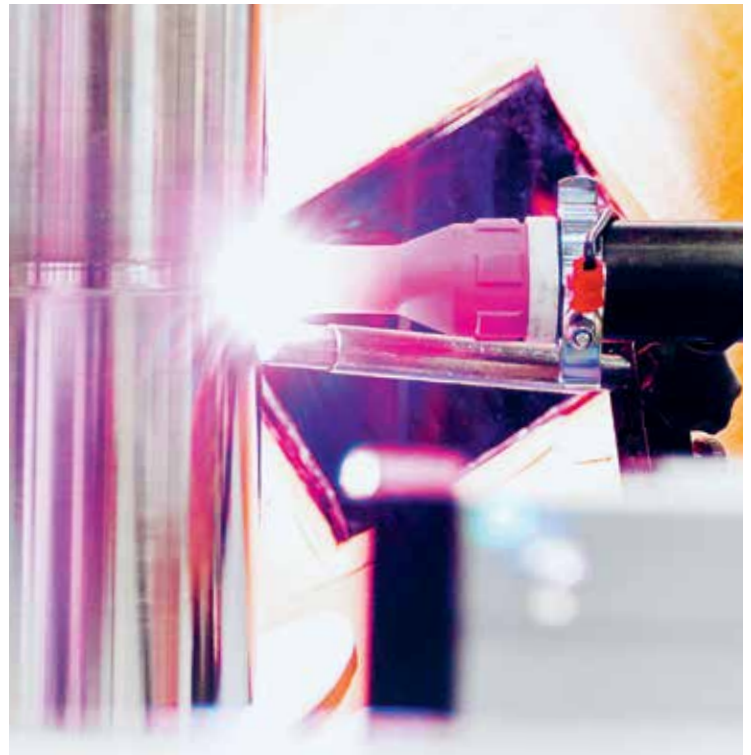


COMET Holding AG
Annual Report

2015



The COMET Group

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

For more than 65 years, we have been developing and manufacturing innovative, high-tech components and systems.

With pioneering solutions, we support customers in a wide range of industries 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 materials 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 one-third of 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 USA and Asia and with well-known research institutions worldwide. The resulting tailored solutions generate lasting value-added for our customers and partners.

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



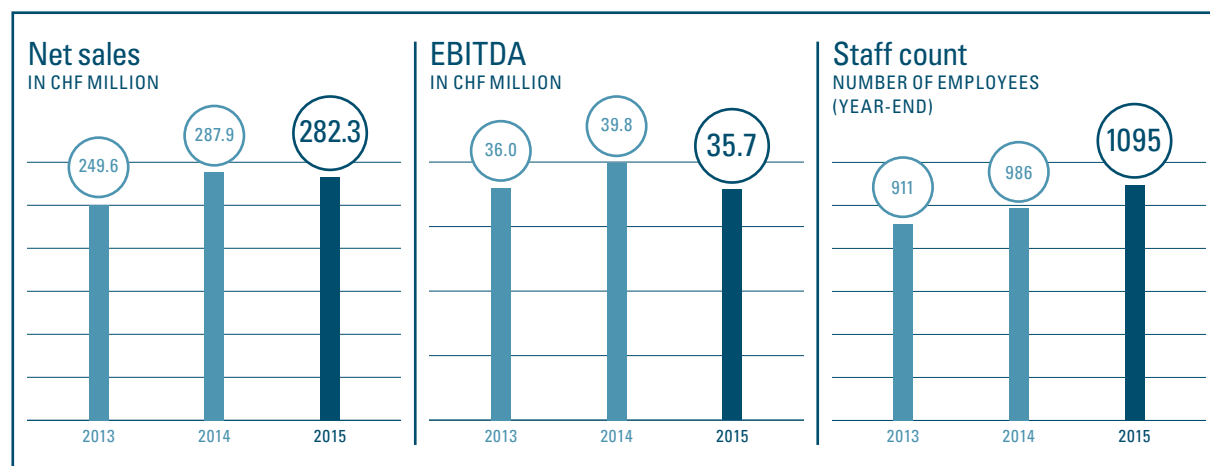
At a glance

COMET Group key consolidated financial results

In thousands of CHF	2015	2014	2013	2012	2011
Net sales	282,321	287,895	249,629	214,401	216,965
Operating income	25,488	29,655	25,060	12,468	14,667
In % of net sales	9.0%	10.3%	10.0%	5.8%	6.8%
EBITA	27,994	32,417	28,976	17,555	20,102
In % of net sales	9.9%	11.3%	11.6%	8.2%	9.3%
EBITDA	35,718	39,765	36,002	25,149	27,325
In % of net sales	12.7%	13.8%	14.4%	11.7%	12.6%
Net income	17,106	26,277	16,094	5,680	10,055
In % of net sales	6.1%	9.1%	6.4%	2.6%	4.6%
Operating cash flow ¹	35,672	30,560	17,379	22,606	28,173
In % of net sales	12.6%	10.6%	7.0%	10.5%	13.0%
Total assets	255,642	245,911	227,833	200,780	207,396
Shareholders' equity	162,205	159,768	137,852	115,824	118,442
In % of total assets	63.4%	65.0%	60.5%	57.7%	57.1%
Number of employees (year-end)					
Switzerland	366	374	357	301	297
International	729	612	554	469	437
Total	1,095	986	911	770	734

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

Key financials of the COMET Group



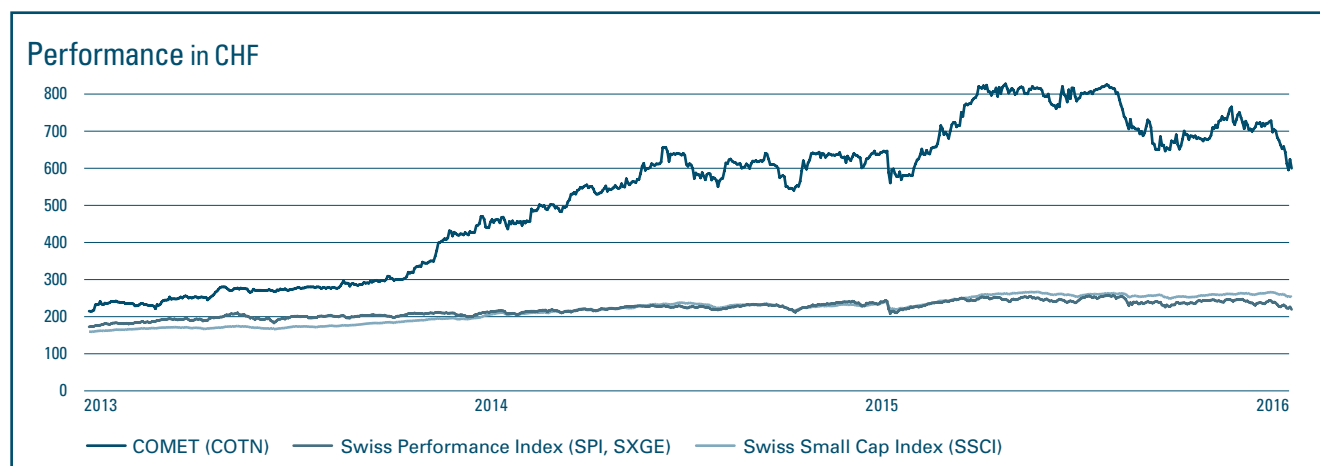
Information for investors

		2015	2014	2013	2012	2011
Capital stock	CHF	7,738,010	7,720,660	7,700,880	7,663,120	7,625,160
Number of shares (Dec. 31)		773,801	772,066	770,088	766,312	762,516
Weighted average number of shares outstanding		773,078	771,237	756,458	757,401	760,406
Stock price (adjusted)						
High for the year (Jul. 2, 2015)	CHF	856.50	670.00	476.75	225.00	236.50
Low for the year (Jan. 19, 2015)	CHF	548.00	428.50	210.00	138.80	122.50
Year-end (Dec. 31)	CHF	727.50	646.00	469.50	215.00	149.00
Earnings per share	CHF	22.13	34.07	21.28	7.54	13.22
Distribution per share ¹	CHF	11.00	11.00	8.00	4.00	4.00
P/E ratio (at year-end price)		33	19	22	29	11
Distribution yield (at year-end price)	%	1.5%	1.7%	1.7%	1.9%	2.7%
Equity per share ²	CHF	209.8	207.2	182.2	151.1	155.3
Market capitalization (Dec. 31)	CHF m	562.9	498.8	361.6	164.8	113.6

¹ 2015: 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



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Performance in 2015/5–19

The COMET Group prevailed in the challenging environment of 2015. With sales of CHF 282.3 million and EBITDA of CHF 17.1 million, the Group followed the record year 2014 by achieving the second strongest results in its history.

Strategy / 21 – 25

Its strategy has made the COMET Group stronger. With a heightened focus, COMET is now tooling up for the next stage of growth.



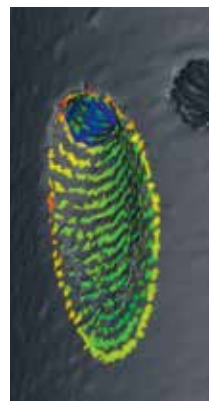
Growth areas to 2020 / 27 – 37

Whether in the Internet of Things, metrology, security, or surface enhancement: COMET has attractive potential for continued growth, through new applications that leverage global trends.

PCT
PLASMA CONTROL
TECHNOLOGIES



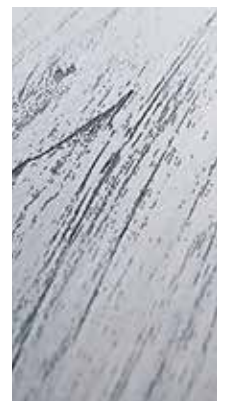
IXS
X-RAY SYSTEMS



IXM
INDUSTRIAL X-RAY MODULES



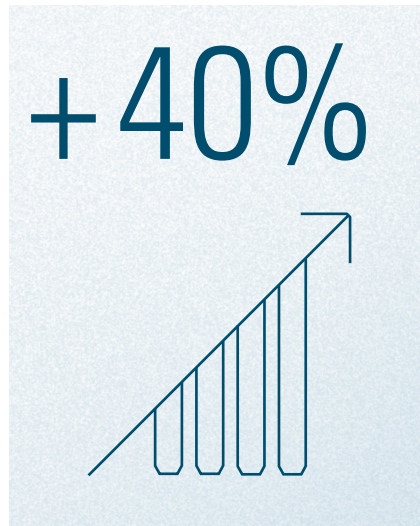
EBT
EBEAM TECHNOLOGIES



We are proud to report...

Backed by more than 65 years of manufacturing excellence, the COMET Group develops and produces innovative high-tech components and systems based on x-ray, plasma and ebeam technology. With its groundbreaking solutions, the Group empowers its customers to improve and evolve their products and processes, and brings greater safety and security, mobility, sustainability and efficiency to many areas of life.

The COMET Group pursues a focused growth strategy: From 2012 to 2015, thanks to strong growth, the Group continuously generated value and created new jobs. Today, COMET's winning solutions make it the market leader in many areas. We take pride in that.



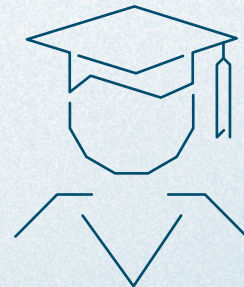
Organic growth

With its focused growth strategy, the COMET Group between 2012 and 2015 boosted sales from CHF 214 million to about CHF 300 million in constant currencies. This equates to growth of 40%.

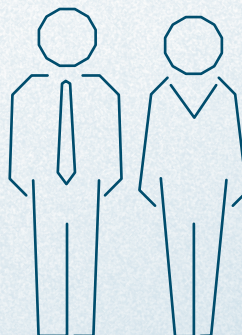
Sharing the passion for technology

The COMET Group is consciously engaged in youth development work. Since 2012 the company has supported a number of initiatives aimed at sparking enthusiasm for science and technology.

Educating youth



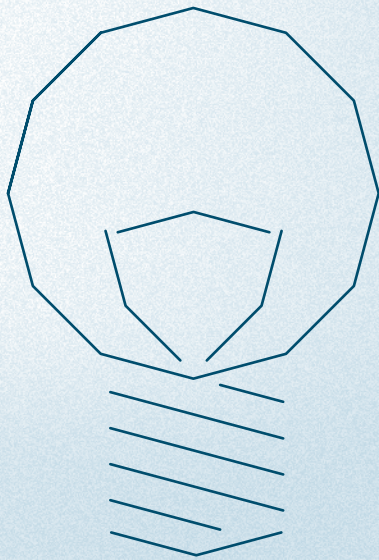
+ 240



New jobs

Since 2012 more than 240 new full-time positions have been created in the COMET Group. This was made possible by the purposeful execution of a clear strategy.

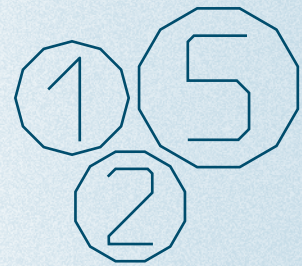
Innovating



Pioneering work

In its development of high-performing products, the COMET Group is constantly innovating at the boundaries of the physically possible to help its customers enhance their products and processes. With innovations like the eco-friendly, compact ebeam technology, the Group also contributes to business sustainability.

> 2.5x



Continuous value generation

Despite high investment in future growth, the COMET Group has continuously added value for its shareholders. What is more, from 2012 to 2015 the dividend has increased from CHF 4 to a proposed CHF 11 per share.

Together

Strategic partner for high-profile customers

Whether in the fabrication of memory chips, in quality inspection or the treatment of surfaces: With its innovative solutions, the COMET Group facilitates new development for its customers. World market leaders in a broad array of different industries thus rely on COMET as an essential supplier and partner.





Only assembly in a climate-controlled environment can assure an ultra-high vacuum in the x-ray tubes.

Performance in 2015

The COMET Group prevailed in a challenging environment and continued to generate value-added for shareholders.

To Our Shareholders



Ronald Fehlmann, Chief Executive Officer, and Hans Hess, Chairman of the Board of Directors

The COMET Group held its own well in 2015 amid a challenging environment. With sales of CHF 282.3 million and net income of CHF 17.1 million, the Group followed the record year 2014 by delivering the second strongest results in its history. In important ways, it also set the stage for the longer-term future.

The COMET Group acquitted itself well in the demanding environment of fiscal 2015. The elimination of the euro/franc minimum exchange rate of CHF 1.20, the lackluster economy in Asia and slowing demand as a result of low commodity prices did, however, make it difficult to maintain the strong organic growth. On the other hand, a positive factor for sales was the acquisition of PCT Engineered Systems LLC. In 2015 the COMET Group achieved the second strongest results in its history. Consolidated net sales were

CHF 282.3 million (2014: CHF 287.9 million) and EBITDA operating earnings came in at CHF 35.7 million (2014: CHF 39.8 million). Net income, in line with expectations, was CHF 17.1 million (2014: CHF 26.3 million) as a result of one-time effects. Despite high investment in the ebeam business, the Group successfully continued to generate a return on capital employed in excess of capital costs and fully eliminated the net debt thanks to a strong operating cash flow of 12.6% of sales (2014: 10.6%). With an equity ratio of 63.4%, the COMET Group also possesses a strong balance sheet.

Mixed market trends

In 2015 the COMET Group experienced heterogeneous trends in its different markets. The Plasma Control Technologies (PCT) segment was able to expand its business with large customers in the semiconductor and flat panel display market, posting record sales of CHF 111.9 million (2014: CHF 105.8 million). However, the ending of the minimum exchange rate of CHF 1.20 to the euro, the lackluster economy in Asia and slowing demand amid low commodity prices were downside factors for the continuation of growth in the other segments. X-Ray Systems (IXS), besides being affected by the appreciation of the Swiss franc, was hurt especially by the slump in the Chinese tire market. The segment's sales declined to CHF 101.4 million (2014: CHF 124.7 million). X-Ray & ebeam Technologies (XET), with the high Swiss proportion of its manufacturing, was also affected by the strong Swiss franc. Additional drag for this segment came from the low investment activity in areas like pipeline inspection due to the depressed oil and gas prices. Thanks to the acquisition of US systems producer PCT Engineered Systems LLC, sales of the XET segment grew to

CHF 81.6 million (2014: CHF 74.1 million); however, excluding the acquisition (17%) and currency translation effects (-4%), sales eased by 3%. Overall, the COMET Group's sales decreased by 1.9% to CHF 282.3 million. The positive difference made by the acquisition was 4.4%. The strengthening US dollar (+2.7%) only partly offset the effect of the negative movement in the EUR/CHF rate (-4%).

Continued generation of value; acquisition cost affects earnings

The overall operating earnings situation of the COMET Group was robust. PCT pushed up its EBITDA margin from 17.3% to 19.3%. IXS further improved its gross margin and held its EBITDA margin steady at 12.9%. At XET the main factor besides negative currency effects was the high investment in ebeam, including the acquisition. The EBITDA margin declined from 9.9% to 3.7%. The Group closed with EBITDA operating earnings of CHF 35.7 million (2014: CHF 39.8 million) and an EBITDA margin of 12.7% (2014: 13.8%). Before currency effects (1.0%-points) and acquisition (-1.9%-points), the EBITDA margin was 13.6%, or nearly constant year-over-year. Net income in 2015 decreased to CHF 17.1 million (2014: CHF 26.3 million). The non-recurrence of positive prior-year tax effects of CHF 6.1 million, in combination with 2015's one-time currency translation losses of CHF 2.4 million and one-off acquisition-related costs of CHF 3.5 million, outweighed a non-recurring tax credit of CHF 1.5 million in 2015. With a return of 11.7% on capital employed, the Group continued to generate a ROCE that more than covered its capital costs. Excluding the acquisition and current and prior-year tax effects, the economic profit of CHF 5.6 million was at the prior-year level.

Strategy on track – important foundation laid for the future

The COMET Group has grown strongly since 2012. In constant-currency terms it achieved its objective, set in 2012, of growing 40% by 2015 to sales of CHF 300 million. New customers were won and existing customer relationships deepened. In the technology group Bühler and metrology vendor Hexagon, strong partners were gained for potential further growth. The investment in the marketing of innovative products and technologies bore fruit: The gross margins of IXS and PCT were improved, new products launched and markets developed with greater focus. Key milestones were also achieved in the Group's ebeam business. Tetra Pak, rolling out inline ebeam sterilization of beverage packaging, presented the first market-ready, ebeam-equipped filling machine at the Fispal Technology trade show. With Bühler, COMET forged a strategic partnership to develop new applications in the inactivation of dehydrated food. By acquiring PCT Engineered Systems, COMET expanded its product portfolio and gained direct access to end customers. To ensure the capacity for sustained strong future growth, COMET applied for the construction permit for a major building expansion in Flamatt. The new space, estimated at an investment of CHF 60 million, is to be ready for occupancy in the middle of 2018.

Acceleration of investment in strategic initiatives will temporarily weigh on margins

Under its Strategy 2020, the COMET Group continues to focus on strong, profitable growth, which it plans to derive from new applications, the combining of existing competencies, and even closer and broader collaboration with major partners. The key is to take

timely and effective advantage of the attractive business opportunities in the areas of ebeam, the Internet of Things and metrology. By 2020, the COMET Group's objective is to reach sales of CHF 500 million and an EBITDA margin of 16–18%. For 2016 the Group expects continuing challenging market conditions. The Board and management have therefore decided to accelerate work on the most promising strategic initiatives and bring planned capital expenditures forward. At the top of these strategic priorities are new ebeam projects in the food and digital printing sectors, and additional investment in the Group's product portfolio with regard to various high-potential applications. In parallel, a multi-point program to enhance operational excellence is being stepped up, especially in the supply chain. With these aims in mind, the COMET Group has also recruited more staff and thus intends to rapidly create the right conditions to successfully execute the Strategy 2020 and achieve its strategic goals. This suite of initiatives will entail a temporary 2%-point reduction in the 2016 EBITDA margin. For 2016, against this backdrop, the Group is thus projecting sales growth to CHF 300–320 million and an EBITDA margin of now 11–13%.

Unchanged dividend

At the next Annual Shareholder Meeting the Board of Directors will propose a distribution of CHF 11.00 per share from distributable paid-in capital (2014: CHF 11.00), exempt from Swiss anticipatory tax. This represents a payout of 50% of net income.

Board changes and expansion

Besides the re-elections, there are pending changes in the Board membership of COMET Holding AG. Hans Leonz Notter is not standing for

re-election. In the past 26 years he has made an exceedingly valuable contribution to the development of the COMET Group. We thank him sincerely for his long and dedicated service. We are pleased to propose Dr. iur. Mariel Hoch as a new member of the Board of Directors and of the Nomination & Compensation Committee. Ms. Hoch, a lawyer and partner at Bär & Karrer in Zurich, has extensive knowledge of business law and personnel matters. In order to best utilize the Group's attractive potential and do justice to the growing complexity of its businesses, the Board believes it is important to expand its membership. It will therefore propose to increase its size by one seat from 2016 by electing Dr. Franz Richter as an additional Board member. He brings with him a profound understanding of the semiconductor industry, a sector increasingly important to the COMET Group.

Thank you!

We sincerely thank our shareholders, business partners, customers and suppliers for the good collaboration in this demanding time. A special thank-you goes to our employees, whose committed hard work continually moves the Group ahead.



Hans Hess
Chairman of the Board

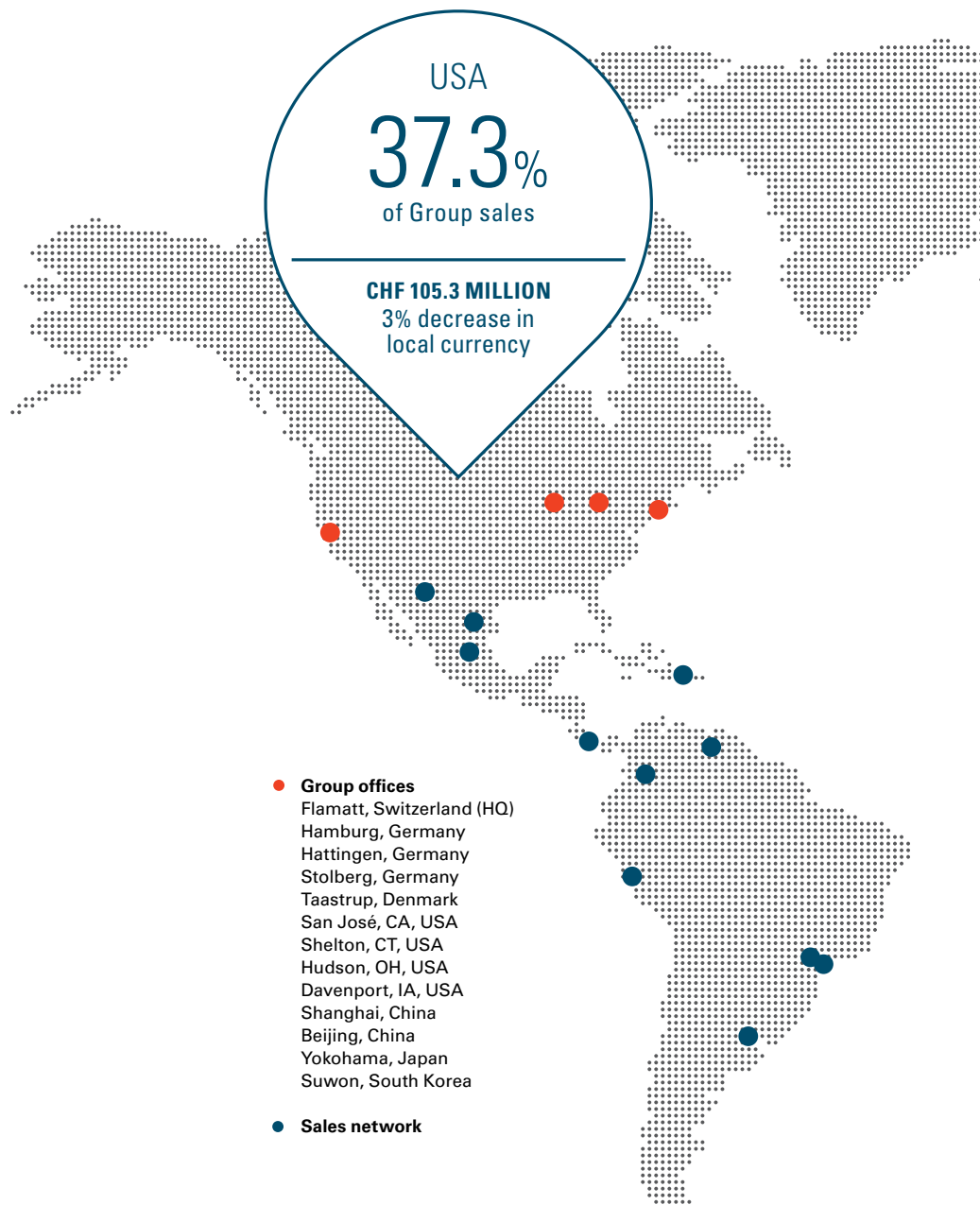


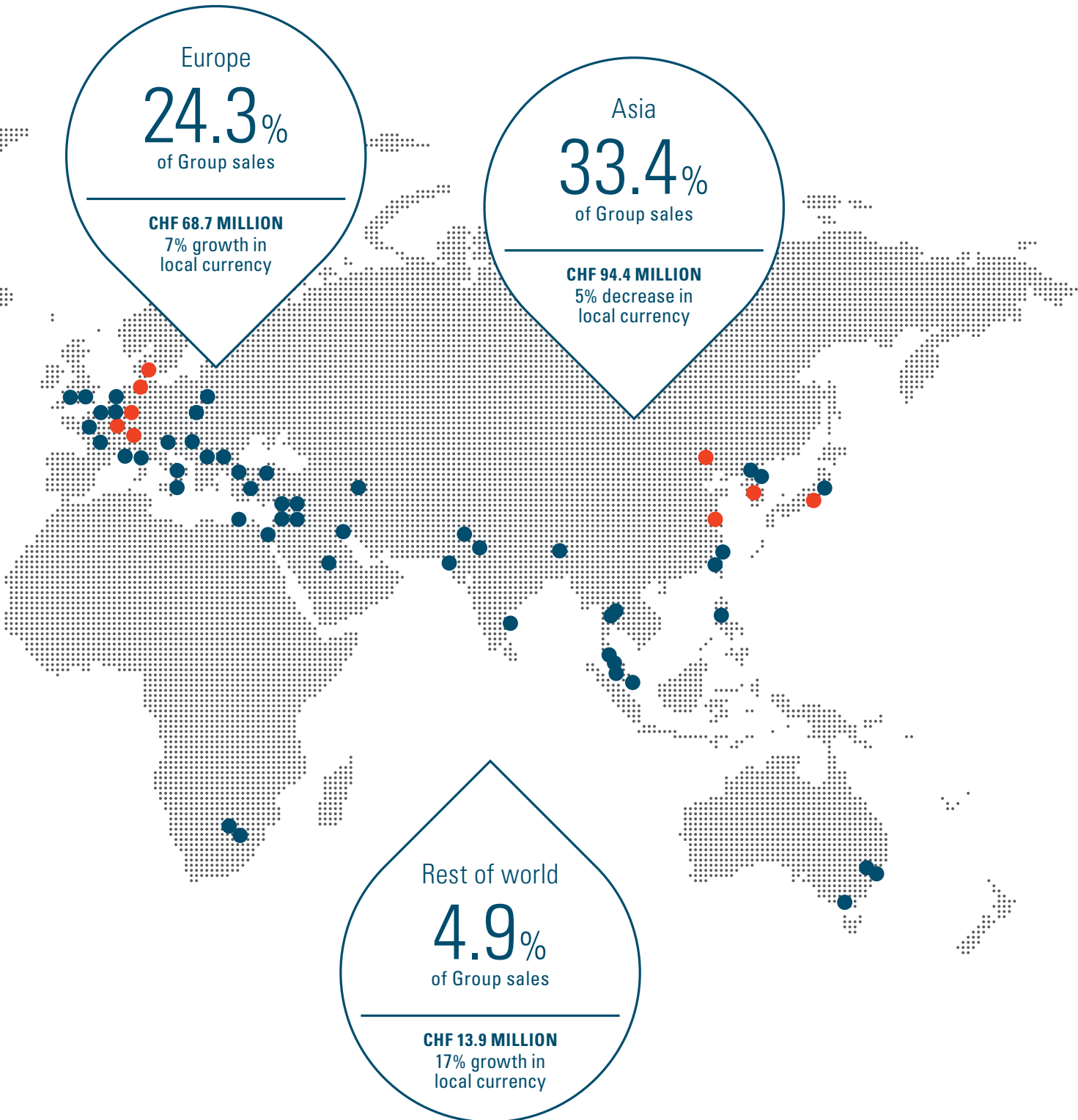
Ronald Fehlmann
Chief Executive Officer

Geography of sales

The COMET Group, committed to being near its customers, has an excellent global internal sales force and sales agent network. In 2015, COMET dealt with very heterogeneous trends in its different markets. In Europe the Group achieved growth in local currencies with RF generators and ebeam systems. In the United States, sales in local-currency terms eased slightly, as the revenue with a major US customer in the semiconductor market was reclassified to COMET's Asia region.

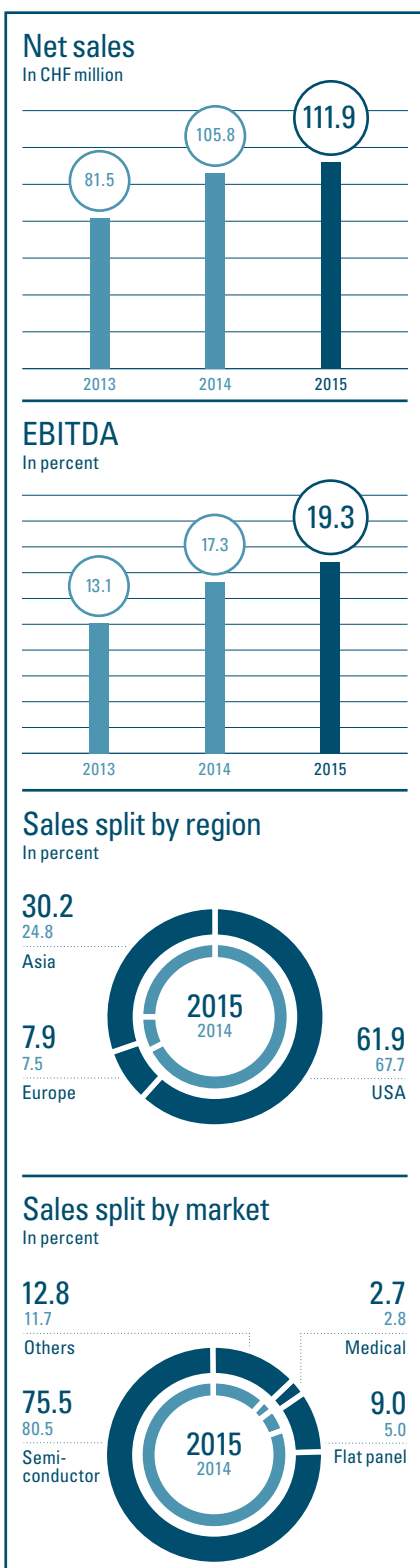
The positive trend in the security and electronics markets in Asia, however, was not able to make up for the slump in the tire market. In the other regions the COMET Group expanded its sales. The regional sales split remains balanced, with 37.3% of sales generated in the USA, 33.4% in Asia and 24.3% in Europe.





PCT

PLASMA CONTROL TECHNOLOGIES



After a very strong prior year, Plasma Control Technologies delivered further growth in 2015. The segment's sales grew 5.9% from the year before, to CHF 111.9 million. Operating earnings at EBITDA level rose from CHF 18.3 million to CHF 21.7 million. This represented an improvement of 2.0%-points in the EBITDA margin to 19.3%.

Plasma Control Technologies further cemented its market position in 2015. From the already high base of the excellent prior year, the business segment generated sales growth of 5.9% on the strength of its high-end solutions, or 2.6% growth in local currencies. The top driver was the work (ongoing especially in the first six months) to equip fabrication plants for the latest-generation, 3D-NAND memory chips, followed by the good demand in the flat panel display market. PCT particularly expanded the business with existing key accounts. In the second half of the year, the segment had to absorb setbacks in sales as customers deferred planned investments in Asia. On balance, however, sales for the year reached a new record of CHF 111.9 million.

Reliable production processes and high process control

The sustained brisk demand for affordable storage capacity made 2015 another year of full order books for PCT as the segment held its sales with the

semiconductor industry steady in absolute terms. An important driver were the ever more stringent specifications of processes for 3D memory chip fabrication, especially for smartphones and tablets: Manufacturers are increasingly reliant on rapid, repeatable processes. With powerful impedance-matching networks and capacitors, PCT offers customers a high degree of process certainty and control. That continues to enable the segment to help customers optimize their processes. This industry trend is a golden opportunity for COMET to progressively perfect its solutions designed specifically for the high-end environment.

Another of PCT's important market segments, flat panel displays, performed very well, notably in the first half of the year. Here PCT expanded its business with existing major customers and almost doubled sales of vacuum capacitors and matching networks. In generators, PCT won a significant order outside the semiconductor market.

Fast tuning and customizing as means of differentiation

Fast-tuning solutions are an important basis for even more precise and rapid production processes in the semiconductor industry. Continuing to take such solutions to higher levels of development therefore remained a focus for PCT in 2015. For example, the work on critical matching networks and generator modules was begun. To ensure sustained success in the increasingly aggressive competitive environment, the segment also expanded its portfolio of capacitors by adding products with an optimized price-performance ratio (N-Cap) and extremely high power density (Smart-Con). For the coming year, various new and improved

products are planned: In matching networks and generators, a new generation of coordinated modules is being developed that lets customers achieve unprecedented dimensions of speed, precision and process reliability.

Besides new features, customers are keenly interested in the customizing of existing systems to their individual requirements. PCT therefore set up a design center in Korea last year. This allows customer-specified adjustments to be made locally and more swiftly than ever.

Internet of Things – the next big opportunity

For 2016, PCT expects the trend in the semiconductor market to continue. Going forward, the demand for micro-electronic components (notably memory chips, sensors and MEMS) capable of fitting into tiny spaces will be driven not only by mobile devices but by the rise of the Internet of Things: The exchange of very large data sets between systems is only in its beginnings. Thanks both to its powerful radio frequency (RF) technology and close customer relationships with leading companies in the semiconductor industry, COMET is ideally placed to win additional market share in the years to come. PCT sees a major opportunity in the upgrading from older plasma systems used worldwide for the production of microelectronic components, to reliable and efficient COMET RF power technology.

Plasma Control Technologies

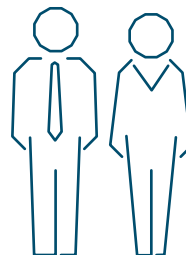
Core business

The Plasma Control Technologies segment specializes in the production of high-performance components for thin-film deposition and etching of surfaces under plasma conditions. The customers for the COMET-branded products are primarily original equipment manufacturers in the semiconductor, flat panel, OLED and solar sectors, as well as companies in the (micro-)electronics industry.

Products

Plasma Control Technologies develops and markets high-quality vacuum capacitors as well as high-performance RF generators and impedance-matching networks. These specialized components are used for the ultra-precise control of plasma processes, such as in the production of memory chips, flat panel displays, OLED applications and solar panels.

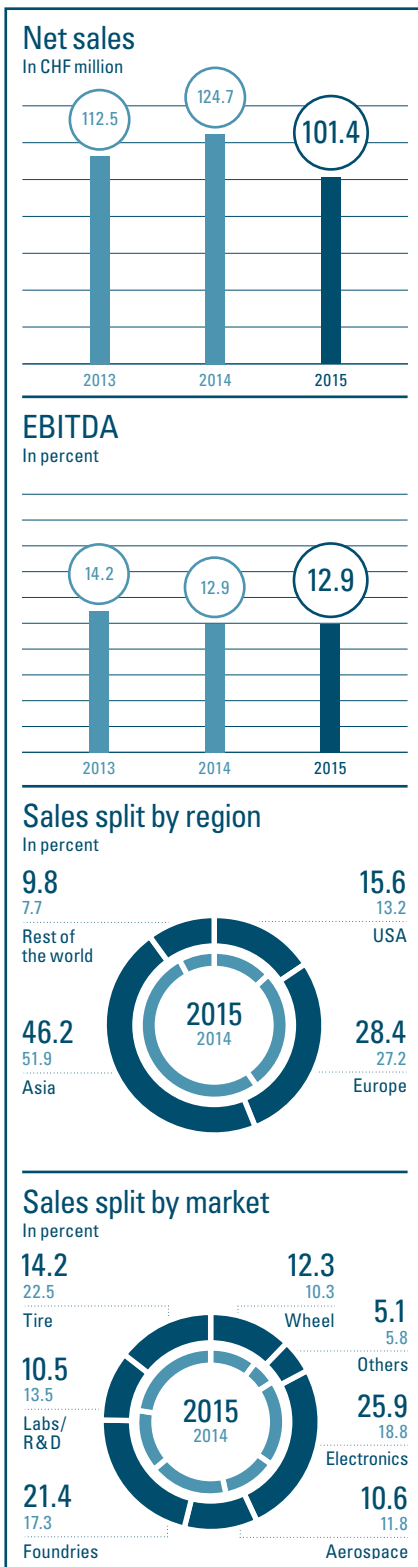
336
Employees



5
Locations



San José USA
Flamatt CH
Stolberg DE
Shanghai CN
Suwon KR



2015 was a challenging year for X-Ray Systems. The strong Swiss franc and the collapse in the Chinese tire market pushed sales lower to CHF 101.4 million. This represented a decrease of 18.7% from the prior year, or 13.6% in local currencies. Despite this, IXS improved its gross margin and, aided by currency effects, held the EBITDA margin steady year-over-year at 12.9%. EBITDA operating earnings in absolute terms were CHF 13.1 million (2014: CHF 16.1 million).

X-Ray Systems saw very divergent trends in its markets in 2015. On the one hand, demand fell sharply in Asia. On the other hand, IXS was able to increase its sales in the electronics market year-over-year and doubled the number of new orders for its computed tomography (CT) systems. This shows that customers' confidence in YXLON products grew and the concentration of the CT competencies in Hamburg is proving its worth. IXS also expanded its service business: The segment today offers comprehensive "lifecycle packs" that include coverage of repairs, maintenance and parts and thus give customers predictability of costs – an advantage which continued to enjoy growing demand in 2015. Furthermore, in Hexagon and Mirtec, IXS won important partners for entering new markets.

Volatile markets – Metrology a new application

The strength in IXS's markets varied greatly in 2015 according to industry and region. Thus, IXS achieved growth with its features for enhanced rendering of detail in the inspection of electronic components, and defended its market share in castings inspection with its attractive CT offering. While IXS experienced a very strong rise in orders from the electronics industry in Japan, China remained well below expectations. In other market segments too, China showed a subdued trend. The tire market was particularly hard hit: A focus of hype as recently as 2014, the market collapsed in 2015 as a result of regulatory changes in China and new US tariffs on Chinese tires. The order situation in aerospace was stable, even if not all orders could be delivered in fiscal 2015. Also, as anticipated, there was a lack of revenue from large computed tomography systems, a consequence of the low order backlog following last year's reorganization of this business.

In view of many industries' growing need for inspection and high-precision measurement of complex components, IXS in 2015 set the stage for developing metrology as a new market segment. For this purpose, IXS entered into a strategic partnership with Hexagon Manufacturing Intelligence, a leading vendor in the measurement industry. The resulting combination of YXLON CT technology and Hexagon measurement software creates the basis for the development of unique solutions for new and existing customers in the years ahead.

Readying for Industry 4.0 through software interfaces

In product news in 2015, IXS logged the first sales of the two new computed tomography systems FF20 and FF35. Both systems stand out for their high-resolution imaging and striking ease-of-use.

Another major theme was the drive to accommodate the increasing, software-based networking of processes between production on the one hand and testing/inspection on the other: In many areas, such as the electronics market, the complexity of process chains is continually growing. To facilitate data integration, IXS forged a strategic partnership with Mirtec, a leading supplier of optical inspection systems. Last year the two partners brought their first joint solution to market in the form of the SmartLoop yield improvement system, which has since won the Global Technology Award.

Metrology, aerospace and wheel inspection are drivers for 2016

In 2016 the segment aims to reap the first commercial rewards of the new metrology partnership with Hexagon. IXS sees high potential in this market segment for the coming years and is already working on adapting the FF20 and FF35 systems to the needs of metrology. To start with, this should be of interest for laboratory applications and the aerospace sector. In the electronics, castings and wheel inspection segments as well, many signs point to a strong 2016. With the new WI26 wheel inspection system, first presented to selected key customers in 2015, YXLON is superbly positioned to meet the industry demand for faster inspection times.

X-Ray Systems

Core business

The core competency of the X-Ray Systems segment lies in integrated solutions for non-destructive testing, marketed under the YXLON brand. YXLON’s customers are mainly manufacturers in the automotive, electronics and aerospace sectors, as well as research institutions.

Products

X-Ray Systems offers customized and standard stationary systems in the product areas of x-ray, microfocus and computed tomography. All products come with comprehensive global service and support over the entire life cycle of the systems.

354

Employees



6

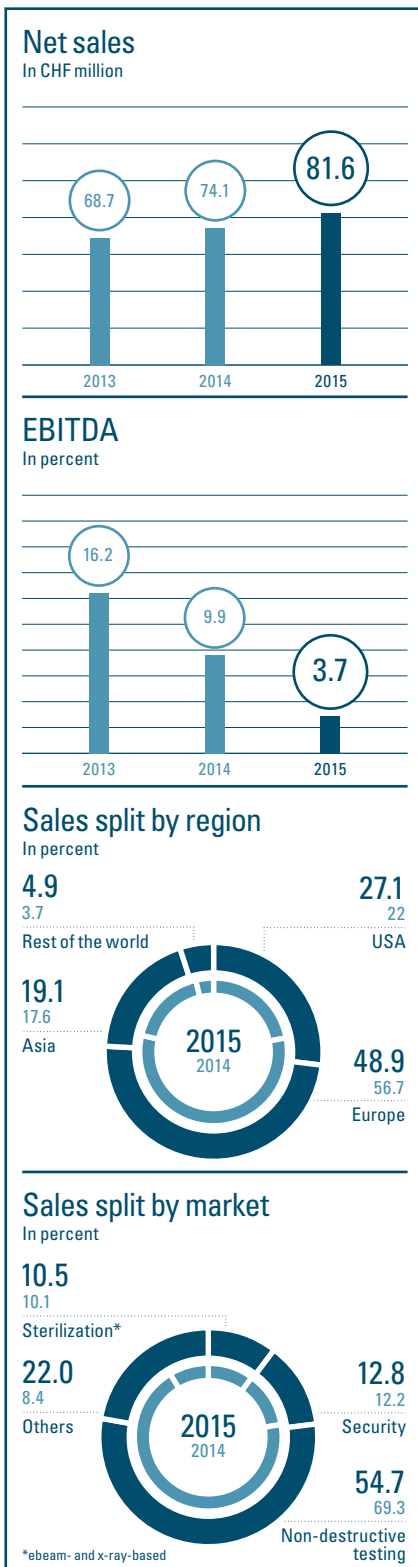
Locations



- Hudson USA
- Hattingen DE
- Hamburg DE
- Beijing CN
- Shanghai CN
- Yokohama JP

XET

X-RAY & EBEAM TECHNOLOGIES



Difficult markets and currency conditions challenged the X-Ray & ebeam Technologies segment (XET) in 2015. XET nevertheless laid important groundwork for the future. With the acquisition of PCT Engineered Systems, sales grew by 10% to CHF 81.6 million. Before currency effects and the acquisition, sales eased 3% from a year ago. As a result of the additional investment in the ebeam business and of adverse currency effects, EBITDA operating earnings decreased to CHF 3.1 million (2014: CHF 7.3 million). The EBITDA margin was 3.7% (2014: 9.9%).

In 2015, widespread reluctance to invest amid the low commodity prices, coupled with the strong Swiss franc, weighed on sales in the x-ray business, which are generated largely in the eurozone. The segment nonetheless set the stage for future growth in important ways. As an important example, the decision was made to launch a building expansion at headquarters in Flamatt that will create the necessary space for growth of the ebeam and x-ray businesses. The expansion, estimated at CHF 60 million, is to be ready for occupancy in the middle of 2018. In China, XET secured an important design win and expanded its market share in security inspection.

Subdued investment climate – Initiatives and partnerships bear fruit

In x-ray-based non-destructive testing, the difficult economic situation made for sluggish demand: In many sectors, such as the pipeline, sorting and steel industries, planned investments in new assets were postponed in reaction to the low commodity prices. Conditions were better in the market for security inspection: With the acquisition of some large orders in China, XET was able to increase its market share in this sector and establish itself in a new market region.

The second core business of the XET segment, ebeam, marked key milestones. At the Fispal Technology trade show in 2015, the food packaging industry leader Tetra Pak introduced the Tetra Pak E3, the first market-ready, ebeam-equipped filling machine. Customer interest in the environmental and economic advantages of this innovation was high. Tetra Pak is now in the process of gradually replacing existing filling machines with the Tetra Pak E3. The XET segment also launched a strategic partnership with Bühler, a global leader in food processing technology, to develop new applications for ebeam in the inactivation of dehydrated food. The first tests have been successfully conducted. The proof-of-concept of the industrial solution is planned for 2016. With the acquisition of PCT Engineered Systems, based in Davenport, Iowa, COMET literally “broadened” its ebeam portfolio by adding products for the treatment of large surfaces and gained direct market access to attractive end customers and new applications. Examples include the enhancement of food wrap films and foils and the treatment of pressure-sensitive adhesives.

Flexible and intelligent products in demand

With the completion of a new, intelligent generator platform, COMET expanded its product range last year and created the basis for meeting the needs of Industry 4.0 (short for the "fourth industrial revolution", "Industry 4.0" refers to the coming transformational trend around the increasing exchange of data between machines, sensors and humans). The portfolio of XET, which comprises not just x-ray tubes but also complete modules, today is very largely modular in structure and thus answers the steadily rising demand for custom-tailored solutions.

ebeam stands on its own

In January 2016, the ebeam unit was split off from XET and made into its own segment, ebeam Technologies (EBT). This was the logical next step for COMET in view of the growing importance of this business area. EBT has already scored the first successes by winning new projects. Plans for 2016 include expanding the market in Europe and Asia and tapping new applications. Also on the agenda is the continuing successful integration of the new subsidiary, PCT Engineered Systems.

The other part of the former XET segment has been renamed the Industrial X-Ray Modules (IXM) segment for its principal focus. For IXM, the market for security inspection will remain an important driver in 2016. Next to the growing general need for security infrastructure, major events like the Olympics in Rio de Janeiro and the World Cup in Qatar play a significant role in stimulating demand. On the product front, the commercialization of the new wave of generators is next.

X-Ray & ebeam Technologies

Core business

The XET segment develops, manufactures and markets advanced x-ray-based components for non-destructive testing in the automotive, aerospace, pipeline and steel industries. Its second pillar is the innovative ebeam technology, used for the sterilization of beverage packaging and the surface enhancement of materials such as food wrap films and pressure-sensitive adhesives. The inactivation of dehydrated foods and sterilization of pharmaceutical tissues are further application opportunities.

Products

The portfolio of XET includes metal ceramic x-ray sources and portable x-ray modules for non-destructive testing and security inspection. Based on its ebeam technology, XET also builds sets, laboratory equipment and complete ebeam systems for the resource-efficient, chemical-free treatment of surfaces.

405
Employees



5
Locations



Davenport USA
Shelton USA
Flamatt CH
Copenhagen DK
Shanghai CN

Highlights of 2015

50 years



Plasma Control Technologies celebrates...

...50 years in business with record-high sales of CHF 111.9 million. In 2015 the segment further strengthened its position as a provider of high-end solutions in the semiconductor market and continued to grow its sales.

The COMET Group sees continuing growth potential...

...and is building: Last August the Group applied for a construction permit to build an expansion at its headquarters in Flamatt, with an investment of about CHF 60 million. This demonstrates COMET's commitment to Switzerland and lays the foundation for the planned strong growth.

ebeam expands its market access...

...and acquires PCT Engineered Systems, based in Davenport, Iowa. COMET thus now additionally offers solutions for the ebeam treatment of large surfaces and can use the direct access to end customers to expand its business. Today the COMET Group is the world's only vertically integrated powerhouse for low-energy ebeam.

USA



Capacity



Recognition



reddot award 2015
best of the best

SWISS
CLEANTECH

FIRMA
DES JAHRES
2015



smttoday

PEOPLE AWARDS 2015

SmartLoop

WIN TECHNOLOGY
PARTNERS
MIRTEC AND YALGO

Best
Innovation

The COMET Group is awarded...

...the Red Dot Best of the Best Award for the SMART EVO product line, the Global Technology Award for the "Smartloop" software developed together with Mirtec, and the distinction of swiss-cleantech Company of the Year for the ebeam technology. These honors recognize COMET's engagement in the creation of innovative and sustainable technologies and solutions.

Engagement



The COMET Group gets school kids excited...

...with a series of one- to three-day workshops on science and technology. A total of 99 young students participate in the events organized jointly by COMET and Tüfteln.ch. Parents and schools alike are praising this engagement.

COMET gains strong partners...

...and so paves the way for tapping new applications and markets in the coming years: teaming up with Hexagon in metrology, with Mirtec in intelligent inspection systems and with Bühler for the inactivation of bacteria on dehydrated foods.

Collaboration



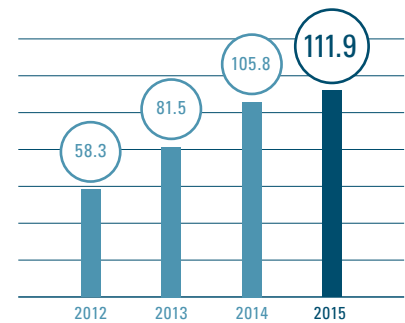
Evolution of the segments since 2012

The consistent execution of the Strategy 2015 has significantly strengthened the COMET Group over the past three years. Customer relationships were deepened, competencies in core technologies expanded, new partners won for leading-edge projects, and access was gained to new markets and applications. The difficult market environment has been a challenge along the way. Yet the COMET Group, in constant currencies, achieved its objective of growing 40% by 2015 to sales of CHF 300 million. The abundant potential of the individual segments of the COMET Group also inspires confidence for the continuation of the growth trajectory.

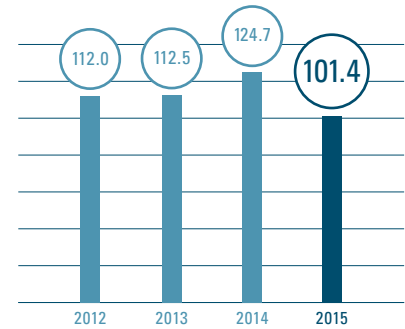
Segment

Sales 2012 – 2015 in CHF million

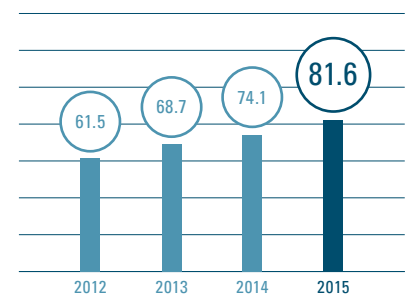
PCT
PLASMA CONTROL
TECHNOLOGIES



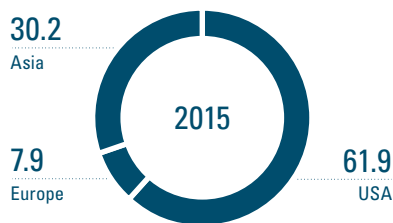
IXS
X-RAY SYSTEMS



XET
X-RAY & EBEBAM
TECHNOLOGIES



Sales split by region in percent

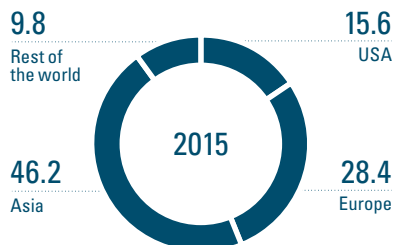


Strategic focus since 2012

- Expansion of sales with key accounts and acquisition of new customers in Asia
- Strengthening and expansion of RF competency
- Operational excellence

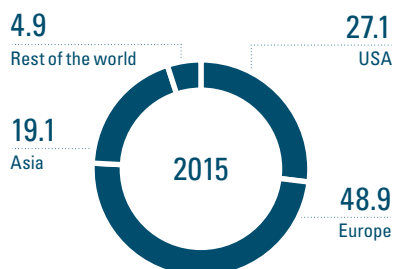
Achievement of objectives 2012 – 2015

- Strong growth with key accounts through improved closeness to customers and leading 3D technologies
- Improvement in profitability



- Expansion of marketing and sales channels (front end) and selective focus on attractive customer segments
- Expansion of service business
- Strengthening of core expertise in image chain
- Unification und standardization

- Gross margin boosted by 5 percentage points
- Focused market development
- Expansion of service offering and service revenue
- Launch of FF20 and FF35 systems on a standardized software platform



- Strategic forward integration into XRS modules and entry in new markets
- Expansion of ebeam business

- Increase in XRS modules' share of sales, and development of new applications (e.g., security inspection)
- ebeam: rollout by Tetra Pak; Bühler as new partner; COMET the world's only vertically integrated vendor for low-energy ebeam



With a precision of up to one one-hundredth of a millimeter, a tungsten filament is aligned in a cathode.

Strategy

The COMET Group intends to continue its strong growth. Its strategy focuses on new applications, on bringing the Group's strengths together for maximum effect, and on working in close partnership with key accounts.

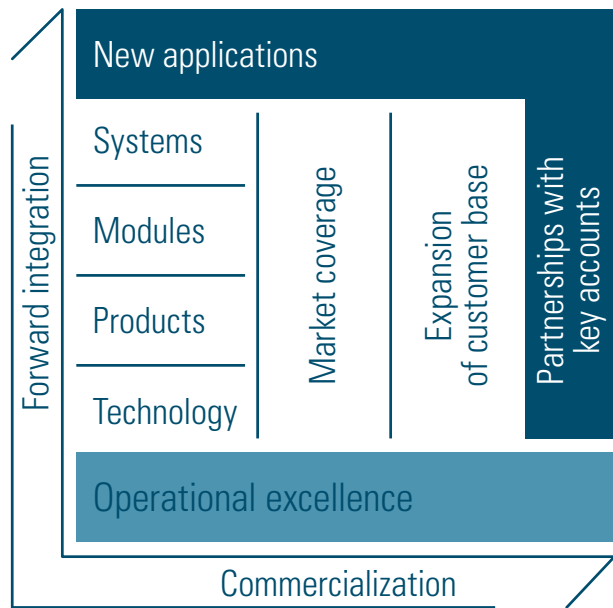
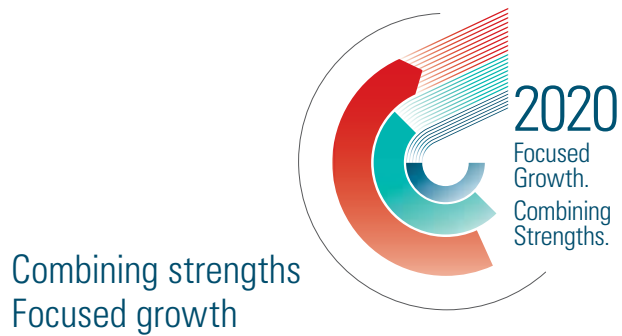
Strategy 2020: Continuing profitable growth

The COMET Group utilizes its high potential by leveraging fast-growing trends: By 2020 it wants to reach sales of about CHF 500 million with an EBITDA margin of 16–18% and aims to raise the value of the company.

Since 2012 the COMET Group has delivered steady, strong growth. Customer relationships were deepened and important development orders won, thus continually generating value-added. With the Strategy 2020, the COMET Group is now sharpening its focus. Building on the existing technologies and the pooling of its strengths, it plans to grow through new applications and by intensifying the collaboration with key customers. The planned growth levers and the improvements in operating efficiency require the strengthening of supply chains as well as additional investment. The Group believes it will nonetheless further increase its company value.

New applications and strong partnerships

Current technological and social trends such as 3D imaging and chip architectures, mobile computing, the Internet of Things (IoT) and the imperatives of security and sustainability create compelling growth opportunities for the COMET Group. With its core technologies of x-ray, radio frequency and ebeam, COMET is ideally equipped to benefit from these trends through new applications. The Group sees a



The Strategy 2020 continues the growth strategy implemented in the period to 2015, but with a heightened focus and combined competencies. The central thrust is growth through new applications and close partnerships with key customers.

Financial targets for 2020	
Sales	EBITDA
2015 CHF 282 MILLION	2015 12.7%
2020 CHF MILLION	2020
~ 500	16–18%



Charles Flückiger
President, XET

Eric Dubuis
CIO

Christoph Bärtschi
CHRO

Ronald Fehlmann
CEO

Markus Portmann
CFO

Stefan Moll
President, IXS

Michael Kammerer
President, PCT

second growth driver in the intensification and expansion of its collaborative partnerships with key accounts like Tetra Pak, Hexagon Manufacturing Intelligence and Bühler.

ebeam and radio frequency as main drivers

In the X-Ray Systems activities, metrology is the foremost new application, while in the X-Ray Modules business, an important growth opportunity is the scanning of hand luggage (carry-on) using new, more powerful technology. However, the Group's greatest growth in the period to 2020 is expect-

ed in the Plasma Control Technologies (PCT) and ebeam Technologies (EBT) businesses. PCT is superbly positioned as a strategic partner to its customers for the fabrication of 3D memory chips, new IoT applications and flexible displays. Its dependable, high-performance control modules allow replicable, rapid processes and thus higher throughputs.

The innovative "blue" ebeam technology, meanwhile, is increasingly perceived as an appealing alternative to conventional technologies. As the world's only vertically integrated pow-

erhouse for low-energy ebeam, the COMET Group is optimally placed to use its direct market access to expand into new applications, such as surface treatments in the furniture, pressure-sensitive adhesive and plastic film markets. There is also high promise in the collaboration with well-known partners like food-processing machinery maker Bühler. The COMET Group thus believes it is ebeam that holds the greatest long-term potential.

COMET Group in 2016 – 2020 at a glance

Segment

Brands

Products

PCT
PLASMA CONTROL TECHNOLOGIES

COMET



IXS
X-RAY SYSTEMS

YXLON



IXM*
INDUSTRIAL X-RAY MODULES

COMET
YXLON



EBT*
EBEAM TECHNOLOGIES

ebeam



*Separate segment since the splitting of the X-Ray & ebeam Technologies (XET) segment on January 1, 2016.

Technology	Industries	Main strategic initiatives to 2020
Radio frequency	<ul style="list-style-type: none"> ▪ Semiconductor ▪ Flat panel ▪ LED & solar ▪ Microelectronics 	<ul style="list-style-type: none"> ▪ Strengthening and expansion of global customer support ▪ Winning new customers and leveraging current trends through innovative solutions
X-ray	<ul style="list-style-type: none"> ▪ Electronics ▪ Aerospace ▪ Automotive (wheels, tires and foundries) ▪ Labs and institutions (R & D) 	<ul style="list-style-type: none"> ▪ Focus on profitable market leadership ▪ Competency build-out in metrology as a new application ▪ Renewal of product port-folio on standardized technology platform
X-ray	<ul style="list-style-type: none"> ▪ Energy ▪ Aerospace ▪ Automotive ▪ Security ▪ Steel mills 	<ul style="list-style-type: none"> ▪ Rollout of new, intelligent generator platform ▪ Opening up new markets through development of iVARIO product line
ebeam	<ul style="list-style-type: none"> ▪ Sterilization ▪ Environmental technology ▪ Curing of inks and adhesives ▪ Cross-linking 	<ul style="list-style-type: none"> ▪ Rollout at Tetra Pak ▪ New applications, such as with Bühler ▪ Regional market expansion (Asia)



The copper parts of a vacuum capacitor, not yet plated with silver, are ready for assembly.

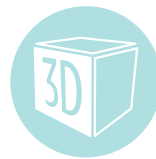
Growth areas to 2020

Internet of Things, 3D technologies, metrology, security, enhancement of surfaces:
With new applications that leverage existing global trends, the COMET Group is driving its strategy forward and tooling up for the next round of strong growth.

New applications to drive success

With new applications for its existing technologies, the COMET Group wants to generate further strong growth in the coming years. Its focus is squarely on global trends – from security inspection, where new demands are continually emerging, to the metrology of increasingly complex components, to radio frequency engineering, where 3D memory chips and the Internet of Things herald the next industrial revolution, all the way to the finishing and enhancement of surfaces using ebeam: The COMET Group is far from reaching the limits of its potential.

Trends



3D

Whether in 3D printing of components, in 3D memory chips or the sterilization of three-dimensional surfaces, the third dimension has universal relevance in manufacturing. The technologies of the COMET Group help industry master the associated challenges of production and quality inspection.



Miniaturization

Fitting more performance into ever smaller packages: Products and components are shrinking, yet becoming more complex. COMET Group technologies help safeguard the quality of products and processes.



Mobile communication

The ability to remotely connect with people or data anywhere, anytime, is now taken for granted, thanks to ever more powerful mobile devices and storage media. Our technologies help manufacturers build these mobile companions and the necessary servers more inexpensively and efficiently.



Reliability, safety and performance

As materials are continually pushed to their limits, dependable processes in production and quality control are becoming more and more important. The technologies of the COMET Group allow extremely small flaws in materials to be detected and processes to be made more competitive.



Eco-friendliness and resource efficiency

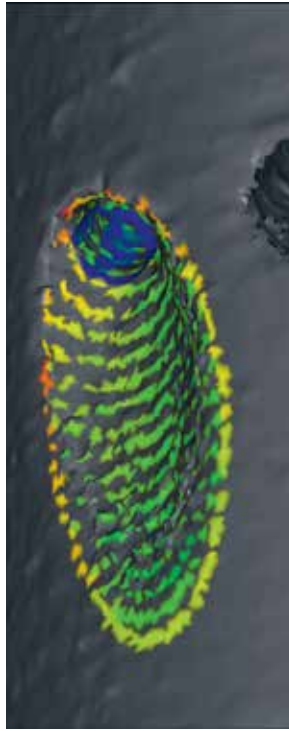
The supply of natural resources is limited. Energy-saving, resource-efficient production processes are therefore inherently necessary. Our technologies help protect the environment and conserve resources.

Growth areas for each segment



PCT PLASMA CONTROL TECHNOLOGIES

Apple Watches, Fitbit wristbands, parking sensors – mobile connectivity between devices has become a fixture of everyday life, and the trend will only keep growing. The Internet of Things is on everyone's lips. The demand for progressively smaller storage media with higher and higher capacity, and ever faster processes for storage fabrication, is greater than ever. For the COMET Group this trend is an attractive opportunity to apply its efficient, reliable RF technology and continue its strong growth.



IXS X-RAY SYSTEMS

With the rise of 3D printing in manufacturing, parts and components are becoming more complex. Checking details precisely and rapidly and measuring designs accurately demands new methods. YXLON has recognized this need. In 2015 the segment forged an alliance with Hexagon, a strong partner, to jointly offer promising metrology solutions in the future.



IXM INDUSTRIAL X-RAY MODULES

The steadily growing need for security is increasing the demand for ever more capable x-ray sources. Here the COMET Group continues to see compelling growth potential: In 2015, the IXM segment already made significant inroads in the Chinese market with new applications for its metal-ceramic modules. The segment plans to expand this technological and business development in the years ahead.



EBT EBEAM TECHNOLOGIES

Sterilization of packaging is only one of many uses for ebeam. The range of possible applications for this environmentally friendly, resource-saving technology is much more extensive. An especially promising area is the enhancement of surfaces: ebeam lends itself to creating tactile textures and visible gloss differentials for surfaces that appear natural – advantages which German company Schattdecor is already exploiting.



Growth to 2020

RF power technology from COMET for the IoT age

Facebook users upload 300 million new photos to the site per day. The video material on YouTube is growing by 300 hours of footage every minute. And every second, 5,800 messages are posted to Twitter worldwide. "The amount of available data has reached astronomic proportions," says Paul Smith, Senior Vice President of Global Product Marketing at COMET Technologies USA. And with the Internet of Things (IoT), this trend will accelerate further. Already today, fitness trackers and smartwatches are everywhere, and more wearables will follow. But the IoT will really take off when, in the coming years, more and more machines of industrial companies "go online". According to a study by VLSI-Research, in 2020 up to 50 billion devices will be connected to the Internet of Things. For the IT industry, this poses a dual challenge: First, ever more efficient storage media are needed. Manufacturers are thus working feverishly on new media, including memory chips based on 3D technologies. Second, with the rise of the IoT, the de-

mand for sensors is also rapidly growing. Both challenges can only be met with the aid of more efficient production processes. Enter COMET: With its innovative radio frequency solutions, the company today is already making a critical contribution to the manufacture of 3D chips. However, much potential also resides in the production of microelectronic components (sensors, MEMS), where the manufacturing systems currently in use are mainly older. Here too, COMET is truly able to offer more value: "Using powerful solutions from COMET, breakdowns and maintenance times in production can be reduced markedly, resulting in efficiency gains of up to 30%," continues Paul Smith. If network users are able to share even more data in the future, COMET will thus have helped make it possible. •



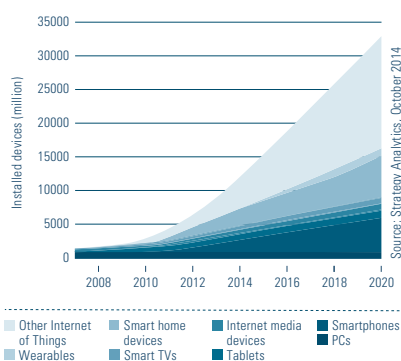


Accelerated processes

15–30%

is the efficiency gain available when manufacturing processes switch from older systems to RF power technology from COMET.

The growing Internet of Things



50 billion devices by 2020

“The Internet of Things is expanding with a velocity that demands new, easy-to-replicate production processes.”

Paul Smith, Senior Vice President, Global Product Marketing, COMET USA

Growth to 2020

Metrology: X-Ray Systems enters new dimensions

Industrial production parts – such as for airplanes and cars – are becoming more and more complex as a result of internal features and organic shapes. This makes them considerably more difficult to inspect and measure. “New production methods like 3D printing permit very intricate internal structures that cannot be measured at all by conventional methods without destroying the inspection piece,” explains Jonathan O’Hare, Global Program Manager for CT Systems at Hexagon Manufacturing Intelligence. In other words, metrology today is reaching its limits as new manufacturing methods and materials are adopted. What can be done? “The answer lies in industrial computed tomography (CT), as already used in non-destructive testing,” says Thomas Wenzel, Technology Expert for CT at the COMET Group. “X-rays enable you to see inside production parts without having to take them apart.” Based on the x-ray data, a computer generates a three-dimensional image of the item to be measured. Any de-

sired variable can then be measured with great accuracy. But CT not only allows non-destructive measurement, it is also markedly faster than other methods. As a result, entire production series can be checked rather than just individual samples. With its powerful YXLON CT solutions, COMET offers exactly what the field of metrology has been missing, as Jonathan O’Hare expands upon: “The strategic partnership between the COMET Group and Hexagon Manufacturing Intelligence follows a clear industrial logic – together, our two companies combine leading measurement software and powerful computed tomography into a new, innovative solution.” The duo is convinced that this unique combination of two industry leaders is the future of metrology. ●



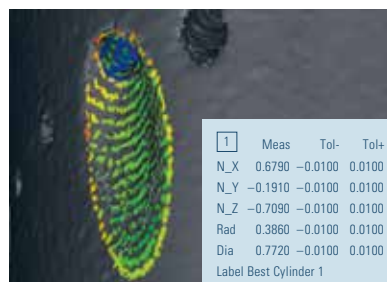


Speed counts

1/2

The combination of YXLON CT and Hexagon measurement software cuts measurement times for turbine blades in half – and thus doubles throughput.

Measurement ideal



3D close-up of a turbine blade cooling hole. The color code shows deviations from the design specs.

Strong together

“Comprehensive data and detailed analysis for the best in manufacturing intelligence – the combination of YXLON CT and Hexagon software makes the difference.”

Jonathan O’Hare, Global Program Manager for CT Systems, Hexagon Manufacturing Intelligence

Growth to 2020

Safe travel thanks to COMET x-ray solutions

Crises and social tensions in our globalized world make security a growing and universal need. Some countries, like China, are setting new standards on this front: "China decided years ago to make all 'pressure points' in its infrastructure as secure as possible – everything from airports and train stations to shopping centers," notes Stephan-Eirik Haferl, General Manager of Industrial X-Ray Technologies at the COMET Group. Today, security precautions are in place everywhere in China. For the longest time, the security technology required for this was imported. But in recent years this has been rethought, and future demand is to be met by the domestic industry. At the same time, the regulatory requirements concerning security have grown steadily more stringent. While freight used to be inspected only on a sampling basis, the intent and regulations are moving toward 100% inspection. This means a sudden manifold increase in the volume of items to be checked. New, high-performance components and devices are needed

to permit a significantly higher throughput than is possible with conventional inspection technology. "China is working in overdrive to replace its often aging systems with the latest generation of equipment," explains Stephan-Eirik Haferl. "Through good business relationships cultivated over years, COMET is in an excellent position to further develop the Chinese market and act as the country's reliable partner for security technology." With its x-ray components and sources, COMET offers customers the most attractive solutions on the market. Of course, the specialists at COMET are already working on the next generation of security innovations, with the consistent aim of making the world a safer place. •





Stricter regulations



Cargo or carry-on – the trend toward more detailed and comprehensive inspection is rising.

Faster screening

“The use of COMET x-ray solutions allows the throughput of security checks to be boosted significantly.”

Stephan-Eirik Haferl, General Manager, Industrial X-Ray Technologies

More people flying

3.3 bln

The world's people take about 3.3 billion plane trips annually, and more fly every year. In 2034, the number of airline passengers is forecast to reach 7 billion.

Growth to 2020

A step closer to nature with ebeam

The advantages of the innovative, blue ebeam technology are as clear as they are convincing: “Lower energy consumption and CO₂ emissions, combined with greater efficiency – when a technology is not only environmentally sustainable but makes good economic sense, that’s a strong argument,” declares Charles Flükiger, President of ebeam Technologies at the COMET Group. What is more, the technology can be integrated in a wide range of different production processes – such as for the sterilization of beverage packaging, the inactivation of dehydrated foods, or improving the properties of food packaging films and foils. “The possibilities are almost endless. We are now making further exciting applications reality”, Charles Flükiger goes on to say. An especially promising area is the enhancement of materials, such as in surface finishing: “The new technology enables us to enhance chemical-physical properties and thus come closer to the look and feel of veneer. On pieces of furniture, the printed and lacquered surfaces are now barely dis-

tinguishable from real wood,” comments Roland Heeger, Chief Technology Officer at Schattdecor AG. With the two-step ebeam lacquer curing process, furniture surfaces receive their authentic look based on printed décor paper. To strengthen its competency in this and other new areas of application, such as the treatment of pressure-sensitive adhesives, COMET last year acquired the Davenport, Iowa-based PCT Engineered Systems. As a result of the acquisition, the Group now supplies not only ebeam lamps for existing production lines but offers complete new systems – and has the right blue solution for every customer requirement. •





Authentic and functional



Décor paper lacquered using ebeam technology.

Rising demand

> 300 mln

In 2015 Schattdecor finished more than 300 million square meters of décor paper with lacquered surfaces – a trend that is growing.

Proven in production

“Thanks to ebeam from COMET, the décor papers we process into furniture surfaces are almost indistinguishable from real wood veneer.”

Roland Heeger, Chief Technology Officer, Schattdecor AG



A pair of variable electrodes being pushed into each other.

COMET Group consolidated financial statements

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	Consolidated statement of comprehensive income
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43	Consolidated statement of changes in equity
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89	Report of the statutory auditor

Consolidated balance sheet

In thousands of CHF	Note	Dec. 31, 2015	%	Dec. 31, 2014	%
Assets					
Cash and cash equivalents		24,295		18,559	
Trade and other receivables	5	44,483		57,233	
Other financial assets	6	25		13	
Tax receivables		0		432	
Inventories	7	65,820		56,621	
Prepaid expenses		3,104		2,003	
Total current assets		137,728	53.9%	134,862	54.8%
Property, plant and equipment	8	58,481		54,658	
Intangible assets	9	50,454		46,469	
Financial assets	6	349		379	
Employee benefit plan assets	16	997		3,084	
Deferred tax assets	11	7,633		6,459	
Total non-current assets		117,914	46.1%	111,049	45.2%
Total assets		255,642	100.0%	245,911	100.0%
Liabilities and shareholders' equity					
Current debt	12	11,287		6,557	
Trade and other payables	13	42,402		33,358	
Other financial liabilities	6	4,177		633	
Tax payables		2,201		4,951	
Accrued expenses	14	10,440		14,296	
Current provisions	15	5,993		6,021	
Total current liabilities		76,499	29.9%	65,816	26.8%
Non-current debt	12	10,749		14,013	
Non-current provisions	15	65		79	
Employee benefit plan liabilities	16	1,795		1,949	
Deferred tax liabilities	11	4,330		4,286	
Total non-current liabilities		16,938	6.7%	20,327	8.3%
Total liabilities		93,438	36.6%	86,143	35.0%
Capital stock	27	7,738		7,721	
Additional paid-in capital		45,615		52,740	
Retained earnings		133,105		118,518	
Foreign currency translation differences		(24,253)		(19,212)	
Total equity attributable to shareholders of COMET Holding AG		162,205	63.4%	159,768	65.0%
Total liabilities and shareholders' equity		255,642	100.0%	245,911	100.0%

Consolidated statement of income

In thousands of CHF	Note	2015	%	2014	%
Net sales	3	282,321		287,895	
Cost of sales		(174,625)		(176,499)	
Gross profit		107,696	38.1%	111,396	38.7%
Other operating income	18	5,539	2.0%	4,649	1.6%
Development expenses	20	(28,922)	-10.2%	(28,941)	-10.1%
Marketing and selling expenses		(38,001)	-13.5%	(39,522)	-13.7%
General and administrative expenses		(20,824)	-7.4%	(17,925)	-6.2%
Operating income		25,488	9.0%	29,655	10.3%
Financing expenses	22	(10,159)	-3.6%	(4,669)	-1.6%
Financing income	22	6,750	2.4%	3,782	1.3%
Income before tax		22,079	7.8%	28,768	10.0%
Income tax	11	(4,973)	-1.8%	(2,492)	-0.9%
Net income		17,106	6.1%	26,277	9.1%
Earnings per share in CHF, diluted and basic	23	22.13		34.07	
Operating income		25,488	9.0%	29,655	10.3%
Amortization	21	2,506	0.9%	2,761	1.0%
EBITA		27,994	9.9%	32,417	11.3%
Depreciation	21	7,724	2.7%	7,349	2.6%
EBITDA		35,718	12.7%	39,765	13.8%

Consolidated statement of comprehensive income

In thousands of CHF	Note	2015	2014	Change	%
Net income		17,106	26,277	(9,170)	-34.9%
Other comprehensive income					
Foreign currency translation differences		(5,042)	1,106	(6,148)	-
Total items that will be reclassified to the income statement on realization		(5,042)	1,106	(6,148)	-
Actuarial (losses) on defined benefit plans	16	(1,825)	(889)	(935)	105.2%
Income tax	11	251	173	77	44.6%
Total items that will not subsequently be reclassified to the income statement		(1,574)	(716)	(858)	119.9%
Total other comprehensive income		(6,615)	391	(7,006)	-
Total comprehensive income		10,491	26,667	(16,176)	-60.7%

Consolidated statement of cash flows

In thousands of CHF	Note	2015	2014
Net income		17,106	26,277
Income tax	11	4,973	2,492
Depreciation and amortization	8/9	10,230	10,110
Interest expense/(income), net	22	1,024	1,190
Share-based payments	28	439	1,409
Losses on disposal of property, plant and equipment		7	86
Other non-cash expense/(income)		1,936	(268)
Change in provisions	15	102	1,395
Change in other working capital		7,724	(4,459)
Interest received		11	21
Taxes paid		(7,881)	(7,694)
Net cash provided by operating activities		35,672	30,560
Purchase price payment for acquisition of subsidiary	4	(8,190)	0
Purchases of property, plant and equipment	8	(11,371)	(9,388)
Purchases of intangible assets	9	(2,486)	(2,871)
Disposals of property, plant and equipment	8	72	179
Net cash used in investing activities		(21,974)	(12,080)
Proceeds from new debt	12	5,809	606
Repayment of debt	12	(4,270)	(12,124)
Interest paid		(745)	(1,233)
Distribution to shareholders of COMET Holding AG		(8,493)	(6,161)
Net cash used in financing activities		(7,699)	(18,912)
Net increase/(decrease) in cash and cash equivalents		5,999	(432)
Foreign currency translation differences on cash and cash equivalents		(261)	778
Cash and cash equivalents at January 1		18,559	18,214
Net cash and cash equivalents at December 31		24,295	18,559

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, 2013	7,701	57,854	92,616	(20,318)	137,852
Net income			26,277		26,277
Other comprehensive income			(716)	1,106	391
Total comprehensive income			25,561	1,106	26,667
Distribution to shareholders of COMET Holding AG		(6,161)			(6,161)
Increase in capital (for stock compensation for 2013)	20	1,048	(1,021)		46
Share-based payments for 2014			1,363		1,363
December 31, 2014	7,721	52,740	118,518	(19,212)	159,768
Net income			17,106		17,106
Other comprehensive income			(1,574)	(5,042)	(6,615)
Total comprehensive income			15,533	(5,042)	10,491
Distribution to shareholders of COMET Holding AG		(8,493)			(8,493)
Increase in capital (for stock compensation)	17	1,367	(1,358)		27
Share-based payments (to be transferred in 2016)			412		412
December 31, 2015	7,738	45,615	133,105	(24,253)	162,205

Notes to the consolidated financial statements

01	Nature of COMET's 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>
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 2015 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, 2015, COMET has applied the following new or revised IFRS/IAS for the first time:</p> <ul style="list-style-type: none"> ■ IAS 19 – Amendments – Employee Contributions ■ Annual Improvements to IFRSs, published December 2013 <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
IAS 1 – Amendments – Disclosure Initiative	(1)	Jan. 1, 2016	Fiscal year 2016
IAS 16 and IAS 38 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation	(1)	Jan. 1, 2016	Fiscal year 2016
IAS 27 – Amendments – Equity Method in Separate Financial Statements	(1)	Jan. 1, 2016	Fiscal year 2016
IFRS 10, IFRS 12, and IAS 28 – Amendment – Investment Entities Consolidation Exception	(1)	Jan. 1, 2016	Fiscal year 2016
IFRS 11 – Amendment – Accounting for Acquisitions of Interests in Joint Operations	(1)	Jan. 1, 2016	Fiscal year 2016
Annual Improvements published September 2014	(1)	Jan. 1, 2016	Fiscal year 2016
IAS 7 – Amendment – Disclosure Initiative	(1)	Jan. 1, 2017	Fiscal year 2017
IAS 12 – Amendment – Recognition of Deferred Tax Assets for Unrealised Losses	(1)	Jan. 1, 2017	Fiscal year 2017
IFRS 9 – Financial Instruments	(1)	Jan. 1, 2018	Fiscal year 2018
IFRS 15 – Revenue from Contracts with Customers	(3)	Jan. 1, 2018	Fiscal year 2018
IFRS 16 – Leases	(2)	Jan. 1, 2019	Fiscal year 2019

- (1) Expected to have no, or no significant, impact on the consolidated financial statements.
- (2) Change in recognition and measurement of leases. The exact impact on the financial statements is still being determined.
- (3) The new revenue recognition model under IFRS 15 can lead to shifts in the timing of revenue recognition, particularly in the Systems business. The standard also requires extensive new disclosures. A transition project under which the impact of IFRS 15 on the Group's significant transactions is being studied was launched in 2015. No information on the extent of the restatement can as yet be provided.

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 could differ from the values presented. The following estimates have the greatest effects on the consolidated financial statements:

- Intangible assets (see note 9 and 10): For acquisitions, the fair value of the acquired net assets (including acquired intangible assets) is estimated. Any amount paid in excess of this estimate represents goodwill. Intangible assets with a finite life are written off over the expected period of use; those with an indefinite life (primarily goodwill and rights to trademarks and names) are not amortized but are tested annually for impairment. Especially in the determination of the value in use of goodwill and rights to trademarks and names, differences between assumed and actual outcomes could lead to revaluations. 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 15): Provisions are recognized only if the specific criteria under IFRS for doing so are met. Provisions represent probable obligations arising from a past event and are established only if their amount can be estimated reliably. Provisions are determined by taking into account all information available at the time of preparation of the financial statements. Nevertheless, adjustments to provisions may be required in subsequent periods, with corresponding effects on income.
- Deferred tax assets (see note 11) are recognized only if it is likely that taxable profits will be earned in the future. Making this determination involves the use of estimates and assumptions, which may later prove incorrect. This can lead to changes with an effect on income.
- Employee benefit plans (see note 16): The Group operates employee benefit plans for its staff that are classified as defined benefit plans under IFRS. These defined benefit plans are valued annually, which requires the use of various assumptions. Departures of actual developments from the assumptions, particularly with respect to the discount rate for future obligations, may have effects on the valuation of plan assets and thus on the financial position of the Group.

Basis of consolidation

The consolidated financial statements comprise the accounts of COMET Holding AG (based at Herrengasse 10, 3175 Flamatt, Switzerland) and of its subsidiaries. Subsidiaries are those companies controlled directly or indirectly by COMET Holding AG through a majority of votes or by other means. The list of companies consolidated in the Group is presented in the notes to the separate financial statements of COMET Holding AG in note 2, "Investments in subsidiaries".

At May 1, 2015, COMET acquired sole ownership of PCT Engineered Systems LLC, Davenport, Iowa, USA. The information on this transaction is provided below in note 4, "Acquisition". The business combination was accounted for by the purchase method. In these consolidated financial statements, the results of PCT Engineered Systems LLC are included for the eight months from May 1 to December 31, 2015.

Method of consolidation

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

Acquisitions and goodwill

Companies are consolidated from the date on which effective control passes to the Group. Consolidation ends only when effective control ceases. On acquisition, the identifiable assets, liabilities and contingent liabilities are remeasured to fair value and included in the accounts using the purchase method. For acquisitions, intangible assets that arise from a contractual or legal right or are separable from the business entity, and whose fair value can be measured reliably, are reported

separately as intangible assets. Goodwill, being the excess of the aggregate consideration transferred over the fair value of the net assets of the acquired subsidiary, is initially measured at cost. If the aggregate consideration transferred is lower than the fair value of the acquired net assets, the difference is recognized as negative goodwill in other operating income at the acquisition date. Goodwill and other intangible assets are allocated on acquisition to those companies expected to benefit from the acquisition or to generate future cash flows as a result of it. When consolidated companies are sold, the difference between their sale price and their net assets, plus accumulated currency translation differences, is recognized as operating income in the consolidated statement of income.

Foreign currency translation

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

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

Foreign currency translation			Dec. 31, 2015	Closing rate		Average rate	
				Dec. 31, 2014	2015	2014	
USA	USD	1	1.001	0.990	0.963	0.915	
Europe	EUR	1	1.087	1.203	1.068	1.215	
China	CNY	1	0.154	0.159	0.153	0.149	
Japan	JPY	100	0.832	0.828	0.796	0.866	
Denmark	DKK	1	0.146	0.162	0.143	0.163	
Republic of Korea	KRW	1,000	0.853	0.909	0.851	0.869	

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 as well as 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 values are measured based on quoted market prices and/or, in the case of derivatives, on the basis of market prices determined by banks. In the fiscal year and the prior year, no hedge accounting under IAS 39 was applied to any hedging transactions. Financial assets are recognized as soon as COMET acquires control of them, and derecognized when COMET 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, 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. Proportionate shares of production overheads are included in inventories.

Revenue recognition

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 in some cases only at the time of customer acceptance of the shipment. Revenue is recognized only if an economic benefit is likely to accrue to the Group and the amount of revenue can be reliably measured. Customer contributions to development projects, including revenue from prototypes, are recorded in other operating income. Interest income is recognized on a time-proportion basis by the effective interest method unless the claim to the interest is in doubt. Dividend income is recognized when the right to receive payment is established.

Assets held for sale and associated liabilities

These are assets, and liabilities associated with such assets, that the Group intends to sell. They are individual balance sheet items or groups of such items. Instruments are reclassified to this category only when management has decided to sell them and the sale appears likely to occur within one year. Measurement is at the lower of past carrying amount or fair value less costs to sell. Assets in this category are no longer depreciated. Income and expenses from discontinued operations are shown separately on the face of the income statement, both in the period under review and the comparative period.

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
Machinery and other equipment	6–10 years
Demonstration equipment	6–10 years
Furniture and leasehold improvements	5 years
Tools	3–5 years
Vehicles	5 years
Computer hardware	3 years

Intangible assets

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

The following estimated useful lives are applied in determining amortization:

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

Provisions

Provisions are recognized only where COMET has a present obligation to a third party arising from a past event and the amount of the obligation can be estimated reliably. Possible losses resulting from future events are not recognized. Provisions for potential restructuring costs are recognized if a detailed plan for the restructuring has been formulated, the costs can be determined reliably and an obligation to incur the costs has been established by contract or communication.

Employee benefits

The COMET Group maintains various employee benefit plans that differ according to the local circumstances of the individual Group companies. The benefit plans are financed by contributions to government pension plans, private sector insurance arrangements or separate legal entities in the form of foundations, or by the accumulation of reserves in the balance sheet of the respective Group company. In the case of defined contribution plans or equivalent arrangements, the expenses accrued in the reporting period represent the agreed contributions of the Group company. For defined benefit plans, the service costs 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. A resulting net obligation is always recognized as a liability. Any resulting net surplus (an asset) is recognized 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 arise from experience adjustments (the differential between previous actuarial assumptions and observed outcomes) and from changes in actuarial assumptions. Actuarial gains and losses are recognized in other comprehensive income.

Share-based payments

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

Length-of-service awards

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

Deferred taxes

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

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

Dividends

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

Leases

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

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

Impairment of non-current assets

The value of property, plant and equipment and other non-current assets, including intangibles, is reviewed whenever it appears possible, as a result of changed circumstances or events, that the assets' carrying amount represents an over-valuation. 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 fair 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 three operating segments described below, which are delineated based on the products and services offered.

- The **X-Ray&ebeam Technologies (XET)** segment develops, manufactures and markets metal ceramic x-ray sources and portable x-ray modules for non-destructive testing and security inspection, as well as ebeam sets and complete ebeam systems for the treatment of surfaces in the food and printing industries.
- The **Plasma Control Technologies (PCT)** segment develops, manufactures and markets vacuum capacitors, RF generators and RF impedance matching networks for the high-precision control of plasma processes required, for instance, in the production of memory chips, flat screens and solar panels.
- The **X-Ray Systems (IXS)** segment develops, manufactures and markets x-ray systems and services for non-destructive testing using x-ray and microfocus technology and computed tomography.

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

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

03.1 Operating segments

Fiscal year 2015

In thousands of CHF

	X-Ray & beam Technologies (XET)	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Elimination of intersegment sales	Corporate	Consolidated
Net sales						
External net sales	70,558	111,949	99,814	0	0	282,321
Intersegment sales	11,040	0	1,555	(12,595)	0	0
Total net sales	81,598	111,949	101,369	(12,595)	0	282,321
Earnings						
Segment operating income	(1,391)	18,583	10,406	(217)	0	27,381
Unallocated costs	0	0	0	0	(1,893)	(1,893)
Operating income	(1,391)	18,583	10,406	(217)	(1,893)	25,488
Financing expenses						(10,159)
Financing income						6,750
Income before tax						22,079
Income tax						(4,973)
Net income						17,106
EBITDA	3,059	21,662	13,106	(217)	(1,893)	35,718
EBITDA in % of sales	3.7%	19.3%	12.9%			12.7%
Assets and liabilities at Dec. 31, 2015						
Segment assets	67,863	75,523	80,299	0	31,957	255,642
Segment liabilities	(25,400)	(7,720)	(30,654)	0	(29,663)	(93,438)
Net assets	42,463	67,803	49,645	0	2,293	162,205
Other segment information						
Capital expenditure	8,879	2,739	2,238	0	0	13,857
Depreciation and amortization	4,450	3,079	2,700	0	0	10,230
Change in provisions	(475)	754	(179)	0	0	101
Other non-cash expense/(income)	313	(343)	593	307	1,051	1,921
Number of employees at year end	405	336	355	0	0	1,095

Fiscal year 2014

In thousands of CHF

	X-Ray & ebeam Technologies (XET)	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Elimination of interseg- ment sales	Corporate	Consolidated
Net sales						
External net sales	58,564	105,759	123,572	0	0	287,895
Intersegment sales	15,523	0	1,124	(16,647)	0	0
Total net sales	74,087	105,759	124,696	(16,647)	0	287,895
Earnings						
Segment operating income	3,992	15,010	12,646	(436)	0	31,212
Unallocated costs	0	0	0	0	(1,557)	(1,557)
Operating income	3,992	15,010	12,646	(436)	(1,557)	29,655
Financing expenses						(4,669)
Financing income						3,782
Income before tax						28,768
Income tax						(2,492)
Net income						26,277
EBITDA	7,327	18,316	16,115	(436)	(1,557)	39,765
EBITDA in % of sales	9.9%	17.3%	12.9%			13.8%
Assets and liabilities at Dec. 31, 2014						
Segment assets	66,632	63,455	90,353	0	25,471	245,911
Segment liabilities	(11,989)	(15,619)	(27,180)	0	(31,354)	(86,143)
Net assets	54,643	47,835	63,173	0	(5,883)	159,768
Other segment information						
Capital expenditure	4,950	2,065	5,245	0	0	12,259
Depreciation and amortization	3,335	3,307	3,469	0	0	10,110
Change in provisions	405	726	276	0	(11)	1,395
Other non-cash expense/(income)	(272)	(590)	(20)	436	178	(268)
Number of employees at year end	298	333	355	0	0	986

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	2015	2014
Operating segments' assets	223,685	220,440
Total cash and cash equivalents	24,295	18,559
Derivatives used for foreign exchange hedging	25	13
Tax receivables	0	432
Deferred tax assets	7,633	6,459
COMET Holding AG's receivables from 3rd parties	3	7
Total assets	255,642	245,911
Operating segments' liabilities	(63,774)	(54,788)
Current and non-current debt	(22,036)	(20,570)
Derivatives used for foreign exchange hedging	(320)	(633)
Tax payables	(2,201)	(4,951)
Deferred tax liabilities	(4,330)	(4,286)
COMET Holding AG's payables to 3rd parties	(777)	(914)
Total liabilities	(93,438)	(86,143)

03.2 Geographic information

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

Net sales by region

In thousands of CHF	2015	2014
Switzerland	3,396	3,015
Germany	27,435	27,830
Rest of Europe	37,883	40,692
Total Europe	68,714	71,537
Total USA	105,316	102,859
China	49,415	57,117
Japan	14,714	17,932
Rest of Asia	30,240	25,997
Total Asia	94,368	101,046
Rest of world	13,923	12,453
Total	282,321	287,895

Non-current assets by region

In thousands of CHF	2015	2014
Switzerland	57,569	52,425
Germany	35,211	39,911
USA	13,568	6,050
Rest of world	2,587	2,741
Total	108,935	101,127

03.3 Sales with key accounts

In the year under review, the Plasma Control Technologies segment recorded sales of CHF 56.9 million with its largest customer, which represented 20.1% of Group sales (prior year: CHF 50.4 million and 17.5%, respectively).

04 Acquisitions

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

04.1 Acquired net assets

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

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

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

The purchase price allocation – the measurement of the assets and liabilities at the acquisition date – is final and will thus not be further adjusted later.

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

The gross amount of the acquired trade receivables was CHF 1,521 thousand and their fair value was CHF 1,503 thousand. All receivables are expected to be recoverable.

04.2 Purchase price

The non-contingent portion of the purchase price was paid in cash and the deferred, contingent consideration is also payable entirely in cash.

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

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

04.3 Effects on consolidated results

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

04.4 Transaction costs

The transaction costs of CHF 0.6 million incurred were recognized in general and administrative expenses and are included in operating income of the X-Ray & ebeam Technologies segment.

05 Trade and other receivables

In thousands of CHF	2015	2014
Trade receivables, gross	41,201	50,803
Provision for doubtful accounts	(1,157)	(1,377)
Trade receivables, net	40,043	49,426
Refundable sales taxes and value-added taxes	1,716	3,242
Prepayments to suppliers	1,844	2,354
Sundry receivables	880	2,211
Total other receivables	4,440	7,807
Total trade and other receivables	44,483	57,233

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	2015	2014
January 1	1,377	892
Used	0	(8)
Added	316	518
Released	(464)	(73)
Foreign currency translation differences	(71)	48
December 31	1,157	1,377

At the balance sheet date, full impairment was recognized and provided on CHF 810 thousand (prior year: CHF 534 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	2015	2014
Trade receivables, net	40,043	49,426
Not past due, no impairment provided	30,076	39,095
Total past due with impairment partly provided, net	9,967	10,331
1–30 days past due, impairment partly provided, net	5,403	5,778
30–60 days past due, impairment partly provided, net	1,698	1,729
Over 60 days past due, impairment partly provided, net	2,866	2,824

06 Other financial assets and liabilities

06.1 Other financial assets

In thousands of CHF	2015	2014
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	25	13
Total other financial assets at fair value through profit or loss	25	13
Loans and receivables		
Other non-current financial assets	349	379
Total loans and receivables	349	379
Total other financial assets	374	392
Total current	25	13
Total non-current	349	379

06.2 Other financial liabilities

In thousands of CHF	2015	2014
Other financial liabilities		
Derivatives used for foreign exchange hedging	320	633
Liability for contingent consideration	3,857	0
Total other financial liabilities	4,177	633

06.3 Derivative financial instruments

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

In thousands of CHF	2015	2014
USD forward exchange contracts		
Contract amounts	14,713	13,073
Positive fair values	25	0
Negative fair values	268	631
JPY forward exchange contracts		
Contract amounts	1,846	482
Positive fair values	0	13
Negative fair values	52	2

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

07 Inventories

In thousands of CHF	2015	2014
Raw materials and semi-finished products	32,566	34,619
Work in process	16,311	10,244
Finished goods	16,943	11,758
Total inventories	65,820	56,621

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 2.2 million (prior year: CHF 1.9 million).

08 Property, plant and equipment

Fiscal year 2015

In thousands of CHF

	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
Cost				
January 1, 2015	51,176	63,984	12,699	127,860
Acquisition of a subsidiary	0	1,229	262	1,491
Additions	2,107	5,392	3,871	11,371
Disposals	0	(1,222)	(1,262)	(2,484)
Foreign currency translation differences	(57)	(384)	(478)	(919)
December 31, 2015	53,226	68,999	15,093	137,318
Accumulated depreciation				
January 1, 2015	20,078	45,937	7,186	73,202
Additions	1,681	4,342	1,701	7,724
Disposals	0	(1,078)	(501)	(1,579)
Foreign currency translation differences	(17)	(230)	(261)	(509)
December 31, 2015	21,742	48,971	8,125	78,837
Carrying amount				
January 1, 2015	31,098	18,047	5,513	54,658
December 31, 2015	31,485	20,028	6,968	58,481

In the year under review, the disposals of other tangible assets included the reclassification of CHF 826 thousand of internally produced demonstration equipment in the X-Ray Systems segment to inventories, which did not result in an outflow of funds. The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 410 thousand. Assets under construction in the amount of CHF 2,648 thousand were included in real estate, CHF 1,687 thousand were included in plant and equipment and CHF 1,584 thousand were included in other tangible assets.

Fiscal year 2014

In thousands of CHF

	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
Cost				
January 1, 2014	50,624	58,625	14,347	123,595
Additions	564	7,163	1,661	9,388
Disposals	0	(2,420)	(3,595)	(6,015)
Foreign currency translation differences	(11)	616	286	891
December 31, 2014	51,176	63,984	12,699	127,860
Accumulated depreciation				
January 1, 2014	18,393	43,549	6,505	68,447
Additions	1,688	3,908	1,753	7,349
Disposals	0	(1,839)	(1,193)	(3,032)
Foreign currency translation differences	(3)	319	121	437
December 31, 2014	20,078	45,937	7,186	73,202
Carrying amount				
January 1, 2014	32,231	15,076	7,842	55,148
December 31, 2014	31,098	18,047	5,513	54,658

In the prior year, the disposals of other tangible assets included the reclassification of CHF 2,718 thousand of internally produced demonstration equipment in the X-Ray Systems segment to inventories, which did not result in an outflow of funds. The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 574 thousand. Assets under construction in the amount of CHF 541 thousand were included in real estate, CHF 1,502 thousand were included in plant and equipment and CHF 135 thousand were included in other tangible assets.

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

In thousands of CHF	2015	2014
Carrying amount of pledged real estate	28,502	30,132
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	13,500	17,000

09 Intangible assets

Fiscal year 2015

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

Fiscal year 2014

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2014	30,310	24,861	2,210	10,379	39	67,798
Additions	0	0	0	2,871	0	2,871
Disposals	0	0	0	(165)	0	(165)
Foreign currency translation differences	(434)	35	(41)	(22)	(1)	(463)
December 31, 2014	29,876	24,896	2,169	13,063	39	70,042
Accumulated amortization						
January 1, 2014	0	13,092	516	7,277	23	20,907
Additions	0	1,527	219	1,012	4	2,761
Disposals	0	0	0	(165)	0	(165)
Foreign currency translation differences	0	73	(12)	9	0	70
December 31, 2014	0	14,691	723	8,133	27	23,573
Carrying amount						
January 1, 2014	30,310	11,769	1,694	3,102	16	46,892
December 31, 2014	29,876	10,205	1,446	4,931	12	46,469

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 from one to nine years.

Under a long-term multi-brand strategy, the well-established YXLON name is used alongside the COMET brand. COMET therefore deems the capitalized YXLON brand to have an indefinite useful life.

In the year under review, in the X-Ray Systems segment, CHF 1,024 thousand of internal development work on the new software platform for the systems was capitalized (prior year: CHF 2,341 thousand).

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

The impairment test for goodwill and other intangible assets with indefinite useful lives was performed as at September 30, 2015. 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:

- X-Ray&ebeam Technologies, for the generator business acquired as part of the acquisition of YXLON.
- X-Ray Systems, 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.

The impairment test is based on the value in use method. The recoverable amount was determined from the present value of the future cash flows (DCF valuation). The calculations are based on the Board-approved rolling forecast and on the Board-approved rolling medium-term plan for 2016 to 2020. 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 X-Ray&ebeam Technologies segment's generator business. Input variables with a critical impact on the outcome of the impairment test are the assumed rates of sales growth and the projected trend in operating income.

	X-Ray Systems CGU		X-Ray & ebeam Technologies CGU		Total	
	2015	2014	2015	2014	2015	2014
In thousands of CHF						
Goodwill	18,621	20,597	6,873	6,873	25,494	27,470
Trademarks (YXLON)	2,175	2,406	0	0	2,175	2,406
Total carrying amount	20,795	23,002	6,873	6,873	27,669	29,876

	X-Ray Systems CGU		X-Ray & ebeam Technologies CGU	
	2015	2014	2015	2014
Discount rate (WACC) before tax	12.7%	12.7%	12.1%	12.2%
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 (2016 to 2020):

- Growth assumptions: Sales revenue is projected by product group and region. Based on the stable situation of 2015 as the starting point, the average annual rate of sales growth is assumed to be 9% (prior year: 9%).
- Gross margins: It is expected that with rising sales, gross margins will average approximately 45% in the medium term (prior year: 41%). 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 2015 exchange rates.
- Discount rate (WACC): The capital costs were determined based on borrowing costs (before tax) as well as the long-term risk-free rate, a small-cap premium, and a market risk premium weighted by a COMET-specific beta factor.

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

11 Income tax

11.1 Current and deferred income tax expense

In thousands of CHF	2015	2014
Current income tax expense in respect of the current year	5,204	7,181
Current income tax expense in respect of prior years	374	18
Deferred income tax (credit)	(605)	(4,708)
Total income tax expense	4,973	2,492

11.2 Reconciliation of tax expense

In thousands of CHF	2015	2014
Income before tax	22,079	28,768
Expected income tax at base tax rate of 28% (prior year: 28%)	6,182	8,055
Effect of tax rates other than base tax rate	487	162
Effect of tax exemption by canton of Fribourg	(541)	(211)
Effect of non-tax-deductible expenses	58	112
Effect of change in tax rate on deferred income tax	(201)	29
Effect of non-recognition of tax loss carryforwards	71	246
Effect of recognition of previously unrecognized tax loss carryforwards and of tax credits for R&D	(1,845)	(6,143)
Effect of income tax from other periods	374	18
Effect of non-refundable withholding tax	345	195
Other effects	43	29
Income tax reported in the income statement	4,973	2,492
Effective income tax rate in % of income before tax	22.5%	8.7%

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 from 2013 to 2022. For 2015 the tax reduction amounted to 50% (prior year: 30%). The level of the tax reduction is tied to the Group's maintaining a certain level of activity at the Flamatt location. The tax reduction can be either 0%, 30% or a maximum of 50%, depending on fulfilment of the attached conditions.

11.3 Deferred tax assets and liabilities

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

In thousands of CHF	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Financial instruments*	711	8	533	89
Inventories	2,741	513	3,341	340
Property, plant and equipment	226	166	197	167
Intangible assets	124	4,570	2	5,525
Employee benefit plan assets	0	144	0	524
Trade and other payables	347	112	33	1
Accrued expenses	1,149	20	791	0
Provisions	760	1	422	2
Employee benefit plan liabilities	8	32	0	44
Other	324	1	119	5
Tax loss carryforwards, incl. tax credits for R&D	2,481	0	3,432	0
Total gross deferred tax of Group companies	8,870	5,567	8,870	6,697
Netting of deferred tax by Group companies	(1,237)	(1,237)	(2,411)	(2,411)
Amounts in the consolidated balance sheet	7,633	4,330	6,459	4,286

* Financial instruments were previously included in "Other" (2014 adjusted to new presentation).

The deferred tax assets and liabilities were measured at local tax rates, ranging from 15% to 39%. No deferred tax liabilities were established for temporary differences of CHF 50.4 million (prior year: CHF 47.5 million) in respect of the value of the ownership interests in Group companies. Distributions of retained earnings by subsidiaries are not expected to have an effect on income taxes, except for future distributions from China. There were no tax provisions for non-refundable withholding taxes on future distributions of foreign subsidiaries to COMET Holding AG. Distributions by COMET Holding AG to its shareholders have no effect on the reported or future income taxes.

11.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2015	2014
Net asset / (liability) at January 1	2,173	(3,155)
Origination and reversal of temporary differences recognized in the income statement	1,689	1,691
Recognition of deferred tax assets on loss carryforwards	0	3,016
Use of tax loss carryforwards	(1,084)	0
Deferred tax credit in the income statement	605	4,708
Origination and reversal of temporary differences recognized in other comprehensive income	251	173
Foreign currency translation differences	275	447
Net asset at December 31	3,303	2,173

11.5 Unrecognized tax assets

Deferred tax assets, including tax loss carryforwards and expected tax credits, are recognized only if it is likely that future taxable profits will be available to which these deferred tax assets can be applied. Temporary differences (between the IFRS financial statements and the corresponding tax base) for which no tax assets were recognized were CHF 0.3 million (prior year: CHF 0.3 million). In addition, there were tax loss carryforwards on which no deferred tax assets were recognized, as presented in the following overview.

In thousands of CHF	2015		2014	
	Loss carryforwards	Potential tax asset	Loss carryforwards	Potential tax asset
Within one year	0	0	0	0
In two to five years	0	0	0	0
In more than five years	2,375	534	4,349	1,000
Total	2,375	534	4,349	1,000

12 Current and long-term debt

12.1 Current debt

In thousands of CHF	2015	2014
Bank borrowings with original maturities of less than twelve months	8,119	621
Current obligations under finance leases	168	186
Current portion of long-term debt	3,000	5,750
Total current debt	11,287	6,557

At the end of the fiscal year under review the COMET Group had undrawn credit facilities of CHF 23.1 million (prior year: CHF 33.7 million).

12.2 Long-term debt

The long-term debt consisted of mortgage loans in respect of the company's premises in Flamatt, Switzerland. In the year under review, all interest and principal payments were made as contractually agreed. The financial covenants with banks were adhered to as of December 31, 2015.

In thousands of CHF	2015	2014
Repayment due in two to five years	10,795	11,107
Repayment due in more than five years	0	3,000
Subtotal	10,795	14,107
Future amortization of costs	(46)	(94)
Total long-term debt	10,749	14,013

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

12.3 Finance lease obligations

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

In thousands of CHF	2015	2014
Due within one year	168	186
Due in two to five years	294	512
Due in more than five years	0	0
Total payment obligations	462	698
Less interest component	(46)	(94)
Total finance lease obligations	416	603

13 Trade and other payables

In thousands of CHF	2015	2014
Trade payables	14,211	17,562
Sundry payables	3,073	3,320
Sales commissions	3,037	3,607
Total financial liabilities	20,321	24,489
Sales tax and value-added tax	927	538
Prepayments by customers	21,154	8,332
Total other payables	22,081	8,870
Total trade and other payables	42,402	33,358

14 Accrued expenses

In thousands of CHF	2015	2014
Accrued staff costs	4,896	9,088
Other accrued expenses	5,544	5,208
Total accrued expenses	10,440	14,296

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

15 Provisions

Fiscal year 2015

In thousands of CHF

	Warranties	Other provisions	Total provisions
January 1, 2015	5,855	245	6,100
Acquisition of a subsidiary	66	0	66
Added	1,310	149	1,459
Used	(925)	(95)	(1,020)
Released	(288)	(49)	(337)
Foreign currency translation differences	(200)	(8)	(209)
December 31, 2015	5,817	241	6,058
Of which:			
Current provisions	5,817	176	5,993
Non-current provisions	0	65	65

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

16 Employee benefits

16.1 Defined benefit plans

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

Switzerland

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

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

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

Germany

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

Principal actuarial assumptions

	Switzerland		Germany	
	2015	2014	2015	2014
Discount rate at January 1	1.2%	1.8%	2.3%	3.0%
Discount rate at December 31	0.7%	1.2%	2.0%	2.3%
Expected rate of salary increases	1.0%	1.0%	–	–
Mortality tables	BVG 2010 GT	BVG 2010 GT	Heubeck 2005 GT	Heubeck 2005 GT

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

Fiscal year 2015

In thousands of CHF

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

The average duration of the defined benefit obligation was 13.4 years.

Fiscal year 2014

In thousands of CHF

	Present value of defined benefit obligation	Fair value of plan assets	Effect of asset ceiling under IAS 19.57(b)	Net carrying amount recognized in balance sheet
January 1	(41,619)	45,251	(781)	2,851
Current service cost	(1,818)	0	0	(1,818)
Interest (expense)/income	(809)	865	(14)	41
Defined benefit cost recognized in profit or loss	(2,627)	865	(14)	(1,777)
Return on plan assets, excluding interest income	0	1,893	0	1,893
Actuarial loss arising from changes in financial assumptions	(2,163)	0	0	(2,163)
Actuarial gain arising from experience adjustments	(1,414)	0	795	(619)
Defined benefit cost recognized in other comprehensive income	(3,578)	1,893	795	(889)
Benefits paid-in/deposited	34	(23)		11
Employee contributions	(1,424)	1,424		-
Employer contributions	0	1,946		1,946
Foreign currency translation differences	48	(31)		17
December 31	(49,167)	51,326	0	2,159
Reported as an asset				3,084
Reported as a liability				(925)

Key figures by country

In thousands of CHF	Switzerland		Germany	
	2015	2014	2015	2014
Present value of defined benefit obligation	(55,150)	(46,667)	(2,014)	(2,500)
Fair value of plan assets	56,148	49,751	1,311	1,575
Net carrying amount recognized in balance sheet	997	3,084	(702)	(925)
Defined benefit (cost)/gain recognized in profit or loss	(2,314)	(1,869)	36	92
Defined benefit (cost)/gain recognized in other comprehensive income	(1,896)	(743)	71	(146)

The employer contributions to the plans in Switzerland for fiscal year 2016 are expected to amount to CHF 2,184 thousand.

Major categories of plan assets

In thousands of CHF	2015	2014
Cash and cash equivalents	4,863	6,371
Equity instruments	13,909	13,636
Debt instruments	28,649	22,868
Real estate	8,726	6,877
Total plan assets at fair value (quoted market price)	56,148	49,751
Other assets	1,311	1,575
Total non-quoted market price	1,311	1,575
Total plan assets	57,459	51,326

COMET does not utilize any real estate held by the employee benefit plans.

Sensitivity analysis

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

In thousands of CHF	Switzerland		Germany	
	2015	2014	2015	2014
Discount rate: 0.25% decrease	57,087	48,154	2,075	2,585
Discount rate: 0.25% increase	53,346	45,269	1,941	2,419
Salaries: 0.25% decrease	54,998	46,458	2,006	2,500
Salaries: 0.25% increase	55,293	46,836	2,006	2,500
Life expectancy: 1-year increase	55,647	47,046	2,088	2,579
Life expectancy: 1-year decrease	54,656	46,287	1,924	2,419

16.2 Defined contribution plans The contributions paid to defined contribution plans in the fiscal year amounted to CHF 3,875 thousand (prior year: CHF 2,753 thousand).

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

In thousands of CHF	2015	2014
Provision at January 1	1,024	856
Current service cost	181	164
Interest cost	15	20
Benefits paid	(144)	(77)
Actuarial losses	59	66
Foreign currency translation differences	(42)	(5)
Provision at December 31	1,093	1,024

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

18 Other operating income

In thousands of CHF	2015	2014
Customers' contributions to development projects	3,094	2,704
Government grants	124	337
Revenue from sale of prototypes	2,257	1,587
Miscellaneous income	64	21
Total other operating income	5,539	4,649

19 Staff costs and staff count

19.1 Staff costs

In thousands of CHF	2015	2014
Wages and salaries	83,854	83,601
Employee benefits	14,181	12,954
Total staff costs	98,035	96,555

19.2 Staff count

	2015	2014
Number of employees (year-end)	1,095	986
Average full-time equivalents during the year	1,014	909

20 Development expenses

Development expenses comprise the costs of new-product development, improvement of existing products, and process engineering. The COMET Group's development activities focus on the fields of vacuum technology, high voltage engineering and material science, and on the core products of x-ray sources and vacuum capacitors. 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 the year under review, in the X-Ray Systems segment, CHF 1,024 thousand of internal development work on the new software platform for the systems was capitalized (prior year: CHF 2,341 thousand). This software development was completed in 2015.

21 Amortization and depreciation

In thousands of CHF	2015	2014
Amortization	2,506	2,761
Depreciation	7,724	7,349
Total amortization and depreciation	10,230	10,110

22 Financing income and expenses

In thousands of CHF	2015	2014
Interest expense	1,036	1,211
Losses on derivatives used for currency hedging	1,445	1,448
Foreign currency translation losses	7,677	2,009
Total financing expenses	10,159	4,669

In thousands of CHF	2015	2014
Interest income	11	21
Gains on derivatives used for currency hedging	459	1,263
Foreign currency translation gains	6,279	2,498
Total financing income	6,750	3,782

In thousands of CHF	2015	2014
Net interest expense	1,024	1,190
Net foreign currency translation losses/(gains)	2,384	(303)

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

23 Earnings per share

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

	2015	2014
Weighted average number of shares outstanding	773,078	771,237
Net income in thousands of CHF	17,106	26,277
Net income per share in CHF, diluted and basic	22.13	34.07

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

24 Off-balance sheet transactions**24.1 Contingent liabilities**

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

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

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

24.2 Other off-balance sheet obligations

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

In thousands of CHF	2015	2014
Due within one year	3,245	3,036
Due within two to five years	4,292	5,546
Due in more than five years	-	24
Total payment obligations	7,538	8,606

The payment obligations arise from off-balance sheet operating leases for business premises and for road vehicles, office equipment and similar assets. The expense recognized in the fiscal year for operating leases was CHF 3,583 thousand (prior year: CHF 3,559 thousand).

25 Financial instruments

25.1 Classes of financial instruments

Fiscal year 2015

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

* The carrying amount approximates fair value.

There were no available-for-sale financial assets or held-to-maturity investments. IFRS require all financial instruments which are held at fair value, and all reported fair values, to be categorized into three classes (or "levels") according to whether the fair values are based on quoted prices in active markets (Level 1), on models using other observable market data (Level 2), or on models using unobservable inputs (Level 3). The only financial instruments recognized at fair value by COMET were derivatives held for currency hedging and the liability for contingent con-

sideration for the acquisition of PCT Engineered Systems LLC. The measurement of the derivatives falls into Level 2 and the measurement of the liability for contingent consideration represents Level 3 of the fair value measurement hierarchy under IFRS 13.

Fiscal year 2014

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		18,559			*
Trade and other receivables		49,426			*
Derivatives	13				13
Financial assets		379			*
Current debt				6,557	6,675
Trade and other payables				24,489	*
Derivatives			633		633
Long-term debt (fixed rate)				14,013	15,408
Interest income/(expense)	0	21	0	(1,211)	
Gain/(loss) on derivatives	1,263	0	(1,448)	0	
Change in provisions for doubtful accounts and in losses on trade receivables		(445)			
Total net gain / (loss) recognized in the income statement	1,263	(424)	(1,448)	(1,211)	

* The carrying amount approximates fair value.

The deferred consideration specified in the purchase agreement for PCT Engineered Systems LLC, Davenport, Iowa, USA is contingent on the achievement of certain threshold values related to new orders booked over a period of twelve months after the acquisition. Depending on the actual new orders booked from May 1, 2015 to April 30, 2016 and the budget margins achieved for them, a further consideration of between USD 0 and USD 8 million will become payable.

The unobservable material inputs used in the valuation were the probability of the expected new orders; the resulting contingent consideration, for which a range of USD 2.0 million to USD 5.0 million was assumed; and the discount rate of 11.3%.

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

In thousands of CHF	Liability for contingent consideration
Fair value at acquisition date	2,028
Unrealized fair value adjustment July to December 2015 *	1,482
Effect of foreign exchange and unwinding of discount	347
Liability at December 31, 2015	3,857

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

25.2 Fair values of financial instruments

The only differences between fair values and carrying amounts occurred in fixed-rate long-term debt. Fair values are determined by discounting the future cash flows at the interest rate prevailing at the year-end. The interest rate spreads used are those of the most recently obtained or refinanced loans.

26 Management of financial risks

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

26.1 Capital management

The primary goal of capital management is to manage equity 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	2015	2014
Current debt	11,287	6,557
+ Long-term debt	10,749	14,013
./. Cash and cash equivalents	24,295	18,559
Net debt	(2,259)	2,010
EBITDA	35,718	39,765
Debt ratio (net debt in relation to EBITDA)	(0.1)	0.1
Shareholders' equity	162,205	159,768
Equity ratio (equity in % of total assets)	63.4%	65.0%

26.2 Risks in connection with financial instruments

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

26.2.1 Market risk

Market risk is the risk of changes in the price of financial assets, in currency exchange rates, interest rates and the price of exchange-traded commodities. As a manufacturer, COMET is inherently exposed to commodity price risks (for example, with respect to 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 X-Ray&ebeam Technologies segment and the 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 2015

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

Fiscal year 2014

	Increase in exchange rate in %	Effect on income before tax in thousands of CHF	Effect on equity in thousands of CHF
EUR/CHF	+ 10	+3,616	+3,685
USD/CHF	+ 10	+1,342	+967

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 a high proportion of the loans of the COMET Group carry fixed rates of interest, movements in market interest rates have no material 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 a direct effect on the carrying amounts of the loans, nor therefore on income before tax or on equity. The fair values of long-term debt based on the current interest rate situation are presented on an indicative basis in note 25.1.

26.2.2 Credit risk

Credit risk is the risk that a counterparty will not be willing or able to meet its obligations. To mitigate this risk, COMET deals with multiple well-established banks and spreads 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 centrally determined. The following table shows the amounts held at the four most important counterparties at the balance sheet date:

In thousands of CHF	Rating *	2015	2014	
		Balance	Rating *	Balance
Bank A	BBB+	3,062	A	4,122
Bank B	BBB-	7,144	A	2,267
Bank C	A	3,489	A	5,271
Bank D	A-	4,326	A	3,234
Other counterparties		6,273		3,666
Total bank deposits		24,295		18,559

* Long-term credit rating from Standard & Poor'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 market and customer. The credit limits and payments received are monitored for each customer by the individual Group companies and the resulting information is made available to Group management in the form of monthly special reports. Appropriate allowance for expected risk of default is made through the provision for doubtful accounts. Receivables are written off only when payment is highly unlikely to be forthcoming. Detailed information on the provision for doubtful accounts and its movement in the year can be found in note 5.

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

26.2.3 Liquidity risk

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

Fiscal year 2015

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

Fiscal year 2014

In thousands of CHF	Carrying amount	Payments due by period			
		Total	In 2015	2016–2019	After 2019
Current and long-term debt	20,570	22,130	6,682	12,346	3,102
Trade and other payables	24,489	24,489	24,489	0	0
Derivatives (negative fair values)	633	633	633	0	0
Total	45,692	47,252	31,804	12,346	3,102

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

The key assumptions of the above summary of payment obligations are:

- For variable-rate debt, the interest rates at the balance sheet date are used
- All amounts denominated in foreign currencies are translated at the rate prevailing at the balance sheet date
- The maturity date used is the earliest possible

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

27 Capital structure and shareholders

Capital stock

The capital stock at January 1, 2015 was CHF 7,720,660, divided into 772,066 registered shares with a par value of CHF 10 per share. During fiscal year 2015 the capital stock was increased by 1,735 shares from the portion of authorized capital designated for equity compensation. Including the increase of 1,735 shares from this portion of authorized capital, COMET Holding AG at December 31, 2015 thus had CHF 7,738,010 of capital stock, divided into 773,801 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 13, 2015 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.

	2015		2014	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	772,066	7,720,660	770,088	7,700,880
Increase in capital from the portion of authorized capital designated for equity compensation	1,735	17,350	1,978	19,780
December 31	773,801	7,738,010	772,066	7,720,660

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

Authorized capital for equity compensation

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

In April 2015, under profit-sharing compensation for 2014, the Board of Directors of COMET Holding AG and the Executive Committee of the COMET Group were granted a total of 1,651 shares of stock. In addition, the members of the Board of Directors were granted a total of 84 shares in payment of retainers due for the period from January 1, 2015 to the 2015 Annual Shareholder Meeting. As a result of these grants of a total of 1,735 shares during the year under review, the Company's unissued authorized capital for equity compensation showed the following movement:

	2015		2014	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	24,246	242,460	26,224	262,240
Increase in capital in the fiscal year (award to Board of Directors and Executive Committee for retainers due and for prior year's profit-sharing compensation)	(1,735)	(17,350)	(1,978)	(19,780)
December 31	22,511	225,110	24,246	242,460

Authorized capital for other capital increases

The Company had no other unissued authorized capital (in German: "genehmigtes Kapital") at December 31, 2015, i.e., no unissued capital authorized for purposes other than equity compensation.

27.1 Significant shareholders

At December 31, 2015 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
Garlito B.V., Amsterdam		5.09%
Artisan Partners Limited Partnership, Milwaukee, USA	Eric R. Colson Charles J. Daley Gregory K. Ramirez	5.08%
Pictet Asset Management SA (Direction de Fonds)	PICTET (CH) SWISS MID SMALL CAP	5.04%
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	5.01%
BlackRock Inc.	BlackRock Advisors (UK) Limited BlackRock Asset Management Canada Limited BlackRock Asset Management Schweiz AG BlackRock Fund Advisors BlackRock Fund Managers Limited BlackRock Institutional Trust Company, National Association BlackRock International Limited BlackRock Investment Management (UK) Limited BlackRock (Luxembourg) SA	4.98%
Credit Suisse Funds AG		3.21%
BlackRock Asset Management Schweiz AG	BlackRock Global Funds - Swiss Small & MidCap Opportunities Fund, Zurich	3.04%

The Company has not been notified of and is not aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

28 Share-based payments**Main elements of the compensation system**

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

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

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

Compensation of the Board of Directors

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

Compensation of the Executive Committee

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

Calculation of grant price for share awards

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

Expenses recorded

The expense recognized for share-based payments in the year under review was CHF 480 thousand (prior year: CHF 1,363 thousand). The amount consisted of CHF 67 thousand for shares already awarded to the Board of Directors in 2015 (84 shares at a quoted market price of CHF 806 per share) and CHF 413 thousand for shares earned in 2015 by the Board and Executive Committee that will not be awarded until 2016.

29 Compensation of the Board of Directors and Executive Committee

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

In thousands of CHF	2015	2014
Cash compensation, including short-term employee benefits	2,823	2,992
Contributions to post-employment benefit arrangements	339	293
Expense for share-based payments	492	1,318
Total compensation	3,654	4,604

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner, based in Berne, Fribourg and Geneva, invoiced services in the amount of CHF 30,600 (prior year: CHF 36,500). Hans Leonz Notter is a partner at this firm, whose members provide legal advice and other legal services to the COMET Group.

30 Events after the balance sheet date

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

31 Proposed distribution to shareholders

The Board of Directors will propose at the Annual Shareholder Meeting to pay a distribution of CHF 11.00 per share (prior year: CHF 11.00) to shareholders from distributable paid-in capital. The total amount of the proposed distribution is CHF 8,512 thousand (prior year: CHF 8,493 thousand).

32 Release of the consolidated financial statements for publication

The Board of Directors released these annual financial statements on March 3, 2016 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 21, 2016.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of COMET Holding AG, Flamatt

As statutory auditor, we have audited the consolidated financial statements of COMET Holding AG, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes (pages 40 to 88), for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

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

Berne, 3 March 2016

Ernst & Young Ltd

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert



In the manufacturing of the ebeam lamps, ultra-high vacuum welds are achieved using the very latest laser welding technology.

Separate financial statements of COMET Holding AG

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of COMET Holding AG
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appropriation of retained earnings
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Balance sheet

In thousands of CHF	Note	Dec. 31, 2015	%	Dec. 31, 2014	%
Assets					
Cash and cash equivalents		125		112	
Trade receivables from non-Group entities		0		4	
Trade receivables from subsidiaries		77		63	
Prepaid expenses		3		3	
Total current assets		205	0.2%	182	0.1%
Non-current financial assets – loans	3	61,448		59,797	
Investments in subsidiaries	2	61,785		61,785	
Intangible assets		1,120		1,418	
Total non-current assets		124,353	99.8%	123,000	99.9%
Total assets		124,558	100.0%	123,183	100.0%
Liabilities and shareholders' equity					
Current trade payables to non-Group entities		133		36	
Current trade payables to shareholders and governing bodies		209		626	
Current trade payables to subsidiaries		3,233		8,703	
Current interest-bearing liabilities		7,005		2,250	
Other current liabilities to non-Group entities		18		7	
Accrued expenses		417		250	
Total liabilities		11,015	8.8%	11,872	9.6%
Capital stock		7,738		7,721	
Statutory capital reserve		35,629		42,740	
Statutory earnings reserve		4,967		4,967	
Retained earnings brought forward		55,883		44,577	
Net income for the year		9,327		11,306	
Total retained earnings		65,210		55,883	
Total shareholders' equity		113,543	91.2%	111,311	90.4%
Total liabilities and shareholders' equity		124,558	100.0%	123,183	100.0%

Statement of income

In thousands of CHF	2015	%	2014	%
Dividend income	13,427		12,642	
Other financing income	1,877		1,355	
Other operating income	472		415	
Total income	15,776	100.0%	14,411	100.0%
Financing expenses	(4,029)		(1,029)	
Other operating expenses	(2,122)		(1,778)	
Amortization of rights to trademarks and names, FeinFocus	(299)		(299)	
Total expenses	(6,449)	40.9%	(3,106)	21.5%
Net income for the year	9,327	59.1%	11,306	78.5%

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, 2015 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 for the first time prepared in accordance with the principles of the newly applicable Swiss Accounting Law (Title 32 of the Swiss Code of Obligations). The prior-year financial statements have been adjusted for comparability where necessary to reflect the new requirements. The adjustments relate to the classification of shareholders' equity in the balance sheet, and to the reporting of currency translation effects, which are now presented in financing expenses.

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, 2015:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2015	2014
COMET Holding AG	Flamatt, Switzerland	CHF	7,738,010	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%
PCT Engineered Systems LLC	Davenport, IA, USA	USD	2,882,273	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	2015	2014
COMET Technologies USA, Inc.	31,221	26,002
COMET Technologies Korea Co. Ltd.	842	342
YXLON International GmbH	26,341	30,084
YXLON International A/S	3,045	3,368
Total loans to subsidiaries	61,448	59,797

04 Capital structure 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, 2015	CHF 727.50
Market capitalization at December 31, 2015	CHF 562.9 million

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

Non-listed Group companies

COMET Holding AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are presented above in note 2, “Investments in subsidiaries”.

Registered shareholders

At December 31, 2015, COMET Holding AG had 1,627 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,417). Of the total issued registered stock, 100% (prior year: 100%) represented free float. COMET Holding AG held no treasury stock at December 31, 2015 (prior year: none).

The structure of share ownership size classes among the shareholders of record at December 31, 2015 was as follows:

Number of shares	Number of shareholders
1 to 100	1,307
101 to 1,000	266
1,001 to 5,000	34
5,001 to 10,000	9
More than 10,000	11

This analysis does not capture the stock of shareholders who were not registered in the share register; at December 31, 2015 these shares of unregistered owners amounted to 34% of the total (prior year: 35%).

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%, 33¹/₃%, 50% and 66²/₃% 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, 2015 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
Garlito B.V., Amsterdam		5.09%
Artisan Partners Limited Partnership, Milwaukee, USA	Eric R. Colson Charles J. Daley Gregory K. Ramirez	5.08%
Pictet Asset Management SA (Direction de Fonds)	PICTET (CH) SWISS MID SMALL CAP	5.04%
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	5.01%
BlackRock Inc.	BlackRock Advisors (UK) Limited BlackRock Asset Management Canada Limited BlackRock Asset Management Schweiz AG BlackRock Fund Advisors BlackRock Fund Managers Limited BlackRock Institutional Trust Company, National Association BlackRock International Limited BlackRock Investment Management (UK) Limited BlackRock (Luxembourg) SA	4.98%
Credit Suisse Funds AG		3.21%
BlackRock Asset Management Schweiz AG	BlackRock Global Funds - Swiss Small & MidCap Opportunities Fund, Zurich	3.04%

The Company has not been notified of and is not aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

Reportable changes during fiscal year 2015

In the fiscal year under review, nine 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 Capital structure**Capital stock**

The capital stock at January 1, 2015 was CHF 7,720,660, divided into 772,066 registered shares with a par value of CHF 10 per share. During fiscal year 2015 the capital stock was increased by 1,735 shares from the portion of authorized capital designated for equity compensation. Including the increase of 1,735 shares from this portion of authorized capital, COMET Holding AG at December 31, 2015 thus had CHF 7,738,010 of capital stock, divided into 773,801 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 13, 2015 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.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2015	772,066	7,720,660
Increase in capital from the portion of authorized capital designated for equity compensation	1,735	17,350
December 31, 2015	773,801	7,738,010

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

Authorized capital for equity compensation

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

In April 2015, under profit-sharing compensation for 2014, the members of the Board of Directors and of the Executive Committee of COMET Holding AG were granted a total of 1,651 shares of stock in payment of CHF 837,057 of compensation due. In addition, the members of the Board of Directors were granted a total of 84 shares in payment of CHF 42,588 of retainers due for the period from January 1, 2015 to the 2015 Annual Shareholder Meeting. The shares were applied to the compensation due at a price of CHF 507 per share. As a result of these grants of a total of 1,735 shares during the year under review, the Company's unissued authorized capital for equity compensation showed the following movement:

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2015	24,246	242,460
Increase in capital in the fiscal year (award to Board of Directors and Executive Committee for retainers due and for prior year's profit-sharing compensation)	(1,735)	(17,350)
December 31, 2015	22,511	225,110

Authorized capital for other capital increases

The Company had no other unissued authorized capital (in German: "genehmigtes Aktienkapital") at December 31, 2015, i.e., no unissued capital authorized for purposes other than equity compensation.

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.

	2015	Total number of shares	Of which: shares subject to holding periods ending			Share of voting rights	
			2014	4/17/2016	4/24/2017	4/22/2018	2015
Hans Hess Chairman of the Board	4,766	4,532	492	199	234	0.6%	0.6%
Hans Leonz Notter Vice Chairman and member of the Board	3,785	5,906	280	130	159	0.5%	0.8%
Gian-Luca Bona Member of the Board	463	327	0	120	136	0.1%	0.0%
Lucas A. Grolimund Member of the Board	883	763	280	109	120	0.1%	0.1%
Rolf Huber Member of the Board	1,257	1,129	280	162	128	0.2%	0.1%
Ronald Fehlmann CEO	1,523	1,549	550	249	340	0.2%	0.2%
Markus Portmann CFO	960	838	246	91	122	0.1%	0.1%
Stefan Moll Segment President of X-Ray Systems	415	659	33	38	86	0.1%	0.1%
Michael Kammerer Segment President of Plasma Control Technologies	283	269	149	55	114	0.0%	0.0%
Charles Flükiger Segment President of X-Ray & ebeam Technologies	358	352	108	71	114	0.0%	0.0%
Eric Dubuis CIO	239	317	165	53	87	0.0%	0.0%
Christoph Bärtschi CHRO	95	0	0	0	95	0.0%	0.0%

Each 1,000 registered shares of COMET Holding AG, of a par value of CHF 10 per share, represented a total of 0.1292% of all voting power (prior year: 0.1295%). The members of the Board of Directors and Executive Committee held a total of 1.9% of voting rights (prior year: 2.2%). No material changes in ownership interests arose after the balance sheet date of December 31, 2015.

07	Options, conversion rights and treasury stock	COMET Holding AG has not issued any conversion rights or stock options. In fiscal year 2015 and in the prior year, COMET Holding AG held no treasury stock.
08	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.
09	Number of full-time equivalents	The annual average number of full-time equivalents in 2015 and 2014 was less than 10.
10	Release of the separate financial statements for publication	The Board of Directors released these financial statements on March 3, 2016 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 21, 2016.

Board of Directors' proposal for the appropriation of retained earnings

In the fiscal year, COMET Holding AG had total income of CHF 15.8 million (prior year: CHF 14.4 million). The increase compared with the prior year resulted primarily from higher dividend income. Total expenses in the fiscal year, at CHF 6.4 million, were up by CHF 3.3 million from the prior year. This resulted from significantly higher foreign currency translation losses and slightly higher other operating expenses than in the prior year. Amortization of rights to trademarks and names related to FeinFocus was offset (as in the prior year) by passing the expenses through to the user of the rights. The shareholders' equity of COMET Holding AG at the end of the fiscal year was CHF 113.5 million (prior year: CHF 111.3 million), representing an equity ratio of 91.2% (prior year: 90.4%).

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

In thousands of CHF	2015	2014
Earnings brought forward	55,883	44,577
Net income for the year	9,327	11,306
Retained earnings available for distribution	65,210	55,883
Earnings carried forward	65,210	55,883

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

In thousands of CHF	2015	2014
Distributable paid-in capital brought forward	34,248	41,682
Additional paid-in capital from increase in capital stock	1,381	1,058
Distributable paid-in capital reserve	35,629	42,740
Repayment of CHF 11.00 per share from distributable paid-in capital (prior year: CHF 11.00 per share)	(8,512)	(8,493)
Distributable paid-in capital reserve carried forward	27,117	34,248

In order for additions to the distributable paid-in capital reserve to be distributable free of Swiss anticipatory tax, they must be confirmed by the Swiss Federal Tax Administration, on the basis of the audited annual accounts, as being paid-in capital reserves distributable free of this tax. At December 31, 2015, for a total amount of CHF 1,436 thousand, this confirmation had not yet been received or not yet applied for.

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

Report of the statutory auditor on the financial statements

To the General Meeting of COMET Holding AG, Flamatt

As statutory auditor, we have audited the financial statements of COMET Holding AG, which comprise the balance sheet, income statement and notes (pages 92 to 98), for the year ended 31 December 2015.

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 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Berne, 3 March 2016

Ernst & Young Ltd

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Philippe Wenger
Licensed audit expert



In the laboratory, the existing components are continually tested for reliability.

Corporate governance

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

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

The corporate governance report is based on the requirements of the SIX Swiss Exchange's revised Directive on Information Relating to Corporate Governance (DCG) of September 1, 2014.

In fiscal year 2015 the compensation system was revised to reflect the new Ordinance Against Excessive Compensation at Listed Companies (OAEC; German abbreviation: VegüV) which took effect January 1, 2014. The disclosure requirements of the OAEC of November 20, 2013 were fully complied with in the annual report 2015.

Group structure and ownership

Structure of the operating activities of the COMET Group

COMET Group

X-Ray & ebeam Technologies (XET)	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)
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The Group's commercial activities consisted of three operating segments: X-Ray & ebeam Technologies, Plasma Control Technologies, and X-Ray Systems. 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 53 of the 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, 2015	CHF 727.50
Market capitalization at December 31, 2015	CHF 562.9 million

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

Non-listed Group companies

COMET Holding AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are named in the notes to the company financial statements of COMET Holding AG on page 93.

Registered shareholders

At December 31, 2015, COMET Holding AG had 1,627 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,417). Of the total issued registered stock, 100% (prior year: 100%) represented free float. COMET Holding AG held no treasury stock at December 31, 2015 (prior year: none).

The structure of share ownership size classes among the shareholders of record at December 31, 2015 was as follows:

Number of shares	Number of shareholders
1 to 100	1,307
101 to 1,000	266
1,001 to 5,000	34
5,001 to 10,000	9
More than 10,000	11

This analysis does not capture the stock of shareholders who were not registered in the share register; at December 31, 2015 these shares of unregistered owners amounted to 34% of the total (prior year: 35%).

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, 2015 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
Garlito B.V., Amsterdam		5.09%
Artisan Partners Limited Partnership, Milwaukee, USA	Eric R. Colson Charles J. Daley Gregory K. Ramirez	5.08%
Pictet Asset Management SA (Direction de Fonds)	PICTET (CH) SWISS MID SMALL CAP	5.04%
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	5.01%
BlackRock Inc.	BlackRock Advisors (UK) Limited BlackRock Asset Management Canada Limited BlackRock Asset Management Schweiz AG BlackRock Fund Advisors BlackRock Fund Managers Limited BlackRock Institutional Trust Company, National Association BlackRock International Limited BlackRock Investment Management (UK) Limited BlackRock (Luxembourg) SA	4.98%
Credit Suisse Funds AG		3.21%
BlackRock Asset Management Schweiz AG	BlackRock Global Funds - Swiss Small & MidCap Opportunities Fund, Zurich	3.04%

The Company has not been notified of and is not 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, nine reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange: www.six-exchange-regulation.com/publications/significant-shareholders.html

Cross-shareholdings

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

Capital structure

Capital stock

The capital stock at January 1, 2015 was CHF 7,720,660, divided into 772,066 registered shares with a par value of CHF 10 per share. In fiscal year 2015 the capital stock was increased by 1,735 shares from the portion of authorized capital designated for equity compensation. Including the increase of 1,735 shares from this portion of authorized capital, COMET Holding AG at December 31, 2015 thus had CHF 7,738,010 of capital stock, divided into 773,801 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 13, 2015 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.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2015	772,066	7,720,660
Increase in capital from the portion of authorized capital designated for equity compensation	1,735	17,350
December 31, 2015	773,801	7,738,010

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

Authorized capital for equity compensation

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

In April 2015, under profit-sharing compensation for 2014, the members of the Board of Directors of COMET Holding AG and the Executive Committee of the COMET Group were granted a total of 1,651 shares of stock in payment of CHF 837,057 of compensation due. In addition, the members of the Board of Directors were granted a total of 84 shares in payment of CHF 42,588 of retainers due for the period from January 1, 2015 to the 2015 Annual Shareholder Meeting. The shares were applied to the compensation due at a price of CHF 507 per share. As a result of these grants of a total of 1,735 shares during the year under review, the Company's unissued authorized capital for equity compensation showed the following movement:

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2015	24,246	242,460
Increase in capital in the fiscal year (award to Board of Directors and Executive Committee for retainers due and for prior year's profit-sharing compensation)	(1,735)	(17,350)
December 31, 2015	22,511	225,110

Authorized capital for other capital increases

The Company had no other unissued authorized capital (in German: "genehmigtes Aktienkapital") at December 31, 2015, i.e., no unissued capital authorized for purposes other than for use as equity compensation.

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	Treasury stock	Free reserve	Retained earnings	Total shareholders' equity
December 31, 2012	7,663	4,967	49,910	4,424	0	25,579	92,543
Net income	0	0	0	0	0	14,574	14,574
Distribution from distributable paid-in capital	0	0	(2,977)	0	0	0	(2,977)
Increase in capital stock	38	0	910	0	0	0	948
Reissuance of treasury stock	0	0	0	(4,424)	0	4,424	0
December 31, 2013	7,701	4,967	47,843	0	0	44,577	105,088
Net income	0	0	0	0	0	11,306	11,306
Distribution from distributable paid-in capital	0	0	(6,161)	0	0	0	(6,161)
Increase in capital stock	20	0	1,058	0	0	0	1,078
December 31, 2014	7,721	4,967	42,740	0	0	55,883	111,311
Net income	0	0	0	0	0	9,327	9,327
Distribution from distributable paid-in capital	0	0	(8,493)	0	0	0	(8,493)
Increase in capital stock	17	0	1,381	0	0	0	1,398
December 31, 2015	7,738	4,967	35,629	0	0	65,210	113,543

The corresponding information for the prior two fiscal years is found on page 101 of the annual report 2013 and page 100 of the annual report 2014. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 43 of this annual report 2015.

Shares

The Company's capital stock at December 31, 2015 consisted of 773,801 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. With the exception of any treasury stock, every share carries dividend rights and represents one vote at the Shareholder Meeting, provided that the shareholder is recorded in the share register.

Participation certificates	The Company has not issued any participation certificates.
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Dividend right certificates	The Company has not issued any dividend right certificates.
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Convertible bonds and options	The Company has not issued any conversion rights or stock options.
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Restrictions on transferability and nominee registration	<p>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 by SIX SAG 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.</p>
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Management transactions	<p>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, 29 disclosures were filed. Published disclosures can be found on the website of the SIX Swiss Exchange.</p>
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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, 2015 the Board of Directors of COMET Holding AG had the following five 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	2016
Hans Leonz Notter Lawyer	Swiss	Vice Chairman and non-executive member	1989	2016
Lucas A. Grolimund Dipl. Ing. ETH, MBA INSEAD	Swiss	Non-executive member	2007	2016
Rolf Huber Dipl. Ing. ETH	Swiss	Non-executive member	2008	2016
Gian-Luca Bona Prof. Dr.	Swiss	Non-executive member	2012	2016

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, Federal Institute of Technology (ETH), Zurich; MBA, 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 Medical 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



Hans Leonz Notter
(b. 1948, Swiss citizen)

Education

Lawyer

Professional experience

Partner at law firm Notter Mégevand & Partner, Berne, Fribourg, Geneva: practice of business law, foundation law and family office



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



Rolf Huber
(b. 1965, Swiss citizen)

Education

Dipl. Ing. Agr. master's degree in agronomy from Swiss Federal Institute of Technology (ETH), 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; since 2014: CEO of H2 Energy AG, Zurich



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

Education

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

Operational management functions At the reporting date of December 31, 2015, none of the members of the Board of Directors had operational management responsibilities in the COMET Group. In the three years immediately preceding the year under review, none of the current Board members was a member of the Executive Committee of the COMET Group.

Related party transactions Hans Leonz Notter is a partner at Notter Mégevand & Partner, a law firm in Berne which provides legal services, including legal advice, to the COMET Group. The other Board members had no material business relationships with the COMET Group.

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

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

At December 31, 2015 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, Kaba Holding AG, Rümlang; president, Swissmem (the trade association of the Swiss mechanical and electrical engineering industries); vice president, economiesuisse (the Swiss business federation)

Hans Leonz Notter

Member of the board, SIGERANCE AG, Köniz; chairman of the board, Fondation Leschot, Berne; member of the board, Fondation Theodora; chairman of the board, Paserco Holding AG, Torny

Lucas A. Grolimund

Member of the board, Micronas Semiconductor Holding AG, Zurich

Rolf Huber

Member of the board, Hunziker AG Festwirtschaften, Willisau

Gian-Luca Bona

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

Board elections and terms

Under the Bylaws of COMET Holding AG, its Board of Directors must have at least three 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 terms of office end at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted. If elections are held during a term to replace or add Board members, the newly elected members serve for the remainder of the current term.

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

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

Internal organizational structure

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

Functioning of the full Board of Directors

The Board of Directors as a rule convenes for a regular meeting every two months. A total of seven regular meetings of the full Board were held in the year under review. Depending on the business at hand, the Board meetings are half a day or a full 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. In addition, the Board receives monthly written reports on current business performance and the financial planning variances. Additional meetings or telephone conferences are held as needed. Besides several telephone conferences of the full Board, there were also meetings of the Board committees, which are normally about half a day in length.

Board committees

In fiscal year 2015 the Board committees had the following composition:

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

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 on all agenda items.

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 once per year or as often as business requires. The reports to the full Board are made orally or in writing as required.

Nomination & Compensation Committee

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

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

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

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

The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may call additional meetings at its discretion. In the year under review the Committee held two meetings, both of which were attended by both members of the Committee.

Both of the Committee's meetings in the year were partly or fully attended, in an advisory role, by the CEO and the Chief Human Resources Officer.

In connection with the search for new Board members, the whole Board also participated in various ad-hoc meetings.

The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

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 internal audit and, as may be required on a case-by-case basis by the resulting findings, give 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 heads 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 personnel. 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 the subsidiaries and exercise oversight and control of their activities

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

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

Management information system

The monthly financial reporting by the Executive Committee on the current course of business and the notable 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 aggregated by segment and for the Group and 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 accordingly.

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 approved by the Board for the next three years. 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 the administrative processes of the human resources department in Switzerland. As well, the entire order fulfilment process of the three business segments was audited, with a particular focus on contract management at PCT and XET in Switzerland and at IXS in Hamburg. The key financial and business processes at the Copenhagen site and the ebeam processes in Flamatt were also 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, he prepares an audit report. To initiate the implementation of the planned measures, the audit report is then discussed with the Executive Committee and the national lead personnel responsible (typically the local company presidents responsible for the relevant business) and/or the persons directly affected by the audit. The internal auditor then prepares a final audit report for the Board of Directors, with a corresponding action plan.

Risk management system

Risk management includes the annual evaluation of strategy by the Board and the assessment by the Executive Committee of insurance cover, of the general business risks and of the major balance sheet items. The approach to risk management is described in a risk strategy approved by the Board and is specified in a written risk management procedure for implementation by the Executive Committee. Under the direction of the CFO, the significant risks in the individual business areas and departments are identified in quarterly working group sessions, systematically described and categorized in a risk matrix, and, if required, assigned a new risk rating based on the probability of occurrence and the potential severity of loss. For the risks classified as important, action plans are formulated to minimize the probability and/or 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 as required 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 and Process Management. Through separate reports, the Audit Committee at each of its meetings is kept advised of the current assessment of the Group's risks.

Internal control system

In the fiscal year, where required, the COMET Group further refined, expanded, trained or documented the existing system of internal control (the "internal control system"). The internal control system is in use at all levels of the enterprise and in all sizeable locations within and outside Switzerland. The introduction of an internal control system at PCT Engineered Systems LLC, the company newly acquired in 2015, is planned for 2016. The significant risks and controls were adjusted to fit the objectives and quality requirements established by the Board of Directors. The staff members responsible for the internal control system have been designated Group-wide, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in the day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures both the timely detection of risks and the ability to swiftly take the necessary countermeasures thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting. In the year-end audit, the independent auditor audits the internal control system of the COMET Group in terms of risks in connection with financial reporting and provides a comprehensive report on the findings to the Board's Audit Committee.

Executive Committee

The Executive Committee – the Group’s most senior management below Board level – is responsible for the operational management of the COMET Group within the powers delegated to it. As of December 31, 2015, the COMET Group’s Executive Committee had the following members:



Ronald Fehlmann
(b. 1962, Swiss citizen)
Chief Executive Officer
With COMET since
Jan. 1, 2011

Education

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

Professional experience

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



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

Education

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

Professional experience

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



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

Education

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

Professional experience

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



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

Education

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

Professional experience

Until 1996: various leadership positions in production; 1996 to 2000: Head of Technology (production and R&D); since 1989: Member of Executive Committee; from 2002: Head of Industrial X-Ray segment; since 2013: Head of X-Ray & ebeam Technologies segment



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

Education

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

Professional experience

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



Stefan Moll
(b. 1968,
German citizen)
President of X-Ray
Systems
With COMET since
May 1, 2012

Education

Dipl. Ing. master's degree in mechanical engineering from RWTH Aachen University, Germany

Professional experience

1994 to 2001: various leadership positions in R&D, Draeger AG, Germany; 2002 to 2011: vice president for R&D, Braun Avitum AG, Germany; 2011: Head of Development & Customized Systems, X-Ray Systems segment; since 2012: President, X-Ray Systems segment



**Christoph
Bärtschi**
(b. 1962, Swiss citizen)
Chief Human Resource
Officer
With COMET
since Jan. 1, 2014

Education

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

Professional experience

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

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 external positions on top management or supervisory bodies that may be held by members of the Executive Committee, as follows:

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

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, 2015). Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

Related party transactions

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

Interim management contracts

No interim management contracts existed in the COMET Group.

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663cs of the Swiss Code of Obligations is provided in the compensation report from page 133.

Compensation, stock ownership and loans

OAEC-related provisions in the Bylaws

The Bylaws of COMET Holding AG were revised in 2014 as required by the OAEC and were approved by shareholders at the 2015 Annual Shareholder Meeting. Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of the performance-based compensation, and the terms of stock awards.

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

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

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

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

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

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

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

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

Decision authority and responsibility for compensation

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

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

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

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

Market comparison criteria

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

Compensation system

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

Compensation system for the employees

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

Calculation of total profit-sharing pool

The total amount of the profit-sharing compensation is determined as a percentage of the consolidated net income of the COMET Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2015, the percentage rate was determined according to the following model:

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

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

Up to a 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 determined in the sole discretion of the Board and the CEO, at the end of the fiscal year. The performance criteria for an individual allocation are not set in advance. Any unused portion of the individual allocation pool is distributed by the general allocation formula.

Compensation groups and calibration

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

The Board of COMET Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the COMET Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted as 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 (which is set out in the "Regulation for Compensation of the Members of the Board of Directors of the COMET Group").

Fixed retainer

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

Stock compensation

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

Overview of compensation:

In CHF

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

New and departing Board members

Additionally, the actual employer contributions to social security plans are paid. Board members' normal term of office begins on the date of the Annual Shareholder Meeting and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election.

When a member leaves the Board intra-year (i.e., not at an Annual Shareholder Meeting), the retainer is calculated on a pro-rated basis to the date of departure. The retainer of departing members is paid only in cash.

Compensation system for the Executive Committee

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

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

Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. For all members except the CEO, these proposals are based on recommendations by the CEO to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at comparable companies. The full Board periodically reviews, sets and approves the compensation system, based on a proposal of the NCC. The latest such review was performed in fiscal year 2014, with support from the consulting firm Hay Group. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

Fixed base salary

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

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

Profit-sharing

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

Calculation of profit-sharing compensation

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

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

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

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

$$\% \text{ share of total profit-sharing pool} \times \text{amount of profit-sharing pool actually being distributed}$$

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

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

New and departing members of the Executive Committee

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

Terms of employment

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

Disbursement of profit-sharing compensation

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

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

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

Shareholder participation rights

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

Registration in the share register

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

The share register is closed to new entries from then until and including the day of the Shareholder Meeting. No exception to this rule was made in the year under review or 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 33⅓% or more of all voting rights must make a public tender offer. The Bylaws of COMET Holding AG contain neither an opting-up clause nor an opting-out clause; this means that they neither raise this percentage threshold, nor waive the requirement of a tender offer.

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

Auditors

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

Audit fees

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

In thousands of CHF	2015	2014
Audit fees	296	305

Including the other audit firms, the total audit fees in the year under review amounted to CHF 366 thousand (prior year: CHF 356 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	2015	2014
Audit-related consulting services	22	17
Tax consulting services	18	10
Total consulting services	40	27

Monitoring of the independent auditors by the Board of Directors

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

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

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 the SIX Swiss Exchange are published immediately.

Key dates

These are the dates of the most important publications and events:

End of fiscal year	December 31, 2015
Annual results press conference	March 17, 2016
Publication of annual report	March 17, 2016
Annual Shareholder Meeting	April 21, 2016
End of first half of fiscal year	June 30, 2016
Publication of half-year report	August 18, 2016

Publication media

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

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

The COMET Group website at www.comet-group.com offers a wealth of information, including details of the 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

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Assembling a vacuum capacitor.

Compensation Report 2015

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01 Introduction

This compensation report conforms to the transparency requirements of section 663c of the Code of Obligations and to the corporate governance information standards 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 2014 and 2015. 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 97, and the compensation paid (disclosed in accordance with International Financial Reporting Standards) is presented in the consolidated financial statements of COMET Holding AG on page 88.

In fiscal year 2015 the compensation system was revised to align it with the newly introduced Ordinance Against Excessive Compensation at Listed Companies (OAEC; German abbreviation: VegüV). The disclosure requirements of the OAEC of November 20, 2013 were fully implemented in the annual report 2015.

02 OAEC-related provisions in the Bylaws

The Bylaws of COMET Holding AG were revised in 2014 as required by the OAEC and were approved by shareholders at the 2015 Annual Shareholder Meeting. Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

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

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

03 Compensation policy**03.1 Principles**

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

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

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

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

03.2 Compensation of the Board of Directors

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

03.3 Compensation of the Executive Committee

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

03.4 Shareholders' say on pay

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

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

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

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

04 Determination of compensation

04.1 Decision authority and responsibility for compensation

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

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

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

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

04.2 Nomination & Compensation Committee (NCC)

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

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

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

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

The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may call additional meetings at its discretion. In the year under review the Committee held two meetings, both of which were attended by both members of the Committee.

Both meetings were also partly or fully attended, in an advisory role, by the CEO and the Chief Human Resources Officer.

In connection with the search for new Board members, the whole Board also participated in various ad-hoc meetings.

The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

04.3 Market comparison criteria

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

05 Structure of the compensation system

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

05.1 Compensation system for the employees

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

05.1.1 Calculation of total profit-sharing pool

The total amount of the profit-sharing compensation is determined as a percentage of the consolidated net income of the COMET Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2015, the percentage rate was determined according to the following model:

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

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

Up to a 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 determined in the sole discretion of the Board and the CEO, at the end of the fiscal year. The performance criteria for an individual allocation are not set in advance. Any unused portion of the individual allocation pool is distributed by the general allocation formula.

05.1.2 Compensation groups and calibration

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

The Board of COMET Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the COMET Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted as 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 (which is set out in the "Regulation for Compensation of the Members of the Board of Directors of the COMET Group").

05.2.2 Fixed retainer

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

05.2.3 Stock compensation

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

Overview of compensation:

In CHF

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

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

05.2.4 New and departing Board members

Board members' normal term of office begins on the date of the Annual Shareholder Meeting and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election.

When a member leaves the Board intra-year (i.e., not at an Annual Shareholder Meeting), the retainer is calculated on a pro-rated basis to the date of departure. The retainer of departing members is paid only in cash.

05.3 Compensation system for the Executive Committee

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

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

05.3.1 Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. For all members except the CEO, the amounts to propose are recommended to the NCC by the CEO. 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 a proposal of the NCC. The latest such review was performed in fiscal year 2014 with support from the consulting firm Hay Group. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

05.3.2 Fixed base salary

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

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

05.3.3 Profit-sharing compensation

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

Calculation of profit-sharing compensation

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

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

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

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

$$\% \text{ share of total profit-sharing pool} \times \text{amount of profit-sharing pool actually being distributed}$$

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

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

New and departing members of the Executive Committee

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

Terms of employment

The members of the Executive Committee have employment agreements with a notice period of not more than one year. They are not entitled to termination benefits of any kind.

Disbursement of profit-sharing compensation

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

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

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

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

Presented below is the entire compensation of the members of the Board of Directors and Executive Committee and their related parties¹ for fiscal years 2014 and 2015, disclosed in accordance with the Ordinance Against Excessive Compensation at Listed Companies (OAEC). Further details on the included individuals and their positions in the Group are provided in the corporate governance section of this annual report.

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

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

Since fiscal year 2015, to ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed base retainer, of which 75% is paid in cash and 25% is paid in stock of the Company. Unlike the prior year, the compensation system for the Board of Directors thus no longer has a performance-based component. As well, the profit-sharing compensation under the previous compensation plan was paid entirely in stock. Year-over-year comparisons between the amounts presented in the tables below are therefore only meaningful at the totals level.

The compensation of the Board of Directors is set at the Annual Shareholder Meeting for a period of one year. As the term of office of the Board does not match the fiscal year, the compensation stated in the annual report may differ from the pre-set amount. In order to present these timing differences in a transparent manner, the compensation approved by shareholders at the 2015 Annual Shareholder Meeting was retrospectively applied to the full 2015 fiscal year. This now ensures that the compensation disclosed in the annual report for fiscal year 2015 matches the compensation approved by shareholders for the Board's term of office.

The 2015 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 700,000 for the term of office ending at the 2016 Annual Shareholder Meeting. The actual compensation in fiscal year 2015 was CHF 637,426.

The reduction in compensation from the prior-year level is explained by the discontinuation of profit-sharing and the switch of the compensation model to a fixed retainer.

Fiscal year 2015

Name		Hans Hess	Hans Leonz Notter	Gian-Luca Bona	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman	Vice Chairman	Member	Member	Member	Total
In CHF	Footnote						
Total cash compensation	(1)	129,000	64,500	64,500	64,500	64,500	387,000
Stock compensation	(2)	67,580	33,790	33,790	33,790	33,790	202,739
Total before social security contributions		196,580	98,290	98,290	98,290	98,290	589,739
Total expenses for long-term benefits	(3)	16,043	7,146	8,166	8,166	8,166	47,687
Total compensation		212,623	105,436	106,456	106,456	106,456	637,426

Fiscal year 2014*

Name		Hans Hess	Hans Leonz Notter	Gian-Luca Bona	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman	Vice Chairman	Member	Member	Member	Total
In CHF							
Total cash compensation		76,000	33,375	34,090	33,637	33,864	210,966
Stock compensation		166,066	115,115	96,320	83,587	89,953	551,042
Total before social security contributions		242,066	148,490	130,410	117,224	123,817	762,008
Total expenses for long-term benefits		0	8,857	10,085	9,122	9,763	37,827
Total compensation		242,066	157,347	140,495	126,346	133,580	799,835

* Data in the table has been restated to reflect variances between amounts estimated for the prior year in the prior-year annual financial statements, and the actual amounts observed. The actual aggregate compensation for 2014 was CHF 1 thousand more than had been reported in the prior-year annual financial statements.

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

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 30,600 (prior year: CHF 36,500). Hans Leonz Notter is a partner at this law firm, whose members provide legal advice and other legal services to the COMET Group.

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

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

The actual fixed compensation reported for fiscal year 2015 is CHF 2,481,853 (consisting of the fixed base salary, benefits in kind and proportionate social security contributions).

In addition, for the prior fiscal year 2014, the 2015 Annual Shareholder Meeting retrospectively approved an aggregate amount of CHF 1,400,904 for profit-sharing compensation of the Executive Committee. The actual profit-sharing compensation now reported is CHF 1,355,409. The difference of approximately CHF 45 thousand arises partly from the fact that the share price at the grant date of the stock differs from the average share price used for the calculation of the grant price. Also, the actual profit-sharing compensation reported includes the social security contributions actually paid in 2015, which differ from last year's cost estimate for this item.

Sixty-one percent of the profit-sharing compensation is being paid in stock (prior year: 61%).

The reduction in total compensation in fiscal year 2015 compared to the prior year is attributable mainly to the significantly lower profit-sharing compensation as a result of the decrease in sales growth and net income.

in CHF		Executive Committee total		Highest compensation Ronald Fehlmann (1), CEO	
Fiscal year	Footnote	2015	2014*	2015	2014*
Base salary, gross	(2)	1,946,641	1,960,280	480,545	480,545
Variable cash compensation, gross	(3)	183,664	498,588	62,211	172,368
Total cash compensation		2,130,305	2,458,868	542,756	652,913
Stock compensation	(4)	277,600	772,148	97,204	274,040
Benefits in kind	(5)	25,577	28,790	5,165	5,165
Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	(6)	520,266	552,485	155,125	167,790
Contributions for health and accident insurance	(7)	21,066	22,224	3,418	3,479
Total expenses for long-term benefits		541,331	574,709	158,543	171,268
Total compensation		2,974,813	3,834,515	803,667	1,103,386

* Data in the table has been restated to reflect variances between amounts estimated for the prior year in the prior-year annual financial statements, and the actual amounts observed. The actual aggregate compensation for 2014 was CHF 29 thousand more than had been reported in the prior-year annual financial statements.

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

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

The 2015 Annual Shareholder Meeting prospectively approved an aggregate amount of CHF 2,900,000 for the fixed base salaries for fiscal year 2016.

The aggregate profit-sharing compensation (including proportionate social security contributions) reported for fiscal year 2015 is CHF 492,960. Before the 2015 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 2016 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 COMET.

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

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

No material changes related to compensation have occurred after the balance sheet date of December 31, 2015.

06.5 Interim management contracts There were no interim management contracts in the fiscal year.

07 Disclosure of shareholdings of the Board of Directors and Executive Committee At the end of the fiscal year, the members of the Board of Directors and Executive Committee held a total of 1.9% of the outstanding shares of COMET Holding AG (prior year: 2.2%).

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 97.

08 Proposals to the 2016 Annual Shareholder Meeting for compensation of the Board and Executive Committee At the 2016 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 2016 to the 2017 Annual Shareholder Meeting
- Prospective approval of the fixed compensation of the Executive Committee for fiscal year 2017 (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 2015 (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 2016 Annual Shareholder Meeting.

Report of the statutory auditor on the compensation report

To the General Meeting of COMET Holding AG, Flamatt

We have audited the compensation report of COMET Holding AG for the year ended 31 Decemer 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Listed Companies (Ordinance) contained in Section 06 – Disclosure of compensation of the Board of Directors and Executive Committee on pages 141 to 145 of the compensation report.

Board of Directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation 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 compensation 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 compensation 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation 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 compensation report for the year ended 31 December 2015 of COMET Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Berne, 3 March 2016

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