB Switzerland and ABB Management Services, including head of the business units MV Drives and Robotic Systems, Power Electronics division, Switzerland, Quality & Operational Excellence globally and Central Europe region for the Industrial Automation and Drives division

Activities and interests outside the Group

Section 27 of the Bylaws, which have been revised for compliance with the OAEC and approved by the Shareholder Meeting, specifies the allowable number of otherexternal positions on top management or supervisory bodies that may be held by members of the Executive Committee, as follows:

- Members of the Executive Committee may each not hold more than one external position on the top management or supervisory body of an exchange-traded (i.e., listed) company and not more than four such external positions in non-listed companies.

- Not more than ten such positions may be held in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by COMET Holding AG, or positions controlled by COMET Holding AG, are not subject to restriction.

The members of the Executive Committee did not hold positions outside the COMET Group on management or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations at December 31, 2016. Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

Related party transactions

There were no business transactions with parties related to members of the Executive Committee.

Interim management contracts

No interim management contracts existed in the COMET Group.

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663c of the Swiss Code of Obligations is provided in the notes to the separate financial statements of COMET Holding AG on page 151 of this report.

Compensation, stock ownership and loans

OAEC-related provisions in the Bylaws

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of compensation for approval to the Annual Shareholder Meeting:

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, COMET Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

The Bylaws of the Company do not contain specific provisions on the granting of loans, other credit and pension benefits to members of the Board of Directors and Executive Committee or their related parties.

The composition of the performance-based compensation is governed by section 24 of the Bylaws as follows:

- The aggregate amount of variable compensation paid to all members of the Executive Committee of the COMET Group is based on a percentage of the consolidated net income of the COMET Group.
- Performance-based compensation is therefore paid out only if consolidated net income is positive after the accrual of this profit-sharing compensation.
- The Board of Directors periodically determines the percentage rate of consolidated net income to pay out as performance-based compensation. This percentage rate is guided by criteria such as sales growth, return on capital employed, economic profit, and others
- The Nomination & Compensation Committee specifies the details in a written regulation that requires the approval of the full Board.

The terms and procedures of stock compensation settlement are governed by section 25 of the Company's Bylaws as follows:

- The grant price of the stock is calculated as the average share price of COMET Holding AG in the period between the annual results press conference and the Annual Shareholder Meeting, less a discount. The value of the discount is counted as part of the total compensation.
- The discount is intended to make up for the deferral of the compensation and dividends and for the price risk associated with the three-year holding period. The stock awarded is subject to a holding period of three years during which it cannot be sold. The Board of Directors may terminate the current holding periods early (for example, in the event of a change of control).

Decision authority and responsibility for compensation

The design and regular review and evaluation of the compensation system are the responsibility of the Nomination & Compensation Committee (NCC).

Within the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors prepares the compensation proposals as follows:

Decision on	CEO	NCC	Board of Directors	Shareholder Meeting
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed salary of CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Fixed salary of other members of Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Variable compensation of CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Variable compensation of other members of Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm annually reviews the conformity of the compensation decisions with the regulations of the respective compensation plans for the Board and Executive Committee, and the compliance with the maximum aggregate amounts approved by the Annual Shareholder Meeting.

Market comparison criteria

COMET strives for market levels of compensation, and compensation packages are periodically evaluated by the consulting firm Hay Group against benchmarks. This applies to the compensation both of the Board and the Executive Committee. The Nomination & Compensation Committee periodically compares the mix of the individual components of remuneration and the amount of total compensation with the respective industry environment and, taking its findings into account, submits proposals to the Board of Directors.

Compensation system

With effect from January 1, 2014, the Board of Directors of COMET Holding AG launched a new compensation system that applies worldwide. This framework governs the profit-sharing for all eligible staff. The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria were the sales growth and net income of the COMET Group. Since fiscal year 2015 the Board of Directors receives only a fixed retainer. The compensation of the members of the Board of Directors and Executive Committee is disclosed in an annual compensation report.

Compensation system for the employees

The compensation system for the employees of the COMET Group (including the Executive Committee) has two main elements. All employees receive a fixed base salary, and all are eligible for a performance-based (profit-sharing) pay component.

Calculation of total profit-sharing pool

The total amount of profit-sharing compensation is determined as a percentage of the consolidated net income of the COMET Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2016 the percentage rate was determined according to the following model (unchanged from the prior year):

Sales growth	Percentage of net income
Less than 5%	15%
5% – 15%	Linear increase between 15% and 25%
More than 15%	25%

Eighty percent of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the COMET Group), using a general allocation formula.

Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is assessed in the sole discretion of the Board and the CEO, at the end of the fiscal year. The performance criteria for an individual allocation are not set in advance. Any unused portion of the individual allocation pool is distributed by the general allocation formula.

Compensation groups and calibration

Every employee in the COMET Group is assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other employees. Each compensation group has a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of COMET Holding AG.

The Board of COMET Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the COMET Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted if appropriate.

Precondition for payment of profit-sharing compensation

A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the COMET Group is still able to report positive consolidated net income.

Compensation system for the Board of Directors

Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.

Responsibility and procedure

The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2014. The compensation details are specified in a Board-approved compensation plan in the form of a regulation.

Fixed retainer

For their work on the Board, the members of the Board of Directors receive a fixed retainer.

Stock compensation

Of the fixed retainer, 75% is paid in cash and 25% is paid in shares of stock. As well, a flat expense allowance is paid in cash.

Overview of compensation

In CHF

	Fixed retainer	Cash portion of retainer (75%)	Stock portion of retainer (25%)	Value of discount on stock	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	172,000	129,000	43,000	24,188	196,188	8,000
Member of the Board	86,000	64,500	21,500	12,094	98,094	4,000

Additionally, the actual employer contributions to social security plans are paid.

New and departing Board members

Board members' normal term of office begins on the date of the Annual Shareholder Meeting and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. When a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In this case the retainer of the departing member is paid only in cash.

Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in a Board-approved regulation. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

Fixed base salary

All members of the Executive Committee receive a fixed base salary that is paid monthly, as well as a flat expense allowance. The base salary is determined by the individual's amount of responsibility, role, performance, experience and skills, and local market conditions. These elements of compensation are paid in cash.

Type of compensation	Form of delivery	Purpose	Drivers
Fixed base salary	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Profit-sharing plan	Annual payment in cash (50%)	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Profit-sharing plan	Annual payment in stock (50%)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

Profit-sharing compensation

In addition to the fixed compensation, the COMET Group's employee profit-sharing plan provides a performance-related pay component, of which 50% must be paid in stock.

Calculation of profit-sharing compensation
An individual Executive Committee member's share of the total profit-sharing pool is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\textbf{Gross base salary of employee × multiplier × 100}}{\textbf{Total weighted gross salaries of all staff}^{1}} = \textbf{\% share of total profit-sharing pool}$$

1 Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation

% share of total profit-sharing pool × amount of profit-sharing pool actually being distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit.

Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, which in turn proposes them to shareholders for ratification at the Annual Shareholder Meeting.

New and departing members of the Executive Committee
Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. Individuals whose employment contract has been terminated with due notice are entitled to pro-rated participation in profit-sharing compensation, calculated on the latest rolling forecast issued by the Board of COMET Holding AG. Profit-sharing payments to individuals leaving the Executive Committee are made in a combination of stock and cash.

Terms of employment
The members of the Executive Committee have employment agreements with a notice period of not more than one year. There is no entitlement to termination benefits of any kind.

Disbursement of profit-sharing compensation
The members of the Executive Committee receive 50% of their profit-sharing compensation in stock. The balance of the amount is payable in cash. A precondition for paying out any profit-sharing compensation is that consolidated net income remains positive after the accrual of this distribution.

Calculation of grant price for share awards to Board of Directors and Executive Committee

The grant price, at which the stock is awarded and transferred to recipients, is the average closing price of the stock (during the period from the stock's first trading day after the date of the annual results press conference, to its last trading day before the Annual Shareholder Meeting) less a discount of 36%. The discount is intended to make up for the deferral of the compensation and for the price risks associated with the holding period. The shares awarded are subject to a holding period of three years from the date of the award, during which they cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in shareholder meetings.

Shareholder participation rights

Shareholders' participation rights (such as rights with respect to voting), are set down in the Swiss Code of Obligations, and this legal framework is supplemented by provisions in the Bylaws of the Company. The Bylaws of COMET Holding AG, which have been adjusted to reflect the legal requirements under the OAEC, can be viewed on the Company's website at www.comet-group.com.

Registration in the share register

In accordance with section 12 of the Bylaws, in the notice of the Shareholder Meeting the Board of Directors announces the record date (at which registration in the share register is required for participation in and voting at the meeting) and the details of the written and electronic proxies and instructions.
The share register is closed to new entries from then until and including the day of the Shareholder Meeting. No exception to this rule was made in the year under review nor at previous Shareholder Meetings. Shareholders who sell their stock before the Shareholder Meeting are not entitled to vote the shares sold.

Voting rights restrictions

Each share that is registered carries one vote, subject to the provisions on nominee shareholders in section 5 of the Bylaws. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies.

Proxy voting

At the Annual Shareholder Meeting, the shareholders elect an independent proxy. The term of office of the independent proxy is one year, ending at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted.

The Board of Directors ensures that the shareholders have the ability to also use electronic means to authorize and instruct the independent proxy.
A shareholder may be represented at the Shareholder Meeting by the independent proxy, by the shareholder's legal representative or – under a written power of attorney – by another shareholder entitled to vote. Powers of attorney and instructions may be given in writing or, to the independent proxy, may also be given electronically.

Quorums under the Bylaws

Except as otherwise required by law, the Shareholder Meeting passes resolutions and conducts its voting by an absolute majority of the votes represented, excluding blank or invalid ballots. A second round of voting, if any, is decided by a relative majority. The Bylaws of COMET Holding AG do not provide for resolutions that would require a different type of majority in order to be passed, with the exception of resolutions named in section 704 of the Swiss Code of Obligations.

Calling of the Shareholder Meeting	The Shareholder Meeting is called by the Board of Directors or, if necessary, by the independent auditors. Notice of the Shareholder Meeting is sent to the shareholders of record by mail at least 20 days before the meeting date.
Placing business on the Shareholder Meeting agenda	Shareholders' requests under section 699 para. 3 of the Swiss Code of Obligations to place business on the Meeting agenda, and the actual shareholder proposal involved, must be submitted to the Board of Directors in writing no later than 45 days before the Shareholder Meeting in question.

Changes of control and takeover defenses

Requirement to make a public tender offer	Under section 32 para. 1 of the Stock Exchange Act (BEHG), any party whose shareholding reaches 33 1⁄3% or more of all voting rights must make a public tender offer. The Bylaws of COMET Holding AG contain neither an opting-up clause nor an opting-out clause; this means that they neither raise this percentage threshold, nor waive the requirement of a tender offer.
Provisions on changes of control	With respect to members of the Board of Directors and the Executive Committee, there are no contractual obligations of unusually long duration, nor provisions for termination benefits, that would result from a change in control. Under the stock ownership plan, the Board of Directors may in its discretion decide on the early termination of the holding period for the stock awarded as performance-based compensation. In all cases, the holding period automatically ends at the time of termination of employment if the termination is the result of a change in control.

Auditors

Duration of independent auditors' engagement and tenure of lead audit partner	Ernst & Young AG (EY), Berne, have been the independent auditors of COMET Holding AG since 1999. Since fiscal year 2010, Bernadette Koch has been the lead audit partner responsible for the engagement. The independent audit firm is elected by the Shareholder Meeting for one fiscal year at a time.

Audit fees

EY received the following compensation for services in connection with auditing the consolidated financial statements and as the independent audit firm for most Group companies:

In thousands of CHF	**2016**	2015
Audit fees	269	296

Including the other audit firms, the total audit fees in the year under review amounted to 333 thousand (prior year: CHF 366 thousand). The audit fees are set annually upon discussion with the Audit Committee and are based on the audit scope at the individual Group companies, any special in-depth audits, and the auditing of protection against specifically identified risks.

Other fees

In the fiscal year, EY received the following compensation for consulting services in connection with accounting and tax matters:

In thousands of CHF	**2016**	2015
Audit-related consulting services	88	22
Tax consulting services	107	18
Other consulting services	0	0
Total consulting services	**195**	**40**

Monitoring of the independent auditors by the Board of Directors

The Audit Committee of the Board of Directors annually reviews the performance, compensation and independence of the audit firm. The Committee also examines the scope of the independent audit, reviews action plans developed to resolve any issues identified in the audit, and recommends candidate independent auditors to the Board to propose for election by the Shareholder Meeting. The Board has not specified a fixed cycle of rotation. In selecting the external auditors, particular importance is attached to independence and documented experience.

After the first six months of the year, the Audit Committee at its meeting discusses the unaudited half-year results with the independent auditors. In addition, the annual financial statements are planned and the auditing costs for the fiscal year are approved. Additional meetings are held as needed. After the audit of the annual financial statements, the Audit Committee convenes for a meeting at which it discusses the audited annual report for the fiscal year with the independent auditors. The audit firm reports its findings on the basis of a comprehensive report to the Board of Directors and through the reports of the independent auditors to the Shareholder Meeting. The CEO, CFO and internal auditor take part in these meetings. During the year under review the Audit Committee held three meetings.

Communication policy

The COMET Group informs its shareholders, the media, financial analysts and other stakeholders with the greatest possible transparency and based on the principle of equal treatment. The Group publishes annual reports and half-year reports that are prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS).
As well, information is provided to additional audience segments via the following events:

- To shareholders: in connection with the Shareholder Meeting
- To media representatives and financial analysts: through press conferences
- To institutional investors: through road shows and an annual investor day

Announcements about events that fall under the ad-hoc disclosure requirements of SIX Exchange Regulation are published immediately.

Key dates

The dates of the most important publications and events are given below:

End of fiscal year	December 31, 2016
Annual results press conference	March 15, 2017
Publication of annual report	March 15, 2017
Annual Shareholder Meeting	April 20, 2017
End of first half of fiscal year	June 30, 2017
Publication of half-year report	August 16, 2017

Publication media

COMET Holding AG keeps its investors informed of its business performance through semiannual media releases. The hardcopy annual report is sent to shareholders on request after they receive the notice of the Annual Shareholder Meeting.

For disclosure announcements for stock exchange purposes, COMET Holding AG uses the electronic publication platform operated by the SIX Swiss Exchange.

The website at www.comet-group.com offers a wealth of information, including details of the COMET Group's business activities and access to the annual report, media releases, presentations for press conferences, and the Bylaws of COMET Holding AG. As well, anyone may register on the website to automatically receive all press releases in electronic form.

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Compensation Report 2016

01 Introduction

This compensation report conforms to the transparency requirements of section 663c of the Code of Obligations and the corporate governance information standards of SIX Exchange Regulation.

The compensation report discloses the compensation of the members of the Board of Directors and of the Executive Committee for fiscal years 2015 and 2016. In addition, the shareholdings of the Board and Executive Committee (disclosed in accordance with the Swiss Code of Obligations) are presented in the notes to the separate financial statements of COMET Holding AG on page 114, and the compensation paid (disclosed in accordance with International Financial Reporting Standards) is presented in the consolidated financial statements of COMET Holding AG on page 100.

The disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC) were fully implemented in the annual report 2016.

02 OAEC-related provisions under the Bylaws

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of compensation for approval to the Annual Shareholder Meeting.

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, COMET Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

03 Compensation policy

03.1 Principles

The compensation system is designed to attract and retain excellent management and specialist staff.

COMET seeks to set compensation levels that reflect the individual levels of skills and responsibility in the Group and are competitive with other employers that vie with COMET for talent. This aim is supported by a fair system of remuneration designed to match levels of pay offered by listed peer companies. No termination benefits are provided.

To promote the focus on corporate strategy and closer ties to the Group, a profit-sharing system is also used, which is based on criteria determined by the Board of Directors. One-half of the profit-sharing remuneration of the Executive Committee members is paid in shares of COMET stock, as a long-term element of compensation. The other employees are paid their profit-sharing compensation entirely in cash. The compensation system for the Board of Directors does not have a performance-based element.

The compensation elements thus take into account short-term and long-term aspects of sustainable company performance and development. COMET is confident that its remuneration architecture creates an effective link between compensation and performance that generates lasting value for shareholders.

03.2 Compensation of the Board of Directors

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which 75% is paid in cash and 25% is disbursed in shares of the Company (priced at a discount, and subject to a holding period). The reported compensation includes both the cash portion, and the value of the stock portion, of the retainer. The employer contributions to social security plans are also shown.

03.3 Compensation of the Executive Committee

The compensation of the members of the Executive Committee consists of a fixed base salary and a performance-based component. The employer contributions to social security plans are also shown. One-half of the profit-sharing remuneration of the Executive Committee members is paid in shares of COMET stock, as a long-term element of compensation. The total compensation takes into account the recipient's position and level of responsibility.

03.4 Shareholders' say on pay

Compensation-related provisions are specified in the Bylaws and documented in corresponding regulations of the COMET Group.

Under the OAEC and the Bylaws of COMET Holding AG, the amounts of the respective aggregate compensation of the Board of Directors and Executive Committee require the approval of shareholders in a binding vote at the Shareholder Meeting. Specifically, under section 21 of the Bylaws of COMET Holding AG, shareholders vote on the following:

- The compensation of the Board of Directors for the coming term of office
- The fixed base salary of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

The prospectively binding voting in combination with retroactive approval of the performance-related remuneration give shareholders an extensive "say on pay".

04 Determination of compensation

04.1 Decision authority and responsibility for compensation

The design and regular review and evaluation of the compensation system are the responsibility of the Nomination & Compensation Committee (NCC).

Within the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors prepares the compensation proposals as follows:

Decision on	CEO	NCC	Board of Directors	Shareholder Meeting
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed salary of CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Fixed salary of other members of Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Variable compensation of CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Variable compensation of other members of Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm annually reviews the conformity of the compensation decisions with the regulations of the respective compensation plans for the Board and Executive Committee, and the compliance with the maximum aggregate amounts approved by the Annual Shareholder Meeting.

04.2 Nomination & Compensation Committee (NCC)

The Nomination & Compensation Committee is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. In the year under review these members were Rolf Huber (chairman) and Mariel Hoch.

The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of Board members and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the full Board of Directors. The Committee has the following responsibilities in particular:

- Attend to the compensation policy for the remuneration of the Board of Directors and Executive Committee and to the compensation structure of the COMET Group
- Produce the proposed compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

The Company's organizational regulations and the committee charter of the NCC may assign additional responsibilities to the Committee.

The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may call additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

In the year under review the Committee held three meetings, both of which were attended by both members of the Committee. Both meetings were also partly or fully attended, in an advisory role, by the CEO and the Chief Human Resource Officer. In connection with the search for new Board members, the whole Board also participated in various ad-hoc meetings.

04.3 Market comparison criteria

COMET strives for market levels of compensation, and compensation packages are periodically evaluated by the consulting firm Hay Group against benchmarks. This applies to the compensation both of the Board and the Executive Committee. The Nomination & Compensation Committee periodically compares the mix of the individual components of remuneration and the amount of total compensation with the respective industry environment and, taking its findings into account, submits proposals to the Board of Directors.

05 Structure of the compensation system

With effect from January 1, 2014, the Board of Directors of COMET Holding AG launched a new compensation system that applies worldwide. This framework governs the profit-sharing for all eligible staff. The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria were the sales growth and net income of the COMET Group. The Board of Directors receives only a fixed retainer.

05.1 Compensation system for the employees

The compensation system for the employees of the COMET Group (including the Executive Committee) has two main elements. All employees receive a fixed base salary, and all are eligible for a performance-based (profit-sharing) pay component.

05.1.1 Calculation of total profit-sharing pool

The total amount of the profit-sharing compensation is determined as a percentage of the consolidated net income of the COMET Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2016, the percentage rate was determined according to the following model (unchanged from the prior year):

Sales growth	Percentage of net income
Less than 5%	15%
5%-15%	Linear increase between 15% and 25%
More than 15%	25%

Eighty percent of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the COMET Group), using a general allocation formula.

Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is assessed in the sole discretion of the Board and the CEO, at the end of the fiscal year. The performance criteria for an individual allocation are not set in advance. Any unused portion of the individual allocation pool is distributed by the general allocation formula.

05.1.2 Compensation groups and calibration

Every employee in the COMET Group is assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other employees. Each compensation group has a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of COMET Holding AG.

The Board of COMET Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the COMET Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted if appropriate.

05.1.3 Precondition for payment of profit-sharing compensation

A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the COMET Group is still able to report positive consolidated net income.

05.2 Compensation system for the Board of Directors

Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.

05.2.1 Responsibility and procedure

The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2014. The compensation details are specified in a Board-approved compensation plan in the form of a regulation.

05.2.2 Fixed retainer

For their work on the Board, the members of the Board of Directors receive a fixed retainer.

05.2.3 Stock compensation

Of this fixed retainer, 75% is paid in cash and 25% is paid in shares of stock. In addition, a flat expense allowance is paid in cash.

Overview of compensation:

In CHF

	Fixed retainer	Cash portion of retainer (75%)	Stock portion of retainer (25%)	Value of discount on stock	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	172,000	129,000	43,000	24,188	196,188	8,000
Member of the Board	86,000	64,500	21,500	12,094	98,094	4,000

Additionally, the actual employer contributions to social security plans are paid.

05.2.4 New and departing Board members

Board members' normal term of office begins on the date of the Annual Shareholder Meeting and ends on the date of the next Annual Shareholder Meeting.

When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. When a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In this case the retainer of the departing member is paid only in cash.

05.3 Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in a Board-approved regulation. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- The fixed base salary of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

05.3.1 Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal by the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

05.3.2 Fixed base salary

All members of the Executive Committee receive a fixed base salary that is paid monthly, as well as a flat expense allowance. The base salary is determined by the individual's amount of responsibility, role, performance, experience and skills, and local market conditions. These elements of compensation are paid in cash.

Type of compensation	Form of delivery	Purpose	Drivers
Fixed base salary	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Profit-sharing plan	Annual payment in cash (50%)	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Profit-sharing plan	Annual payment in stock (50%)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

05.3.3 Profit-sharing compensation

In addition to the fixed compensation, the COMET Group's employee profit-sharing plan provides a performance-related pay component, of which 50% is paid in stock.

Calculation of profit-sharing compensation
An individual Executive Committee member's share of the total profit-sharing pool is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\textbf{Gross base salary of employee × multiplier × 100}}{\textbf{Total weighted gross salaries of all staff}^{1}} = \textbf{\% share of total profit-sharing pool}$$

1 Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation

% share of total profit-sharing pool × amount of profit-sharing pool actually being distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit.

Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, which in turn proposes them to shareholders for ratification at the Annual Shareholder Meeting.

New and departing members of the Executive Committee
Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. Individuals whose employment contract has been terminated with due notice are entitled to pro-rated participation in profit-sharing compensation, calculated on the latest rolling forecast issued by the Board of COMET Holding AG. Profit-sharing payments to individuals leaving the Executive Committee are made in a combination of stock and cash.

Terms of employment
The members of the Executive Committee have employment agreements with a notice period of not more than one year. There is no entitlement to termination benefits of any kind.

Disbursement of profit-sharing compensation
The members of the Executive Committee receive 50% of their profit-sharing compensation in stock. The balance of the amount is payable in cash. A precondition for paying out any profit-sharing compensation is that consolidated net income remains positive after the accrual of this distribution.

05.4 Calculation of grant price for share awards to the Board of Directors and Executive Committee

The grant price, at which the stock is awarded and transferred to recipients, is the average closing price of the stock (during the period from the stock’s first trading day after the date of the annual results press conference, to its last trading day before the Annual Shareholder Meeting) less a discount of 36%. The discount is intended to make up for the deferral of the compensation and for the price risks associated with the holding period. The shares awarded are subject to a holding period of three years from the date of the award, during which they cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in shareholder meetings.

06 Disclosure of compensation of the Board of Directors and Executive Committee

Presented below is the entire compensation of the members of the Board of Directors and Executive Committee and their related parties[1] for fiscal years 2015 and 2016, disclosed in accordance with the Ordinance Against Excessive Compensation at Listed Companies (OAEC). Further details on the included individuals and their positions in the Group are provided in the corporate governance section of this annual report.

1) Related parties are persons outside the COMET Group who are related to members of the Board of Directors or Executive Committee within the meaning of section 678 of the Swiss Code of Obligations by virtue of close personal or economic ties in law or in fact.

06.1 Current members of the Board of Directors (including related parties)

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive a fixed retainer, of which 75% is paid in cash and 25% is paid in stock of the Company. The compensation system for the Board of Directors does not have a performance-based element.
The compensation of the Board of Directors is set at the Annual Shareholder Meeting for a period of one year. As the Board's term of office does not match the fiscal year, the compensation stated in the annual report may differ from the pre-set amount.

The 2016 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 800,000 for the term of office ending at the 2017 Annual Shareholder Meeting. The actual compensation in fiscal year 2016 was CHF 703,668.

The increase in compensation compared with the prior year was attributable to the addition of a sixth Board member.

Fiscal year 2016

Name		Hans Hess	Lucas A. Grolimund	Gian-Luca Bona	Mariel Hoch	Rolf Huber	Hans Leonz Notter	Franz Richter	Board of Directors
Position		Chairman	Vice Chairman	Member	Member since 4/21/2016	Member	Member until 4/21/2016	Member since 4/21/2016	Total
in CHF	Footnote								
Total cash compensation	(1)	129,000	64,500	64,500	43,000	64,500	21,500	43,000	430,000
Stock compensation	(2)	67,553	33,771	33,771	22,396	33,771	11,375	22,396	225,033
Total before social security contributions		**196,553**	**98,271**	**98,271**	**65,396**	**98,271**	**32,875**	**65,396**	**655,033**
Total expenses for long-term benefits	(3)	16,159	8,191	8,191	5,461	8,191	2,442	0	48,635
Total compensation		**212,712**	**106,462**	**106,462**	**70,857**	**106,462**	**35,317**	**65,396**	**703,668**

Fiscal year 2015

Name	Hans Hess	Hans Leonz Notter	Gian-Luca Bona	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position	Chairman	Vice Chairman	Member	Member	Member	Total
in CHF						
Total cash compensation	129,000	64,500	64,500	64,500	64,500	387,000
Stock compensation	67,580	33,790	33,790	33,790	33,790	202,740
Total before social security contributions	**196,580**	**98,290**	**98,290**	**98,290**	**98,290**	**589,740**
Total expenses for long-term benefits	16,043	7,146	8,166	8,166	8,166	47,687
Total compensation	**212,623**	**105,436**	**106,456**	**106,456**	**106,456**	**637,427**

(1) The compensation consists of a fixed retainer for the Board responsibilities; 75% of the fixed retainer is paid in cash and disclosed in this item.
(2) This item represents the 25% of the fixed retainer which must be drawn in stock. The effective transfer of the stock occurs in the subsequent year. The price at which the stock is transferred is determined as the average market price of the stock (from its first trading day after the annual results press conference to its last trading day before the Annual Shareholder Meeting) less a discount of 36%. The shares are subject to a holding period of three years from the date of the award, during which they may not be sold. The stock price discount of 36% is also recognized as compensation.
(3) This item represents employer contributions to the old age and survivors and unemployment insurance plans as well as contributions to the family allowance fund. For Board members, COMET does not pay pension fund contributions, short-term disability insurance premiums or accident insurance premiums.

Additional compensation for legal services
In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 34,320 (prior year: CHF 30,600). Hans Leonz Notter (a Board member until April 21, 2016) is a partner at this firm, whose members provide legal advice and other legal services to the COMET Group.

06.2 Current members of the Executive Committee (including related parties)

A total of nine persons served as Executive Committee members during the fiscal year. On average for the fiscal year, this represented 8.0 full-time equivalents (prior year: 7.0). The compensation of the members of the Executive Committee for which an expense was accrued is presented in the table below.

The actual fixed compensation reported for fiscal year 2016 is CHF 3,012,374 (consisting of the fixed base salaries, benefits in kind and proportionate social security contributions).

In addition, for the prior fiscal year 2015, the 2016 Annual Shareholder Meeting had retrospectively approved an aggregate amount of CHF 500,000 for profit-sharing compensation of the Executive Committee. The actual profit-sharing compensation, including proportionate social security contributions, was CHF 492,961. The difference arises partly from the fact that the share price at the grant date of the stock differs from the average share price used for the calculation of the grant price. Also, the included social security contributions reported are those actually paid in 2016 on the profit-sharing compensation paid, and thus differ from last year's cost estimate for this item. Sixty-one percent of the profit-sharing compensation is being paid in stock (prior year: 61%).

The increase in fixed compensation in fiscal year 2016 compared with the prior year was attributable both to a personnel change on the Executive Committee and an expansion of the Executive Committee by one member. The performance-related pay rose significantly from the year before as a result of the achievement of the financial targets.

The additional costs arising from the CEO change that was announced on December 7, 2016 do not have an effect on the total compensation of the Executive Committee reported for fiscal year 2016. A corresponding expense was recognized on an accrual basis in the consolidated financial statements under IFRS.

in CHF		**Executive Committee total**		**Highest compensation Ronald Fehlmann, CEO (1)**	
Fiscal year		**2016**	2015	**2016**	2015
	Footnote				
Base salary, gross	(2)	2,242,867	1,946,641	480,545	480,545
Variable compensation, gross	(3)	499,556	183,665	154,622	62,211
Total cash compensation		**2,742,423**	**2,130,305**	**635,167**	**542,756**
Stock compensation	**(4)**	**780,557**	**277,600**	**241,597**	**97,204**
Benefits in kind	**(5)**	**169,131**	**25,577**	**5,970**	**5,165**
Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	**(6)**	**656,270**	**520,265**	**169,249**	**155,124**
Contributions for short-term disability and accident insurance	(7)	48,478	21,066	9,113	3,418
Total expenses for long-term benefits		**704,748**	**541,331**	**178,362**	**158,542**
Total compensation		**4,396,859**	**2,974,813**	**1,061,097**	**803,667**

(1) Ronald Fehlmann, who has been CEO since January 1, 2011, was the member of management with the highest individual compensation. In the table above, his compensation is both disclosed separately and included in the total compensation of the Executive Committee.
(2) The members of the Executive Committee receive a fixed base salary and a flat expense allowance. These elements of compensation are paid in cash. This item comprises the fixed compensation of all Executive Committee members who served during all or part of the fiscal year.
(3) This item includes the portion of the performance-related compensation paid in cash, which is calculated based on the criteria of the compensation system. This item also includes any other one-time cash compensation, such as length-of-service awards and any additional pay for special duties.
(4) This item includes the portion of the performance-related compensation paid in stock. The effective transfer of the stock occurs in the subsequent year. The grant price is determined as the average market price of the stock (from its first trading day after the annual results press conference to its last trading day before the Annual Shareholder Meeting) less a discount of 36%. The shares are subject to a holding period of three years from the date of the award, during which they may not be sold. The stock price discount of 36% is also recognized as compensation.
(5) One member of the Executive Committee is entitled to the use of a company car; the lease installments are paid by the Company. A GA travel card for the use of Swiss public ground transportation is paid for one member of the Executive Committee. One newly hired member of the Executive Committee receives a moving allowance during a transition period. Another newly hired member of the Executive Committee is reimbursed for expenses in connection with an international equalization of tax and of social security benefits, as well as receiving an amount towards additional travel and living expenses.
(6) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as contributions to the family allowance fund (FAK) and the Company's employee pension plans.
(7) This item represents employer contributions to short-term disability and accident insurance plans.

The amounts set out in the table above are not identical to the taxable income of the Executive Committee members, as the total compensation for the purposes of section 663 of the Code of Obligations includes employer social security contributions and (in the event of share awards) the stock price discount of 36%.

The aggregate profit-sharing compensation (including proportionate social security contributions) reported for fiscal year 2016 is CHF 1,384,484. Before the 2016 profit-sharing compensation is paid to the members of the Executive Committee, the proposal for it by the Board of Directors must be retrospectively approved by shareholders at the 2017 Annual Shareholder Meeting.

The 2016 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 3,400,000 for the fixed base salaries for fiscal year 2017.

06.3 Former members of the Board of Directors and Executive Committee (including related parties)

In the fiscal year, no former members of the Board of Directors or Executive Committee or their related parties worked for or were compensated by COMET.

06.4 Supplementary information on compensation

In the fiscal year, no signing bonuses were paid to present or former members of the Board of Directors or of the Executive Committee and no termination benefits were granted or paid.

No loans or other credit were granted in the year under review and none were outstanding at the balance sheet date. COMET has not provided any guarantees or other security. Board members did not receive benefits in kind.

No material changes related to compensation have occurred after the balance sheet date of December 31, 2016.

06.5 Interim management contracts

There were no interim management contracts in the fiscal year.

07 Disclosure of shareholdings of the Board of Directors and Executive Committee

At the end of the fiscal year, the members of the Board of Directors and Executive Committee held a total of 1.9% of the outstanding shares of COMET Holding AG (prior year: 1.9%).

A detailed analysis of the shareholdings of the members of the Board of Directors and Executive Committee is presented in the notes to the separate financial statements of COMET Holding AG on page 114.

08 Proposals to the 2017 Annual Shareholder Meeting for compensation of the Board and Executive Committee

At the 2017 Annual Shareholder Meeting the Board of Directors will propose the following three resolutions for the compensation of the Board and the Executive Committee:

- Prospective approval of the total compensation of the Board of Directors for the term from the 2017 to the 2018 Annual Shareholder Meeting
- Prospective approval of the fixed compensation of the Executive Committee for fiscal year 2018 (being the next fiscal year after the year of the Annual Shareholder Meeting)
- Retrospective approval of the performance-based compensation of the Executive Committee for fiscal year 2016 (being the last fiscal year before the year of the Annual Shareholder Meeting)

The detailed proposals and the supporting reasoning will be delivered to shareholders with the notice of the 2017 Annual Shareholder Meeting.

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To the General Meeting of
COMET Holding AG, Flamatt

Berne, 7 March 2017

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of COMET Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in Section 06 – Disclosure of compensation of the Board and Executive Committee on pages 159 to 163 of the remuneration report.

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 2016 of COMET Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

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(Auditor in charge)

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