Comet Group Consolidated Financial Statements

Contents

Consolidated balance sheet

In thousands of CHF	Note	Dec. 31, 2017	%	Dec. 31, 2016	%
Assets					
Cash and cash equivalents		60,420		74,832	
Trade and other receivables	4	76,677		60,893	
Other financial assets	5	277		152	
Tax receivables		2,660		0	
Inventories	6	93,910		81,473	
Prepaid expenses		3,410		2,651	
Total current assets		**237,355**	**60.6%**	**220,001**	**63.8%**
Property, plant and equipment	7	95,056		66,902	
Intangible assets	8	51,647		49,703	
Financial assets	5	239		234	
Deferred tax assets	10	7,218		8,068	
Total non-current assets		**154,161**	**39.4%**	**124,907**	**36.2%**
Total assets		**391,515**	**100.0%**	**344,908**	**100.0%**
Liabilities and shareholders' equity					
Current debt	11	2,132		2,666	
Trade and other payables	12	66,667		58,153	
Other financial liabilities	5	2		184	
Tax payables		3,131		5,408	
Accrued expenses	13	25,758		18,048	
Current provisions	14	10,140		7,842	
Total current liabilities		**107,830**	**27.5%**	**92,301**	**26.8%**
Non-current debt	11	65,733		67,760	
Non-current provisions	14	54		57	
Employee benefit plan liabilities	15	8,438		5,546	
Deferred tax liabilities	10	3,030		2,899	
Total non-current liabilities		**77,254**	**19.7%**	**76,262**	**22.1%**
Total liabilities		**185,085**	**47.3%**	**168,563**	**48.9%**
Capital stock	26	7,754		7,745	
Additional paid-in capital		29,304		37,576	
Retained earnings		191,350		156,033	
Foreign currency translation differences		(21,977)		(25,009)	
Total equity attributable to shareholders of Comet Holding AG		**206,430**	**52.7%**	**176,345**	**51.1%**
Total liabilities and shareholders' equity		**391,515**	**100.0%**	**344,908**	**100.0%**

Consolidated statement of income

In thousands of CHF	Note	2017	%	2016	%
Net sales	3	438,355		332,437	
Cost of sales		(257,943)		(197,428)	
Gross profit		**180,412**	**41.2%**	**135,009**	**40.6%**
Other operating income	17	6,580	1.5%	5,820	1.8%
Development expenses	19	(48,967)	–11.2%	(37,470)	–11.3%
Marketing and selling expenses		(57,006)	–13.0%	(45,162)	–13.6%
General and administrative expenses		(30,123)	–6.9%	(21,724)	–6.5%
Operating income		**50,895**	**11.6%**	**36,473**	**11.0%**
Financing expenses	21	(6,971)	–1.6%	(6,333)	–1.9%
Financing income	21	6,086	1.4%	5,950	1.8%
Income before tax		**50,010**	**11.4%**	**36,090**	**10.9%**
Income tax	10	(14,551)	–3.3%	(8,754)	–2.6%
Net income		**35,460**	**8.1%**	**27,336**	**8.2%**
Earnings per share in CHF, diluted and basic*	22	4.58		3.53	
Operating income		**50,895**	**11.6%**	**36,473**	**11.0%**
Amortization	20	4,392	1.0%	3,157	0.9%
EBITA		**55,287**	**12.6%**	**39,630**	**11.9%**
Depreciation	20	8,074	1.8%	8,069	2.4%
EBITDA		**63,360**	**14.5%**	**47,699**	**14.3%**

* 2016 restated to reflect the number of shares outstanding after the ten-for-one stock split of April 28, 2017 (see note 27).

Consolidated statement of comprehensive income

In thousands of CHF	Note	2017	2016
Net income		35,460	27,336
Other comprehensive income			
Foreign currency translation differences		3,033	(756)
Total items that will be reclassified to the income statement on realization		**3,033**	**(756)**
Actuarial losses on defined benefit plans	15	(17)	(5,889)
Income tax	10	(2)	859
Total items that will not subsequently be reclassified to the income statement		**(19)**	**(5,030)**
Total other comprehensive income		**3,014**	**(5,786)**
Total comprehensive income		**38,473**	**21,550**

Consolidated statement of cash flows

In thousands of CHF	Note	**2017**	2016
Net income		35,460	27,336
Income tax	10	14,551	8,754
Depreciation and amortization	7/8	12,465	11,226
Net interest expense	21	1,310	1,451
Share-based payments	27	916	1,107
Losses on disposal of property, plant and equipment		59	9
Other non-cash expense/(income)		2,537	(625)
Change in provisions	14	2,211	1,834
Change in other working capital		(12,346)	(11,479)
Interest received		14	15
Taxes paid		(18,823)	(6,450)
Net cash provided by operating activities		**38,353**	**33,178**
Purchase price payment for acquisition of subsidiary		0	(2,630)
Purchases of property, plant and equipment	7	(37,554)	(16,995)
Purchases of intangible assets	8	(3,953)	(2,668)
Disposals of property, plant and equipment	7	1,285	715
Net cash used in investing activities		**(40,221)**	**(21,579)**
Net proceeds from issue of bond (2016-2021)		0	59,600
Repayment of bank borrowings	11	(2,656)	(11,237)
Interest paid		(1,247)	(635)
Distribution to shareholders of Comet Holding AG		(9,295)	(8,512)
Net cash used in financing activities		**(13,197)**	**39,216**
Net (decrease)/increase in cash and cash equivalents		(15,065)	50,816
Foreign currency translation differences on cash and cash equivalents		652	(279)
Cash and cash equivalents at January 1		74,832	24,295
Net cash and cash equivalents at December 31		**60,420**	**74,832**

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, 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**
Net income			35,460		35,460
Other comprehensive income			(19)	3,033	3,014
Total comprehensive income			**35,441**	**3,033**	**38,473**
Distribution to shareholders of Comet Holding AG		(9,295)			(9,295)
Increase in capital (for stock compensation)	8	1,022	(1,005)		26
Share-based payments			880		880
December 31, 2017	**7,754**	**29,304**	**191,350**	**(21,977)**	**206,430**

Notes to the consolidated financial statements

01 Nature of the 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 2017 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, 2017, Comet has applied the following new or revised IFRS/IAS for the first time:

- IAS 7 – Amendment – Disclosure Initiative
- IAS 12 – Amendment – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs, published December 2016

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
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
IFRIC 23 – Uncertainty over Income Tax Treatments	(1)	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 disclosures.

(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 recognition of revenue for some systems may be delayed by a number of months and generally occurs on final acceptance or commissioning by the customer. The timing of commissioning in particular is in large measure determined by the customer. The restatement under IFRS 15 for fiscal year 2017 will show an increase of CHF 2.5 million in sales revenue. CHF 6.6 million will be charged to equity at January 1, 2017, corresponding to the reduction in reported trade receivables and the increase in reported inventories.

Other than this, there will be relatively insignificant changes in the balance sheet (resulting, for example, from the use of separate items for contract assets and contract liabilities in the recognition of sales commissions) and additional quantitative and qualitative disclosures in the notes.

In the Group's other operating segments, income from customers for research and development services was re-evaluated. Under IFRS 15, about two-thirds of the amounts for customer contributions to development projects previously reported as other operating income were reclassified as sales of prototypes.

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) Projections of the impacts of IFRS 16, Leases, indicate that, upon the adoption of the new standard from 2019, the balance sheet and income statement 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 partitioning of the lease expense into depreciation and interest expense will lead to very little change in total net income over the term of the lease. The cause of that small change is that, due to 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 an insignificant increase.

The contractual lease liabilities which did not previously require recognition in the balance sheet are already disclosed now, in note 23.2.

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 8 and 9): 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.
- Provisions (see note 14) are, by definition, liabilities of uncertain amount. Future events can thus lead to adjustments that affect income.
- Deferred tax assets (see note 10) 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 15): 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. Differences between the actual outcomes and the 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 15.

02.4 Consolidation

02.4.1 Basis of consolidation

There were no changes in the basis of consolidation from the prior year. The consolidated financial statements comprise the accounts of the companies listed below.

Company	Registered office	Equity interest in % 2017	2016
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%

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.

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 acquisition 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 the 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	
Country or region			**Dec. 31, 2017**	Dec. 31, 2016	**2017**	2016
USA	USD	1	0.975	1.018	0.985	0.985
Eurozone	EUR	1	1.169	1.072	1.112	1.090
China	CNY	1	0.150	0.146	0.146	0.148
Japan	JPY	100	0.868	0.870	0.878	0.909
Denmark	DKK	1	0.157	0.144	0.149	0.146
Republic of Korea	KRW	1,000	0.916	0.840	0.871	0.850

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, based on market prices determined by banks. In the fiscal year as in 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 determined. 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. 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 depreciation:

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. No provisions are recognized for possible losses that may result from future events. The provision for warranties covers the risk of expenses for defects that have not occurred to date, but could potentially occur until the end of the warranty periods. Warranty provisions are measured based on historical experience.

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. If the interest effect is material, the cash outflows are discounted.

Post-employment benefits
The Comet Group maintains various post-employment benefit plans for its employees, which 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).

Long-term employee benefits
Comet grants length-of-service awards to its employees after a certain number of years of service, in the form of lump-sum payments that increase in amount with the number of years of employment. Comet calculates the resulting obligation using the projected unit credit method. The calculation is updated annually. Any actuarial gains or losses from the remeasurement are immediately taken to income.

Share-based payments
Comet pays some of the Board's compensation, some of the variable compensation of the operational management, as well as the long-term incentive compensation, in the form of stock of Comet Holding AG. The expense is recognized at the value of the stock 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 tax bases and the values used in the consolidated financial statements 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.

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 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 flows. 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.

- 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. Transactions between the segments are invoiced at prices also charged to third parties.

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 2017

In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)	Elimination of interseg-ment sales	Corporate	Consolidated
Net sales							
External net sales	210,463	136,717	61,729	29,445	0	0	438,355
Intersegment sales	0	548	17,080	33	(17,661)	0	0
Total net sales	**210,463**	**137,265**	**78,809**	**29,478**	**(17,661)**	**0**	**438,355**
Earnings							
Segment operating income	52,541	4,774	14,401	(18,411)	(743)	0	52,561
Unallocated costs	0	0	0	0	0	(1,666)	(1,666)
Operating income	**52,541**	**4,774**	**14,401**	**(18,411)**	**(743)**	**(1,666)**	**50,895**
Financing expenses							(6,971)
Financing income							6,086
Income before tax							**50,010**
Income tax							(14,551)
Net income							**35,460**
EBITDA	**55,676**	**8,336**	**17,963**	**(16,206)**	**(743)**	**(1,666)**	**63,360**
EBITDA in % of sales	26.5%	6.1%	22.8%	–55.0%			14.5%
Assets and liabilities at Dec. 31, 2017							
Segment assets	114,755	100,181	69,141	36,587	0	70,850	391,515
Segment liabilities	(31,788)	(43,682)	(20,614)	(13,682)	0	(75,319)	(185,085)
Net assets	**82,967**	**56,499**	**48,527**	**22,905**	**0**	**(4,468)**	**206,430**
Other segment information							
Capital expenditure	20,803	3,968	12,472	4,264	0	0	41,507
Depreciation and amortization	3,135	3,563	3,563	2,205	0	0	12,465
Change in provisions	2,221	(645)	(185)	940	0	(118)	2,211
Other non-cash expense/(income)	997	192	1,522	564	(85)	(653)	2,537
Number of employees at year end	549	433	302	151	0	0	1,435

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 (income)/expense	(375)	419	(355)	414	192	(887)	(591)
Number of employees at year end	407	389	285	149	0	0	1,230

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	**2017**	2016
Operating segments' assets	320,665	261,509
Total cash and cash equivalents	60,420	74,832
Derivatives used for foreign exchange hedging	277	152
Tax receivables	2,660	0
Deferred tax assets	7,218	8,068
Comet Holding AG's receivables from third parties	275	348
Total assets	**391,515**	**344,908**
Operating segments' liabilities	(109,766)	(88,450)
Current and non-current debt	(67,865)	(70,426)
Derivatives used for foreign exchange hedging	(2)	(184)
Tax payables	(3,131)	(5,408)
Deferred tax liabilities	(3,030)	(2,899)
Comet Holding AG's payables to third parties	(1,292)	(1,196)
Total liabilities	**(185,085)**	**(168,563)**

03.2 Geographic information

The Comet Group markets its products and services worldwide 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	**2017**	2016
Switzerland	3,350	3,325
Germany	31,947	34,394
Rest of Europe	54,462	44,083
Total Europe	**89,758**	**81,802**
Total USA	**203,372**	**142,891**
China	65,033	50,566
Japan	23,814	20,682
Rest of Asia	41,116	26,387
Total Asia	**129,963**	**97,636**
Rest of world	15,263	10,107
Total	**438,355**	**332,437**

Property, plant, and equipment and intangible assets by region

In thousands of CHF	**2017**	2016
Switzerland	94,950	68,005
Germany	36,220	34,171
USA	13,178	12,264
Rest of world	2,355	2,165
Total	**146,703**	**116,605**

03.3 Sales with key accounts

In the year under review, the Plasma Control Technologies segment recorded sales of CHF 120 million with its largest customer, which represented 27.3% of Group sales (prior year: CHF 75 million and 22.7%).

04 Trade and other receivables

In thousands of CHF	**2017**	2016
Trade receivables, gross	69,124	57,344
Provision for doubtful accounts	(1,104)	(1,018)
Trade receivables, net	**68,020**	**56,326**
Refundable sales taxes and value-added taxes	3,785	1,868
Prepayments to suppliers	3,375	1,195
Sundry receivables	1,497	1,504
Total other receivables	**8,657**	**4,567**
Total trade and other receivables	**76,677**	**60,893**

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	**2017**	2016
January 1	**1,018**	**1,157**
Added	230	335
Released	(180)	(452)
Foreign currency translation differences	37	(22)
December 31	**1,104**	**1,018**

At the balance sheet date, full impairment was recognized and provided on CHF 460 thousand (prior year: CHF 472 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	**2017**	2016
Trade receivables, net	68,020	56,326
Not past due, no impairment provided	54,450	45,657
Total past due with impairment partly provided, net	13,570	10,669
1–30 days past due, impairment partly provided, net	8,043	7,045
30–60 days past due, impairment partly provided, net	2,424	1,666
Over 60 days past due, impairment partly provided, net	3,103	1,958

05 Other financial assets and liabilities

05.1 Other financial assets

In thousands of CHF	**2017**	2016
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	277	152
Total other financial assets at fair value through profit or loss	**277**	**152**
Loans and receivables		
Other non-current financial assets	239	234
Total loans and receivables	**239**	**234**
Total other financial assets	**516**	**386**
Total current	277	152
Total non-current	239	234

05.2 Other financial liabilities

In thousands of CHF	**2017**	2016
Other financial liabilities		
Derivatives used for foreign exchange hedging	2	184
Total other financial liabilities	**2**	**184**

05.3 Derivative financial instruments

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

In thousands of CHF	2017	2016
USD forward exchange contracts		
Contract amounts	17,860	11,723
Positive fair values	228	9
Negative fair values	2	184
JPY forward exchange contracts		
Contract amounts	2,549	2,594
Positive fair values	49	143
Negative fair values	0	0

The gains and losses from foreign exchange contracts are recognized as financing income or expense (see note 21). 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.

06 Inventories

In thousands of CHF	2017	2016
Raw materials and semi-finished products	42,242	34,521
Work in process	21,023	25,922
Finished goods	30,646	21,030
Total inventories	**93,910**	**81,473**

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 5.3 million (prior year: CHF 3.1 million).

07 Property, plant and equipment

Fiscal year 2017

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Assets under construction	Total property, plant and equipment
Cost					
January 1, 2017	**51,589**	**71,307**	**15,790**	**14,077**	**152,763**
Additions	0	4,233	2,805	30,516	37,554
Commissioning of assets under construction	0	1,631	1,816	(3,447)	(0)
Disposals	0	(448)	(1,806)	0	(2,254)
Foreign currency translation differences	48	205	304	54	611
December 31, 2017	**51,637**	**76,928**	**18,909**	**41,200**	**188,674**
Accumulated depreciation					
January 1, 2017	**23,425**	**52,785**	**9,650**	**0**	**85,861**
Additions	1,549	4,407	2,118	0	8,074
Disposals	0	(316)	(437)	0	(753)
Foreign currency translation differences	24	144	270	0	437
December 31, 2017	**24,998**	**57,020**	**11,601**	**0**	**93,618**
Carrying amount					
January 1, 2017	28,164	18,521	6,140	14,077	66,902
December 31, 2017	**26,639**	**19,908**	**7,309**	**41,200**	**95,056**

In the year under review, the disposals of other tangible assets included the reclassification of CHF 153 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 206 thousand.

The assets under construction related largely to the building expansion in Flamatt, for which interest cost of CHF 374 thousand was capitalized (prior year: CHF 106 thousand). The interest rate used is the effective interest rate of the bond (see note 11).

The building expansion in Flamatt is being carried out through a general contractor; the contract obligates Comet to procure the deliverables defined in it. At the end of 2017 the amount of this obligation remaining was CHF 13.9 million (prior year: CHF 34.6 million), which is payable according to the progress of construction. The completion and occupation of the new premises are planned for the second half of 2018.

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 prior year, 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.

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

In thousands of CHF	**2017**	2016
Carrying amount of pledged real estate	63,228	26,872
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	8,000	10,500

08 Intangible assets

Fiscal year 2017

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2017	**27,374**	**27,863**	**4,694**	**17,686**	**230**	**77,847**
Additions	0	0	0	3,953	0	3,953
Foreign currency translation differences	1,855	962	59	535	(6)	3,405
December 31, 2017	**29,229**	**28,825**	**4,753**	**22,174**	**224**	**85,205**
Accumulated amortization						
January 1, 2017	**0**	**16,809**	**1,492**	**9,794**	**50**	**28,144**
Additions	0	1,584	468	1,896	14	3,962
Impairment	0	0	0	429	0	429
Foreign currency translation differences	0	806	81	134	1	1,022
December 31, 2017	**0**	**19,199**	**2,041**	**12,253**	**65**	**33,558**
Carrying amount						
January 1, 2017	27,374	11,054	3,203	7,892	180	49,703
December 31, 2017	**29,229**	**9,626**	**2,712**	**9,921**	**159**	**51,647**

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**

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 seven 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.

At the end of 2017 the IXS segment concluded a contract to acquire a comprehensive, specialized software application for automatic image recognition for use in its x-ray systems. The contract provides that the acceptance of the software is contingent on testing its conformity with certain specifications. As the acceptance tests were not yet completed at the balance sheet date, only partial payment was made. Net payment obligations of CHF 1.1 million for capitalizable software remain, which come due immediately upon successful acceptance of the software.

09 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, 2017. 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 for IXS and at the business unit level for IXT:

- 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 current at the time of the impairment test, and on the Board-approved rolling medium-term plan for 2018 to 2021. 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.

Carrying amount of the assets tested

	X-Ray Systems (IXS) CGU		Industrial X-Ray Modules (IXM) CGU		Total	
In thousands of CHF	**2017**	2016	**2017**	2016	**2017**	2016
Goodwill	20,018	18,357	6,873	6,873	26,891	25,230
Trademarks (Yxlon)	2,338	2,144	0	0	2,338	2,144
Total carrying amount	**22,356**	**20,501**	**6,873**	**6,873**	**29,229**	**27,374**

Assumptions applied in the valuation model

	X-Ray Systems (IXS) CGU		Industrial X-Ray Modules (IXM) CGU	
	2017	2016	**2017**	2016
Discount rate (WACC) before tax	11.4%	12.5%	12.8%	12.7%
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 (2018 to 2021):

- Growth assumptions: Sales revenue is projected by product group and region. Based on the stable situation of 2017 as the starting point, the average annual rate of sales growth is assumed to be 5% (prior year: 6%).
- Gross margins: It is expected that with rising sales, gross margins will average approximately 44% in the medium term (prior year: 43%). 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 2017 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.

10 Income tax

10.1 Current and deferred income tax expense

In thousands of CHF	**2017**	2016
Current income tax expense in respect of current year	13,522	9,465
Current income tax expense in respect of prior years	401	210
Deferred income tax credit	628	(921)
Total income tax expense	**14,551**	**8,754**

10.2 Reconciliation of tax expense

In thousands of CHF	**2017**	2016
Income before tax	50,010	36,090
Expected income tax at base tax rate of 28% (prior year: 28%)	14,003	10,105
Effect of tax rates other than base tax rate	159	(392)
Effect of tax exemption by canton of Fribourg	(1,568)	(1,049)
Effect of non-tax-deductible expenses	661	122
Effect of change in tax rate on deferred income tax	1,348	113
Effect of non-recognition of tax loss carryforwards	208	2
Effect of credits for R&D and domestic manufacturing	(846)	(518)
Effect of income tax from other periods	401	210
Effect of non-refundable withholding tax	111	127
Other effects	74	34
Income tax reported in the income statement	**14,551**	**8,754**
Effective income tax rate in % of income before tax	29.1%	24.3%

The Tax Cuts and Jobs Act passed in the United States in December 2017 stipulates a reduction in the corporate tax rate from 2018, among other changes. Accordingly, the deferred tax assets for temporary differences for the US subsidiary were measured at a new, lower rate. This increased the income tax expense for 2017 by CHF 1.5 million.

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 2017 the tax reduction amounted to 50% (prior year: 50%).

10.3 Deferred tax assets and liabilities

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

In thousands of CHF	**2017** Assets	**2017** Liabilities	2016 Assets	2016 Liabilities
Financial instruments	35	78	27	53
Receivables	554	248	1,731	1
Inventories	5,223	591	3,900	1,154
Property, plant and equipment	303	715	278	184
Intangible assets	0	4,076	0	4,429
Trade and other payables	288	7	310	5
Accrued expenses	961	3	1,442	58
Provisions	920	2	1,178	1
Employee benefit plan liabilities	940	0	539	0
Other	0	0	65	2
Tax loss carryforwards, and tax credits for R&D and domestic manufacturing	684	0	1,586	0
Total gross deferred tax of Group companies	**9,908**	**5,720**	**11,056**	**5,887**
Netting of deferred tax by Group companies	(2,690)	(2,690)	(2,988)	(2,988)
Amounts in the consolidated balance sheet	**7,218**	**3,030**	**8,068**	**2,899**

The deferred tax assets and liabilities were measured at local tax rates, ranging from 14% to 35%. No deferred tax liabilities were established for temporary differences of CHF 90.9 million (prior year: CHF 63.2 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.

10.4 Movement in deferred tax assets and liabilities

In thousands of CHF	**2017**	2016
Net asset at January 1	**5,169**	**3,303**
Origination and reversal of temporary differences recognized in the income statement	(628)	921
Use of tax loss carryforwards	0	0
Deferred tax credit in the income statement	**(628)**	**921**
Origination and reversal of temporary differences recognized in other comprehensive income	(2)	859
Foreign currency translation differences	(351)	86
Net asset at December 31	**4,188**	**5,169**

10.5 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 nil (prior year: CHF 11 thousand). There were tax loss carryforwards on which no deferred tax assets were recognized, as presented in the following overview.

In thousands of CHF	**2017** Loss carryforwards	**2017** Potential tax asset	2016 Loss carryforwards	2016 Potential tax asset
In more than five years	3,261	717	2,060	453
Total	**3,261**	**717**	**2,060**	**453**

11 Current and non-current 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%.

At the end of the fiscal year under review the Comet Group had undrawn credit facilities of CHF 41.2 million (prior year: CHF 36.8 million).

11.1 Non-current debt

The non-current 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	**2017**	2016
Repayment due in two to five years	66,000	68,124
Repayment due in more than five years	0	0
Subtotal	**66,000**	**68,124**
Future amortization of costs	(267)	(364)
Total non-current debt	**65,733**	**67,760**

All non-current 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.

11.2 Finance lease obligations

Current and non-current debt included finance lease obligations with the following maturity schedule:

In thousands of CHF	**2017**	2016
Due within one year	136	166
Due in two to five years	0	124
Total payment obligations	**136**	**290**
Less interest component	(4)	(19)
Total finance lease obligations	**132**	**271**

11.3 Movement in current and non-current debt

Fiscal year 2017

In thousands of CHF	Jan. 1, 2017	Cash flows	Reclassification from current to non-current	Unwinding of discount, and remeasurement	Foreign currency translation differences	Dec. 31, 2017
Current interest-bearing loans and borrowings (excluding items listed below)	2,500	(2,500)	2,000	0	0	2,000
Current obligations under finance leases and hire purchase contracts	166	(156)	105	15	2	132
Non-current interest-bearing loans and borrowings (excluding items listed below)	67,655	0	(2,000)	78	0	65,733
Non-current obligations under finance leases and hire purchase contracts	105	0	(105)	0	0	0
Total liabilities from financing activities	**70,426**	**(2,656)**	**0**	**93**	**2**	**67,864**

12 Trade and other payables

In thousands of CHF	**2017**	2016
Trade payables	32,089	21,866
Sundry payables	4,934	3,135
Sales commissions	3,529	3,099
Total financial liabilities	**40,552**	**28,100**
Sales tax and value-added tax	849	1,284
Prepayments by customers	25,266	28,769
Total other payables	**26,115**	**30,053**
Total trade and other payables	**66,667**	**58,153**

13 Accrued expenses

In thousands of CHF	**2017**	2016
Accrued staff costs	14,764	10,419
Other accrued expenses	10,995	7,629
Total accrued expenses	**25,758**	**18,048**

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.

14 Provisions

Fiscal year 2017

In thousands of CHF	Warranties	Other provisions	Total provisions
January 1, 2017	**7,043**	**856**	**7,899**
Added	5,764	1,751	7,515
Used	(3,747)	(96)	(3,843)
Released	(1,335)	(126)	(1,461)
Foreign currency translation differences	89	(5)	84
December 31, 2017	**7,814**	**2,381**	**10,195**
Of which:			
January 1, 2017			
Current provisions	7,043	799	7,842
Non-current provisions	0	57	57
December 31, 2017			
Current provisions	7,814	2,326	10,140
Non-current provisions	0	54	54

In an internal review of compliance with export regulations, a procedural error was found in the USA in connection with a transfer license. Comet informed the appropriate authorities of it and initiated the necessary corrective measures. For the related expenses estimated to be incurred, CHF 1.5 million of current provisions were newly recognized. The full outflow of funds is expected to occur in 2018.

15 Employee benefits

15.1 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.

Principal actuarial assumptions

	Switzerland		Germany	
	2017	2016	**2017**	2016
Discount rate at January 1	0.6%	0.7%	1.5%	2.0%
Discount rate at December 31	0.6%	0.6%	1.5%	1.5%
Expected rate of salary increases	1.0%	1.0%	–	–
Life tables used as basis for life expectancies	BVG 2015 GT	BVG 2015 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 2017

In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	**Net carrying amount recognized in balance sheet**
January 1	**(66,286)**	**61,932**	**(4,354)**
Current service cost	(2,698)	0	(2,698)
Past service cost	(2,543)		(2,543)
Administration cost, excl. cost for managing plan assets	(32)	0	(32)
Current service cost	**(5,273)**	**0**	**(5,273)**
Interest (expense)/income	(440)	406	(33)
Defined benefit cost recognized in the income statement	**(5,713)**	**406**	**(5,306)**
Return on plan assets, excluding interest income	0	5,182	5,182
Actuarial loss arising from experience adjustments	(5,199)	0	(5,199)
Defined benefit cost recognized in other comprehensive income	**(5,199)**	**5,182**	**(17)**
Benefits paid-in/deposited	(3,217)	3,251	34
Employee contributions	(1,948)	1,948	0
Employer contributions	0	2,601	2,601
Foreign currency translation differences	(174)	108	(65)
December 31	**(82,536)**	**75,428**	**(7,108)**
Reported as an asset			0
Reported as a liability			(7,108)

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

The past service cost recognized in 2017 arose from the decision to switch the defined benefit plans in Switzerland to a fully insured pension model. This results in changes in benefits; as well, beginning this year, revaluation reserves no longer required are distributed among the retirement accounts of the insured individuals.

The negative pre-tax effect of CHF 2.5 million is distributed among the segments as follows in their 2017 operating income: PCT: CHF 0.9 million; IXM: CHF 1.2 million; EBT: CHF 0.4 million.

Fiscal year 2016

In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	**Net carrying amount recognized in balance sheet**
January 1	**(57,164)**	**57,459**	**295**
Current service cost	(2,702)	0	(2,702)
Past service cost	1,640		1,640
Administration cost excl. cost for managing plan assets	(28)	0	(28)
Current service cost	**(1,090)**	**0**	**(1,090)**
Interest (expense)/income	(441)	432	(9)
Defined benefit cost recognized in the income statement	**(1,531)**	**432**	**(1,099)**
Return on plan assets, excluding interest income	0	57	57
Actuarial loss arising from changes in financial assumptions	(2,608)	0	(2,608)
Actuarial gain arising from changes in demographic assumptions	803		803
Actuarial loss arising from experience adjustments	(4,140)	0	(4,140)
Defined benefit cost recognized in other comprehensive income	**(5,945)**	**57**	**(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**	**(4,354)**
Reported as an asset			0
Reported as a liability			(4,354)

Key figures by country

	Switzerland		Germany	
In thousands of CHF	**2017**	2016	**2017**	2016
Present value of defined benefit obligation	(80,466)	(64,335)	(2,070)	(1,951)
Fair value of plan assets	74,130	60,728	1,298	1,204
Net carrying amount recognized in the balance sheet	**(6,337)**	**(3,607)**	**(772)**	**(747)**
Defined benefit cost recognized in the income statement	(5,295)	(1,085)	(11)	(14)
Defined benefit cost recognized in other comprehensive income	(38)	(5,825)	21	(64)

The employer contributions to the plans in Switzerland for fiscal year 2018 are expected to amount to CHF 2,866 thousand.

Major categories of plan assets

In thousands of CHF	2017	2016
Cash and cash equivalents	2,320	3,975
Equity instruments	19,447	14,959
Debt instruments	39,914	32,247
Real estate	12,449	9,547
Total plan assets at fair value (quoted market price)	**74,130**	**60,728**
Other assets	1,298	1,204
Total non-quoted market price	**1,298**	**1,204**
Total plan assets	**75,428**	**61,932**

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	2017	2016	2017	2016
Discount rate: 0.25% decrease	83,187	66,499	2,140	2,018
Discount rate: 0.25% increase	77,928	62,321	2,004	1,886
Salaries: 0.25% decrease	80,314	64,191	2,070	1,950
Salaries: 0.25% increase	80,617	64,476	2,070	1,950
Life expectancy: 1-year increase	81,415	64,916	2,169	2,036
Life expectancy: 1-year decrease	79,518	63,756	1,972	1,864

15.2 Defined contribution plans

The contributions paid to defined contribution plans in the fiscal year amounted to CHF 5,532 thousand (prior year: CHF 5,208 thousand).

15.3 Length-of-service awards

Comet grants length-of-service awards to its employees after a certain number of years of service, in the form of lump-sum payments that increase in amount with the number of years of employment. The provision for this item changed as follows in the year under review:

In thousands of CHF	**2017**	2016
Provision at January 1	1,192	1,093
Current service cost	161	192
Interest cost	11	12
Benefits paid	(104)	(187)
Actuarial losses	29	89
Foreign currency translation differences	41	(7)
Provision at December 31	**1,330**	**1,192**

16 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).

17 Other operating income

In thousands of CHF	**2017**	2016
Customers' contributions to development projects	2,674	3,013
Government grants	7	82
Revenue from sale of prototypes	3,456	2,304
Miscellaneous income	443	421
Total other operating income	**6,580**	**5,820**

18 Staff costs and staff count

18.1 Staff costs

In thousands of CHF	**2017**	2016
Wages and salaries	123,120	102,346
Employee benefits	22,166	16,616
Total staff costs	**145,286**	**118,962**

18.2 Staff count

	2017	2016
Number of employees (year-end)	1,435	1,230
Average full-time equivalents during the year	1,292	1,123

19 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 2017 in the Industrial X-Ray Modules segment, CHF 87 thousand of internal development work on an automated testing software application was capitalized.

20 Amortization and depreciation

In thousands of CHF	**2017**	2016
Amortization	4,392	3,157
Depreciation	8,074	8,069
Total amortization and depreciation	**12,466**	**11,226**

21 Financing income and expenses

In thousands of CHF	**2017**	2016
Interest expense	1,324	1,466
Losses on derivatives used for currency hedging	335	491
Foreign currency translation losses	5,312	4,376
Total financing expenses	**6,971**	**6,333**

In thousands of CHF	**2017**	2016
Interest income	14	15
Gains on derivatives used for currency hedging	1,585	406
Foreign currency translation gains	4,486	5,529
Total financing income	**6,086**	**5,950**

In thousands of CHF	**2017**	2016
Net interest expense	1,310	1,451
Net foreign currency translation (gains)	(425)	(1,068)

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

22 Earnings per share

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

	2017	2016
Weighted average number of shares outstanding*	7,750,232	7,742,190
Net income in thousands of CHF	35,460	27,336
Net income per share in CHF, diluted and basic*	4.58	3.53

* 2016 restated to reflect the number of shares outstanding after the ten-for-one stock split of April 28, 2017 (see note 27).

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

23 Contingent liabilities

23.1 Off-balance sheet transactions

As a global company, Comet is exposed to numerous legal risks. These can include, especially, risks relating to product liability, patent law, export regulations, tax law 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.

23.2 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	**2017**	2016
Due within one year	4,461	3,593
Due within two to five years	10,135	4,711
Due in more than five years	–	101
Total payment obligations	**14,596**	**8,405**

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 4,971 thousand (prior year: CHF 3,859 thousand).

24 Financial instruments

24.1 Classes of financial instruments

Fiscal year 2017

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		60,420			*
Trade receivables, net		68,020			*
Derivatives	277		2		279
Financial assets		239			*
Current debt				2,132	2,173
Trade and other payables				40,552	*
Non-current debt (fixed rate)				65,733	68,364
Total	**277**	**128,679**	**2**	**108,417**	
Interest income/(expense)	0	14	0	(1,324)	
Gain/(loss) on derivatives	1,585	0	(335)	0	
Change in provisions for doubtful accounts and in losses on trade receivables		(50)			
Total net gain/(loss) recognized in the income statement	**1,585**	**(36)**	**(335)**	**(1,324)**	

* The carrying amount approximates fair value.

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 the Comet Group recognized at fair value were derivatives held for currency hedging. The measurement of the derivatives falls into Level 2 of the fair value measurement hierarchy under IFRS 13.

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 receivables, net		56,326			*
Derivatives	152		184		336
Financial assets		234			*
Current debt				2,666	2,757
Trade and other payables				28,100	*
Non-current debt (fixed rate)				67,760	70,699
Total	**152**	**131,392**	**184**	**98,526**	
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.

24.2 Fair values of financial instruments

The only differences between fair values and carrying amounts occurred in fixed-rate non-current 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.

25 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.

25.1 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	**2017**	2016
Current debt	2,132	2,666
+ Non-current debt	65,733	67,760
./. Cash and cash equivalents	60,420	74,832
Net debt	**7,445**	**(4,406)**
EBITDA	63,360	47,699
Debt ratio (net debt in relation to EBITDA)	**0.1**	**(0.1)**
Shareholders' equity	206,430	176,345
Equity ratio (equity in % of total assets)	**52.7%**	**51.1%**

25.2 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.

25.2.1 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 2017

In thousands of CHF, except %	Increase in exchange rate in %	Effect on income before tax	Effect on equity
EUR/CHF	+10	+2,054	+7,174
USD/CHF	+10	+4,115	+3,215

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

A reduction in exchange rates of the same percentage amount produces an opposite effect of equal size. 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 non-current debt based on the current interest rate situation are presented on an indicative basis in note 24.1.

25.2.2 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 most important counterparties at the balance sheet date:

In thousands of CHF	2017 Rating *	2017 Balance	2016 Rating *	2016 Balance
Bank A	A+	17,420	A+	10,782
Bank B	AAA	9,025	AAA	10,035
Bank C	Aa3	0	Aa3	10,000
Bank D	N/A	9,554	N/A	9,694
Bank E	A-	9,407	BBB+	5,306
Other counterparties		15,014		29,015
Total bank deposits		**60,420**		**74,832**

* 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 4.

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

25.2.3 Liquidity risk

Comet defines liquidity risk as the risk that, at any time, the Group 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 2017

In thousands of CHF	Carrying amount	Payments due by period			
		Total	2018	2019–2022	After 2022
Current and non-current debt	67,866	73,161	3,532	69,629	0
Financial liabilities	40,552	40,552	40,552	0	0
Derivatives (negative fair values)	2	2	2	0	0
Total	**108,419**	**113,715**	**44,086**	**69,629**	**0**

Fiscal year 2016

In thousands of CHF	Carrying amount	Payments due by period			
		Total	2017	2018–2021	After 2021
Current and non-current debt	70,426	77,342	4,192	73,150	0
Financial liabilities	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**

Current and non-current 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 5.3.

26 Equity capital structure and shareholders

26.1 Ten-for-one stock split

In order to increase the liquidity and marketability of the shares, the Annual Shareholder Meeting on April 20, 2017 approved the Board's proposal for a stock split.

The 774,543 registered shares existing before the capital increase from authorized capital designated for equity-based compensation, with a par value of CHF 10.00 per share, were split on a ten-for-one basis, resulting in a new total of 7,745,430 registered shares with a par value of CHF 1.00 per share.

26.2 Capital stock

The capital stock at January 1, 2017 was CHF 7,745,430, divided into 7,745,430 registered shares with a par value of CHF 1.00 per share (restated to reflect the stock split).

In fiscal year 2017 the capital stock was increased by 8,228 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 8,228 shares from this portion of authorized capital, Comet Holding AG at December 31, 2017 thus had a new total of CHF 7,753,658 of capital stock, divided into 7,753,658 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in. At its meeting on August 10, 2017 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.

	2017		2016	
	Number of shares	**Par value in CHF**	Number of shares*	Par value in CHF
January 1	7,745,430	7,745,430	7,738,010	7,738,010
Increase in capital from the portion of authorized capital designated for equity compensation	8,228	8,228	7,420	7,420
December 31	7,753,658	7,753,658	7,745,430	7,745,430

* Number of shares restated to reflect the ten-for-one stock split of April 28, 2017.

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

26.3 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, stock is 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.

In May 2017, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,267 shares of stock in payment of CHF 100,303 of fixed retainers due for fiscal year 2016. In addition, as part of their compensation for 2017, the members of the Board of Directors were granted a total of 631 shares in payment of CHF 49,953 of fixed retainers due for the period from January 1, 2017 to the 2017 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 79.17 per share.

The members of the Executive Committee were granted a total of 6,330 shares in payment of CHF 782,996 of profit-sharing compensation due for fiscal year 2017. The fully paid shares were applied to the compensation due at a price of CHF 123.70 per share.

As a result of these grants of a total of 8,228 shares made in 2017, the Company's unissued authorized capital for equity-based compensation showed the following movement (after the stock split):

	2017		2016	
	Number of shares	**Par value in CHF**	Number of shares*	Par value in CHF
January 1	217,690	217,690	225,110	225,110
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(8,228)	(8,228)	(7,420)	(7,420)
December 31	209,462	209,462	217,690	217,690

* Number of shares restated to reflect the ten-for-one stock split of April 28, 2017.

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 209,462, or 2.7% of the existing capital stock.

26.4 Authorized capital for other capital increases

At December 31, 2017, 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 1,400,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 18% of the existing capital stock. 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.

26.5 Significant shareholders

At December 31, 2017 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	4.82%
Cologny Advisors LLP	Camox Master Fund	3.26%

On February 8, 2018, Pictet Asset Management SA (Direction de Fonds) notified a reduction of its shareholding to 2.87%.

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

27 Share-based payments

Main elements of the compensation system

The compensation system is designed to attract and retain excellent management and specialist staff. The Comet Group seeks to set compensation levels that reflect the individual levels of skills and responsibility in the Group and that bear comparison with other employers competing with it for talent.

The remuneration of the members of the Executive Committee consists of fixed compensation and a performance-based component. The total compensation takes into account the recipient's position and level of responsibility.

The profit-sharing remuneration of the members of the Executive Committee consists of compensation under a short-term incentive plan (STIP) and under a long-term incentive plan (LTIP). Two-thirds of the compensation under the STIP is paid in cash and one-third of it is paid in stock. The compensation under the LTIP is paid only in stock. The total variable compensation (STIP and LTIP combined) is capped by an upper limit. The profit-sharing compensation of employees who are not members of the Executive Committee is paid only in cash.

Share-based compensation of the members 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 two-thirds is paid in cash and one-third is paid in stock of the Company. The stock awarded is subject to a holding period of three years during which it cannot be sold.

Share-based compensation of the members of the Executive Committee

In addition to the fixed compensation, the members of the Executive Committee can earn a performance-related, STIP pay component, of which one-third is paid in stock. The balance of the STIP amount is paid in cash. They can additionally earn a performance-related LTIP pay component, which is paid only in stock. The stock transferred under the STIP is subject to a holding period of three years from the date of the award Stock transferred under the LTIP does not have a holding period.

Calculation of grant price for share awards

The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of publication of the annual results and the date of the Annual Shareholder Meeting.

Expenses recorded

The expense recognized for share-based payments in the year under review was CHF 916 thousand (prior year: CHF 1,107 thousand). The amount included CHF 80 thousand for stock already awarded to the Board of Directors in 2017.

28 Compensation of the Board of Directors and Executive Committee

The expense for compensation of the members of the Executive Committee and Board of Directors can be analyzed as follows:

in thousands of CHF	2017	2016
Cash compensation, including short-term employee benefits	4,206	4,171
Contributions to post-employment benefit arrangements	355	429
Expense for share-based payments	916	1,107
Total compensation	**5,477**	**5,707**

The expense for share-based payments was higher than the corresponding addition to equity shown in the consolidated statement of changes in equity, as the issuance stamp duty of CHF 10 thousand (prior year: CHF 5 thousand) payable on the capital increase was charged directly to additional paid-in capital.

Additional compensation of Board members

In the year under review, no other services were obtained from or invoiced by members of the Board of Directors or their related parties (prior year: CHF 34,320).

29 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.

30 Proposed distribution to shareholders

The Board of Directors will propose at the Annual Shareholder Meeting to pay a distribution of CHF 1.50 per share (prior year*: CHF 1.20) to shareholders from distributable paid-in capital. The total amount of the proposed distribution is CHF 11,630 thousand (prior year: CHF 9,295 thousand).

* Prior-year amount is restated to reflect ten-for-one stock split of April 28, 2017.

31 Release of the consolidated financial statements for publication

The Board of Directors released these financial statements on March 8, 2018 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 26, 2018.

Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, 8 March 2018

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 2017 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 33 to 80) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

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

Impairment of intangible assets – goodwill and other

Risk	The group reviews the carrying amount of its cash generating units annually or more frequently if any impairment indicators are present. The impairment assessment contains a comparison of the estimated recoverable amount (fair value or higher net present value of each cash-generating unit) to its carrying amount. These annual impairment tests were significant to our audit because the balances for goodwill and trademarks of CHF 29.2 Mio. of 31 December 2017 is material to the financial statements. Any impairment of goodwill and trademarks or other intangible and tangible 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 9. The recoverable amount is based on impairment tests that are based on 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 material judgments.
Our audit approach	We assessed the assumptions made in the impairment tests and involved our own valuation specialists. 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 impairments 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.

EY
Building a better working world

Recognition of provisions resulting from claims

Risk	As outlined in notes 14 and 23.1 of the consolidated financial statements, Comet is exposed to potential claims and litigation in a variety of areas and counterparties. These areas include a former owner of a group company, tax and other authorities and other third parties. Provisions, particularly for individual claims made against Comet, involve a high level of judgment as it is often uncertain if, when and to which extent such claims result in cash outflows.
Our audit approach	We assessed Comet's process for identifying and monitoring new or pending claims. We inquired with both, financial and/or legal staff or outside attorneys that were engaged by Comet. Moreover, we read minutes of the Board of Directors and the Audit Committee and discussed open cases with management. Finally, we read legal letters that were provided by external attorneys or other parties that supported Comet in such cases. For recurring claims such as warranties, we assessed the provision based on the historical accuracy to assess the amount recorded in the current year.

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.

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

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

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

Separate Financial Statements of Comet Holding AG

Contents

Balance sheet

In thousands of CHF	Note	Dec. 31, 2017	%	Dec. 31, 2016	%
Assets					
Cash and cash equivalents		782		10,290	
Trade receivables from subsidiaries		17		159	
Prepaid expenses		275		349	
Total current assets		**1,074**	**0.6%**	**10,798**	**6.1%**
Non-current financial assets – loans	3	119,451		102,794	
Investments in subsidiaries	2	61,785		61,785	
Intangible assets		523		821	
Total non-current assets		**181,759**	**99.4%**	**165,400**	**93.9%**
Total assets		**182,832**	**100.0%**	**176,198**	**100.0%**
Liabilities and shareholders' equity					
Current trade payables to non-Group entities		111		91	
Current trade payables to shareholders and governing bodies		264		259	
Accrued expenses		1,181		1,105	
Non-current interest-bearing liabilities	8	60,000		60,000	
Total liabilities		**61,556**	**33.7%**	**61,455**	**34.9%**
Capital stock	5	7,754		7,745	
Statutory capital reserve		19,233		27,521	
Statutory earnings reserve		4,967		4,967	
Retained earnings brought forward		74,535		65,284	
Net income for the year		14,788		9,226	
Total retained earnings		**89,323**		**74,510**	
Total shareholders' equity		**121,276**	**66.3%**	**114,743**	**65.1%**
Total liabilities and shareholders' equity		**182,832**	**100.0%**	**176,198**	**100.0%**

Statement of income

In thousands of CHF	2017	%	2016	%
Dividend income	14,463		10,702	
Other financing income	4,951		2,465	
Other operating income	491		445	
Total income	**19,906**	**100.0%**	**13,612**	**100.0%**
Financing expenses	(2,922)		(1,914)	
Other operating expenses	(1,898)		(2,173)	
Amortization of rights to trademarks and names, FeinFocus	(298)		(299)	
Total expenses	**(5,118)**	**25.7%**	**(4,386)**	**32.2%**
Net income for the year	**14,788**	**74.3%**	**9,226**	**67.8%**

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, 2017 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 applicable 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, 2017:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2017	2016
Comet Holding AG	Flamatt, Switzerland	CHF	7,753,658	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.

03 Non-current financial assets – loans

Loans to subsidiaries were as follows:

In thousands of CHF	**2017**	2016
Comet AG	53,720	38,964
Comet Technologies USA, Inc.	39,165	39,580
Comet Technologies Korea Co. Ltd.	42	842
Yxlon International GmbH	22,689	19,536
Yxlon International A/S	2,980	3,002
Yxlon International KK	855	870
Total loans to subsidiaries	**119,451**	**102,794**

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, 2017	CHF 153.4
Market capitalization at December 31, 2017	CHF 1,189 million

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

Listed and 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, 2017, Comet Holding AG had 3,303 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,691). 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, 2017 was as follows:

Number of shares	Number of shareholders
1 to 1,000	2,941
1,001 to 10,000	313
10,001 to 50,000	33
50,001 to 100,000	13
More than 100,000	3

This analysis does not capture the stock of shareholders who were not registered in the share register. At December 31, 2017 these shares of unregistered owners amounted to 40% 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 $^{1}/_{3}$%, 50% and 66 $^{2}/_{3}$% 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, 2017 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	4.82%
Cologny Advisors LLP	Camox Master Fund	3.26%

On February 8, 2018, Pictet Asset Management SA (Direction de Fonds) notified a reduction of its shareholding to 2.87%.

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

Reportable changes during fiscal year 2017

In the fiscal year under review, eight 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, 2017 was CHF 7,745,430, divided into 7,745,430 registered shares with a par value of CHF 1.00 per share (restated to reflect the stock split). In fiscal year 2017 the capital stock was increased by 8,228 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 8,228 shares from this portion of authorized capital, Comet Holding AG at December 31, 2017 thus had a new total of CHF 7,753,658 of capital stock, divided into 7,753,658 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in. At its meeting on August 10, 2017 the Board of Directors established that the capital increase from authorized capital for equity compensation was properly performed. The information in the commercial register, and the Bylaws of Comet Holding AG, were updated to reflect the change in capital stock.

	2017		2016	
	Number of shares	**Par value in CHF**	Number of shares*	Par value in CHF
January 1	7,745,430	7,745,430	7,738,010	7,738,010
Increase in capital from the portion of authorized capital designated for equity compensation	8,228	8,228	7,420	7,420
December 31	7,753,658	7,753,658	7,745,430	7,745,430

* Number of shares restated to reflect the ten-for-one stock split of April 28, 2017.

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, stock is 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.

In May 2017, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,267 shares of stock in payment of CHF 100,303 of fixed retainers due for fiscal year 2016. In addition, as part of their compensation for 2017, the members of the Board of Directors were granted a total of 631 shares in payment of CHF 49,953 of fixed retainers due for the period from January 1, 2017 to the 2017 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 79.17 per share.

Members of the Executive Committee were granted a total of 6,330 shares in payment of CHF 782,996 of profit-sharing compensation due for fiscal year 2017. The fully paid shares were applied to the compensation due at a price of CHF 123.70 per share.

As a result of these grants of a total of 8,228 shares in 2017, the Company's unissued authorized capital for equity-based compensation showed the following movement (after the stock split):

	2017		2016	
	Number of shares	**Par value in CHF**	Number of shares*	Par value in CHF
January 1	217,690	217,690	225,110	225,110
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(8,228)	(8,228)	(7,420)	(7,420)
December 31	209,462	209,462	217,690	217,690

* Number of shares restated to reflect the ten-for-one stock split of April 28, 2017.

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 209,462, or 2.7% of the existing capital stock.

Authorized capital for other capital increases
At December 31, 2017, 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 1,400,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 18% of the existing capital stock. 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: number of shares* subject to holding periods ending			**Share of voting rights**	
	2017	2016*	4/22/2018	4/21/2019	4/20/2020	**2017**	2016
Hans Hess Chairman of the Board	**36,733**	48,700	2,340	1,040	543	**0.5%**	0.6%
Lucas A. Grolimund Vice Chairman and member of the Board	**9,621**	9,350	1,200	520	271	**0.1%**	0.1%
Gian-Luca Bona Member of the Board	**5,421**	5,150	1,360	520	271	**0.1%**	0.1%
Rolf Huber Member of the Board	**13,361**	13,090	1,280	520	271	**0.2%**	0.2%
Mariel Hoch Member of the Board	**271**	0	0	0	271	**0.0%**	0.0%
Franz Richter Member of the Board	**271**	0	0	0	271	**0.0%**	0.0%
Ronald Fehlmann Chief Executive Officer (until April 30, 2017)	**8,376**	8,900	3,400	1,510	1,966	**0.1%**	0.1%
Rene Lenggenhager Chief Executive Officer (from May 1, 2017)	**5,500**	0	0	0	0	**0.1%**	0.0%
Markus Portmann Chief Financial Officer	**2,469**	7,140	1,220	540	709	**0.0%**	0.1%
Thomas Polzer Chief Operating Officer	**269**	0	0	0	269	**0.0%**	0.0%
Detlef Steck Segment President of X-Ray Systems	**697**	250	0	0	597	**0.0%**	0.0%
Michael Kammerer Segment President of Plasma Control Technologies	**2,361**	2,360	1,140	530	691	**0.0%**	0.0%
Charles Flükiger Segment President of ebeam Technologies	**2,361**	2,380	1,140	530	691	**0.0%**	0.0%
Eric Dubuis Chief Information Officer and CHRO	**1,754**	2,770	870	380	504	**0.0%**	0.0%

* Number of shares restated to reflect the ten-for-one stock split of April 28, 2017.

Each 10,000 registered shares of Comet Holding AG, of a par value of CHF 1.00 per share, represented a total of 0.1290% of all voting power (prior year: 0.1291%). The members of the Board of Directors and Executive Committee held a total of 1.2% of voting rights (prior year: 1.3%). No material changes in ownership interests arose after the balance sheet date of December 31, 2017.

07	**Options, conversion rights and treasury stock**	Comet Holding AG has not issued any conversion rights or stock options. In fiscal year 2017 and 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%, is payable annually on April 20, and was due for the first time on April 20, 2017. Listing: SIX Swiss Exchange (security number 32 061 943, 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 2017 and 2016 was less than 10.
11	**Stock split**	In order to increase the liquidity and marketability of the shares, the Annual Shareholder Meeting on April 20, 2017 approved the Board's proposal for a ten-for-one stock split.
12	**Release of the separate financial statements for publication**	The Board of Directors released these financial statements on March 8, 2018 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 26, 2018.

Board of Directors' proposal for the appropriation of retained earnings and distribution from distributable paid-in capital

01 Proposal for appropriation of 2017 retained earnings

At the Annual Shareholder Meeting the Board of Directors will propose the following appropriation of retained earnings:

In thousands of CHF	**2017**
Earnings brought forward	74,510
Transfer from distributable paid-in capital reserve	26
Net income for the year	14,788
Retained earnings available for distribution	**89,323**
Earnings carried forward	**89,323**

02 Proposal for distribution from distributable paid-in capital

At the Annual Shareholder Meeting the Board of Directors will propose to pay a distribution of CH 1.50 per share from distributable paid-in capital.

Provided the proposal is approved, the movement in the distributable paid-in capital reserve will be as follows:

In thousands of CHF	**2017**
Distributable paid-in capital reserve	**19,233**
Payout of CHF 1.50 per share (prior year: CHF 1.20)	(11,630)
Distributable paid-in capital reserve after disbursement	**7,602**

If the proposal is approved, the net distribution of CHF 1.50 per entitled share will be paid on May 2, 2018.

Building a better working world

Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, 8 March 2018

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 87 to 94), for the year ended 31 December 2017.

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

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

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

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

Building a better working world

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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. 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 statutory financial statements or assessments in connection with the consolidated financial statements. For more complex cases, we involved our valuation specialists in checking particularly 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.

Building a better working world

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

Roland Ruprecht Licensed audit expert (Auditor in charge)	Philippe Wenger Licensed audit expert