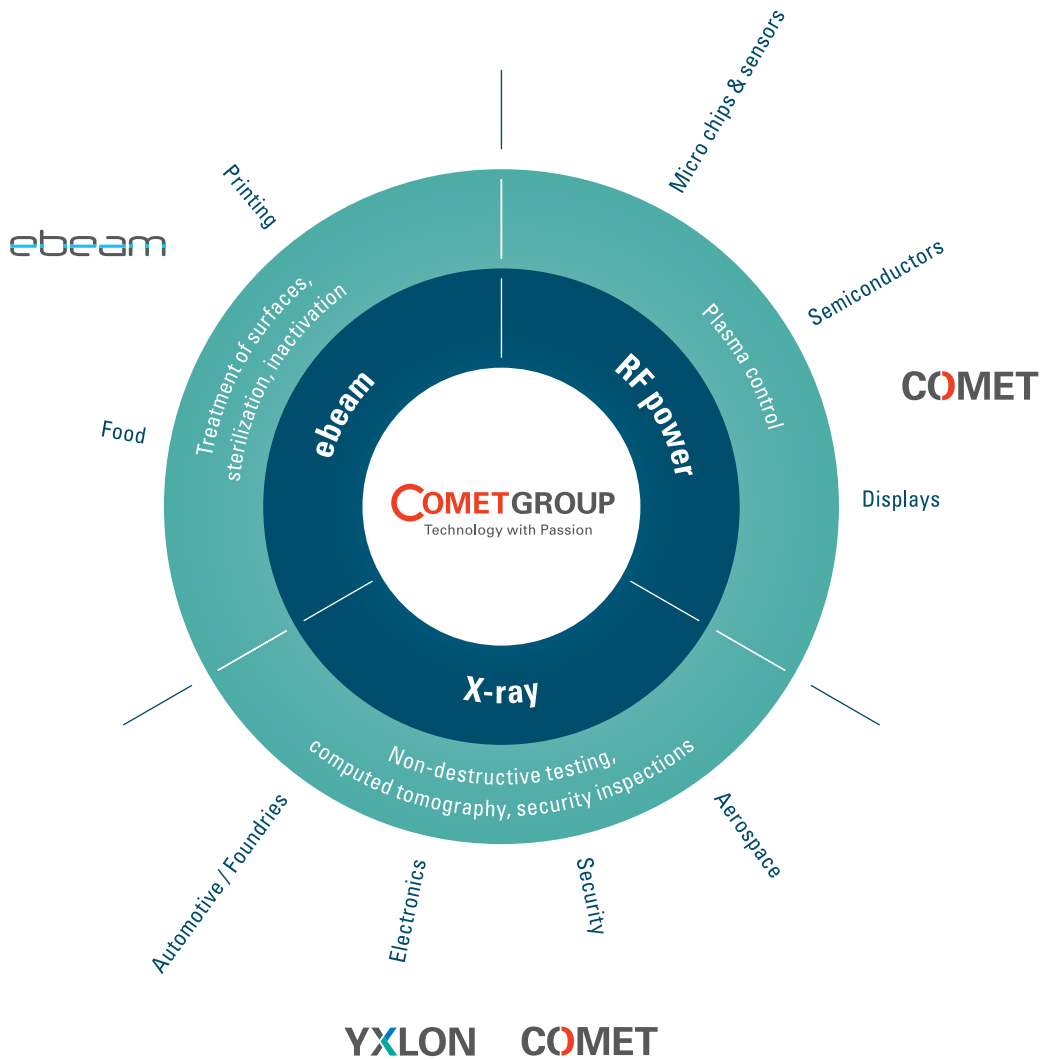


Comet Holding AG Annual Report 2017



The Comet Group

● Technologies ● Applications



You can also find the online version of the current annual report and other interesting information about the Comet Group on our website at www.comet-group.com.



At a glance

Comet Group key consolidated financial results

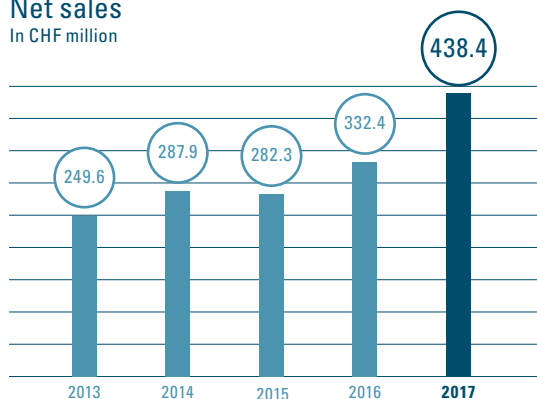
In thousands of CHF	2017	2016	2015	2014	2013
Net sales	438,355	332,437	282,321	287,895	249,629
Operating income	50,895	36,473	25,488	29,655	25,060
In % of net sales	11.6%	11.0%	9.0%	10.3%	10.0%
EBITA	55,287	39,630	27,994	32,417	28,976
In % of net sales	12.6%	11.9%	9.9%	11.3%	11.6%
EBITDA	63,360	47,699	35,718	39,765	36,002
In % of net sales	14.5%	14.3%	12.7%	13.8%	14.4%
Net income	35,460	27,336	17,106	26,277	16,094
In % of net sales	8.1%	8.2%	6.1%	9.1%	6.4%
Operating cash flow ¹	38,353	33,179	35,672	30,560	17,379
In % of net sales	8.7%	10.0%	12.6%	10.6%	7.0%
Total assets	391,515	344,908	255,642	245,911	227,833
Shareholders' equity	206,430	176,345	162,205	159,768	137,852
In % of total assets	52.7%	51.1%	63.4%	65.0%	60.5%
Number of employees (year-end)					
Switzerland	535	438	366	374	357
International	900	792	729	612	554
Total	1,435	1,230	1,095	986	911

¹ Net cash provided by operating activities, as per consolidated statement of cash flows.

Key financials of the Comet Group

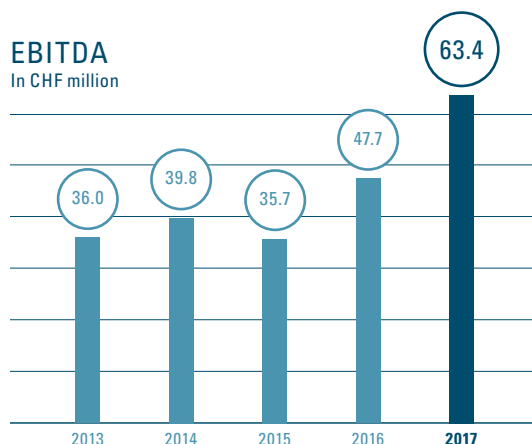
Net sales

In CHF million



EBITDA

In CHF million



Information for investors

		2017	2016	2015	2014	2013
Capital stock	CHF	7,753,658	7,745,430	7,738,010	7,720,660	7,700,880
Number of shares (Dec. 31)		7,753,658	7,745,430	7,738,010	7,720,660	7,700,880
Weighted average number of shares outstanding		7,750,232	7,742,190	7,730,780	7,712,369	7,564,580
Stock price (adjusted)						
High for the year (Oct. 16, 2017)	CHF	165.40	100.7	85.65	67.0	47.68
Low for the year (Jan. 23, 2017)	CHF	95.40	56.2	54.8	42.85	21.00
Year-end (Dec. 31)	CHF	153.40	100.5	72.75	64.60	46.95
Earnings per share	CHF	4.58	3.53	2.21	3.41	2.13
Distribution per share ¹	CHF	1.50	1.20	1.10	1.10	0.80
P/E ratio (at year-end price)		34	28	33	19	22
Distribution yield (at year-end price)	%	1.0%	1.2%	1.5%	1.7%	1.7%
Equity per share ²	CHF	26.6	22.8	21.0	20.7	18.2
Market capitalization (Dec. 31)	CHF m	1,189.4	778.4	562.9	498.8	361.6

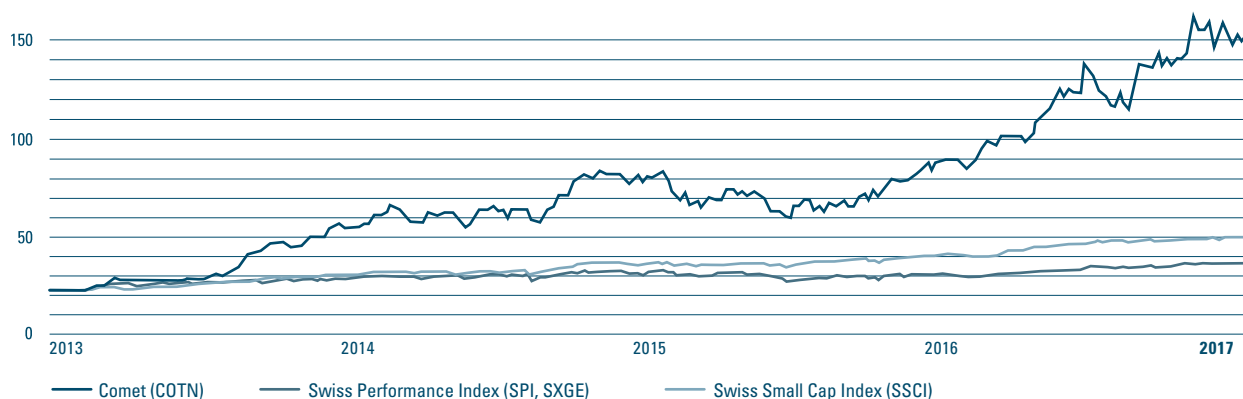
Numbers of shares and per-share data from before the ten-for-one stock split in April 2017 are restated for comparability with the data from after the stock split.

¹ 2017: Proposal by the Board of Directors for the year under review.

² Shareholders' equity divided by the weighted average number of shares outstanding.

Comet stock price

Performance in CHF



The Comet Group is a globally leading Swiss technology company focused on the x-ray, radio frequency and ebeam businesses.

For seven decades, we have been developing and manufacturing innovative high-tech components and systems.

With pioneering solutions for a wide range of industries, we support customers in improving and evolving their products and processes. As a result, we help bring greater safety and security, mobility, sustainability and efficiency to many areas of life. Our high-performance x-ray systems for non-destructive testing and inspection make vehicles safer and airport security checks more reliable. Plasma control modules from Comet are important in the efficient fabrication of computer chips with ever

higher storage capacity. And thanks to our innovative ebeam technology, manufacturers are saving on production costs for the sterilization of packaging while also improving their energy balance.

With our leading-edge products under the Comet, Yxlon and ebeam brands, we are always challenging the limits of the physically possible. Our highly skilled experts work closely with customers in Europe, the Americas and Asia and with well-known research institutions worldwide. The resulting tailored solutions generate lasting value-added for our customers and partners.

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Breakthroughs by proximity.

Lab One, opened by Comet in Silicon Valley, is the first test and application center to offer all of the Group's technologies under one roof. Guided by the motto "Innovate. Implement. Accelerate", it gives customers access to expertise for the development of new applications.



Performance in 2017

The Comet Group delivers further record results and gets ready for the future.



To Our Shareholders

The growth strategy of the Comet Group led to another set of record results in 2017. Sales grew by 32% to CHF 438.4 million. Net income rose by 30% to CHF 35.5 million. The Group continued to add value and, under its new CEO René Lenggenhager, set the stage for sustained future success.

The Comet Group accelerated its growth in 2017. It expanded the business with key accounts, developed relationships with prospective customers, mastered the challenge of meeting the high demand, and also moved ahead in important projects to prepare for future growth. Consolidated net sales expanded to CHF 438.4 million, surpassing the prior year by CHF 106 million.

Growth in all segments and regions

Comet grew strongly in 2017. All regions and business segments contributed to the sales growth. The largest contribution came from the Plasma Control Technologies (PCT) segment: Its sales soared 53% to CHF 210.5 million. Thanks to its strong position in the market for high-end RF solutions, PCT benefited disproportionately from the expansion of manufacturing capacity in the semiconductor market and increased its business with key accounts. A broad-based network of suppliers helped PCT meet the strong demand with on-quality, on-time deliveries. Thanks to customized, highly reliable solutions, sales of the X-Ray Modules (IXM) segment

increased by 13% to CHF 78.8 million. IXM was buoyed especially by strong growth in the security inspection market.

X-Ray Systems (IXS) further expanded its market position, notably in the key automotive and electronics markets. Its sales grew by 13% to CHF 137.3 million. The emerging and expanding ebeam Technologies segment (EBT) almost doubled its sales, to CHF 29.5 million. Besides the growth in sales of its modules, a high backlog of orders from the previous year in the systems business was filled in 2017.

Economic profit again boosted from the prior year – Growth successfully managed operationally

The high sales volume enabled a significant increase in the Group's EBITDA operating earnings to CHF 63.4 million (2016: CHF 47.7 million). The largest contributor was the PCT segment, where earnings were up by 80% to CHF 55.7 million. IXM raised its EBITDA by 9% to CHF 18.0 million. In the IXS segment, elevated expenditures for investments in product portfolio renewal and in greater market development resulted in an EBITDA earnings decrease to CHF 8.3 million (2016: CHF 11.5 million). Within the EBT segment, heavier competition weighed on the ebeam systems business. EBT invested in the professionalization of its processes, in cost reduction and in the standardization of the product portfolio. Coupled with the budgeted high investment in the development of new applications, this led to a segment EBITDA deficit of CHF 16.2 million (2016: deficit of CHF 9.1 million).

The Comet Group's net income rose to CHF 35.5 million (2016:

“René Lenggenhager and his team are tackling strategic work important for Comet's future.”

Hans Hess, Chairman of the Board

CHF 27.3 million). This was despite a negative effect of CHF 2.1 million on net income as a result of an adjustment to the pension plans in Switzerland, which in the previous year had had a positive impact of CHF 1.4 million. Economic profit, even with a shortage of contributions to it from two segments, improved significantly to CHF 16.2 million (2016: CHF 10.8 million). Return on capital employed (ROCE) increased from 14.7% to 16.2%. With an equity ratio of 53%, the Group is very soundly financed. Despite the demands of generating the pronounced sales growth, the ratio of net working capital to sales improved, easing to 23% (2016: 24%), an indicator of the Group's improved operating efficiency.

Key foundations put in place for future growth

The Comet Group is profitable and in dynamic motion. It deepened its relationships with existing and prospective customers, widened its market access, invested in innovative solutions and worked to hone its operating efficiency. Innovative new products were successfully launched, such as the IoT-capable iVario™ x-ray generator, the highly stable cito Plus RF generator, and the FF CT metrology systems. In the digital print sector, in partnership with Uteco, it took only



Hans Hess, Chairman of the Board of Directors, and René Lenggenhager, Chief Executive Officer

“With the additional levers of digitalization, diversification, agility & speed, go-to-market, and the corresponding projects, we will be best able to exploit further opportunities.”

René Lenggenhager, CEO

ten months to develop and launch the new ebeam-based GAIA printing system. The field tests for the bacterial inactivation of dry foods using ebeam, a project by Bühler, were successful, underscoring the effectiveness of ebeam in the application. While the development of a new ebeam-based product generation at Tetra Pak means a delay in the current rollout with this partner, Tetra Pak’s commitment to ebeam is unbroken. Important forward-looking investments were made in the expansion of the software competencies and in test and development infrastructure, exemplified by the ultra-modern Smart Lab in Flamatt for testing the new RF generators.

Lab One, opened in October in Silicon Valley as a landmark step, is the Comet Group’s first test and application center to provide all its technologies under one roof.

In procurement, among other measures to raise operational excellence, product groups were combined in order to obtain better purchasing prices. The construction work for the expansion of manufacturing capacity in Flamatt is progressing to plan. The move-in date is expected for late summer 2018. The new construction not only creates urgently needed space for further growth but the new facilities there will also improve operating efficiency.

Readying for the future

With the Group's preparations to fully utilize its potential – through digitalization, further diversification, increasing the agility of the organization, and improving go-to-market – important efforts are underway to ready Comet for the future.

To even better meet the demands which further strong growth in business places on the company, the management team was reinforced at the Executive Committee level. CEO René Lenggenhager has been leading the Group since May 2017. With the addition of Prisca Hafner as Chief Human Resources Officer in January 2018, the CHRO position (previously part of a dual role) is now staffed separately. Also with effect from January 2018, Stephan Haferl became president of the IXM segment.

Following the decision of Charles Flükiger to leave the Group, the search for a new president of EBT is underway. The Board of Directors thanks Charles Flükiger for his great commitment over the past 37 years.

Outlook

The Board and management are confident that in the years ahead the Comet Group will steadily continue to generate value-added and that it will already reach its 2020 growth target in 2019: sales of CHF 500 million and an EBITDA margin of 16% to 18%. For 2018 we expect sales of CHF 460 million to CHF 490 million and a return on capital employed (ROCE) of between 17% and 20%. This implies an EBITDA margin of 14% to 16%.

Higher distribution

At the Annual Shareholder Meeting on April 26, 2018, the Board of

Directors will propose a distribution of CHF 1.50 per share from distributable paid-in capital (2017: CHF 1.20), exempt from Swiss anticipatory tax. This represents a dividend of 33% of the Group's net income.

Thank you!

Great achievements by a company are only possible through close cooperation and the efforts of many. The Board and management would like to thank the Group's partners and customers for their valuable contribution. A special thank-you goes to our suppliers, without whose great flexibility and high quality standards the compelling results could not have been achieved. As well, we extend our sincere thanks to the employees of the Comet Group, whose strong commitment and hard work made the year's record performance possible. We also thank our shareholders for their continuing confidence.



Hans Hess
Chairman of the Board



René Lenggenhager
Chief Executive Officer

Sales

2017
CHF million

438.4

Up 32% from prior year

Net income

2017
CHF million

35.5

Up 30% from prior year

Return on capital employed (ROCE)

2017

16.2%

Up from 14.7% in prior year

The building work for the expansion of production capacity in Flamatt is progressing to plan. The new construction creates urgently needed space for further growth and advanced production processes.



Facility expansion in Flamatt: ready for occupancy in late summer 2018

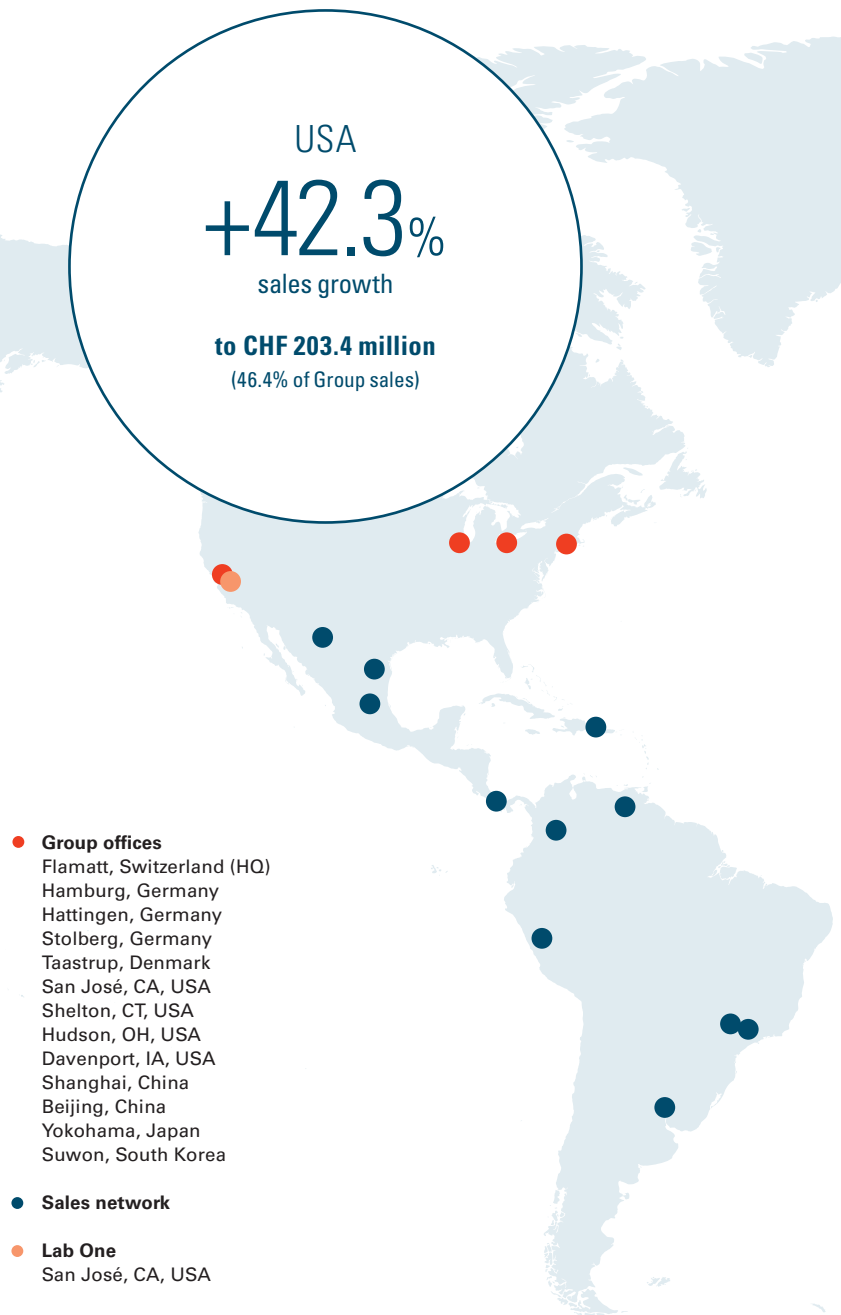


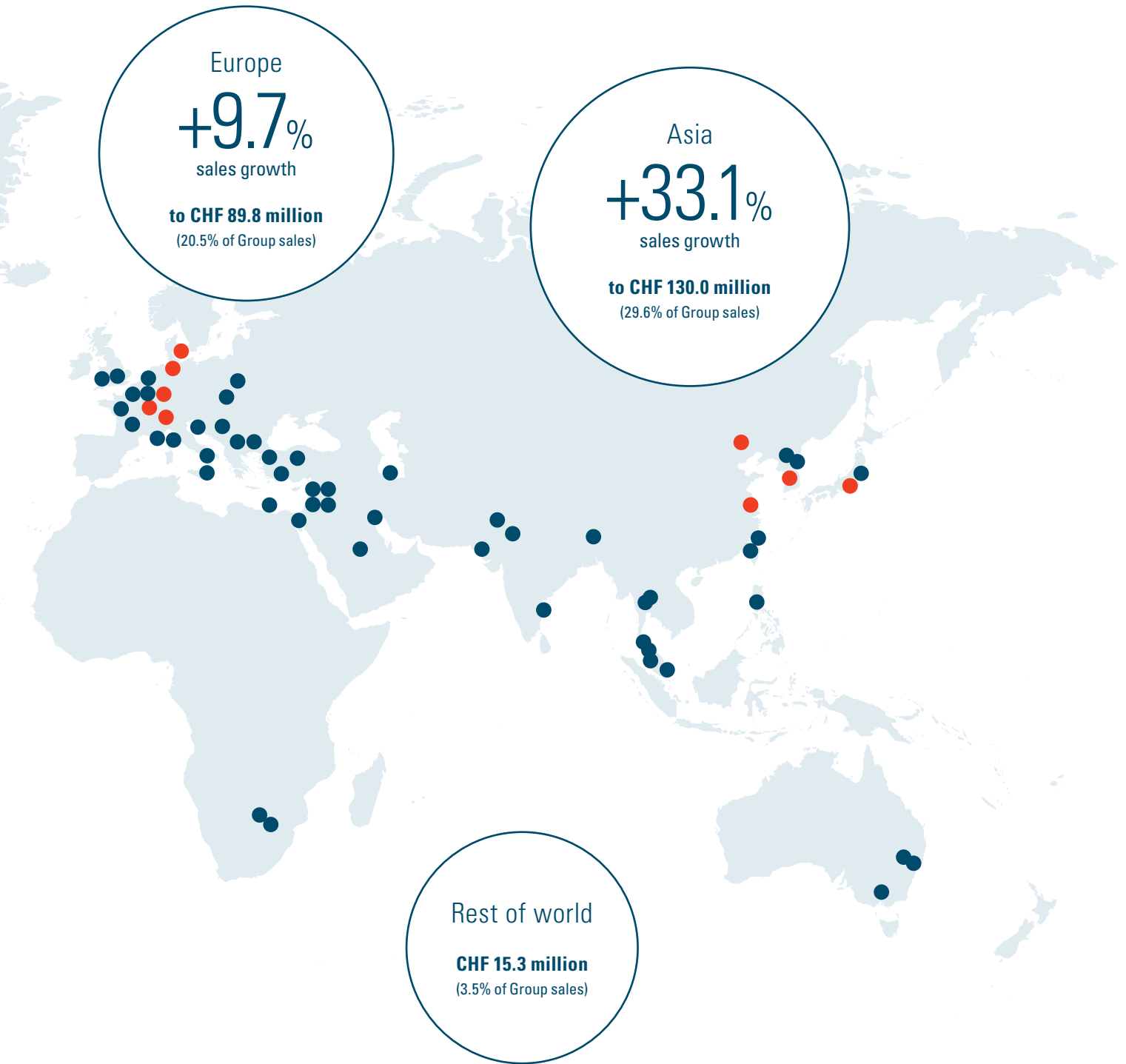
Eighteen percent of all staff are employed in R&D

1,435 employees from more than 40 nations work for the Comet Group: 66% in Europe, 24% in North America and 10% in Asia.

Strong global presence

In 2017 the Comet Group – with a strong global sales network and 14 Group sites around the world – boosted its sales in all regions. Riding the boom in the semiconductor market, it achieved its highest growth in the USA. To intensify the collaboration with customers and facilitate the development of new applications, Comet opened Lab One, its first multi-technology test and application center, in Silicon Valley.

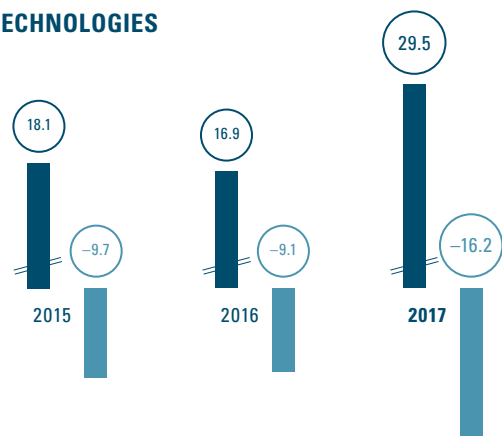




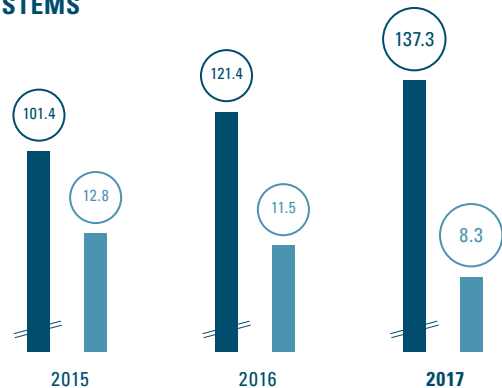
Sales growth in all segments

All regions and business segments participated in the sales growth of 32%, led by PCT with an increase of 53%, followed by IXS and IXM with about 13% growth each. The largest contributions to earnings growth at EBITDA level came from the PCT segment, up 80% to CHF 55.7 million, and from IXM, up 9% to CHF 18.0 million. The EBT segment continued to invest strongly in developing the business through new applications, in professionalization, and in the realignment of the systems product portfolio.

EBT EBEAM TECHNOLOGIES

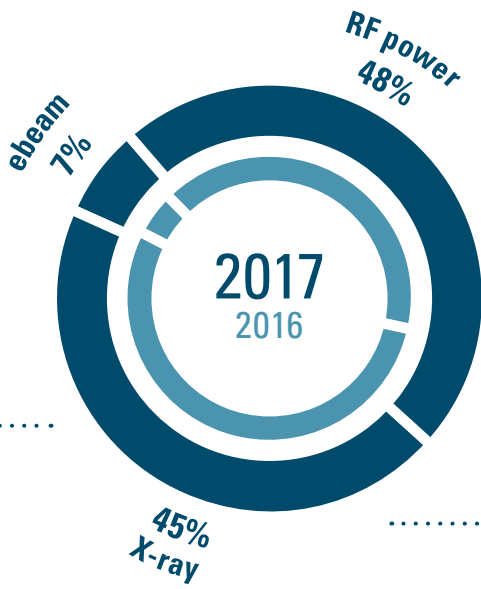
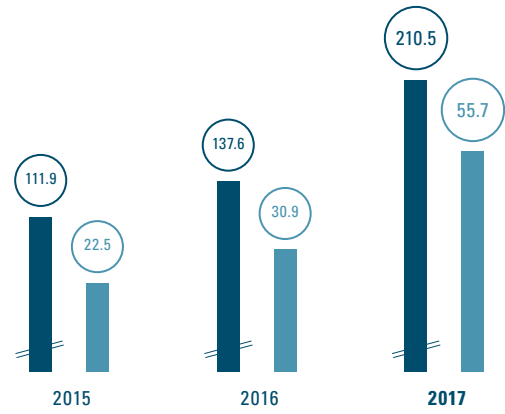


IXS X-RAY SYSTEMS

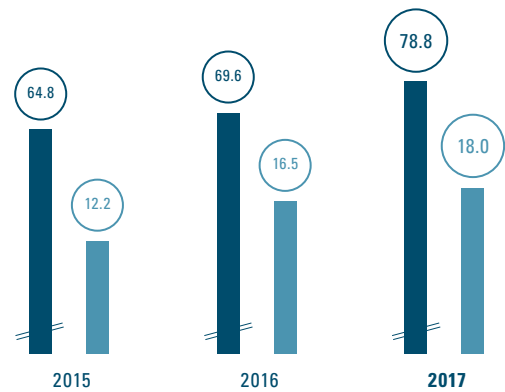


■ Sales in CHF million
■ EBITDA in CHF million

PCT PLASMA CONTROL TECHNOLOGIES



IXM INDUSTRIAL X-RAY MODULES



PCT

PLASMA CONTROL TECHNOLOGIES

The lasting high demand in the semiconductor market brought another record year for Plasma Control Technologies (PCT). Superbly positioned in the market, the business segment benefited disproportionately strongly from customers' expansion of their manufacturing capacity, growing its sales by 53% to CHF 210.5 million. Operating earnings at EBITDA level rose from CHF 30.9 million to CHF 55.7 million and the EBITDA margin correspondingly increased significantly to 26.5% (prior year: 22.5%).

In 2017, Plasma Control Technologies marked its fifth consecutive year of record results. Applications such as big

data, Industry 4.0 and augmented reality helped fuel the demand for storage capacity in the semiconductor market. Against this backdrop, the past investments continued to pay dividends for PCT: With its high-end RF power solutions, the PCT segment was buoyed disproportionately by the expansion of the manufacturing capacity of its semiconductor customers and thus achieved sales growth of 62% in this area. The equipping of new chip fabrication plants drove a 66% jump in PCT's sales in the USA. In Asia, where the Chinese market is rapidly growing in prominence through the building of local production capacity, sales increased by 32%.

Sales of the "cito Plus" generator (newly in serial production), which assures maximum stability even under top dynamic loads, were also off to a good start. In vacuum capacitors for the display market, PCT was able to expand its high-end business with external customers in Asia.

High volumes require expansion of production infrastructure

Compared to the year before, PCT widened its EBITDA profit margin by

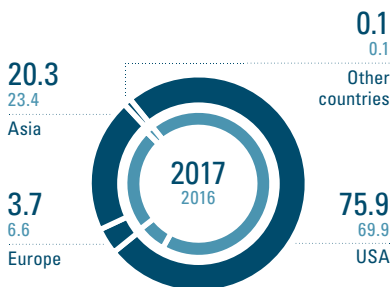
4 percentage points. The reason for this increase was the high sales volume, which PCT delivered through maximum utilization of its existing manufacturing capacity and space. This, coupled with cost savings in the supply chain, led to a strong improvement in profitability. As well, the high volume of sales made up for costs of investment in the expansion of production infrastructure – such as added capacity in Shanghai and San José – and in product innovation.

Innovation for sophisticated plasma applications

To ensure further growth after 2020, PCT invested in the first expansion phase of the Smart Lab in Flamatt, a test laboratory that can perform automated analysis of large amounts of data in real time. The segment also invested in the development of a new modular RF power system platform. Going forward, this will enable the precise coordination of generator and matchbox during production and thus support manufacturers in the semiconductor market in making highly sensitive plasma applications even more reliable, repeatable and efficient.

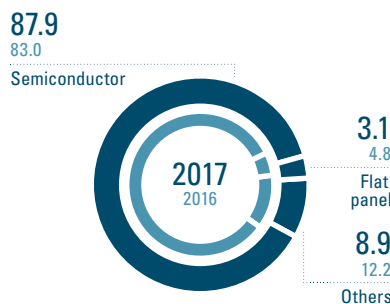
Sales split by region

In percent



Sales split by market

In percent



549
Employees

6
Locations



IXS

X-RAY SYSTEMS

IXS, positioned in high-growth markets and present in more than 50 countries, further expanded its market position in the two most important sectors, automotive and electronics, and grew its sales on a broad base, by 13% to CHF 137.3 million. Higher-than-average expenses for product portfolio renewal and for strengthening the presence in some countries led to an EBITDA margin of 6.1% (prior year: 9.4%).

X-Ray Systems recorded pronounced sales growth in its core market segments in 2017.

Booming business in solutions for the automotive market

The highest growth for IXS was achieved in large computed tomography (CT) systems in two core markets: the automotive industry, and the re-focused “science & new materials” market segment (formerly “labs/R&D”). One of the key upside influences in the automotive business was the Asian tire market, which rallied after several weaker years and thus allowed IXS as the market leader to make further gains. Another driver was the foundries business (castings). Here the emphasis on electromobility – which entails less complex powertrains with fewer cast parts – in conjunction with greater competitive pressure led to higher

customer investment in productivity improvement.

In the market segment of science & new materials, IXS successfully focused more squarely on the needs of R&D departments and on applications in additive manufacturing, in medicine and in metrology. Thus the first pure metrology systems were delivered to customers, after being launched in May at Control, the international trade show for quality assurance. To address the growing customer demand for high-precision measurement, IXS also began to equip other systems with metrology capability. The number of such systems sold partly for metrology use more than doubled from the year before.

IXS had attained a leading market position in the electronics segment in the prior year. In 2017, the trend in sales of inspection systems for this market was slightly less dynamic. The continuing strong position testifies to the good performance and high professionalism of the sales network. The widespread international sales and service presence and the innovative solutions from IXS played a significant part in the segment's success and are increasingly proving important selling points.

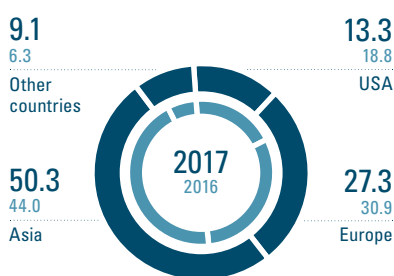
Vigorous business in Asia

While the Europe business remained steady, IXS registered a volume reduction in the USA as a result of the aerospace sector's low investment. By contrast, with a sales increase of almost 30%, IXS did very well in its traditionally strong Asia business. Besides enlarging its market position in China, IXS successfully expanded both in the Japanese and Southeast Asian market.

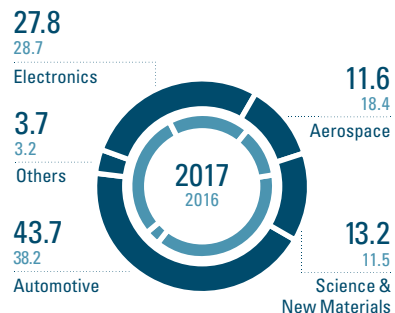
Aiming for future profitable growth as a solution provider for smart factories

IXS focused its strategy in 2017. With a strengthened management team, the segment engaged in a sweeping program to renew its product portfolio, reduce complexity and thus create important conditions for future profitable growth.

Sales split by region
In percent



Sales split by market
In percent



Specifically, partnerships were formed to accelerate the pace of the development and introduction of new solutions for smart factories. At the same time, IXS implemented measures to improve operational excellence in management, production and sales. The segment adjusted its organization in the US business and, with the demonstration center at Lab One, reinforced its presence on the West Coast and its proximity to the electronics market. In Beijing, IXS set up a demonstration center for large systems. With both these centers, the segment already garnered significantly greater interest from new prospective customers. The disproportionate rise in development expenditures and investment meant that, despite the sales growth, EBITDA operating earnings eased to CHF 8.3 million (prior year: CHF 11.5 million).

IXM INDUSTRIAL X-RAY MODULES

With growth in all markets and regions and a vigorous surge in its security inspection business, sales of the IXM segment rose by 13% to CHF 78.8 million. Operating earnings (EBITDA) advanced by 9% to CHF 18.0 million – even as IXM invested as planned in the expansion of the security inspection business and in the forward strategy with the launch of the new iVario™ generator platform.

market's rate of growth and allowed the business to further cement its position as technology leader and development partner. The strongest growth for IXM came in the security sector. With its highly reliable x-ray sources tailored to the various specific market needs, IXM delivered volume growth of almost 45% in this market segment. Development projects with customers also made strides. As a result of the higher volume and successful measures to raise productivity, IXM improved its profitability. As this gain was, however, more than offset by currency impacts and a negative effect from the change-over of the defined-benefit pension plans in Switzerland to a fully insured model, the EBITDA margin eased slightly to 22.8% (prior year: 23.7%).

Growth in all regions – strong expansion in Asia

IXM generated growth in Europe (its core region) both in non-destructive testing and in security inspection. Meanwhile, business in the USA expanded faster than the market, primarily in the security space. In Asia the pronounced volume growth was

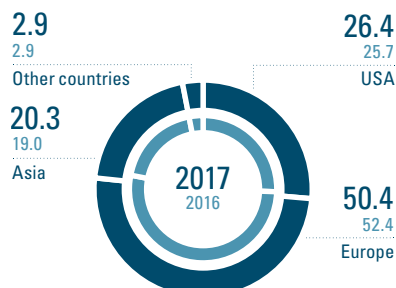
433
Employees

7
Locations

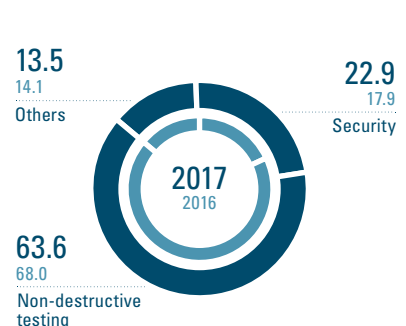


Helped by the recovery in the manufacturing and energy sector, the Industrial X-Ray Modules segment saw moderate sales growth of 5.8% in the core business of non-destructive testing. This still surpassed the

Sales split by region In percent



Sales split by market In percent





Markus Portmann CFO	Detlef Steck President, IXS	Thomas Polzer COO	René Lenggenhager CEO	Charles Flükiger President, EBT	Michael Kammerer President, PCT	Eric Dubuis CIO
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achieved mainly with customers in the market for non-destructive testing, thanks to a general recovery in the market.

Addressing new customers and markets

IXM passed an important milestone in its strategy with the launch of and first orders for the new IoT-capable iVario™ family of generators. As part of the digitalization of products and services, the segment also carried out a successful pilot project for predictive maintenance of portable x-ray systems.

As the market leader, the segment is continually working on the development of new products and applications, with the clear goal of further expanding its customer base. By adding more staff to its marketing and sales organization and dividing it into the three departments of business development, sales, and marketing, IXM towards the end of the fiscal year intensified its focus on new customers and the development of new markets.

302
Employees

5
Locations



EBT

EBEAM TECHNOLOGIES

EBT continued in 2017 to develop its business and was able to increase sales by 75% to CHF 29.5 million (prior year: CHF 16.9 million). The segment, as planned, stepped up investment in the development of promising new applications. However, as the expected earnings contribution from the systems business did not materialize, the EBITDA deficit rose to CHF 16.2 million (prior year: deficit of CHF 9.1 million).

The sales growth of the ebeam Technologies segment was attributable both to the modules business (ebeam “engines”) and especially to a high backlog of orders from the prior year in the systems business that were now filled. There was also a strong

rise in sales of EB-Labs – attesting to the market’s growing interest in the ebeam technology. In the systems business, competition grew more intense. High investments in the professionalization of processes and in the product portfolio also weighed on the year’s result in this area. By a combination of cost reduction measures, a consistent refocusing of the product portfolio on standardized systems, and concentration on the food and digital printing sectors, EBT did key groundwork for improving the profitability of the systems business.

Success with ebeam engines and EB-Labs

Compelling progress was made in the EB-Labs business. Building on several years of groundwork in Asia and Europe, the sales teams were able to arouse customers’ interest in using ebeam as a tool for product development, and sales thus increased. Sales of ebeam engines also rose strongly. The rollout with Tetra Pak in the area of beverage packaging sterilization developed in line with expectations. However, Tetra Pak will adjust the further rollout to fit its updated strategy and

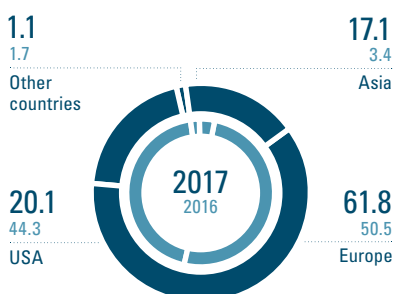
intends to integrate ebeam directly in the new product generation, based on a new technology platform. This will lead to a delay in sales revenue for EBT from 2018 on, and requires the development of an adapted ebeam solution. EBT began to attract positive attention by its regional expansion and the creation and enlarging of teams in China and Japan.

Investments in infrastructure and in development projects

EBT systematically continued its strategy of developing the business through new applications. In 2017 the segment invested in its demonstration centers in the USA (San José), Japan, China and Switzerland, which make it easy for customers to familiarize themselves with the ebeam technology. Further investments were made in the joint development projects with Bühler, Uteco, Bell Food Group, and Tetra Pak. Together with these respective partners, the segment invested in the development of commercial equipment and in creating demonstrators to show the industrial scalability of the applications.

Sales split by region

In percent



151

Employees

5

Locations



Innovation and growth

Through innovative solutions, new applications and intensive collaboration with partners, the Comet Group is creating the basis for further profitable growth after 2020.



Comet Group Lab One

Innovate. Implement. Accelerate. – Breakthroughs by proximity.

Lab One, the first shared technology and application center of Comet, Xlon and ebeam, makes the collaboration with customers more open, direct and agile. It thus creates ideal conditions for jointly developing and testing new applications based on radio frequency power, x-ray and ebeam technology. For example, the EB-Lab System from ebeam helps advance the development of applications in areas such as materials science, thin-film surface treatment, and the sterilization of objects and packaging materials.



Comet Group Lab One, 3350 Orchard Drive, San José: The first Group-wide technology and application center lets customers perform research, testing and development using systems and components from all three core technologies. Lab One provides space for workshops, trainings and events, as well as workspace for 40 employees. Its location is perfect: on the doorstep of many global companies like Apple, Google, Samsung, LG and Philips, and only a few minutes' drive from the premises of Comet PCT with its staff of 165. Lab One had just opened when it already won prestigious recognition: At Productronica in Munich, the Comet Group was awarded the SMT Global Award for Lab One in the Test Services category.



The fact that lean structures and a direct approach to problem-solving give the Comet Group the ability to decide and act swiftly is consistently viewed as a great plus by employees and customers. “But that it would take only ten months from the first presentation to the opening of the new technology and application center in Silicon Valley – I think we were all a bit surprised by that ourselves,” chuckles Paul Smith, Senior Vice President at Comet Technologies USA, the actual initiator and now General Manager of Comet Group Lab One. To Smith, who has many dozens of conversations with customers in Silicon Valley every year, it had become increasingly clear in the recent past how much more the Group could offer its key customers. “They use Comet radio frequency technology, for example, but also employ other technologies where we could add value for them. In more detailed discussions with our customers in the semiconductor industry, we sensed a growing interest in ebeam and x-ray solutions. A huge opportunity for us to show customers that we can give them one-stop, local access to systems, experts and application development.”

Where better than here?

The experts behind the three technology brands – Comet, Yxlon and ebeam – in the Group's own tech labs at 13 sites worldwide work closely with their customers to develop innovations. But until now, there had been no shared technology center. Enter the Silicon Valley project: creating a common technology center in one of the world's capitals of semiconductor and computer technology and the very mecca of innovation. At a site in San José surrounded by heavyweights of the high-tech industry, this vision gave rise to the new Lab One, the Group's first technology and application center: An inspiring place where customers and partners have open access to all technologies, are equipped to develop solutions together with Group specialists in radio frequency power, x-ray and ebeam, and can drive new applications forward. A place for brainstorming, trainings, and testing. And also a pilot project for possible further labs for the Group.

Impetus for further growth

The new Lab One is the most prominent way (besides joint exhibits at trade shows) in which the Group wants to expand its partnerships, penetrate existing markets more deeply and develop new markets for its applications, products and services. Further strategies being applied to achieve this are greater cross-selling, as well as key account management and business development initiatives at Group level.

“It's a place where, together, we turn jointly developed ideas into new solutions, and solutions into mutual success.”

Paul Smith, Senior Vice President at Comet Technologies USA and General Manager of Lab One



On October 7, 2017, Comet Group CEO René Lenggenhager, San José mayor Sam Liccardo, President & CEO of SEMI Ajit Manocha, and Paul Smith open the new Lab One, joined by 130 guests.



As Detlef Steck, President of IXS, explains: “Lab One is a major opportunity for the Group to shift the growth engine into higher gear with new applications and strong partners. For the x-ray business we see much better market access in Silicon Valley through our expanded presence here, especially for our market segments of electronics and aerospace.” Similarly, Michael Biemann, Business Development, ebeam Technologies, is excited about the opportunity to win large companies in Silicon Valley for the “blue”, environmentally friendly technology, as, in his words, “here our finger is on the pulse of the innovators.”

With the opportunity for direct consultation and brainstorming on site, Lab One represents an attractive alternative and complementary resource for many leading Silicon Valley firms for the development of new solutions.

Collaborative, fast, agile

“We are striving to understand the needs of our customers and partners even more holistically, in terms of all our competencies and technologies,” says René Lenggenhager. Companies’ innovation cycles are always becoming shorter. Speed and agility in creating and honing new solutions are ever more important. Lab One provides quick and straightforward access to the Comet Group’s technologies. Here engineering and development work closely together, and product development processes can be accelerated. The Lab One motto “Innovate. Implement. Accelerate.” encapsulates this mission. “We are convinced that the best and quickest way to great new solutions is the open exchange of ideas and joint experimentation and testing. Simply, it’s collaborative innovation, just as Comet PCT already practices it in exemplary fashion with its major partners – with high speed, superior precision and compelling agility,” continues Lenggenhager. It was not by chance that, in 2017, Michael Kammerer, President of PCT, was able to accept awards for innovation and collaboration from several customers in the USA and China.

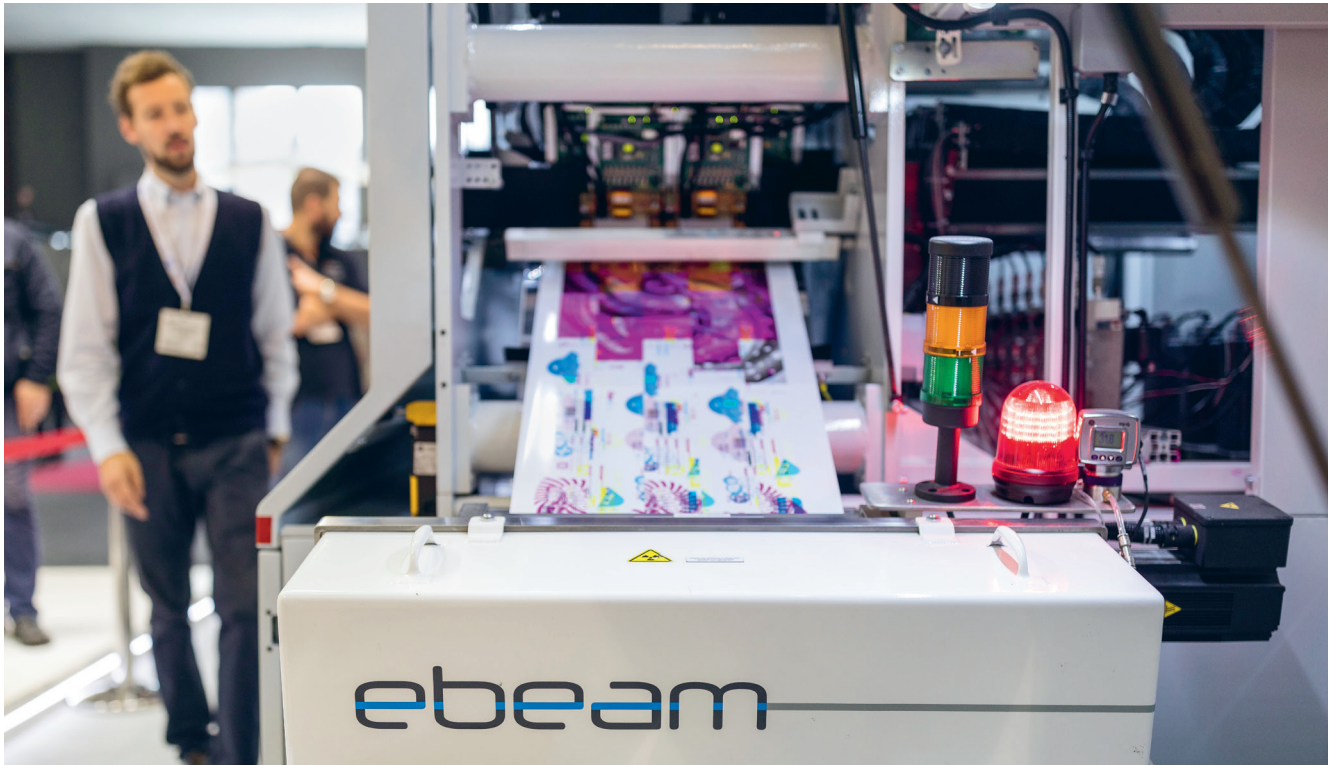
Another advantage of Lab One for customers and partners is the sharing not just of know-how but of test infrastructure: “We offer companies the ability to easily perform non-destructive testing of components in the Lab. This allows them to spot expensive defects quickly and efficiently,” explains Joandre Galarza, Sales Director, Yxlon USA. The location’s proximity is also a significant time saver for local companies. And nowhere is the saying “time is money” more true than in Silicon Valley.

“What I’m most excited about is the fact that Lab One is open to all companies regardless of size.”

Victor Sloan, President of Victor Aviation and guest at the opening ceremony

EBT – EBEAM SOLUTIONS FOR THE PRINTING MARKET

With ebeam Compact, ebeam launches a solution for digital printing



GAIA launch: “ebeam sets us apart from the competition,” says Aldo Peretti, CEO of Uteco Group, “since the innovative, digital narrow-web solution offers a process that is energy-efficient, easy on the environment, fast and space-saving.”



China, where 2,000 offset printing machines are sold per year, wants freedom from VOCs: At a major event of the printing industry, ebeam together with Beiren, China's largest printing press manufacturer, for the first time presented ebeam's curing solution for offset print.

At Labelexpo Europe 2017, barely a year after the presentation of the ebeam Compact at Drupa 2016, the ebeam partner Uteco introduced GAIA, another milestone in the print segment. The end-to-end inkjet printing system, co-developed with Uteco Converting and INX Digital, features integrated ebeam in-line ink curing to enable the safe mass-personalization of food packaging and labels. The use of ebeam curing offers many advantages, such as significantly lower energy consumption than thermal processes and shorter lead times without lengthy drying or storage before cutting. What is more, it is solvent-free and does not release volatile organic compounds (VOCs). This also impressed the jury for the Label Industry Global Awards 2017, which honored ebeam with the Award for Sustainability for its ebeam Compact solution. The focus now is on intensive go-to-market activities in partnership with Uteco.

China: Interest in environmentally friendly ebeam technology for offset printing

Comet also sees potential in China, where the VOCs given off by current printing processes are a source of serious pollution. In China, together with the country's largest manufacturer of printing machines, ebeam for the first time presented an environmentally friendly process based on offset printing. The audience: no fewer than 1,200 representatives from China's printing industry.

IXM – MARKET LAUNCH OF IVARIO™

Basis for growth in the age of Industry 4.0: intelligent generators

The enthusiastic feedback from customers on the new iVario™ generator at the first two trade shows in the USA and Singapore was highly encouraging. What the audience liked most were the generator's high flexibility, its user-centered data analysis and, not least, the future capability of predictive maintenance. The successful launch marks an important milestone in the Group-wide drive to digitalize products and services. The generator, based on the latest technology, is the centerpiece of the planned IoT-capable iVario™ product family and is to serve as a key driver of the IXM segment's aimed-for growth. Incoming orders and the first implementations demonstrate that IXM has understood what customers need. Through the optimal coordination of generator and x-ray components, the whole x-ray source can be ideally tailored to the individual application: in non-destructive testing in the automotive industry and aerospace sector, or in security inspection.



ASNT Conference in Nashville, TN, USA: The launch of iVario™ testifies to IXM's innovative strength and its closeness to markets. It shows how consistently the segment is executing its strategy.



"We see ebeam as a platform technology for food safety and are really looking forward to the results of the field tests," says Lorenz Wyss, CEO of Bell Food Group.

EBT TESTS NEW APPLICATION IN THE FOOD SECTOR

Alternative method for the treatment of hatching eggs

Worldwide, 1.1 trillion eggs are produced every year, 115 billion of them as hatching eggs. The industry is in search of solutions for fighting the transmission of diseases without harming animals, people, or the environment. For an approach to be considered successful, it must eliminate or reduce the use of antibiotics; be chemical-free; and produce healthy, well-developing chicks. Recognizing the opportunity, ebeam has partnered with Bell Food Group AG to develop an alternative, efficient and environmentally sound method for the industry. The use of the blue technology is being tested for the inactivation of bacteria on the surface of hatching eggs. After the construction of a demonstrator, field testing will follow in 2018. The advantages of ebeam for the new application will be investigated in an innovation-friendly hatchery in Switzerland. If the results are what is hoped, the next step will be to test the scalability of the approach.

IXS BUSINESS DEVELOPMENT

Smart factories: focus on interconnectivity

Industry 4.0, smart factories, flaw detection in production lines in the electronics industry: They all require that machines be able to communicate with machines. Standardization is essential to this. As part of the Electronics 4.0 program, IXS has joined the Hermes Standard Initiative, which was set in motion by leading suppliers of the electronics industry in order to standardize protocols for machine-to-machine communication. At Productronica 2017, Yxlon already unveiled the Hermes-capable at-line systems Cougar EVO and Cheetah EVO. With continual investment in the further development of its product software, IXS is opening up additional metrology and in-line applications.



In 2017, PCT was honored with multiple valuable awards from customers.

TRIPLE HONORS FOR PCT

Awards for collaboration and innovation

Comet PCT invests continuously in the collaboration with its partners, and its resulting growth outpaces that of the market. Michael Kammerer, President of Plasma Control Technologies, the PCT team, and René Lenggenhager, CEO of the Comet Group, were proud to be presented with no fewer than three awards in 2017 for innovation and collaboration from important customers in the USA and China.

PCT SMART LAB

RF systems solutions: PCT innovates for growth beyond 2020

The success of Comet PCT rests on its portfolio of innovative high-end products, its unparalleled RF competency, and excellent customer relationships that have scope for further expansion. In just three years the segment has doubled its sales, surpassing the CHF 200 million mark in 2017. The task now is to round out the product range by developing a modular, highly flexible and precise RF system solution and to lay the foundation for further growth after 2020.

A key to this development work is the Smart Lab, opened at the beginning of 2018 in Flamatt. The new lab allows the automated, real-time processing and analysis of data from test runs of new products, which substantially cuts development times. In the future, Comet will also be able to qualify complete RF systems and generators simultaneously, as well as to remotely test devices by accessing and controlling the Smart Lab functionalities in Flamatt from other Group locations.

Strategy and outlook

With four new strategic levers, the Group is gearing up for the future.



Strategy and goals

Superbly positioned in its dynamic markets, the Comet Group is growing, innovating broadly, and raising its profitability. As a result, it is poised to reach its financial targets for 2020 a year ahead of schedule. Using four new strategic levers, it is also gearing up to meet future needs and more swiftly exploit areas of potential going forward.

With its Strategy 2020 the Comet Group focused on new applications that leverage fast-growing trends, on bringing the Group's strengths together for maximum effect, and on working in close partnership with key accounts. To prepare the Group for the demands of the future and fully utilize its potential, the Comet Group will invest in four additional levers – digitalization, diversification, agility & speed, and go-to-market – as well as in the expansion of production capacity and the development of new applications (see graphic on p. 27). Projects along these lines have been launched.

Future-ready with four additional strategic accelerators

In the pursuit of digitalization (lever 1), the Comet Group will expand its software capabilities and invest in data analysis and data exchange with customers. The aim is to make its own production processes more efficient and faster through automation, use analysis of data from the Group's products for predictive maintenance and new product development, and optimize customers' processes. The

Comet Group sees a second important lever in the diversification of its geographic markets and its technologies. The growing significance of the Asian market is addressed through an overall strategy for this region. The Group will also invest in new applications, especially for ebeam and radio frequency (RF) power technology, as well as in the further expansion of the offering, including in the service business.

Customers' development cycles are becoming ever shorter. To support customers optimally in the fast-paced and demanding process of product development, the Comet Group, under lever 3 (agility & speed), is moving to adopt more rapid processes at all levels of the company – for instance, by developing increasingly modular and flexible products. Another example is the installation of the Smart Lab, the RF test laboratory in Flamatt that will sharply accelerate product development. The Group plans to focus its go-to-market approach (lever 4) even more consistently on customers and strengthen it through inter-segment cross-selling and sales lead management. Its production capacity, espe-

“Through investment in four accelerators – digitalization, diversification, agility & speed, and go-to-market – we are further exploiting our potential.”

René Lenggenhager, CEO

cially for PCT, will be expanded in 2018 with state-of-the-art facilities in the newly enlarged plant at the headquarters, as well as in Germany.

Core business: Ready for further growth

The main growth driver remains the core business. The greatest increase in sales is expected to come from PCT. Its basis is the broad-based, sustained demand in the semiconductor market, which is fueled not just by more powerful memory chips, larger volumes of data and more brilliant and bigger

Financial targets

Sales

2017
CHF 438.4 million

2019
CHF million

~500

EBITDA

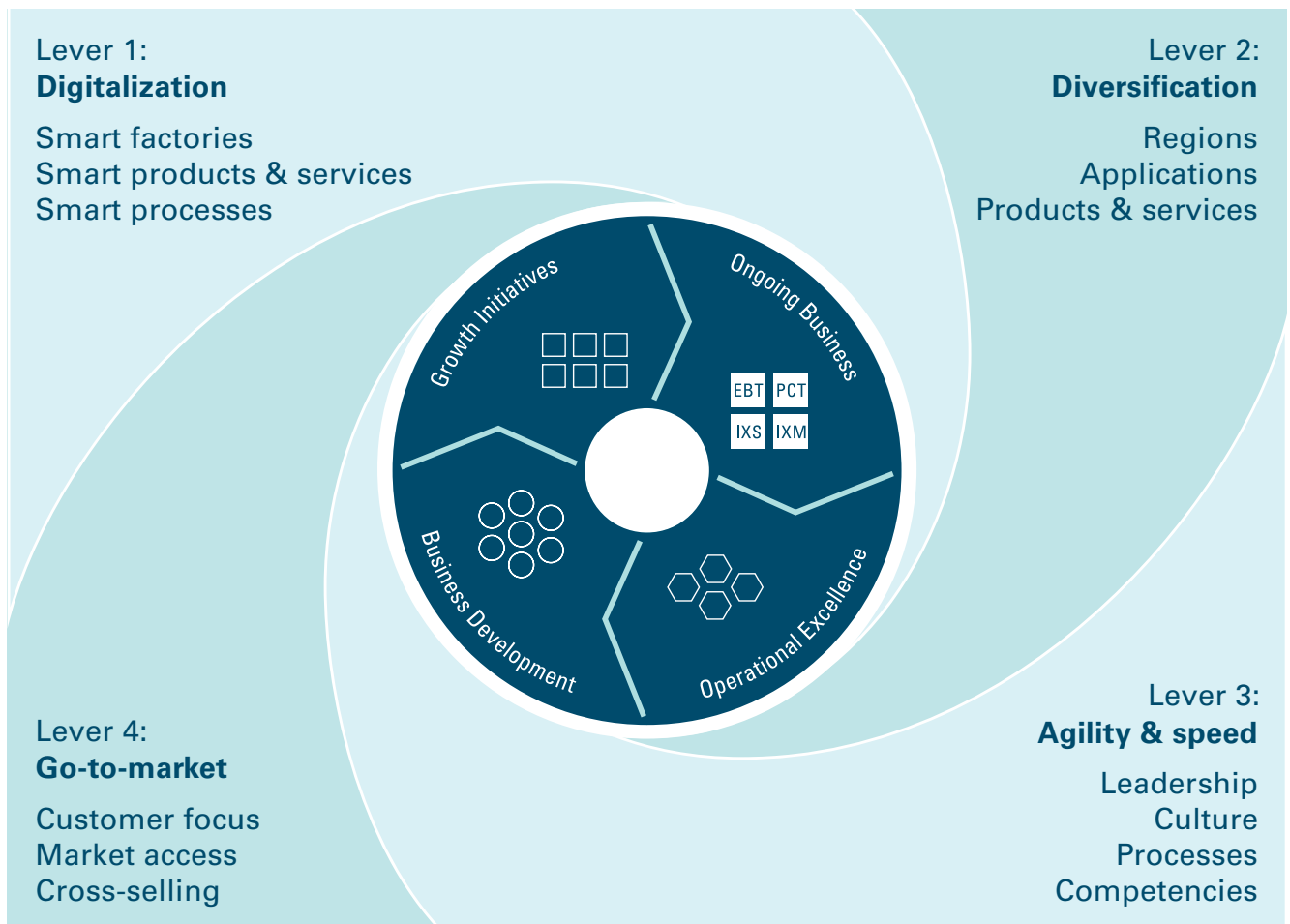
2017
14.5%

2019

16-18%

Four additional levers for the growth engine

The Comet Group is rounding out its successful growth engine model with four new levers to gear up for coming needs. The Group continues to utilize the potential in its core business, systematically explores new growth opportunities through developing businesses, and judiciously implements promising Group-level growth initiatives. These initiatives are funded with cost savings realized through the methodical, continuous improvement of its operational excellence.



displays but also by new applications such as virtual reality, artificial intelligence and autonomous cars. China, which is increasingly investing in local value generation, is becoming a more and more important market for PCT.

In the Group's x-ray business, trends like digitalization, miniaturization and additive manufacturing are creating attractive growth potential. In the smart factories of the future, test systems will double as sensors that collect

the data from the process, analyze it and allow automated optimization. With its sharpened strategic focus, IXS plans to position itself even more strongly than before as a solution provider for the smart factory. Hav-

ing introduced the new, IoT-capable generator, the IXM segment is now ideally placed to address new market potential. The Group also expects further vigorous growth in the area of security inspection, as soon as the current projects with customers have reached market readiness. With the evaluation and development of new applications and markets, including ones outside food and printing, the developing ebeam business plans to broaden its base and its growth opportunities.

“We are preparing for tomorrow's opportunities and needs. Collaboration and pooling our strengths will mobilize new resources for this.”

Hans Hess, Chairman of the Board

New development and market launches

In 2018 the Group will systematically pursue its development projects for new applications, with a focus on ebeam and the x-ray systems business; it will also further its growth initiatives, with one project in each of its four operating segments. Increased emphasis will be placed on close collaboration between its segments, the exploiting of synergies, and lean management.

The introduction of a lead buyer concept, of lean production and greater

Strategy

Under its Strategy 2020 the Comet Group employs the following building blocks of growth:

INNOVATIVE TECHNOLOGIES

We are addressing global market trends on the basis of our existing innovative technologies and are exploiting Group-wide synergies.

NEW APPLICATIONS

We are developing new high-growth business areas based on current market and technology trends.

KEY ACCOUNT PARTNERING

We are intensifying and expanding our collaborative partnerships with key accounts.

MARKET PENETRATION

We are expanding our markets and our customer relationships.

OPERATIONAL EXCELLENCE

We are heightening our effectiveness by carefully combining and further developing existing strengths and by raising productivity and efficiency.

manufacturing automation will make the Comet Group leaner, more efficient and more effective, and will free up resources for the development of new applications.

Early target achievement, in 2019

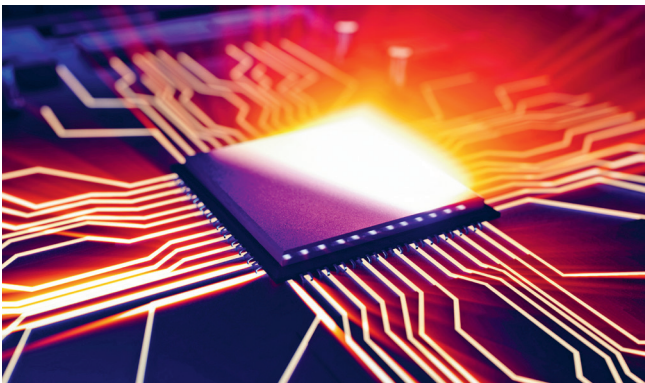
In view of the strong results already achieved, the management and Board of Directors expect the 2020 targets of CHF 500 million in sales and an EBITDA margin of 16-18% to

be met ahead of schedule, in 2019. Despite the costs for significant investments – in production capacity expansion and automation, in the development of new applications and in the four additional strategic levers – the Group expects to continue its steady value generation. For 2018 the Group is projecting sales of CHF 460-490 million and a return on capital employed (ROCE) of 17-20%. This implies an EBITDA margin of 14-16%.

Outlook

PCT

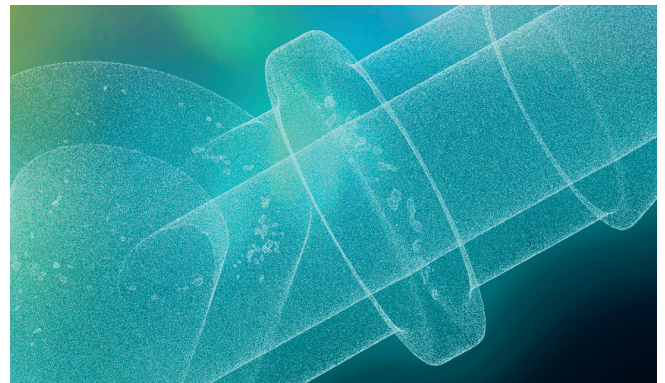
PLASMA CONTROL TECHNOLOGIES



For 2018 the semiconductor market anticipates continuing strong demand. The biggest driver remains the need for powerful memory chips, which enable the next big technologies in the fields of artificial intelligence, virtual reality and big data. The Chinese market, where new semiconductor fabrication plants are now being built, will grow in importance. PCT also sees much promise in the display market. In order to prepare for handling the impending high growth, and to create the basis for growth after 2020, PCT is investing in all its processes, and especially in the expansion of production capacity and in innovation. Following the recent additions to capacity in San José and Shanghai, the next steps are the expansion of the Smart Lab and of vacuum capacitor production in the new enlarged facility in Flamatt. For 2018 in Germany, it is also planned to move into a new site where PCT's next-generation RF generators will be developed and, using highly automated processes, will be tested and manufactured.

IXS

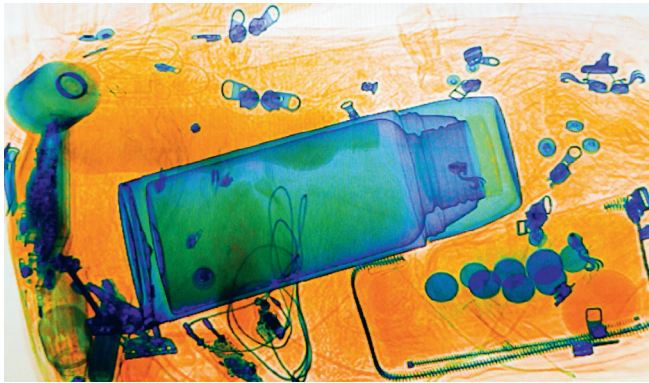
X-RAY SYSTEMS



IXS is positioned in markets where digitalization and related trends create additional opportunities for growth: The miniaturization and complexity of components, for example, will continue to rise. More than just detect flaws, customers want to learn from the monitoring and analysis of the manufactured parts immediately, right in the production process, and thus manufacture ever more reliably – something made possible by automated process control. The measuring (metrology) of internal structures based on high-resolution 3D data directly in production lines will thus gain in importance. IXS will continue to invest in innovative products that address these market needs and will press ahead with its associated growth and development initiatives in 2018: the marketing of its metrology systems launched in 2017 and the EVO systems, and the further work on adjusting products to harmonize with standardized software protocols. As one element of its sharpened strategic focus, Yxlon will further expand its software capabilities. In the development of products and systems, the segment is emphasizing a more modular approach. This way, Yxlon will reduce complexity, gain velocity and entrench itself in the market as a solution provider for smart factories.

IXM

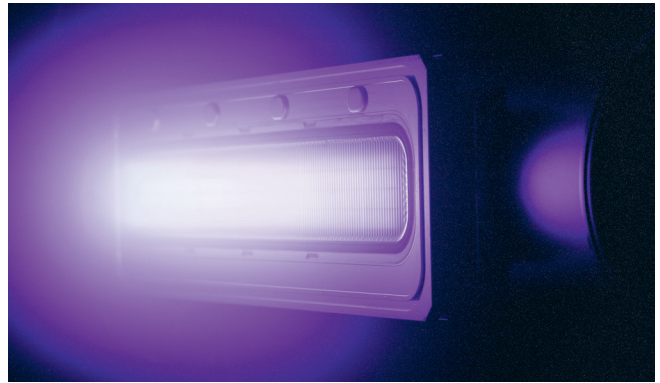
X-RAY MODULES



The new iVario™ generator platform bolsters the market position of IXM on the products side. For the coming years it creates an excellent basis for further sales growth in non-destructive testing in the automotive, aerospace, oil and gas industries as well as in security inspection. Next on the agenda is the focused and continual expansion of the product platform, the broadening of the product family and the steady integration of new software-based functionalities. An important growth opportunity for the future is the screening of baggage and packages by means of more powerful technology. After the strong growth in 2017, IXM believes 2018 will be a transition year for it in the security inspection market, at the existing high absolute level. The aim of the IXM segment, which since January 2018 is led by its new president Stephan Haferl, will be to take the ongoing joint projects with partners to market readiness and thus lay the foundation for further strong growth from 2019.

EBT

EBEAM TECHNOLOGIES



EBT will invest as planned in the further development of existing and promising new applications, expanding them in the medium term outside the existing target markets of food and printing. In the print sector, EBT will work on the marketing of GAIA, search for additional partners for ebeam inline curing, and strive to sensitize brand owners regarding safe food packaging. In food applications, the demonstrator developed with Bell Food Group for bacterial inactivation on the surface of hatching eggs will enter field testing. The collaboration with Bühler currently focuses on the development of the first commercial machine for the inactivation of bacteria on dry foods – a project to which ebeam Technologies will give its fullest support. Now that the product portfolio of the systems business has been realigned, the next priority, in a competitive environment, is to successfully bring the revised systems to market.

Comet Group Consolidated Financial Statements



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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

In thousands of CHF	Equity attributable to shareholders of Comet Holding AG				
	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	<p>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.</p>
<hr/>		
02	Accounting policies	<p>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.</p>
02.1	Changes in accounting policies	<p>Revised and new accounting rules</p> <p>With effect from January 1, 2017, Comet has applied the following new or revised IFRS/IAS for the first time:</p> <ul style="list-style-type: none"> ■ IAS 7 – Amendment – Disclosure Initiative ■ IAS 12 – Amendment – Recognition of Deferred Tax Assets for Unrealised Losses ■ Annual Improvements to IFRSs, published December 2016 <p>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.</p>

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:

Country or region			Closing rate		Average rate	
			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 over-valuation. 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 interseg- ment 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
Goodwill	20,018	18,357	6,873	6,873	26,891
Trademarks (Yxlon)	2,338	2,144	0	0	2,338
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		2016	
	Assets	Liabilities	Assets	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		2016	
	Loss carryforwards	Potential tax asset	Loss carryforwards	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 32061943). 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

	2017	Switzerland		Germany	
		2016	2017	2016	2017
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

In thousands of CHF	Switzerland		Germany	
	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

In thousands of CHF	Switzerland		Germany	
	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		Fair value
	Held for trading	Loans and receivables	Held for trading	At amortized cost	
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		Fair value
	Held for trading	Loans and receivables	Held for trading	At amortized cost	
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	Rating *	2017	Rating *	2016
		Balance		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%
Cologne 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	<p>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.</p> <p>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.</p> <p>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.</p>
Our audit approach	<p>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.</p>



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



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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 $\frac{1}{3}$ %, 50% and 66 $\frac{2}{3}$ % of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 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%
Cologne 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.
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08	Bond	<p>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.</p> <p>Listing: SIX Swiss Exchange (security number 32061943, ISIN number CH0320619437, ticker symbol COT16).</p>
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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.
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10	Number of full-time equivalents	The annual average number of full-time equivalents in 2017 and 2016 was less than 10.
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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.
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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.
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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 3, 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

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.



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.



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

Corporate Governance 2017



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

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

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

The disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC) have been fully complied with.

Group structure and ownership

Structure of the operating activities of the Comet Group

Plasma Control Technologies PCT	X-Ray Systems IXS	X-Ray Modules IXM	ebeam Technologies EBT
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The Group's commercial activities are divided into four operating segments: Plasma Control Technologies (PCT), X-Ray Systems (IXS), Industrial X-Ray Modules (IXM) and ebeam Technologies (EBT). Financial information is reported by segment. The financial data for the individual segments is found in the segment information within the notes to the consolidated annual financial statements, beginning on page 46 of this annual report.

Listed Group company: Comet Holding AG

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

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2017	CHF 153.4
Market capitalization at December 31, 2017	CHF 1,189 million

The stock price shown takes into account the ten-for-one stock split performed on April 28, 2017. Assorted data on the stock of Comet Holding AG is provided inside the cover flap at the front of the annual report.

Non-listed Group companies

Comet Holding AG has no publicly traded subsidiaries.

Basis of consolidation

The following companies' results were consolidated in the accounts of the Comet Group 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.

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. Comet Holding AG held no treasury stock at December 31, 2017 (prior year: none). 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 $\frac{1}{3}$ %, 50% and 66 $\frac{2}{3}$ % of voting rights.

The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 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%
Cologne 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 shares. To the best of the Company's knowledge, there were no voting pool agreements.

Reportable changes during the fiscal year

In the fiscal year under review, 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.

Capital structure

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.

Capital stock

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

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 made in 2017, the Company's unissued authorized capital for equity 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.

Changes in shareholders' equity

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

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Free reserve	Retained earnings	Total shareholders' equity
December 31, 2014	7,721	4,967	42,740	0	55,883	111,311
Net income	0	0	0	0	9,327	9,327
Distribution from distributable paid-in capital	0	0	(8,493)	0	0	(8,493)
Increase in capital stock	17	0	1,381	0	0	1,398
December 31, 2015	7,738	4,967	35,629	0	65,210	113,543
Net income	0	0	0	0	9,226	9,226
Distribution from distributable paid-in capital	0	0	(8,512)	0	0	(8,512)
Transfer	0	0	(74)	0	74	–
Increase in capital stock	7	0	478	0	0	485
December 31, 2016	7,745	4,967	27,521	0	74,510	114,743
Net income	0	0	0	0	14,788	14,788
Distribution from distributable paid-in capital	0	0	(9,295)	0	0	(9,295)
Increase in capital stock	8	0	1,007	0	25	1,040
December 31, 2017	7,754	4,967	19,233	0	89,323	121,276

The corresponding information for the prior two fiscal years is found on page 108 of the annual report 2015 and page 126 of the annual report 2016. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 36 of this annual report.

Stock

The Company's capital stock at December 31, 2017 consisted of 7,753,658 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in. With the exception of any treasury stock held by the Company, every share carries dividend rights. Each share represents one vote at the Shareholder Meeting, provided that the shareholder is recorded in the share register.

Participation certificates

The Company has not issued any participation certificates.

Dividend right certificates

The Company has not issued any dividend right certificates.

Convertible bonds and options

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

Bond

On April 20, 2016, Comet Holding AG issued a bond in the amount of CHF 60 million (denomination of CHF 5,000). The term is five years and the bond matures on April 20, 2021. The fixed coupon over the term of the bond is 1.875%, payable annually on April 20. Listing: SIX Swiss Exchange (security number 32061943, ISIN number CH0320619437, ticker symbol COT16).

Restrictions on transferability and nominee registration

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

Management transactions

The Listing Rules of the SIX Swiss Exchange require the disclosure of management transactions in stock of the company and related financial instruments. The Board of Directors has issued a corresponding regulation in order to comply with these requirements. The parties whose transactions of this nature are reportable to the Company are the members of the Board of Directors and of the Executive Committee (the Executive Committee is the most senior level of operational management). In the fiscal year, 20 disclosures were filed. Published disclosures can be found on the website of the SIX Swiss Exchange.

Board of Directors

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

Composition of the Board of Directors of Comet Holding AG

On December 31, 2017 the Board of Directors of Comet Holding AG had the following six members:

Name	Nationality	Position on the Board	Member since	Elected until
Hans Hess Dipl. Ing. ETH, MBA USC	Swiss	Chairman and non-executive member	2005	2018
Lucas A. Grolimund Dipl. Ing. ETH, MBA INSEAD	Swiss	Vice Chairman and non-executive member	2007	2018
Gian-Luca Bona Prof. Dr. sc. nat. ETH	Swiss	Non-executive member	2012	2018
Mariel Hoch Lawyer	Swiss	Non-executive member	2016	2018
Rolf Huber Dipl. Ing. Agr. ETH	Swiss	Non-executive member	2008	2018
Franz Richter Dr. Ing. RWTH	German	Non-executive member	2016	2018

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

Additional information on the members of the Board of Directors

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



Hans Hess
(b. 1955, Swiss citizen)

Education

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

Professional experience

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



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

Education

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

Professional experience

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



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

Education

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

Professional experience

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



Mariel Hoch
(b. 1973, Swiss citizen)

Education

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

Professional experience

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



Rolf Huber
(b. 1965, Swiss citizen)

Education

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

Professional experience

1993 to 1997: McKinsey & Company, Zurich; 1997 to 1998: member of executive management of Coop Switzerland; 1998 to 2001: CFO of Hero AG and Hero Group; since 2001: independent consultant and partner at Ceres Capital AG; from 2014 was CEO and since 2017 is chairman of H2 Energy AG, Zurich



Franz Richter
(b. 1955, German citizen)

Education

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

Professional experience

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

Operational management functions

At the reporting date of December 31, 2017, none of the members of the Board of Directors had operational management responsibilities in the Comet Group. In the three years immediately preceding the year under review, none of the current Board members was a member of the Executive Committee of the Comet Group.

Related party transactions

The Board members had no material business relationships with the Comet Group.

Activities and interests outside the Group

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

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

At December 31, 2017 the members of the Board of Directors had the following positions on top management or supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations:

Hans Hess

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

Gian-Luca Bona

Member of the board, Bobst Group SA, Mexico; chairman of the board, Technopark Zürich Foundation; chairman, Swiss Technopark Allianz; chairman, glaTec technology center, Dübendorf; member of the board, Zurich Innovation Park foundation; member of the board, Bundesanstalt für Materialien (BAM, German Federal Institute for Materials Research and Testing), Berlin; member, International Advisory Board, National Institute for Material Science (NIMS), Tsukuba, Japan

Mariel Hoch

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

Franz Richter

Chief executive officer, Süss MicroTec SE, Garching, Germany; member of the board, Meyer Burger Technology AG, Thun; chairman of the board of trustees, Fraunhofer Institute for Reliability and Microintegration IZM, Berlin, Germany; chairman of the board, Scint-X Technologies AB, Kista, Sweden; member of the board, Siltronic AG, Munich, Germany (until April 19, 2018)

Board elections and terms

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

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

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

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

Internal organization

Except for the election of the Board Chairman and the members of the Compensation Committee by the Shareholder Meeting, the Board of Directors constitutes itself at its first meeting after its election or re-election by the Shareholder Meeting. The Board appoints its Vice Chairman, the members of the other Board committees and the Board Secretary. The Secretary need not be a member of the Board. The Board meets at the invitation of the meeting's chairman as often as business requires, or when requested by a Board member in writing for a stated purpose. The Board has a quorum when the majority of members are present.

The Board passes its resolutions and performs its elections by an absolute majority of votes cast. In the event of an equality of votes, the chairman of the meeting has the casting vote. Resolutions on a motion may alternatively be reached in writing if no Board member objects to this method. Minutes must be kept of the deliberations and resolutions and be signed by the meeting chairman and the Board Secretary. The minutes are submitted to the Board for approval at its next meeting. The Bylaws are in accordance with the legal requirements of the OAEC.

Functioning of the full Board of Directors

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

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

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

Board committees

In fiscal year 2017 the Board committees had the following members:

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

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

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

Nomination & Compensation Committee

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

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

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

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

In the year under review the Committee held three meetings, all of which were attended by both members of the Committee. The meetings were also partly or fully attended, in an advisory role, by the CEO and the Chief Human Resources Officer.

Audit Committee

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

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

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

Technology Committee

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

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

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

Division of authority

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

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

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

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

Monitoring and control with respect to the Executive Committee

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

Management information system

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

As a longer-term control tool, a rolling multi-year plan is prepared annually for the subsequent three years. In addition, every quarter, management generates a rolling forecast for the following five quarters.

These forward-looking control tools, which are accompanied by detailed commentary and documented with charts, enable the Board to continually evaluate the financial effectiveness of the adopted business strategy and then to take action if and as required.

Internal audit

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

Key audit priorities in the fiscal year included all processes in the finance, IT and human resources departments in the USA and Germany. As well, a report was prepared on how legal matters are addressed in the Comet Group. In the USA, audit activities were conducted on all processes of the two x-ray segments, IXS and IXM. In Switzerland, the R&D functions and life cycle management of the three segments based in Flamatt were audited.

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

Risk management system

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

Internal control system

In the fiscal year, where required, the Comet Group further expanded, trained or documented the existing system of internal control (the "internal control system"). The internal control system is in use at all levels of the enterprise and in all significant locations.

The significant risks and controls are in accordance with the objectives and quality requirements established by the Board of Directors. The staff members responsible for the internal control system have been designated Group-wide, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures that risks are detected at an early stage and that the necessary countermeasures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting.

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

Executive Committee

The Executive Committee – the Group's most senior management below the Board level – is responsible for the operational management of the Comet Group within the powers delegated to it. In December 2017 the following changes in the Executive Committee were announced. Charles Flükiger will leave the Group in the course of 2018. From January 2018, Prisca Hafner assumed the position of Chief Human Resources Officer and Stephan Haferl became President of the Industrial X-Ray Modules segment. As of December 31, 2017, the Comet Group's Executive Committee had the following seven members.



René Lenggenhager
(b. 1960, Swiss and Italian citizen)
Chief Executive Officer
With Comet since May 1, 2017; also Interim President of Industrial X-Ray Modules until Dec. 31, 2017

Education

Elektroingenieur HTL degree in electrical and electronics engineering; Dipl. Phys. master's degree and Dr. sc. nat. doctorate in physics from Swiss Federal Institute of Technology (ETH), Zurich; Executive MBA from University of St. Gallen (HSG)

Professional experience

Until 2000: Head of R&D at Landis & Gyr AG, Switzerland, and of Siemens Building Technologies, Switzerland; 2000 to 2015: At Mettler-Toledo, Switzerland, incl. from 2004 as General Manager of Global Business Area Laboratory Weighing; from 2015 to beginning of 2017: CEO of Bruker BioSpin Group, Switzerland, Germany and USA



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

Education

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

Professional experience

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



Eric Dubuis
(b. 1964, Swiss citizen)
Chief Information Officer
With Comet since Oct. 17, 2005. Also CHRO from Jan 1, 2017 to Dec. 31, 2017

Education

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

Professional experience

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


Charles Flükiger

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

Education

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

Professional experience

Until 1996: various leadership positions in production; 1996 to 2000: Head of Technology (production and R&D); since 1989: Member of Executive Committee; f2002 to 2016: President of Industrial X-Ray segment; since 2017: President of ebeam Technologies segment


Michael Kammerer

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

Education

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

Professional experience

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


Thomas Polzer

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

Education

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

Professional experience

2002 to 2005: Managing Director, ASML Optics (USA); previously: various operational positions at Zeiss group; 2006 to 2008: EVP Service Centers, Carl Zeiss AG, Germany; 2009 to 2017: CEO, Carl Zeiss Jena GmbH, Germany


Detlef Steck

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

Education

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

Professional experience

1997 to 2016: at ABB Switzerland and ABB Management Services, including head of the business units MV Drives and Robotic Systems, Power Electronics division, Switzerland, Quality & Operational Excellence globally and Central Europe region for the Industrial Automation and Drives division

Activities and interests outside the Group

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

- Members of the Executive Committee may each not hold more than one external position on the top management or supervisory body of an exchange-traded (i.e., listed) company and not more than four such external positions in non-listed companies.
- Not more than ten such positions may be held in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by Comet Holding AG, or positions controlled by it, are not subject to restriction.

The members of the Executive Committee did not hold positions outside the Comet Group on management or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations at December 31, 2017. Some members of the Executive Committee held board positions at subsidiaries of the Comet Group.

Related party transactions

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

Interim management contracts

No interim management contracts existed in the Comet Group.

Compensation, stock ownership and loans

OAEC-related provisions in the Bylaws

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663c of the Swiss Code of Obligations is provided in note 06 of the separate Compensation Report beginning on page 145 of this report.

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

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

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting, consisting of an annual variable element under a short-term incentive plan (STIP) and a multi-year variable element under a long-term incentive plan (LTIP).

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

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

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

- The aggregate amount of variable compensation paid to all members of the Executive Committee of the Comet Group is based on a percentage of the consolidated net income of the Comet Group.
- Part of the aggregate amount (between 50% and 75%) is paid out annually in cash (short-term incentive).
- Part of the aggregate amount (between 25% and 50%) is paid out annually in stock of the Company with a three-year holding period (short-term incentive).
- This annually determined number of shares with a holding period can, depending on the degree of achievement of medium-term performance targets, be supplemented with additional shares that are not subject to a holding period (long-term incentive). The evaluation of achievement of these medium-term performance targets takes into account the degree of target achievement in a peer group of comparable companies.
- The Nomination & Compensation Committee specifies the details in a written regulation that requires the approval of the full Board.

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

- The grant price of the stock is calculated as the average share price of Comet Holding AG in the period between (and excluding) the dates of the annual results press conference and the Annual Shareholder Meeting.
- The Board of Directors may terminate the current holding periods early (for example, in the event of a change of control).

Decision authority and responsibility for compensation

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

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

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

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

Market comparison criteria

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

Structure of the compensation system

With effect from January 1, 2017, the Board of Directors of Comet Holding AG established a revised compensation system that applies worldwide. This framework governs the profit-sharing compensation for all employees eligible to participate in the short-term incentive plan (STIP). The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The Board of Directors itself receives only a fixed retainer.

Compensation system for the employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and all employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

Calculation of total profit-sharing pool

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2017 the percentage rate was determined according to the following model (unchanged from the prior year):

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

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the Comet Group), using a general allocation formula.

Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is evaluated in the sole discretion of the Board and the CEO, at the end of the fiscal year. The unused portion of the individual allocation pool is also distributed by the general allocation formula.

Compensation groups and calibration

The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of Comet Holding AG. For each employee the percentage share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and on the gross annual base salary.

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

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

Compensation system for the Board of Directors

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

Responsibility and procedure

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

Fixed retainer

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

Stock compensation

Two-thirds (66 $\frac{2}{3}$ %) of the fixed retainer is paid in cash and one-third (33 $\frac{1}{3}$ %) is paid in shares of stock. A flat expense allowance is paid, in cash.

Overview of compensation

In CHF

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

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

Joining and departure of Board members

Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting.

When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

Compensation system for the Executive Committee

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

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

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term incentive plan (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term incentive plan (STIP)	Annual payment in stock (with holding period)	Short-term alignment with shareholder interests	Corporate financial results in terms of profitable growth
Long-term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with shareholder interests	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. Hay Group has no other engagements with the Comet Group.

The profit-sharing compensation is based on the regulations approved by the Board of Directors. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

Fixed compensation

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

Short-term profit-sharing compensation (STIP)

In addition to the fixed compensation, the Comet Group's employee profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The balance of the amount is paid in cash.

Calculation of short-term profit-sharing compensation (STIP)

An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

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

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

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

b) Calculation of effective profit-sharing compensation

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

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

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

Joining and departure of Executive Committee members

Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

Terms of employment

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

Disbursement of profit-sharing compensation

The members of the Executive Committee receive 33 1/3 % of their short-term profit-sharing compensation in stock. The balance of the STIP amount is paid in cash. A precondition for paying any profit-sharing compensation is that consolidated net income is still positive after the accrual of this compensation.

Long-term profit-sharing compensation (LTIP)

In fiscal year 2017, besides the existing short-term profit-sharing compensation (STIP), a long-term profit-sharing component was introduced for the first time. The aim of this long-term incentive plan (LTIP) is to tie the CEO and the other members of the Executive Committee more closely to the company and to align part of their compensation more tightly with the achievement of long-term corporate targets.

Structure of the LTIP

The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year inasmuch as the STIP performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:

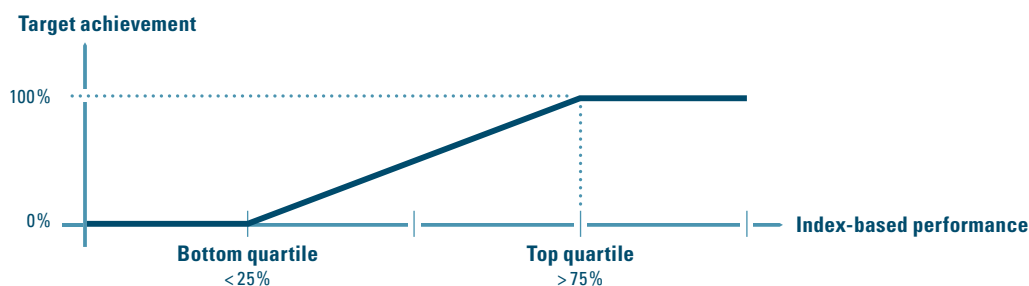
- a growth target (T1) and
- a profitability target (T2)

Target achievement is measured relative to a group of comparable listed Swiss manufacturing companies.

Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result is in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). When the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.

Target achievement is ascertained by an independent external party.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets (T1 and T2, in percent) multiplied by the average annual value of the stock (VS) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor C:

$$\text{LTIP} = (T_1 + T_2) \cdot V_s \cdot C$$

Growth target T1: The growth target is a specified three-year compound annual growth rate (CAGR) of sales for the respective last three years. The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is thus measured by the average CAGR of the Comet Group over the last three years in relation to the results of the peer group.

Profitability target T2: The profitability target is a specified average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is thus measured by the average ROCE/WACC ratio of the Comet Group over the last three years in relation to the results of the peer group.

Calibration factor C: The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the LTI plan corresponds to the performance of the company and the purpose of the plan. When doing so, the Board ensures the adjustment is fair to all participants.

Calculation of the value VS of the average annual amount of STIP stock transferred: The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan (STIP) over the last three years. That value of transferred STIP stock is measured as at the time of its transfer.

For determining the amount of LTIP stock to be transferred in year n, the underlying average annual value of STIP stock, V_s , is calculated as follows:

$$V_s = \frac{1}{3}(V_{n-2} + V_{n-1} + V_n)$$

Where V_{n-2} represents the value of the stock transferred in year n-2, V_{n-1} represents the value of the stock transferred in year n-1, and V_n represents the value of the stock transferred in year n.

Determination of target achievement

Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a delay, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

Intra-year joining or departure

The amount of stock to be transferred under the LTIP is based on the amount of stock already actually transferred under the STIP short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

Disbursement of the LTIP

The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

Changes of control

In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee of the Comet Group. The upper limit thus caps the individual's combined total of short-term (STIP) and long-term (LTIP) profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

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

The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of publication of the annual financial results and the date of the Annual Shareholder Meeting. The stock transferred to the Executive Committee members under the STIP, and the stock transferred to the Board members, is subject to a

holding period of three years from the date of the award during which it cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. The stock transferred to the Executive Committee members under the LTIP does not have a holding period.

Shareholders' participation rights

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

Registration in the share register

In accordance with section 12 of the Bylaws, in the notice of the Shareholder Meeting the Board of Directors announces the record date (at which registration in the share register is required for participation in and voting at the meeting) and the details of the written and electronic proxies and instructions.

The share register is closed to new entries from then until and including the day of the Shareholder Meeting. No exception to this rule was made in the year under review nor at previous Shareholder Meetings. Shareholders who sell their stock before the Shareholder Meeting are not entitled to vote the shares sold.

Voting rights restrictions

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

Proxy voting

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

The Board of Directors ensures that the shareholders have the ability to also use electronic means to authorize and instruct the independent proxy.

A shareholder may be represented at the Shareholder Meeting by the independent proxy, by the shareholder's legal representative or – under a written power of attorney – by another shareholder entitled to vote. Powers of attorney and instructions may be given in writing or, to the independent proxy, may also be given electronically.

Quorums under the Bylaws

Except as otherwise required by law, the Shareholder Meeting passes resolutions

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

Calling of the Shareholder Meeting

The Shareholder Meeting is called by the Board of Directors or, if necessary, by the independent auditors. Notice of the Shareholder Meeting is sent to the shareholders of record by mail at least 20 days before the meeting date.

Placing business on the Shareholder Meeting agenda

Shareholders' requests under section 699 para. 3 of the Swiss Code of Obligations to place business on the Meeting agenda, and the actual shareholder proposal involved, must be submitted to the Board of Directors in writing no later than 45 days before the Shareholder Meeting in question.

Changes of control and takeover defenses

Requirement to make a public tender offer

Under section 32 para. 1 of the Stock Exchange Act (BEHG), any party whose shareholding reaches 33 $\frac{1}{3}$ % or more of all voting rights must make a public tender offer. The Bylaws of Comet Holding AG contain neither an opting-up clause nor an opting-out clause; this means that they neither raise this percentage threshold, nor waive the requirement of a tender offer.

Provisions on changes of control

With respect to members of the Board of Directors and the Executive Committee, there are no contractual obligations of unusually long duration, nor provisions for termination benefits, that would result from a change of control. Under the stock ownership plan, the Board of Directors may in its discretion decide to early-terminate the holding period for the stock awarded as performance-based compensation. In all cases, the holding period automatically ends at the time of termination of employment if the termination is the result of a change of control.

Auditors

Duration of independent auditors' engagement and tenure of lead audit partner

Ernst & Young AG (EY), Berne, have been the independent auditors of Comet Holding AG since 1999. Since fiscal year 2017, Roland Ruprecht is the new lead audit partner responsible for the engagement. The rotation cycle for the lead audit partner at EY is seven years. The independent audit firm is elected by the Shareholder Meeting for one fiscal year at a time.

Audit fees

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

In thousands of CHF	2017	2016
Audit fees	288	269

Including the other audit firms, the total audit fees in the year under review amounted to CHF 362 thousand (prior year: CHF 333 thousand). The audit fees are set annually upon discussion with the Audit Committee and are based on the audit scope at the individual Group companies, any special in-depth audits, and the auditing of protection against specifically identified risks.

Other fees

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

In thousands of CHF	2017	2016
Audit-related consulting services	34	88
Tax consulting services	40	107
Other consulting services	0	0
Total consulting services	74	195

Monitoring of the independent auditors by the Board of Directors

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

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

Communication policy

The Comet Group informs its shareholders, the media, financial analysts and other stakeholders with the greatest possible transparency and based on the principle of equal treatment. The Group publishes annual reports and half-year reports that are prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS).

As well, information is provided to additional audience segments via the following events:

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

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

Key dates

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

End of fiscal year	December 31, 2017
Annual results press conference	March 15, 2018
Publication of annual report	March 15, 2018
Annual Shareholder Meeting	April 26, 2018
End of first half of fiscal year	June 30, 2018
Publication of half-year report	August 16, 2018

Publication media

Comet Holding AG publishes semiannual media releases to update investors on its business and financial results. The hardcopy annual report is sent to shareholders on request after they receive the notice of the Annual Shareholder Meeting.

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

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

Contacts

Markus Portmann
Chief Financial Officer
Herrengasse 10
3175 Flamatt, Switzerland
T + 41 31 744 99 58
F + 41 31 744 90 90
markus.portmann@comet.ch

Ines Najorka
Vice President of Corporate Communications
Herrengasse 10
3175 Flamatt, Switzerland
T + 41 31 744 99 96
F + 41 31 744 90 90
ines.najorka@comet.ch

Compensation Report 2017



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01 Introduction

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

The compensation report discloses the compensation of the members of the Board of Directors and of the Executive Committee for fiscal years 2016 and 2017. In addition, the shareholdings of the Board and Executive Committee (disclosed in accordance with the Swiss Code of Obligations) are presented in the notes to the separate financial statements of Comet Holding AG on page 93, and the expense for compensation (disclosed in accordance with International Financial Reporting Standards) is presented in the consolidated financial statements of Comet Holding AG on page 80.

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

02 OAEC-related provisions under the Bylaws

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

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

03 Compensation policy**03.1 Principles**

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. This aim is supported by a fair system of remuneration designed to match levels of pay offered by listed peer companies. No signing (hiring) bonuses or termination benefits are provided.

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

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

03.2 Compensation of the Board of Directors

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which two-thirds is paid in cash and one-third is paid in stock of the Company. The stock is subject to a holding period of three years from the date of the award during which it cannot be sold. The reported compensation includes the cash portion of the retainer, the value of the stock portion, and the employer contributions to social security plans.

03.3 Compensation of the Executive Committee

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. Employer contributions to social security plans are presented separately. The members of the Executive Committee have employment agreements with a notice period of not more than one year. No signing (hiring) bonuses or termination benefits are provided.

03.4 Stock ownership plan (STIP and LTIP)

The Company's stock ownership plan for the Executive Committee members consists of the STIP and LTIP and is designed to strengthen the ties of the CEO and the other Executive Committee members to the Comet Group. The requirement for this group of individuals to draw part of their profit-sharing compensation as stock is detailed in a separate regulation. 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. The stock transferred under the STIP is subject to a holding period of three years from the date of the award during which it cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. The stock awarded under the LTIP does not have a holding period. Except as otherwise required by law, in the event of an attempted change of control of Comet Holding AG, the holding period on stock ends when a public tender offer is validly made.

03.5 Shareholders' say on pay

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

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

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

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

04 Determination of compensation

04.1 Decision authority and responsibility for compensation

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

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

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

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

04.2 Nomination & Compensation Committee (NCC)

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

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

The Committee has the following responsibilities in particular:

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

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

In the year under review the Committee held three meetings, all of which were attended by both of its members. The meetings were also partly or fully attended, in an advisory role, by the CEO and the Chief Human Resources Officer.

04.3 Market comparison criteria

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

05 Structure of the compensation system

With effect from January 1, 2017, the Board of Directors of Comet Holding AG established a revised compensation system that applies worldwide. This framework governs the profit-sharing compensation for all employees eligible to participate in the short-term incentive plan (STIP). The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The Board of Directors itself receives only a fixed retainer.

05.1 Compensation system for the employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and all employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

05.1.1 Calculation of total profit-sharing pool

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2017 the percentage rate was determined according to the following model (unchanged from the prior year):

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

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the Comet Group), using the general allocation formula.

Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is evaluated in the sole discretion of the Board and CEO, at the end of the fiscal year. The unused portion of the individual allocation pool is also distributed by the general allocation formula.

05.1.2 Compensation groups and calibration

The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier together with the gross annual base salary represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of Comet Holding AG. For each employee the percentage share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and on the gross annual base salary.

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

05.1.3 Precondition for payment of profit-sharing compensation

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

05.2 Compensation system for the Board of Directors

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

05.2.1 Responsibility and procedure

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

05.2.2 Fixed retainer

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

05.2.3 Stock compensation

Two-thirds of this retainer is paid in cash and one-third is paid in shares of stock. A flat expense allowance is paid, in cash.

Overview of compensation

In CHF

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

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

05.2.4 Joining and departure of Board members

Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting.

When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

05.3 Compensation system for the Executive Committee

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

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

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

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term incentive plan (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term incentive plan (STIP)	Annual payment in stock (with holding period)	Short-term alignment with shareholder interests	Corporate financial results in terms of profitable growth
Long-term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with shareholder interests	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

05.3.1 Responsibility and procedure The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. Hay Group has no other engagements with the Comet Group.

The profit-sharing compensation is based on the regulations approved by the Board of Directors. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

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

05.3.3 Short-term profit-sharing compensation (STIP) In addition to the fixed compensation, the Comet Group's employee profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The balance of the amount is paid in cash.

Calculation of short-term profit-sharing compensation (STIP)

An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

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

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

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

b) Calculation of effective profit-sharing compensation

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

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

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

Joining and departure of Executive Committee members

Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

Terms of employment

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

Disbursement of profit-sharing compensation

The members of the Executive Committee receive one-third of their short-term profit-sharing compensation in stock. The balance of the amount is paid in cash. A precondition for paying any profit-sharing compensation is that consolidated net income is still positive after the accrual of this distribution.

05.3.4 Long-term profit-sharing compensation (LTIP)

In fiscal year 2017, besides the existing short-term profit-sharing compensation (STIP), a long-term profit-sharing component was introduced for the first time. The aim of this long-term incentive plan (LTIP) is to tie the CEO and the other members of the Executive Committee more closely to the company and to align part of their compensation more tightly with the achievement of long-term corporate targets.

Structure of the LTIP

The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year inasmuch as the STIP performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:

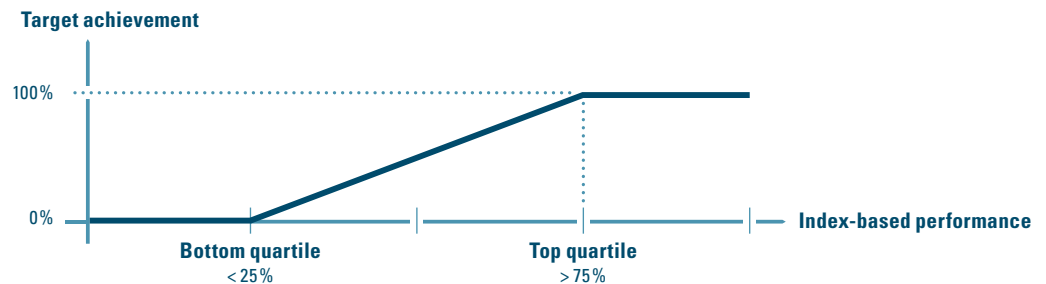
- a growth target (T1) and
- a profitability target (T2)

Target achievement is measured relative to a group of comparable listed Swiss manufacturing companies.

Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result is in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). When the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.

Target achievement is ascertained by an independent external party.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets (T1 and T2, in percent) multiplied by the average annual value of the stock (VS) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor C:

$$LTIP = (T_1 + T_2)_s \cdot V_s \cdot C$$

Growth target T1: The growth target is a specified three-year compound annual growth rate (CAGR) of sales for the respective last three years. The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is thus measured by the average CAGR of the Comet Group over the last three years in relation to the results of the peer group.

Profitability target T2: The profitability target is a specified average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is thus measured by the average ROCE/WACC ratio of the Comet Group over the last three years in relation to the results of the peer group.

Calibration factor C: The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the LTIP plan corresponds to the performance of the company and the purpose of the plan. When doing so, the Board ensures the adjustment is fair to all participants.

Calculation of the value VS of the average annual amount of STIP stock transferred: The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan (STIP) over the last three years. That value of transferred STIP stock is measured as at the time of its transfer.

For determining the amount of LTIP stock to be transferred in year n, the underlying average annual value of STIP stock, VS, is calculated as follows:

$$V_s = \frac{1}{3}(V_{n-2} + V_{n-1} + V_n)$$

Where Vn-2 represents the value of the stock transferred in year n-2, Vn-1 represents the value of the stock transferred in year n-1, and Vn represents the value of the stock transferred in year n.

Determination of target achievement

Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a delay, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

Intra-year joining or departure

The amount of stock to be transferred under the LTIP is based on the amount of stock already actually transferred under the STIP short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

Disbursement of the LTIP

The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

Changes of control

In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

05.3.5 Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee of the Comet Group. The upper limit thus caps the individual's combined total of short-term (STIP) and long-term (LTIP) profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

Fiscal year 2016

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

- (1) The compensation consists of a fixed retainer; two-thirds of it is paid in cash and disclosed in this item.
- (2) This item represents the one-third of the fixed retainer which must be drawn in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award during which it cannot be sold.
- (3) This item represents employer contributions to the old age and survivors and unemployment insurance plans as well as contributions to the family allowance fund. For Board members, the Comet Group does not pay pension fund contributions, short-term disability insurance premiums or accident insurance premiums.

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).

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

A total of eight persons served as Executive Committee members during the fiscal year. On average for the fiscal year, this represented 7.7 full-time equivalents (prior year: 8.0). The compensation of the members of the Executive Committee for which an expense was accrued is presented in the table below.

The 2016 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 3,400,000 for the fixed compensation for fiscal year 2017. The actual aggregate fixed compensation (including proportionate social security contributions and benefits in kind) reported for fiscal year 2017 is CHF 3,376,051.

In addition, for the prior fiscal year 2016, the 2017 Annual Shareholder Meeting had retrospectively approved an aggregate amount of CHF 1,384,484 for profit-sharing compensation of the Executive Committee. This was paid out in May 2017. Sixty-one percent of this profit-sharing compensation was paid in stock (prior year: 61%).

The increase in aggregate compensation in fiscal year 2017 compared with the prior year was attributable to the year-over-year growth in the number of Executive Committee members and to higher performance-based remuneration.

in CHF		Executive Committee total		Highest compensation Ronald Fehlmann, Ex-CEO (1)	
Fiscal year		2017	2016	2017	2016
	Footnote				
Fixed compensation	(2)	2,466,258	2,242,867	480,545	480,545
Short-term incentive compensation (STIP), cash portion	(3)	1,029,900	499,556	266,979	154,622
Total cash compensation		3,496,158	2,742,423	747,524	635,167
Short-term incentive compensation (STIP), stock portion	(4)	514,950	780,557	133,489	241,597
Long-term incentive compensation (LTIP)	(5)	94,308	0	0	0
Total stock compensation		609,258	780,557	133,489	241,597
Total benefits in kind	(6)	234,519	169,131	5,970	5,970
Total expenses for long-term benefits	(7)	815,941	704,748	177,761	178,362
Total compensation		5,155,876	4,396,859	1,064,744	1,061,097

- (1) Ronald Fehlmann, who was CEO since January 1, 2011, was the member of management with the highest individual compensation. He left the Comet Group at the end of April 2017, but, under the regular notice period, continued to receive his compensation to the end of 2017. In the table above, his compensation is both disclosed separately and included in the total compensation of the Executive Committee.
- (2) For their work the members of the Executive Committee receive a fixed compensation component, which is paid in cash. This item comprises the fixed compensation of all Executive Committee members who served during all or part of the fiscal year, including the new CEO René Lenggenhager, who started on May 1, 2017.
- (3) This item includes the portion of the short-term performance-related (STIP) compensation paid in cash, which is calculated based on the criteria of the compensation system. This item also includes any other one-time cash compensation, such as length-of-service awards and any additional pay for special duties.
- (4) This item represents the portion of the short-term performance-related (STIP) compensation paid in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award during which it cannot be sold.

- (5) This item represents the long-term performance-related (LTIP) compensation, all of which is paid in stock. The effective transfer of the stock occurs in the subsequent year.
- (6) A GA travel card for the use of Swiss public ground transportation is paid for two members of the Executive Committee. As well, one member of the Executive Committee is reimbursed for expenses in connection with an international equalization of tax and of social security benefits, as well as receiving an amount towards additional travel and living expenses.
- (7) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV), to the family allowance fund (FAK), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

The amounts set out in the table above are not identical to the taxable income of the Executive Committee members, as the total compensation for the purposes of section 663 of the Code of Obligations includes employer social security contributions.

The aggregate profit-sharing compensation (including proportionate social security contributions) reported for fiscal year 2017 is CHF 1,779,825. Before the 2017 profit-sharing compensation is paid to the members of the Executive Committee, the proposal for it by the Board of Directors must be retrospectively approved by shareholders at the 2018 Annual Shareholder Meeting.

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

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

06.4 Supplementary information on compensation

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

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

No material changes related to compensation have occurred after the balance sheet date of December 31, 2017.

06.5 Interim management contracts

There were no interim management contracts in the fiscal year.

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- 07 Disclosure of shareholdings of the Board of Directors and Executive Committee** At the end of the fiscal year, the members of the Board of Directors and Executive Committee held a combined total of 1.2% of the outstanding shares of Comet Holding AG (prior year: 1.3%).
- A detailed analysis of the shareholdings of the members of the Board of Directors and Executive Committee is presented in the notes to the separate financial statements of Comet Holding AG on page 93.
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- 08 Proposals to the 2018 Annual Shareholder Meeting for compensation of the Board and Executive Committee** At the 2018 Annual Shareholder Meeting the Board of Directors will propose the following three resolutions for the compensation of the Board and the Executive Committee:
- Prospective approval of the total compensation of the Board of Directors for the term from the 2018 to the 2019 Annual Shareholder Meeting
 - Prospective approval of the fixed compensation of the Executive Committee for fiscal year 2019 (being the next fiscal year after the year of the Annual Shareholder Meeting)
 - Retrospective approval of the performance-based compensation of the Executive Committee for fiscal year 2017 (being the last fiscal year before the year of the Annual Shareholder Meeting)
- The detailed proposals and the supporting reasoning will be delivered to shareholders with the notice of the 2018 Annual Shareholder Meeting.



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 remuneration report

We have audited the remuneration report of Comet Holding Ltd. for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in Section 06 – Disclosure of compensation of the Board and Executive Committee on pages 145 to 148 of the remuneration report.



Board of Directors' responsibility

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



Auditor's responsibility

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

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

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



Opinion

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

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert

Group locations

Comet AG (headquarters) Herrengasse 10 P.O. Box 141 3175 Flamatt Switzerland	Comet Group Lab One 3350 Orchard Drive San José, CA 95134 USA
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Asia

Comet Electronics Co. Ltd. & Comet Mechanical Equipment Co. Ltd. 1201 Guiqiao Road Building 10, 1st floor Jin Qiao Export Processing Zone Pudong, Shanghai 201206 China	Yxlon X-Ray Equipment Trading Co. Ltd. C1809 Web Time Center 17 Zhongguancun South Ave. Beijing 100081 China
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Comet Technologies Korea Co. Ltd. Suwon Venture Plaza Bldg., Room 402 48, Samsung-ro 168beon-gil, Yeongtong-gu Suwon-si, Gyeonggi-do Korea (South) 443-803	Yxlon International KK New Stage Yokohama Bldg., 1st floor 1-1-32 Shinurashima-cho Kanagawa-ku Yokohama 221-0031 Japan
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Europe

Yxlon International GmbH Essener Bogen 15 22419 Hamburg Germany	Yxlon International GmbH Münsterau 168 52224 Stolberg-Vicht Germany
--------------------------------------------------------------------------	------------------------------------------------------------------------------

Yxlon International GmbH Am Walzwerk 41 45527 Hattingen Germany	Yxlon International A/S Helgeshøj Alle 38 2630 Taastrup Denmark
--------------------------------------------------------------------------	--------------------------------------------------------------------------

USA

Comet Technologies USA, Inc. 2360 Bering Drive San José, CA 95131 USA	Comet Technologies USA, Inc. 5675 Hudson Industrial Parkway Hudson, OH 44236 USA
--------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------

Comet Technologies USA, Inc. 100 Trap Falls Road Extension Shelton, CT 06484 USA	Comet Technologies USA, Inc. 8700 Hillandale Road Davenport, IA 52806 USA
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Comet Holding AG

Herrengasse 10
3175 Flamatt
Switzerland

T +41 31 744 90 00

F +41 31 744 90 90

More information is
available on our website:
www.comet-group.com

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