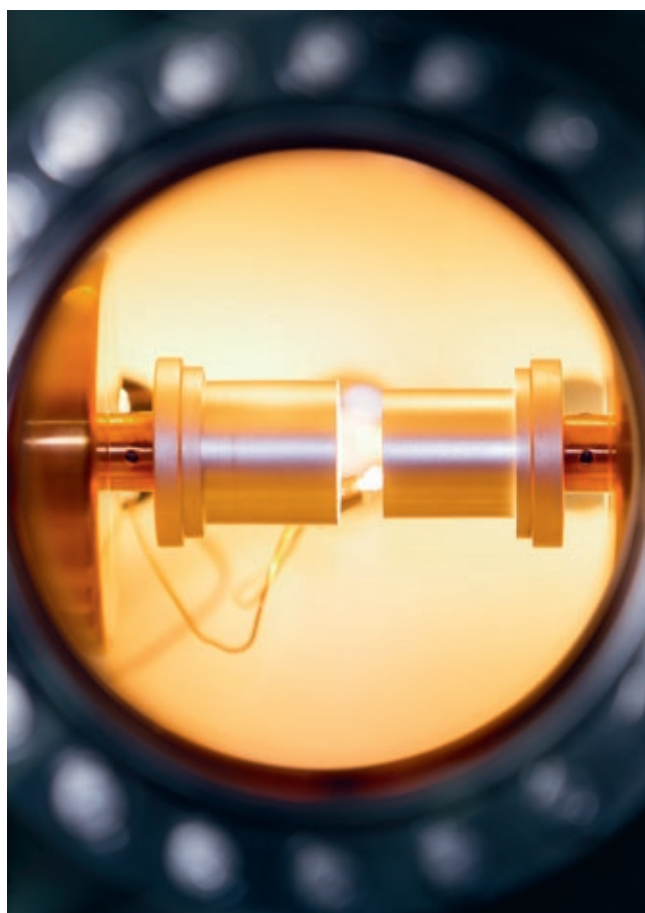


COMET Holding AG
Annual Report

2014



The COMET Group

Technology

The COMET Group is one of the world's leading vendors of x-ray, radio frequency (RF) and e-beam technology. With high-quality components, systems and services, the Group helps its customers maximize the quality, reliability and efficiency of their products and processes.

Organization

COMET AG was founded in 1948. Based in Flamatt, Switzerland, the Group has a presence in all world markets. COMET's stock (COTN) is listed on the SIX Swiss Exchange. COMET, YXLON and ebeam – each of the Group's three strong brands serves different markets.

Customers

YXLON x-ray systems for non-destructive testing are supplied to end customers in the automotive, aerospace and electronics sectors.

Under the COMET brand, the company builds high-quality, high-tech components and modules, such as x-ray sources, vacuum capacitors, RF generators and impedance matching networks. These products are in demand by manufacturers in the automotive, aerospace, semiconductor and solar industries as well as in airport security applications.

Under its "ebeam" brand, the Group offers very compact, powerful ebeam sets currently used especially in the non-contact sterilization of beverage packaging.

"Technology with Passion" is much more than a slogan to the COMET Group. The photographs in this annual report, taken in Flamatt and Hamburg, capture some of the many facets of our passion for technology. See more, including videos about technology applications, on our website at www.comet-group.com.



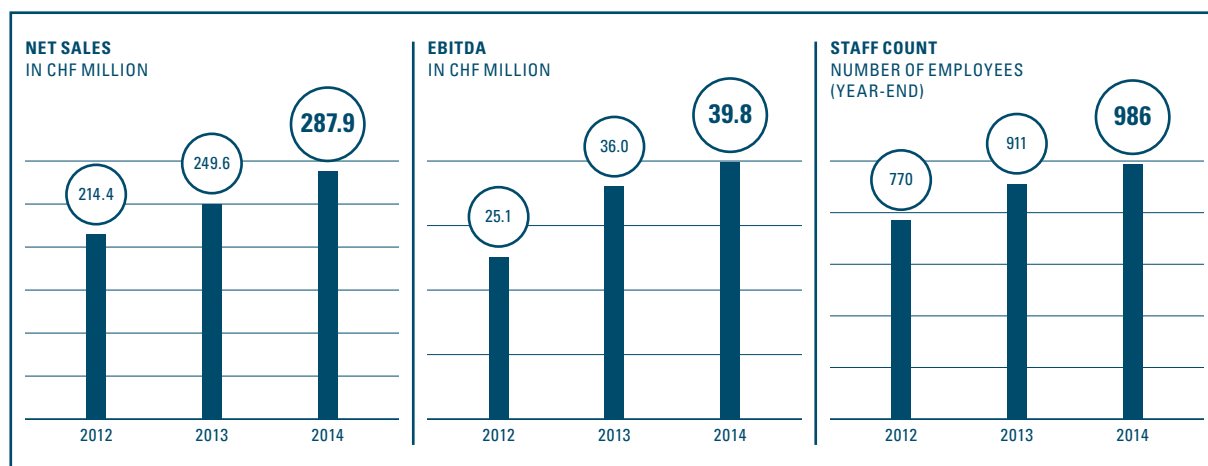
At a glance

COMET Group Key Consolidated Financial Results

In thousands of CHF	2014	2013	2012	2011	2010
Net sales	287,895	249,629	214,401	216,965	217,395
Operating income	29,655	25,060	12,468	14,667	16,239
In % of net sales	10.3%	10.0%	5.8%	6.8%	7.5%
EBITA	32,417	28,976	17,555	20,102	21,543
In % of net sales	11.3%	11.6%	8.2%	9.3%	9.9%
EBITDA	39,765	36,002	25,149	27,325	28,333
In % of net sales	13.8%	14.4%	11.7%	12.6%	13.0%
Net income	26,277	16,094	5,680	10,055	7,489
In % of net sales	9.1%	6.4%	2.6%	4.6%	3.4%
Operating cash flow ¹	30,560	17,379	22,606	28,173	19,176
In % of net sales	10.6%	7.0%	10.5%	13.0%	8.8%
Total assets	245,911	227,833	200,780	207,396	214,805
Shareholders' equity	159,768	137,852	115,824	118,442	111,735
In % of total assets	65.0%	60.5%	57.7%	57.1%	52.0%
Number of employees (year-end)					
Switzerland	374	357	301	297	330
International	612	554	469	437	391
Total	986	911	770	734	721

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

Key financials of the COMET Group



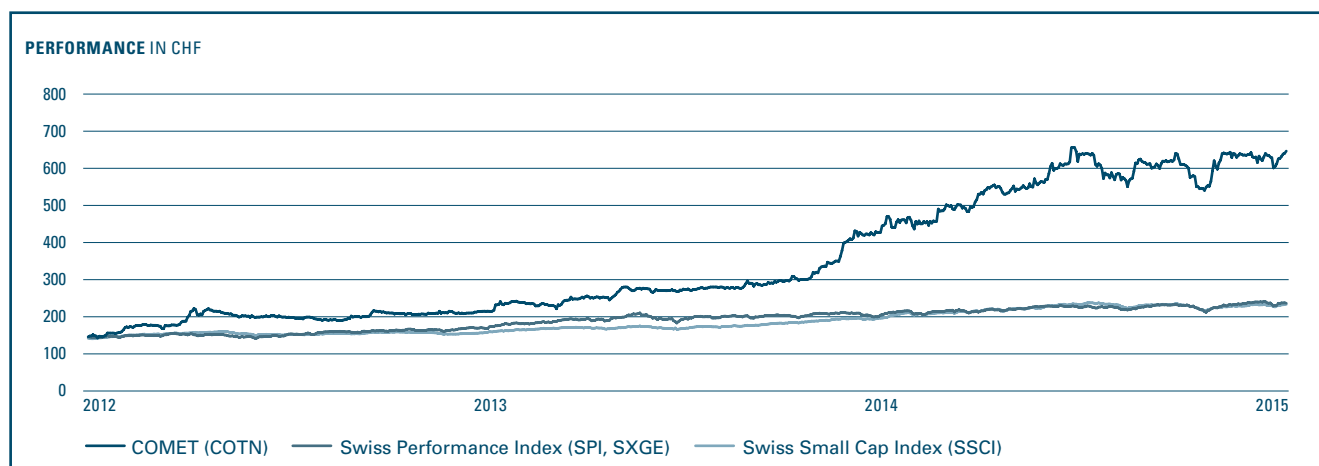
Information for investors

		2014	2013	2012	2011	2010
Capital stock	CHF	7,720,660	7,700,880	7,663,120	7,625,160	7,574,800
Number of shares (Dec. 31)		772,066	770,088	766,312	762,516	757,480
Weighted average number of shares outstanding		771,237	756,458	757,401	760,406	757,401
Stock price (adjusted)						
High for the year (Jun. 19, 2014)	CHF	670.00	476.75	225.00	236.50	208.40
Low for the year (Jan. 28, 2014)	CHF	428.50	210.00	138.80	122.50	130.00
Year-end (Dec. 31)	CHF	646.00	469.50	215.00	149.00	195.80
Earnings per share	CHF	34.07	21.28	7.54	13.22	9.89
Distribution per share ¹	CHF	11.00	8.00	4.00	4.00	3.50
P/E ratio (at year-end price)		19	22	29	11	20
Distribution yield (at year-end price)	%	1.7%	1.7%	1.9%	2.7%	1.8%
Equity per share ²	CHF	207.2	182.2	151.1	155.3	147.5
Market capitalization (Dec. 31)	CHF m	498.8	361.6	164.8	113.6	148.3

¹ 2014: 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



Contents

Strategy

- 2 Vision
- 5 Strategy
- 8 Growth Markets

STRATEGY 2–11

Now stronger than ever, the COMET Group has benefited markedly from three years of consistent strategy execution. Sales in 2014 rose from CHF 249.6 million to CHF 287.9 million and net income improved by an excellent 63% to CHF 26.3 million.

Trends

- 14 Trends and Technologies
- 16 X-ray Technology
- 18 Radio Frequency Technology
- 20 ebeam Technology

TRENDS 12–21



Performance

- 24 To Our Shareholders
- 26 Highlights
- 28 X-Ray Systems Review
- 30 Plasma Control Technologies Review
- 32 X-Ray & ebeam Technologies Review

X-ray technology

Safety and security inspection is a growing need. The COMET Group helps tire makers to achieve the best balance between product quality and efficient use of materials.

RF technology

A new dimension of speed, performance and compactness: 3D chips are the future of electronics. COMET technology is part of this revolution and empowers its rapid progress to the next levels.

ebeam technology

Blue technologies like ebeam help ease global resource bottlenecks.

Financial Report 2014

- 35 COMET Group Consolidated Financial Statements
- 85 COMET Holding AG Separate Financial Statements
- 95 Corporate Governance
- 125 Compensation Report
- 140 Addresses

PERFORMANCE 22–33



The COMET Group is ideally positioned to take advantage of current market trends, both now and in the future.

Vision

We facilitate and influence global trends, as our three core technologies of x-ray, radio frequency and ebeam empower our customers in all world markets to accomplish great things. As market leader, with a highly motivated staff of almost a thousand people and superb technologies and products, we actively shape the world of tomorrow. Our strategy of focused growth has placed us in a very good position. We are steadily working to consolidate our customer ties and expand our customer base, develop innovative products and improve our process efficiency. We remain committed to this strategic direction and the determined effort to further strengthen our position in the market by leveraging our high capabilities. This will help us make full use of global market trends – in mobile communication, miniaturization, safety and reliability of products and processes, and conservation of resources – for our future growth and sustained generation of value.

Ronald Fehlmann
Chief Executive Officer



Charles Flükiger
President, XET

Eric Dubuis
CIO

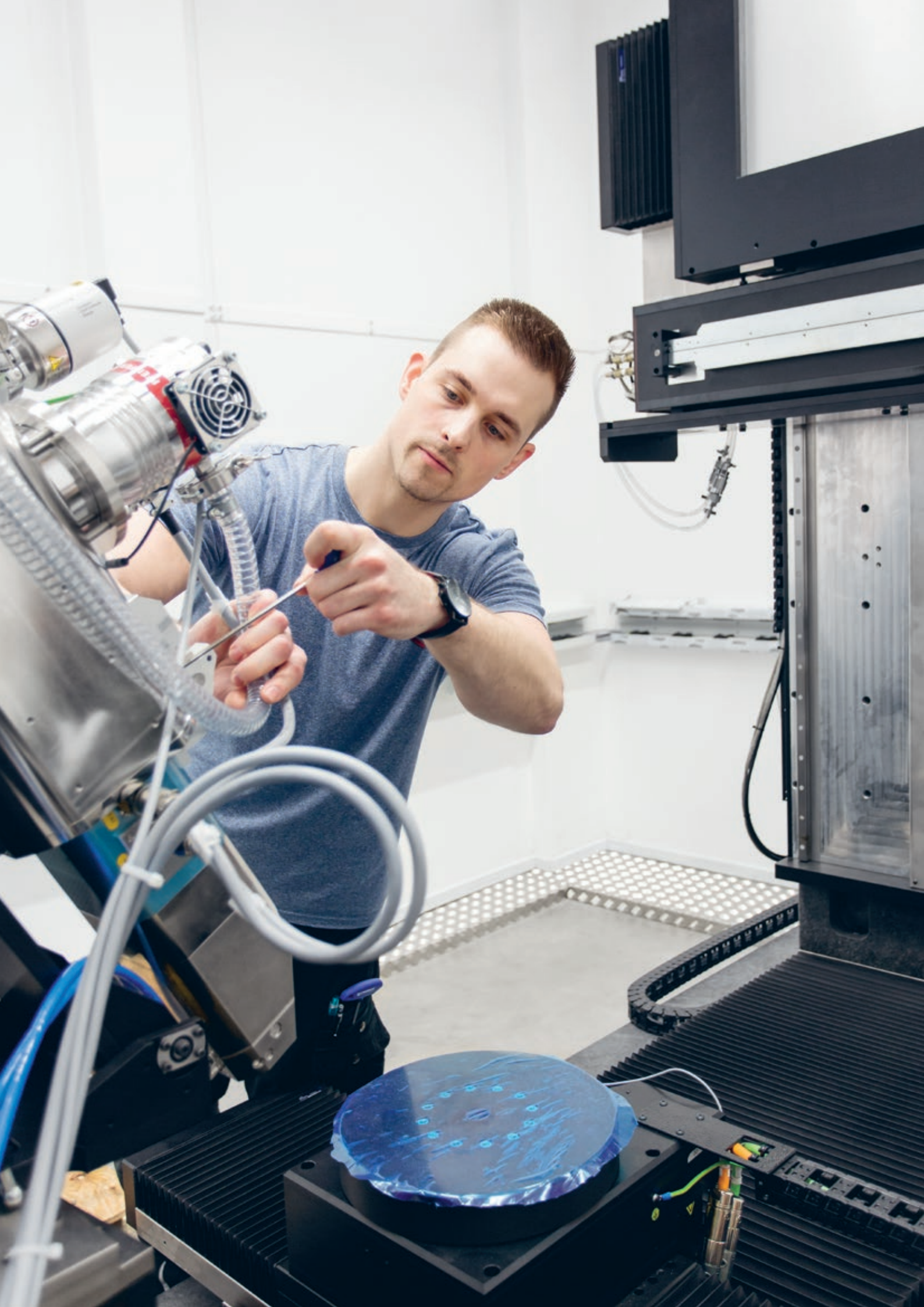
Christoph Bärtschi
CHRO

Ronald Fehlmann
CEO

Markus Portmann
CFO

Stefan Moll
President, IXS

Michael Kammerer
President, PCT



Strategy

**Creating sustainable
value through
consistent execution
of our strategy**

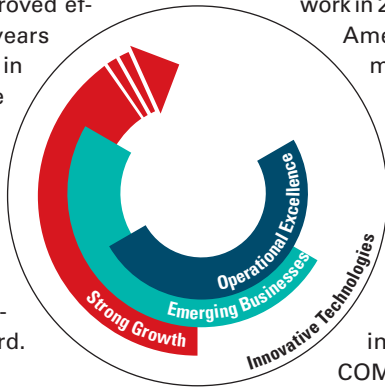
FAST FORWARD INTO THE THIRD DIMENSION

To further boost the computed-tomography capabilities at YXLON, two additional shielded x-ray vaults were built in Hamburg for testing large CT systems.

Growth strategy strengthens COMET Group

Close attention to strategy execution brought the desired results. The COMET Group has strengthened its position in the market and become more robust. Sales grew by 15.3% to CHF 287.9 million and economic profit multiplied from CHF 3.0 million to CHF 11.5 million.

In 2014 the COMET Group delivered broad-based sales growth and significant progress in all four strategic core thrusts – the development of innovative technologies, generation of organic growth, expansion of new businesses and improvement of operating efficiency. The strategy has proved effective in the three years since its formulation in 2012, enhancing the strength of the Group's franchise. In 2015 the chosen course is being maintained. Beyond organic growth, focused acquisitions will also be under consideration going forward.



Innovative technologies

With its three core technologies of x-ray, radio frequency and ebeam, the COMET Group has a strong base from which to continually innovate solutions for customers and take a hand in shaping global market trends. A key driving technological trend is the growing penetration of the third dimension, such as in the rise of 3D memory chips, in 3D imaging for non-destructive testing and inspection, and in the efficient treatment of three-dimensional surfaces. The further development of its technology portfolio saw the COMET Group mark significant

milestones in 2014, ranging from the launch of a new software platform for 3D imaging, to new features for its RF generators. It also developed more powerful solutions for x-ray and ebeam modules to pioneer new applications. In 2015 the focus will be on ebeam, computed tomography and RF generators.

Vigorous growth

In recent years, deepened customer relationships (particularly with global key accounts), the expansion of the customer base through intensified product marketing, and the redoubled presence in Asia have driven some strong organic growth for the COMET Group. Today the Group commands a potent market position worldwide and provides not just innovative product solutions, but outstanding service and support wherever the customer may be. The COMET Group will keep investing in this global delivery network in 2015. In addition to North America, continuing high market potential is seen in China, Korea and Taiwan.

Emerging businesses

The rapid development of new business areas is a central plank in the strategy of the COMET Group. To achieve it, the company has created a supportive environment for accelerating the expansion of high-potential businesses. With the development of new ebeam applications, new features for RF generators for use in the semiconductor industry, and even more advanced CT systems for non-destructive testing, COMET is judiciously diversifying its base. This reduces dependence on any single areas of business and makes the Group more robust overall. The attractive growth segments will continue to be developed in 2015.

Operational excellence

With a suite of initiatives ranging from the market-based organizational structure, to the expansion of the sales and support organization and the emphasis on lean manufacturing, the COMET Group continuously ensures its ability to maintain profitable growth. A flexible organization, short decision paths, value-based management and efficient processes form the operational underpinning of the Group's success. These features and ongoing efforts ready COMET to sustain its performance – even in times when economic conditions are less favorable.

FINANCIAL TARGETS 2014–2015

NET SALES

2014
CHF 287.9 MILLION

2015
CHF MILLION

280-300

EBITDA

2014
13.8%

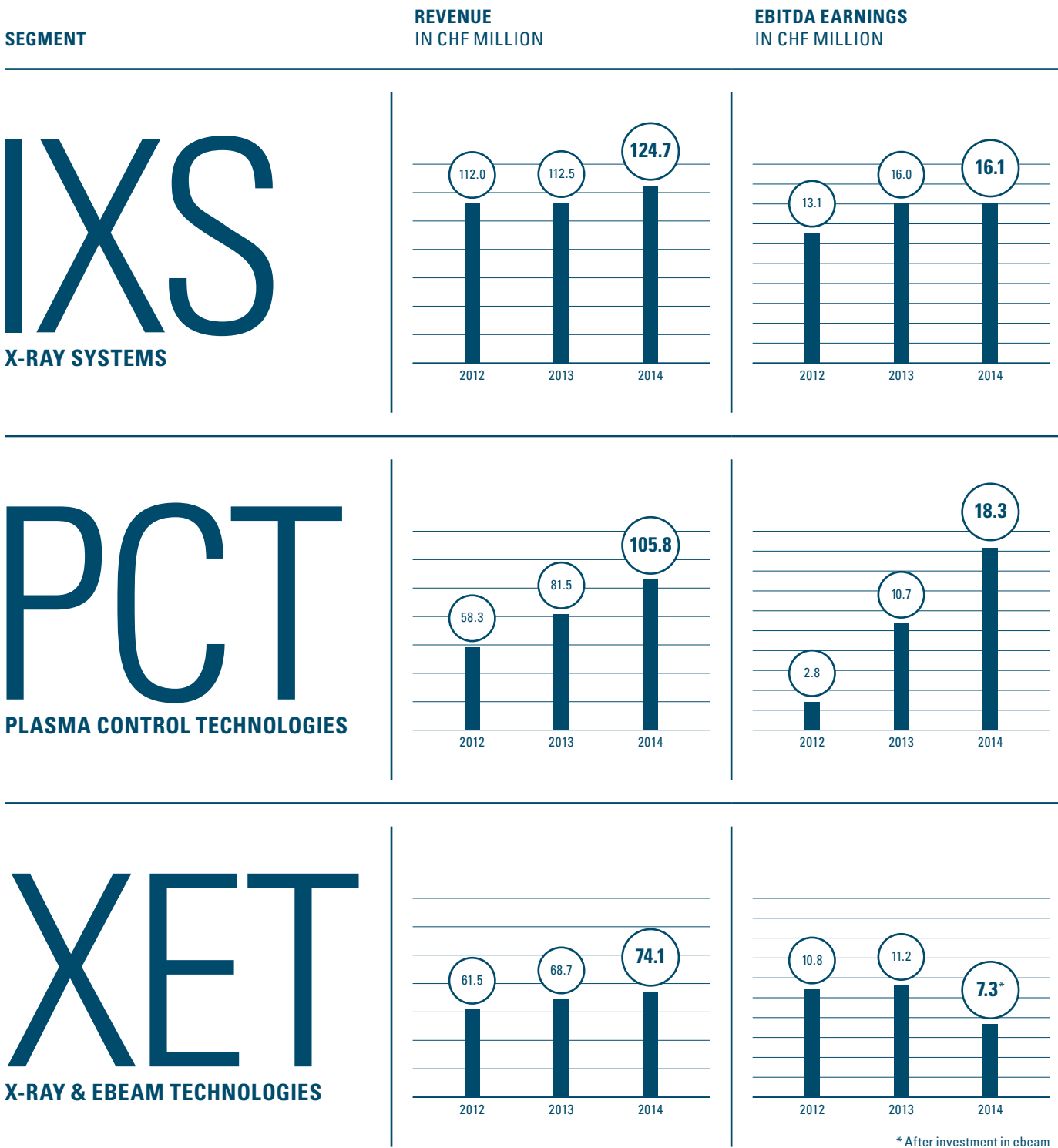
2015

13-15%

The COMET Group at a glance: brands, technologies, segments

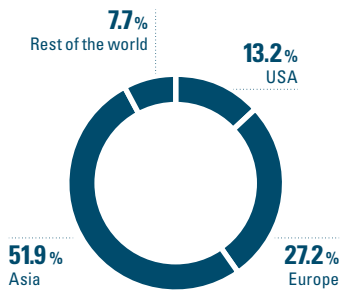
Segment	Core technology	X-RAY TECHNOLOGY	RADIO FREQUENCY TECHNOLOGY	EBEAM TECHNOLOGY
IXS X-RAY SYSTEMS	YXLON	Under the YXLON brand, the COMET Group delivers leading integrated solutions for non-destructive testing in the automotive, electronics and aerospace industries. For its x-ray systems, YXLON provides worldwide, complete service and support over the whole life cycle.		
PCT PLASMA CONTROL TECHNOLOGIES	COMET		Highly precise, rapid control of processes in chip fabrication – this is where the COMET brand excels. For the control of plasma processes, leading makers of memory chips, flat screens and solar panels rely on COMET vacuum capacitors, radio frequency generators and impedance matching networks.	
XET X-RAY & EBEAM TECHNOLOGIES	COMET	Maximum product safety, reliable processes, innovation – all are assured by x-ray technology bearing the COMET brand. COMET's high-performance x-ray sources are widely used in systems for non-destructive testing and inspection.		ebeam In many industries, an important need is the finishing or sterilization of surfaces. The compact ebeam technology from the COMET Group makes industrial processes faster, more energy-efficient, and (as a non-chemical approach) more environmentally friendly. The sterilization of beverage packaging has been commercialized as the technology's first major application, with more uses to follow.

Growth in all segments



* After investment in ebeam

SALES BY REGION



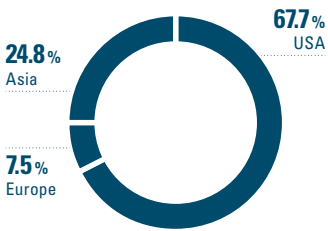
INDUSTRIES

ELECTRONICS
TIRE
WHEEL
FOUNDRIES
AEROSPACE
LABS &
INSTITUTIONS

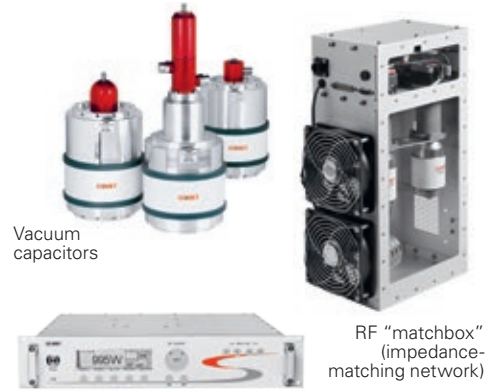
PRODUCTS



Microfocus systems, x-ray systems and imaging software



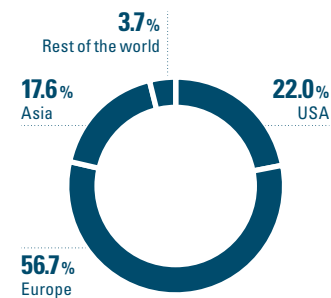
SEMICONDUCTOR
FLAT PANEL
LED & SOLAR
MEDICAL
TECHNOLOGY



Vacuum capacitors

RF generator

RF "matchbox" (impedance-matching network)



FOOD PACKAGING
AEROSPACE
AUTOMOTIVE
SECURITY
STEEL MILLS
ENERGY



Portable x-ray module

ebeam engine

X-ray source

Growth in all regions

Strongly committed to being near its customers, the COMET Group has an excellent global internal salesforce and sales agent network. With a highly motivated team, the Group also delivers outstanding service and support over the whole life cycle of the products. In 2014 the Group increased its sales by 15.3% to CHF 287.9 million. All segments and regions contributed to this growth. The Group's sales gains were strongest in North America, thanks to its powerful radio frequency solutions for memory chip fabrication in the semiconductor market.



EUROPE

SALES OF CHF 71.5 MILLION

+3.5%growth
in local currency

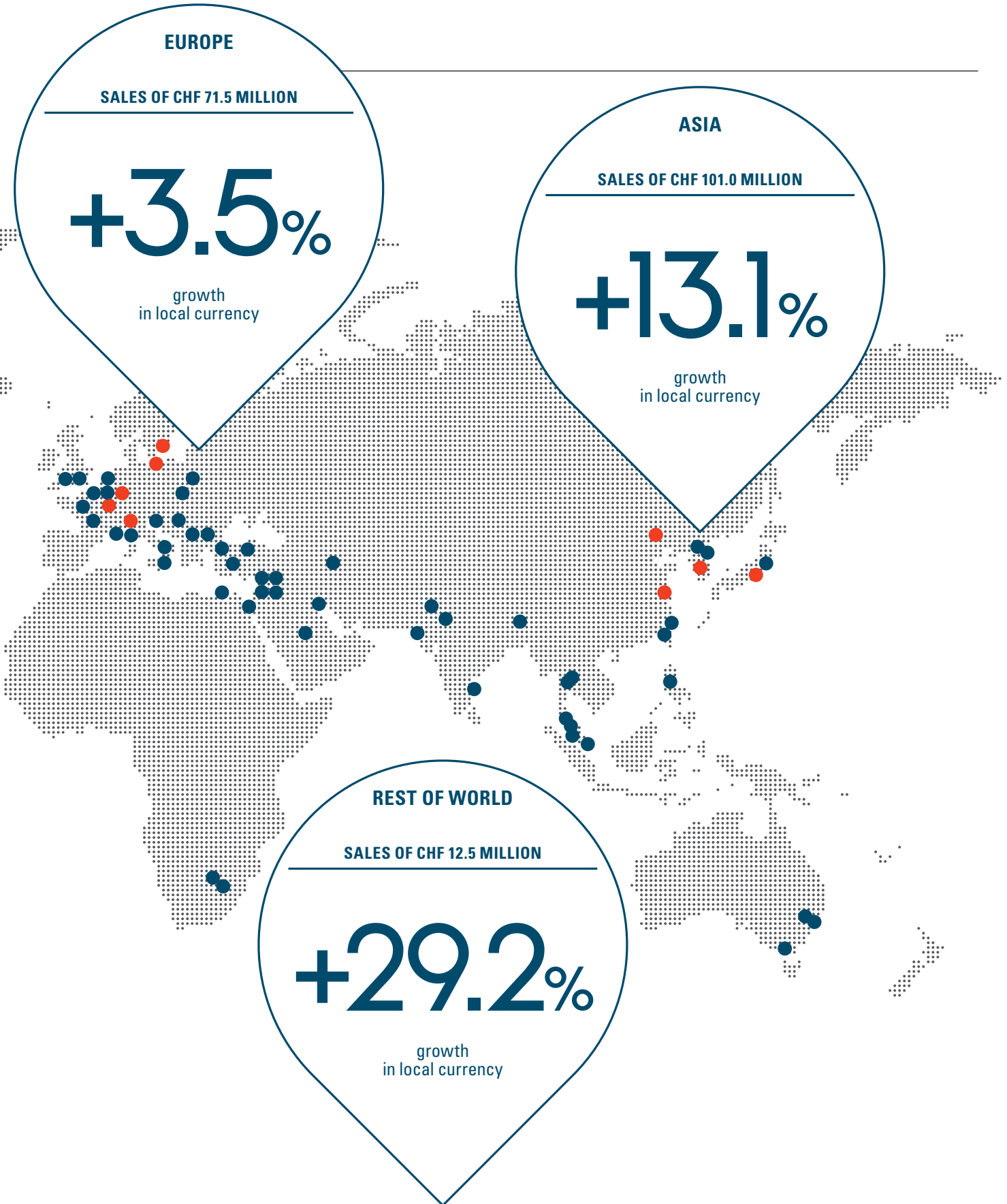
ASIA

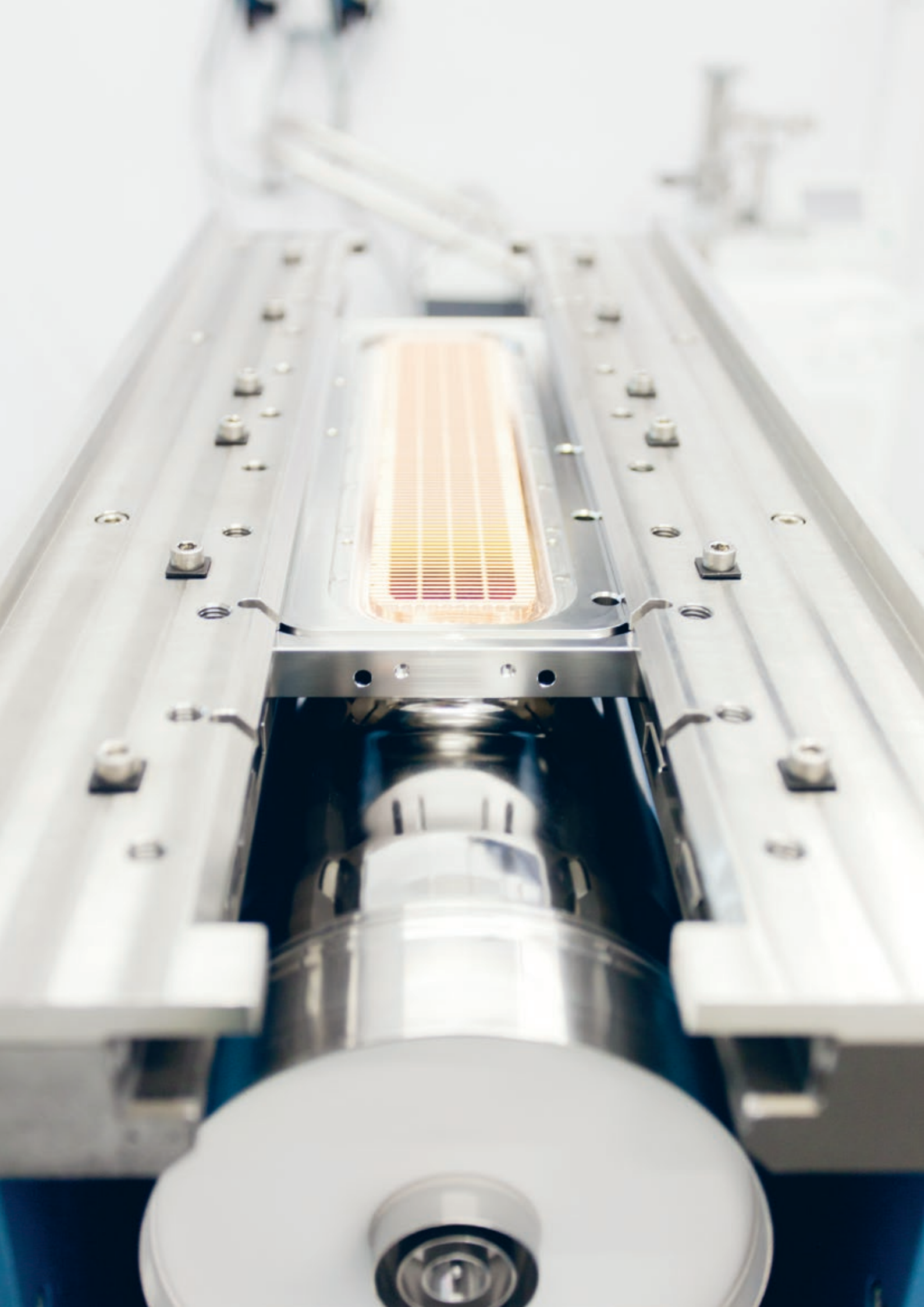
SALES OF CHF 101.0 MILLION

+13.1%growth
in local currency

REST OF WORLD

SALES OF CHF 12.5 MILLION

+29.2%growth
in local currency



Trends

Through innovative technologies, we actively help shape global trends

COMET PUSHES THE BOUNDARIES OF THE POSSIBLE

Know-how and precision inform the development of the compact ebeam lamps. A foil just 7.5 μm thin – about one-tenth the diameter of a human hair – must be welded onto the ebeam window.

Trends and Technologies

3D, miniaturization, mobile communication, product safety, process and resource efficiency: With its technologies the COMET Group both responds to and actively shapes technological trends.

Current trends



MINIATURIZATION

Ever more performance in ever smaller packages: Products and components are shrinking even while becoming more complex. The technologies of the COMET Group help safeguard the quality of products and processes.



MOBILE COMMUNICATION

The ability to communicate anywhere, anytime, has quickly become the norm, thanks to ever more capable mobile devices. The technologies of the COMET Group help manufacturers build these constant companions of our mobile lives more inexpensively and efficiently.



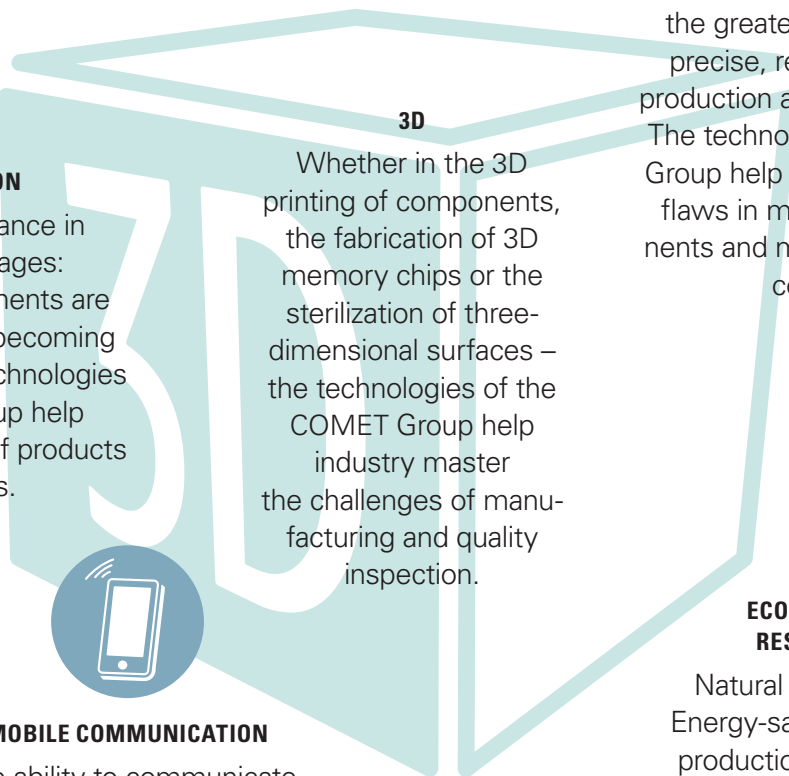
RELIABILITY, SAFETY AND PERFORMANCE

The more industry pushes materials to their limits, the greater the importance of precise, reliable processes in production and quality inspection. The technologies of the COMET Group help find the most minute flaws in materials and components and make processes more competitive.



ECO-FRIENDLINESS AND RESOURCE EFFICIENCY

Natural resources are limited. Energy-saving, resource-efficient production processes are therefore vitally important. The technologies of the COMET Group help protect the environment and conserve resources.



Our core technologies



X-ray technology

In these times of lean manufacturing, the safety and reliability of components is an absolute must – even the tiniest defects need to be found. That makes powerful technologies for non-destructive testing all the more critical. The COMET Group has succeeded time and again in setting new standards with its innovative, high-quality x-ray sources, x-ray systems and 3D imaging software. Components requiring inspection are always getting smaller and more complex, such as in mobile communication. With state-of-the-art, easy-to-use computed tomography systems, the COMET Group equips its customers to inspect even the most minute parts exactly and rapidly for defects, thus streamlining and safeguarding quality assurance in production processes.



Radio frequency technology

COMET's radio frequency (RF) technology is the basis for the manufacturing of advanced touchscreens and memory chips used in smartphones, tablets and other devices. The production of storage media requires ever more rapid and precise plasma deposition to power the development and fabrication of new 3D chip structures. That demands high-performance products like COMET's vacuum capacitors, impedance matching networks and RF generators. Similarly, resource-saving technologies such as solar cells and LEDs are only made possible by deposition processes using the latest radio frequency technology, which the COMET Group develops and markets.



ebeam technology

The innovative, compact ebeam technology from the COMET Group helps realize significant savings in resource consumption, such as when sterilizing beverage packaging. And the Group not only enables valuable resource-saving alternatives to conventional manufacturing processes, but also helps make these processes more profitable. This is also the aim of additional ebeam applications now being developed by the COMET Group, including the treatment of seeds, curing of printing ink, conversion and improvement of materials, and sterilization of various surfaces.



X-ray technology

Accident prevention through highly advanced imaging

The need for safety and security inspection is constantly rising. Everywhere, from passenger screening at airports to the construction of buildings, new measures and processes are being introduced to improve security and safety. This is also true in automotive manufacturing, where the key aim of greater vehicle safety is achieved mainly through improvements in technology and materials. Additionally, subsectors like the tire industry seek ways of optimizing manufacturing costs. One possible source of cost savings is in materials. But using less material, whether in tires or elsewhere, means the material that *is* used must stand up to greater stresses. This is where extremely reliable testing and examination of materials is indispensable, as even the smallest defects can have far-reaching consequences. Their effective elimination requires advanced, powerful imaging technologies that afford full insight into the

quality attributes of the products tested. In developing such solutions, the COMET Group can draw on its decades of experience in x-ray and computed tomography. Thus, a CT system from YXLON allows tires to be scanned at power levels of up to 600kV and imaged three-dimensionally. This CT inspection is possible even while the tires are under load during simulation of the forces and stresses of road use. The behavior of the material can thus be analyzed even during simulated driving – a unique capability. It lets manufacturers achieve ideal combinations of product quality and material efficiency and contribute to traffic safety.





**QUALITY AND EFFICIENT
USE OF MATERIALS**

“With Y.CT Tire from YXLON, tire makers achieve the ideal combination of quality and material efficiency.”

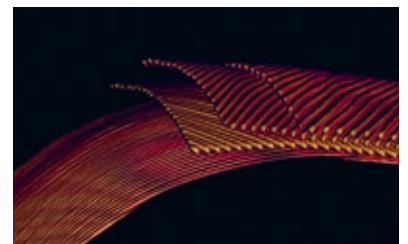
Stefan Moll
President, X-Ray Systems

ZERO DEFECTS

100%

All truck tires made worldwide must be x-rayed and inspected for defects by the manufacturer. On passenger tires too, final inspection is increasingly done radiographically.

VIEW INSIDE A TIRE



CT cross section of a truck tire

Radio frequency technology

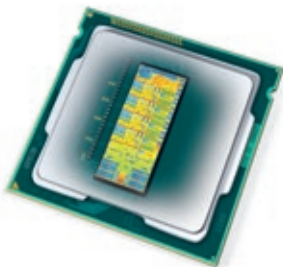
Into the third dimension with RF technology from COMET

Innovation in components for electronic devices – from desktops and laptops to tablets, smartphones and, recently, phablets – is hurtling along at a breathtaking pace. Gadgets are becoming ever faster, smarter, and above all more compact. But ultimately, even miniaturization in electronics runs into limits imposed by the laws of physics. This is now the case in conventional “flat” memory chips, where power densities have reached the maximum possible. Yet, Big Data and the Internet of Things demand continuing growth in storage capacity. A promising solution are novel 3D chips with vertically stacked memory structures, which far outperform conventional chips. Major companies like Samsung and Intel are working in overdrive on such models. Producing these highly complex chips also requires much faster and more exact vapor deposition methods. While the coating necessary for

a conventional chip took four repeated deposition passes, a 3D chip needs as many as 17. To manufacture these next-generation chips competitively, the deposition techniques must be made significantly faster. That in turn necessitates powerful, reliable radio frequency solutions. This is where the COMET Group has much to offer its partners: In close collaboration with suppliers in the electronics industry, the company develops solutions and products to advance the fabrication of 3D integrated circuits. With new RF fast-tuning solutions pioneered by COMET, the development of 3D chips should take another big leap forward.



3D CHIPS DO MORE



Many times more power in the same space

Credits: Intel®

MORE DEMANDING FABRICATION

17x

Up to 17 deposition passes are needed in the production of 3D chips, compared to four passes for conventional chips.

RF SOLUTIONS FROM COMET

“3D chips are the future of the electronics industry. And they require powerful, fast radio frequency solutions.”

Michael Kammerer, President, Plasma Control Technologies



ebeam technology

Fit for the future with blue technology

The world's population is growing fast. Over 7 billion people now live on Earth. Every year, this number swells by about 78 million, while humanity wants ever better food, clothing, transportation and entertainment. The resources which the planet as an ecosystem can supply are finite, and the resource deficit is alarming. Time is short for finding a way out of this dilemma. But changes in individual consumer behavior or new laws are difficult to push through globally, and much too slow. The answer lies in revolutionary new technologies that help satisfy the growing consumer needs with fewer resources. Green technologies such as solar and wind energy are steps in the right direction. Yet, they are in many cases too expensive, even with government subsidies. More beneficial are so-called blue technologies, which not only help conserve resources but also boost productivity and are thus highly appealing econom-

ically as well. One such blue technology is ebeam, developed by the COMET Group. Thanks to converting to ebeam, COMET's partner Tetra Pak is able to significantly lower CO₂ emissions from the sterilization of beverage packaging, cut energy consumption and eliminate chemicals. What is more, ebeam also helps drive a vast improvement in productivity, leading to a compelling cost reduction of 30% for the consumer. In other words, ebeam is instrumental in lowering resource consumption and raising competitiveness. The future belongs to blue technologies like ebeam, predestined to play a key role in resolving the global bottleneck of resource overuse.



WE HAVE LIFT-OFF WITH TETRA PAK



Tetra Pak has launched the rollout

BLUE IS THE NEW GREEN

“The future belongs to blue technologies: They not only save the planet’s resources but are attractive economically.”

Charles Flükiger, President,
X-Ray & ebeam Technologies

EBEAM SAVES COSTS

30%

Using ebeam, Tetra Pak is able to lower costs to the end consumer by 30% in the sterilization of beverage packaging.



Performance

A record year
in review

**SUPERIOR PRODUCT QUALITY
THROUGH PROCESS EXCELLENCE**

To achieve the best ultra-high vacuum in the x-ray tube, the cleaned parts are assembled in a climate-controlled environment.

To Our Shareholders



Ronald Fehlmann, CEO, and Hans Hess, Chairman of the Board.

In 2014 the COMET Group achieved record sales of CHF 287.9 million, with sales growth of 17.2% in local currencies. Net income rose by 63.3% to CHF 26.3 million. These results put the Group in a stronger position than ever.

The COMET Group delivered further organic growth in 2014. Consolidated net sales rose from CHF 249.6 million to CHF 287.9 million, surpassing the strong prior year by 15.3%, or 17.2% in local currencies. EBITDA operating earnings improved by 10.5% to CHF 39.8 million despite current strategic investment in future growth. The EBITDA margin was 13.8% (2013: 14.4%). Net income rose strongly, by 63.3% to a new total of CHF 26.3 million, and earnings per share grew 60% to CHF 34.07. Free cash flow was CHF 18.5 million (2013: CHF 10.7 million). The equity ratio increased to a very good 65.0%. Net debt fell to CHF 2.0 million. These results place the COMET Group on a stronger footing than ever.

Strategy succeeds – Growth in all three segments

The consistent execution of the Group's strategy continued to bring rich rewards in 2014. The intensified marketing of existing products and technologies and the swifter development of high-growth business segments proved effective as the Group achieved growth in all regions and operating segments. The strongest advance in sales was made in the Plasma Control Technologies (PCT) segment, which leveraged its investment of the prior years and expanded its business with major customers in the US semiconductor market. Overall, the segment's sales rose 29.7% to an unprecedented CHF 105.8 million (2013: CHF 81.5 million).

With sales of CHF 124.7 million, X-Ray Systems (IXS) also grew by a robust 10.9% (2013: CHF 112.5 million). X-Ray & ebeam Technologies (XET) successfully broadened its customer base and pushed up sales to CHF 74.1 million (2013: CHF 68.7 million). An appreciable contribution to this came from the recently launched ebeam business, which boasted the highest growth rate in the Group. The Group as a whole grew in every region – most notably in the USA, which now accounted for 36% of sales, the largest single regional share (Asia: 35.1%, Europe: 24.8%).

Significant gains in profitability and company value

The high sales and the continued strategic work to improve operating efficiency led to tangible profit growth. EBITDA earnings of the COMET Group increased from CHF 36.0 million to CHF 39.8 million. The largest contributor was the PCT segment, where earnings grew from CHF 10.7 million to CHF 18.3 million. IXS segment earnings rose slightly to CHF 16.1 million (2013: CHF 16.0 million). XET likewise remained solidly profitable (despite current investment in developing the ebeam business), generating EBITDA of CHF 7.3 million (2013: CHF 11.2 million). Besides the high sales, the Group benefited from positive tax effects of loss carryforwards in the USA. Net income of the Group rose markedly to CHF 26.3 million (2013: CHF 16.1 million). COMET also raised its economic profit severalfold and significantly boosted the value of the Group. Return on capital employed went from 10.8% to 15.6%, with capital costs of 9%.

COMET Group more robust than ever

The steady focus on global marketing of innovative products and technologies made the COMET Group even stronger than before. Critical headway was achieved in all core dimensions of Group strategy. The relationships with key accounts were deepened and new growth-

driving projects started in, e.g., the semiconductor industry, security inspection and non-destructive testing. As well, new customers were acquired and design wins laid important foundations for future growth. Process efficiency continued to be improved. The product portfolio was bolstered with innovative solutions such as the new line of intuitive FeinFocus computed tomography systems, portable Smart Evo x-ray modules for pipeline inspection, and the sophisticated SmartCon vacuum capacitor. The Group also made extensive progress in its emerging businesses: In radio frequency (RF) generators, COMET developed new solutions for future use by the semiconductor industry. In the ebeam activities, development of the business is on track. The rollout of this technology with Tetra Pak was initiated with the delivery of the first ebeam-equipped beverage packaging systems to Japan. In Flamatt the unit began to implement a scalable manufacturing concept that in the medium term will allow the production of larger series of ebeam equipment. To expand market access for ebeam in Europe and North America, the business unit launched a collaboration with two system integration companies.

Demanding environment – Good prospects for growth

As a result of its strategy, the COMET Group is ideally placed to exploit current market trends with its innovative customer solutions and further strengthen its leading position in the market. Important business drivers are the development of three-dimensional memory chips, the trend toward 3D rendering of x-ray images through CT, and also the treatment of various surfaces with ebeam. COMET helps to power these trends with its technologies. The Board and management are convinced that, barring a deterioration in the economic environment, the Group will be able to continue to grow its value in the future. Despite the Swiss central bank's deci-

sion to end the franc's peg against the euro, COMET's expectation for 2015 – based on the assumptions of EUR/CHF parity and an exchange rate of CHF 0.90 per US dollar – is for sales of CHF 280–300 million and an EBITDA margin of 13–15%. As a result of the non-recurring positive tax effect of CHF 6.1 million in 2014 and one-time net currency translation losses of about CHF 3 million in 2015, net income this year will be correspondingly lower than in 2014. Next to organic growth, COMET is also looking at acquisitions that can accelerate the strategic initiatives and open up attractive growth opportunities.

Dividend increase

At the next Annual Shareholder Meeting, the Board of Directors will propose a distribution of CHF 11.00 per share to shareholders from distributable paid-in capital (2013: CHF 8.00 per share), exempt from Swiss anticipatory tax. This represents 32% of the Group's net income.

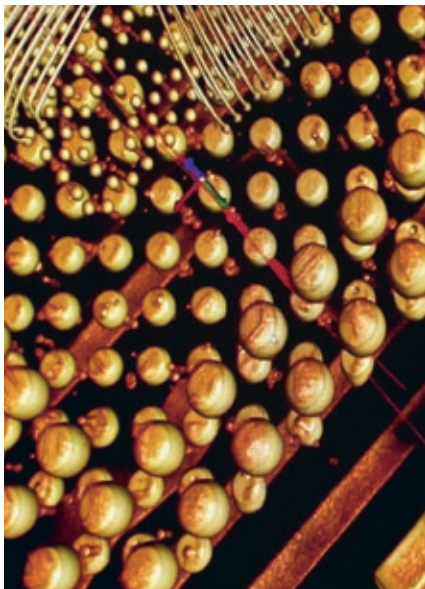
Thank you!

On behalf of the whole Board and management, we would like to thank COMET's shareholders for their trust. We also wish to express our gratitude to COMET's partners, customers and suppliers for the close working relationships and the strong confidence shown in our technology, our people and our business. A special thank-you goes to our almost one thousand employees worldwide, whose hard work and passionate commitment made the year's superb results possible.


Hans Hess
Chairman of the
Board of Directors


Ronald Fehlmann
Chief Executive
Officer

Highlights



IXS penetrates new dimensions with CT

Thanks to a newly launched family of YXLON CT systems with intuitive smart-touch operation and remote monitoring, x-ray technology is no longer just for specialists but becomes accessible to general users. The COMET Group is thus entering new dimensions in the world of non-destructive testing.

COMET helps kids discover science

Enthusiasm for technology is a big part of the COMET Group's success. To ignite the spark of this passion for technological creation in the next generations, the Group gets involved in nurturing young minds: In addition to sponsoring the distribution of science kits of the "Explore-it" association to schools, the company since last year also supports the renowned Technorama science center in Winterthur.



PCT breaks CHF 100 m

The consistent strategy execution is paying off: Plasma Control Technologies passed the symbolically significant CHF 100 million mark in sales. At the same time, the segment laid the groundwork for continuing growth through closer relationships with key accounts and by winning new customers in Asia.



ebeam takes off

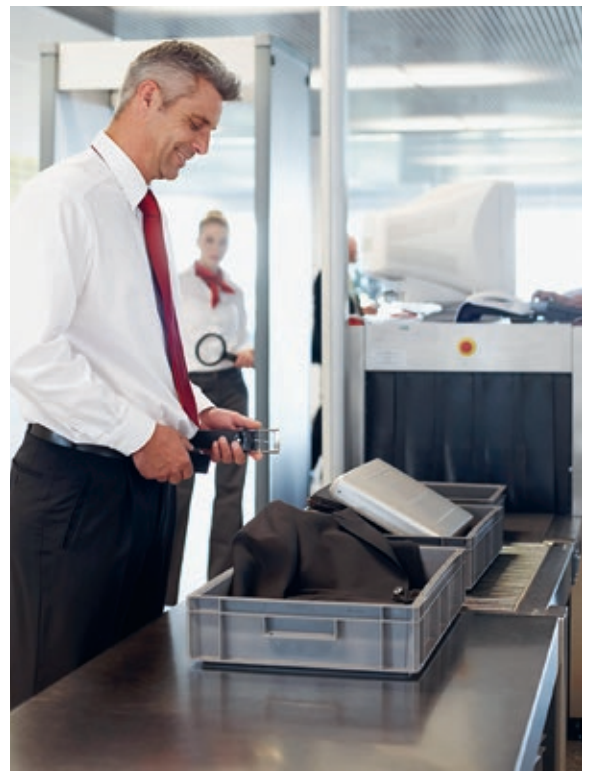
In 2014 the ebeam business reached further new milestones. The Tetra Pak rollout was kicked off successfully with the delivery to customers in Japan of the first ebeam-equipped systems for the filling and sterilization of milk packaging.

To improve market access, COMET hired two system integration firms. As well, the implementation of a scalable concept for series production of ebeam equipment was begun.



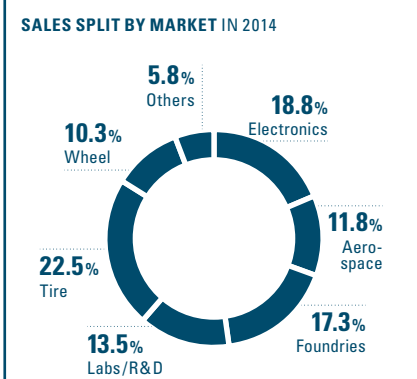
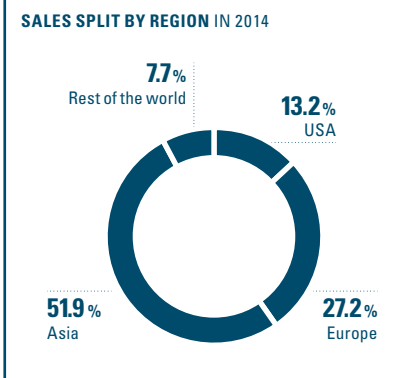
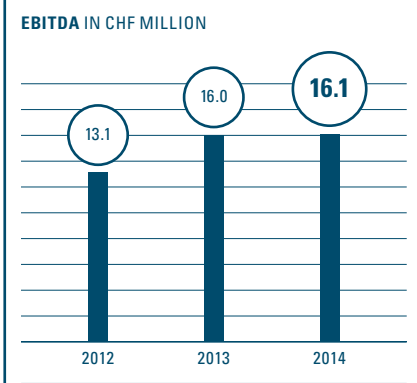
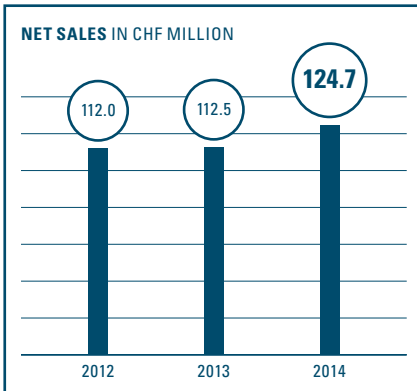
IXT ensures basis for future growth

With its Smart Security initiative, the aviation industry is working to make security checks at airports more efficient, passenger-friendly and secure. The development of next-generation solutions for passenger screening is in full flight. With its innovative x-ray technology, COMET is represented in all relevant pilot projects and is thus poised to make the most of the future potential.



IXS

X-RAY SYSTEMS



With sales of CHF 124.7 million, X-Ray Systems achieved growth of 10.9% year-over-year. Investment in further upgrading of the CT capabilities led to a slightly reduced EBITDA margin of 12.9% (2013: 14.2%). EBITDA operating earnings in absolute terms were steady at CHF 16.1 million (2013: CHF 16.0 million).

The X-Ray Systems segment (IXS) enjoyed a year of strong sales. In four of six customer segments, IXS delivered double-digit growth. The CT expertise was magnified by pooling all required key competencies at the segment's main site in Hamburg. With the development of the new FeinFocus line of CT systems, the segment also set new standards in ease of use. Implementing its strategy, IXS created the structures for driving growth in the six defined customer segments.

Rapid growth in the tire market

The strongest growth for IXS was in sales to the tire industry. Especially in China, which with about 90% of the world's manufacturing capacity for truck and bus tires is by far the largest producer of commercial tires, IXS benefited from strong demand. IXS also grew substantially in the customer segment of castings. Particularly in Europe, small and medium-sized foundries in the automotive supply industry liked the new CT-capable version of the proven MU2000 inspection system. In the heavily regulated aerospace sector, digital radiographic inspection gradually continues to assert itself. YXLON forged closer ties to customers in this industry and increased its sales. In the electronics market on the other hand, the second largest customer segment, IXS faced strong competition. However, in the medium term, IXS sees continuing high growth potential both in aerospace and electronics.

Ease-of-use in focus

The third dimension is of growing significance in materials and parts testing and measurement. Customers demand high resolution and simplicity of operation. YXLON meets these needs with advanced software features and new concepts. With the unveiling of its FF20 CT and FF33 CT models, the segment introduced the first members of its new product group of FeinFocus CT systems, which is characterized by precision, intuitive operation and remote monitoring capability. These systems have been available since the beginning of 2015. As well, the upgrading of the bestselling Y.MU2000-D x-ray inspection system with a computed-tomography option began to bear fruit, showing that IXS is on the right track with the expansion of its CT offering.

In tire inspection systems, the brisk business done by IXS last year continued to reflect well on the performance and reliability of the x-ray detectors used. The COMET Group is the uncontested leader in this field today.

The software too is becoming ever more vital in the image chain, helping customers to find defects in components quickly and effectively. Conspicuous progress in this area was made in 2014: Thus, for the Cheetah and Cougar electronics inspection systems, the IXS segment added eHDR and MAVC – new features that, with a single click, help improve the analysis of critical areas on objects such as memory chips. Also, a laminography technique producing richer detail enables customers to generate and analyze 3D-images of larger printed circuit boards even more rapidly.

CT capabilities enhanced

Since the beginning of 2014, the IXS segment focuses only on its core business of stationary x-ray systems. The portable systems business was reassigned to the XET segment. A critical milestone in 2014 was the pooling and strengthening of the CT competencies in a single location, in Hamburg. This will foster the more efficient development of new products and features based on a shared software platform and will shorten time to market. As well, two additional high-energy x-ray vaults for building and testing large CT systems were installed in Hamburg. Implementing the business strategy, the sales activities were realigned with the six defined customer segments, and more staff was added in marketing, service and sales, particularly also in Asia. In the USA, the IXS segment moved from Akron to Hudson, Ohio, thus gaining the physical space needed for the projected future growth.

Execution of segment strategy

With its new platform of software and products, IXS is well-positioned to exploit the current trends toward greater user friendliness and higher resolution. Important success factors will remain the further expansion of the CT offering and the introduction of the new large CT systems, which is planned for the second half of 2015. Priorities regarding customer segments are the systematic implementation of customer segment strategies, and tapping more of the potential in aerospace and electronics.

X-RAY SYSTEMS

CORE BUSINESS

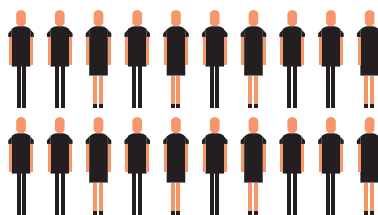
The core business of the X-Ray Systems segment lies in integrated solutions for non-destructive testing, marketed under the YXLON brand. YXLON's customer base consists mainly of suppliers in the automotive, electronics and aerospace sectors, as well as research institutions.

PRODUCTS

X-Ray Systems offers customized and standard stationary systems in the areas of x-ray, microfocus and computed tomography. The offering also includes comprehensive global service and support over the entire life cycle of the systems.

355

Employees



7

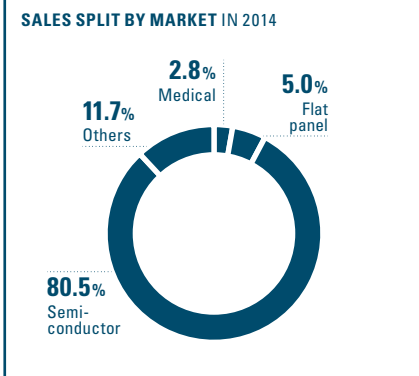
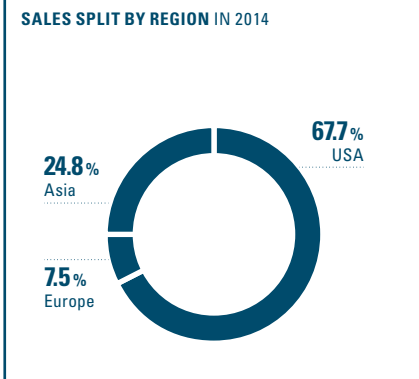
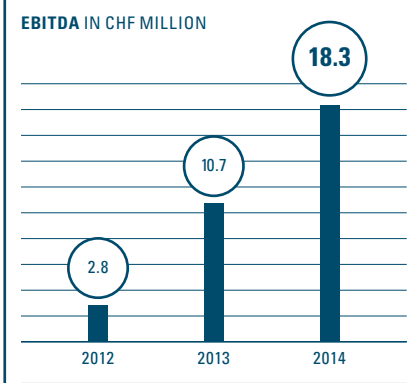
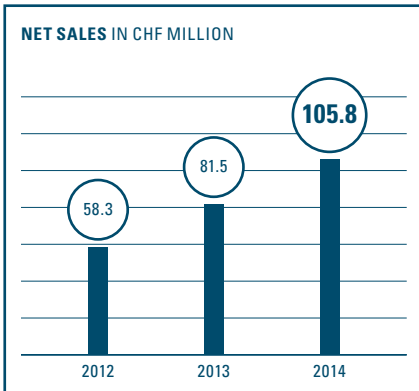
Locations

- Hudson US
- Hattingen DE
- Heilbronn DE
- Hamburg DE
- Beijing CN
- Shanghai CN
- Yokohama JP



PCT

PLASMA CONTROL TECHNOLOGIES



With sales of CHF 105.8 million in 2014, the Plasma Control Technologies segment grew by a compelling 29.7% year-over-year. The EBITDA margin widened by 4.2 percentage points to 17.3%. Operating earnings at the EBITDA level rose from CHF 10.7 million to CHF 18.3 million.

In the second half of 2014, PCT continued the success story of the strong first six months. The segment's sales grew by 31.3% in local currencies compared with the prior year and passed the 100-million-franc milestone. The PCT business has thus doubled in size in six years. A major driver of the excellent result was the expansion of business with key accounts in the US semiconductor market. PCT also captured further market share in vacuum capacitors in Asia and established a foothold in the LED business in China. In Korea, where COMET has had a subsidiary since 2013, projects were launched with a number of suppliers to the semiconductor industry. Measures for further efficiency improvement already gained traction intra-year, boosting the EBITDA profit margin from 13.1% to 17.3%.

Dynamic growth in semiconductor market

The PCT segment achieved its most vigorous growth in the semiconductor market, which boomed in 2014, especially in the memory chip sector. The top reasons for the growth were that chip manufacturers have been changing their fabrication facilities over to new 3D memory technologies and that smartphones and tablets continue to be in great demand worldwide. Amid these trends, the COMET Group's investment over the past years in the right "matchbox" technology paid off, as its advanced impedance-matching networks are just what the market wants.

COMET's sales in the flat panel display market in Japan and China were steady. In the LED sector, consumers' growing demand for higher-quality LED lamps meant that COMET's radio frequency (RF) technology, needed to build these light-emitting diodes, continued to gain in importance. Thus, COMET was able to expand its business in China with a major supplier to the LED industry.

New features for RF generators

PCT reached a significant milestone in 2014 in its RF generators: As part of a development project in Asia, new features were developed for use in the semiconductor market and the technological platform for the RF generators was thus broadened. This helped set the stage for establishing a market for generators in the semiconductor industry going forward. The segment also brought various new developments to market in vacuum capacitors that are now being tested by customers. For example, PCT launched the SmartCon, a new generation of capacitor with even higher power density that opens up still more sophisticated applications and production processes for customers. As well, in the area of fast tuning, PCT is working on solutions to support even more precise and rapid processes for the fabrication of novel 3D memory chips.

Expansion of sales and support organization

PCT strengthened its organization in 2014 both in terms of staff size and structure, thus putting in place the framework needed for the growth expected in the coming years. Particularly in Asia, a strategic growth region, the segment invested in the sales and customer and technical support organization. Through a strategic efficiency improvement initiative, PCT also identified measures (applicable across locations and functions) to make its processes even leaner and more effective. Implementation began in San José and will now be rolled out to other sites.

Asian market holds much promise

For 2015 the segment expects the development of 3D chip technology to continue to fuel investment by chip makers. COMET plans to support this development and growth with innovative technological solutions. An important focus is also on tapping the attractive opportunities in Asia. In China the priority is the marketing of RF technology for the manufacturing of LED products, while the emphasis in Korea is on developing and expanding the RF generator and RF impedance-matching network business for the semiconductor market. Another significant part of the foundation for further growth will be the completion of the RF generator portfolio and its commercialization for existing and new applications.

PLASMA CONTROL TECHNOLOGIES

CORE BUSINESS

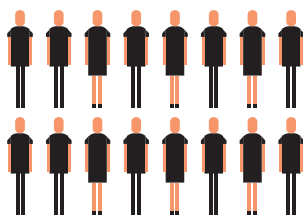
The Plasma Control Technologies segment specializes in the production of high-performance components for thin-film deposition and etching of surfaces under plasma conditions. The customers for the COMET-branded products are primarily original equipment manufacturers in the semiconductor, flat panel,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

PRODUCTS

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

333

Employees



5

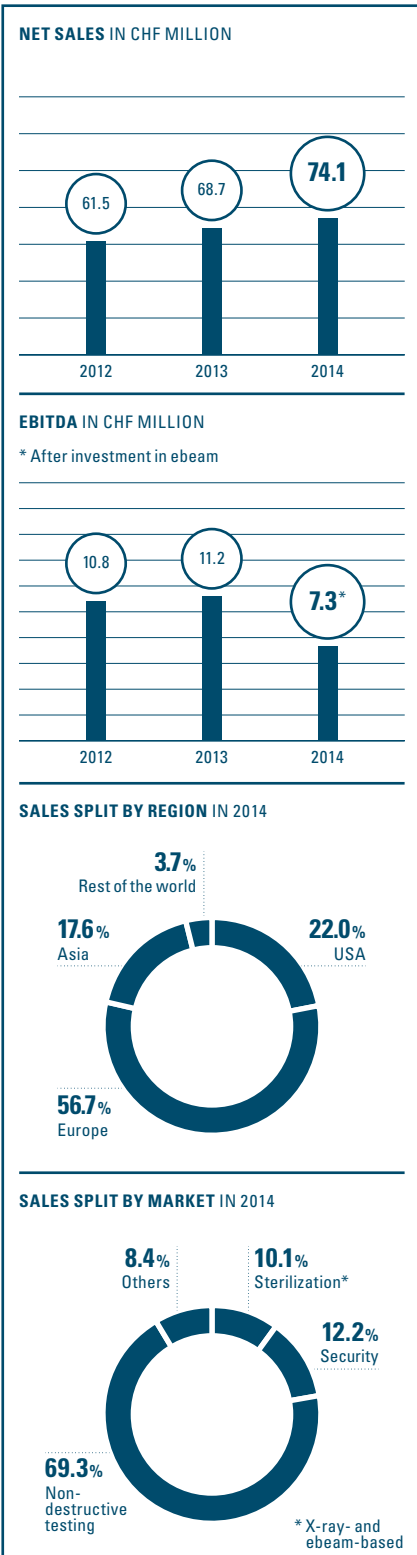
Locations

San José US
Flamatt CH
Stolberg DE
Shanghai CN
Suwon-si KR



XET

X-RAY & EBEAM TECHNOLOGIES



The X-Ray & ebeam Technologies segment (XET) kept up its multi-year growth trend, with sales rising 7.8% in 2014 to CHF 74.1 million. As a result of strategic investment in future growth, the EBITDA margin decreased as expected, to 9.9% (2013: 16.2%). Operating earnings in terms of EBITDA were CHF 7.3 million (2013: CHF 11.2 million).

The X-Ray & ebeam Technologies (XET) segment further expanded its market position in 2014 in the core business of non-destructive testing and security inspection. Winning important projects, XET paved the way for sustained further growth. Substantial progress was made by XET in building up the recently started ebeam business, which, while its share of segment sales is still in the single digits, has strong growth momentum. As anticipated, investment in expanding the ebeam activities and in the development of new products led to reduced EBITDA earnings of CHF 7.3 million.

Strong sales with new customers
In 2014 COMET succeeded in further enlarging its already strong market position in the core business of non-destructive testing, with sales growth significantly surpassing the market growth rate. The forward strategy of marketing complete x-ray sources and the intensified market development proved effective. The focus on small and medium companies, combined with the good business relationships cultivated over many years, paid dividends. Two-thirds of the growth came from new customers. In security inspection, XET also grew its business. Development projects for next-generation security inspection at airports were driven forward and inroads were made in China. The ebeam business fared well with its strategic focus on the four market

segments of sterilization, environment, curing of printing ink, and plastics production. Numerous non-disclosure agreements are now in place. Important progress was also achieved in the projects for the inactivation of dehydrated food and sterilization of pharmaceutical tissues. This in combination with successful sales of laboratory units made ebeam the business with the highest growth rate in the COMET Group.

Portfolio designed for new applications

XET last year added new and more capable solutions to its product line-up. With the Smart Evo product family, the segment launched a completely new generation of portable x-ray modules that is especially robust and ideally suited for field use, such as in pipeline inspection. Customized x-ray sources, developed by flexibly combining modular elements and functionalities to match the precise requirements of a specific application, continued to enjoy an enthusiastic reception in the market and will remain a significant growth driver for the XET segment.

The ebeam portfolio was expanded by new concepts and more powerful solutions. Its development continues with the aim of substituting the resource-efficient ebeam technology for existing industry processes and opening up new applications.

Prepared for further growth

To make better use of market development synergies, the portable x-ray modules business was separated out of the IXS segment and integrated in the XET segment. Ready for further growth, XET strengthened its presence in Asia, and the segment's US office in Connecticut moved into a new, larger building.

Organizationally, the focus in ebeam was on expanding market access and preparing for series production of ebeam equipment. To accelerate market access, the unit launched a collaboration with two system integrators for the European and North American markets. An ebeam application lab was opened to facilitate the development of new applications with prospective customers. The segment also developed a highly scalable concept for producing entire series of ebeam equipment. The first manufacturing cell will be ready by the third quarter of 2015. COMET also began to evaluate construction options for a facility expansion in Flamatt to ensure sufficient medium- to long-term ebeam production capacity.

A promising future

Standards for the safety and reliability of materials continue to rise, as does the need for sophisticated security. At the same time, modern manufacturing is progressively pushing materials to their limits. Component are becoming ever more complex and are increasingly tested in-line during series production. That widens the scope for potential applications in non-destructive testing. With its unique portfolio of high-performing products and its application expertise, XET is perfectly positioned for growth in existing and new applications. Key thrusts are both the continuation of the proven forward strategy with a special focus on the SME customer segment, and the expansion of the security business.

In the ebeam operations, the flexible provision of the necessary manufacturing capacity for the rollout with Tetra Pak is a top priority. As well, the ebeam group is working to achieve proof-of-concept for the development projects launched to add new applications. Another main objective is to gain wider market access for this attractive technology.

X-RAY & EBEAM TECHNOLOGIES

CORE BUSINESS

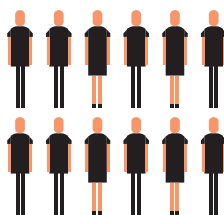
The XET segment develops, manufactures and markets advanced x-ray-based components for the non-destructive testing of parts in the automotive, aerospace, pipeline and steel industries. Its second core business are solutions based on the innovative, compact ebeam technology, which is presently used mainly for non-contact sterilization of beverage packaging. Two further exciting possible applications currently being explored by XET are the inactivation of dehydrated food and the sterilization of pharmaceutical tissues.

PRODUCTS

The portfolio of the X-Ray & ebeam Technologies segment comprises products and services based on x-ray and ebeam technology. The segment develops and manufactures metal ceramic x-ray sources and portable x-ray modules for non-destructive testing and security inspection. Based on its compact ebeam technology, XET also builds components and laboratory equipment for the resource-efficient, chemical-free treatment of surfaces and materials.

298

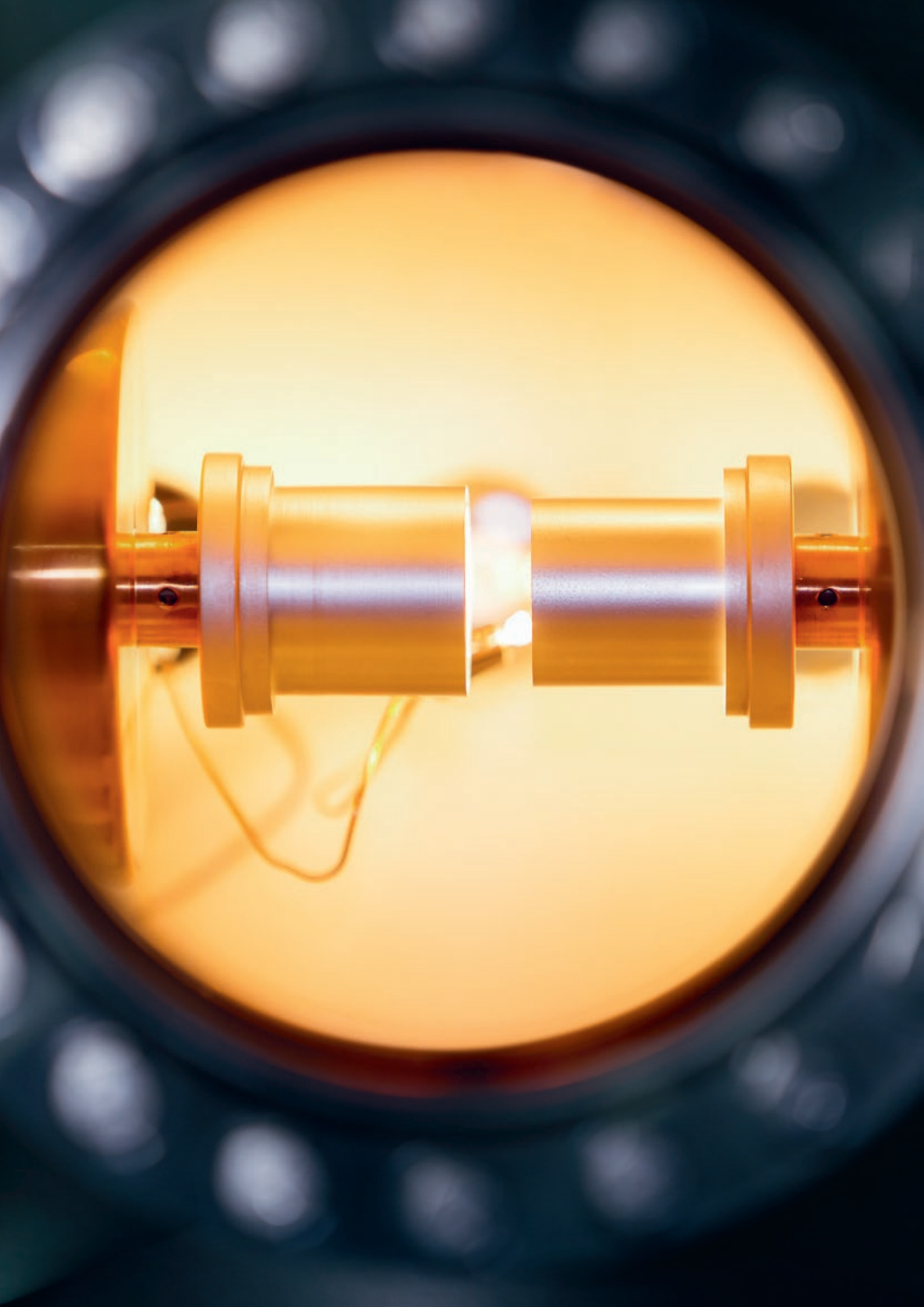
Employees



4

Locations





COMET Group Consolidated Financial Statements

36	Consolidated Balance Sheet
37	Consolidated Statement of Income Consolidated Statement of Comprehensive Income
38	Consolidated Statement of Cash Flows
39	Consolidated Statement of Changes in Equity
40	Notes to the Consolidated Financial Statements
83	Report of the Statutory Auditor

INNOVATION IN SEARCH OF PERFECTION

When developing ever higher-performing vacuum capacitors, every detail matters – such as the electrode being tested here, in a plasma chamber also developed by COMET.

Consolidated balance sheet

In thousands of CHF	Note	Dec. 31, 2014	%	Dec. 31, 2013	%
Assets					
Cash and cash equivalents		18,559		18,214	
Trade and other receivables	5	57,233		47,007	
Other financial assets	6	13		1,140	
Tax receivables		432		250	
Inventories	7	56,621		46,490	
Net assets from manufacturing contracts	8	0		5,417	
Prepaid expenses		2,003		1,601	
Total current assets		134,862	54.8%	120,118	52.7%
Property, plant and equipment	9	54,658		55,148	
Intangible assets	10	46,469		46,892	
Financial assets	6	379		404	
Employee benefit plan assets	17	3,084		3,750	
Deferred tax assets	12	6,459		1,521	
Total non-current assets		111,049	45.2%	107,715	47.3%
Total assets		245,911	100.0%	227,833	100.0%
Liabilities and shareholders' equity					
Current debt	13	6,557		11,896	
Trade and other payables	14	33,358		28,940	
Other financial liabilities	6	633		6	
Tax payables		4,951		5,156	
Accrued expenses	15	14,296		12,899	
Current provisions	16	6,021		4,557	
Total current liabilities		65,816	26.7%	63,453	27.9%
Non-current debt	13	14,013		20,002	
Non-current provisions	16	79		95	
Employee benefit plan liabilities	17	1,949		1,755	
Deferred tax liabilities	12	4,286		4,676	
Total non-current liabilities		20,327	8.3%	26,528	11.6%
Total liabilities		86,143	35.0%	89,981	39.5%
Capital stock	28	7,721		7,701	
Additional paid-in capital		52,740		57,854	
Retained earnings		118,518		92,616	
Foreign currency translation differences		(19,212)		(20,318)	
Total equity attributable to shareholders of COMET Holding AG		159,768	65.0%	137,852	60.5%
Total liabilities and shareholders' equity		245,911	100.0%	227,833	100.0%

Consolidated statement of income

In thousands of CHF	Note	2014	%	2013	%
Net sales	3	287,895		249,629	
Cost of sales		(176,499)		(151,989)	
Gross profit		111,396	38.7%	97,640	39.1%
Other operating income	19	4,649	1.6%	4,688	1.9%
Development expenses	21	(28,941)	-10.1%	(25,598)	-10.3%
Marketing and selling expenses		(39,522)	-13.7%	(35,575)	-14.3%
General and administrative expenses		(17,925)	-6.2%	(16,096)	-6.4%
Operating income		29,655	10.3%	25,060	10.0%
Financing expenses	23	(4,669)	-1.6%	(8,820)	-3.5%
Financing income	23	3,782	1.3%	7,090	2.8%
Income before tax		28,768	10.0%	23,330	9.3%
Income tax	12	(2,492)	-0.9%	(7,235)	-2.9%
Net income		26,277	9.1%	16,094	6.4%
Earnings per share in CHF, diluted and basic	24	34.07		21.28	
Operating income		29,655	10.3%	25,060	10.0%
Amortization	22	2,761	1.0%	3,916	1.6%
EBITA		32,417	11.3%	28,976	11.6%
Depreciation	22	7,349	2.6%	7,026	2.8%
EBITDA		39,765	13.8%	36,002	14.4%

Consolidated statement of comprehensive income

In thousands of CHF	Note	2014	2013	Change	Change in %
Net income		26,277	16,094	10,182	63.3%
Other comprehensive income					
Foreign currency translation differences		1,106	(308)	1,414	-459.2%
Total items that will be reclassified to the income statement on realization		1,106	(308)	1,414	-459.2%
Actuarial (losses)/gains on defined benefit plans	17	(889)	2,590	(3,479)	-134.3%
Income tax	12	173	(455)	628	-138.1%
Total items that will not subsequently be reclassified to the income statement		(716)	2,135	(2,851)	-133.5%
Total other comprehensive income		391	1,827	(1,437)	-78.6%
Total comprehensive income		26,667	17,922	8,746	48.8%

Consolidated statement of cash flows

In thousands of CHF	Note	2014	2013
Net income		26,277	16,094
Income tax	12	2,492	7,235
Depreciation and amortization	9/10	10,110	10,942
Interest expense/income, net	23	1,190	1,596
Share-based payments	29	1,409	972
Losses on disposal of property, plant and equipment		86	30
Losses on disposal of intangible assets		0	69
Other non-cash income/expense		(268)	1,583
Change in provisions	16	1,395	659
Change in other working capital		(4,459)	(17,963)
Interest received		21	19
Taxes paid		(7,694)	(3,858)
Net cash provided by operating activities		30,560	17,379
Purchases of property, plant and equipment	9	(9,388)	(4,869)
Purchases of intangible assets	10	(2,871)	(2,221)
Disposals of property, plant and equipment	9	179	443
Net cash used in investing activities		(12,080)	(6,647)
Proceeds from new debt	13	606	0
Repayment of debt	13	(12,124)	(10,664)
Interest paid		(1,233)	(1,587)
Reissuance of treasury stock		0	6,111
Distribution to shareholders of COMET Holding AG		(6,161)	(2,977)
Net cash used in financing activities		(18,912)	(9,117)
Net (decrease)/increase in cash and cash equivalents		(432)	1,615
Foreign currency translation losses on cash and cash equivalents		778	(141)
Cash and cash equivalents at January 1		18,214	16,740
Net cash and cash equivalents at December 31		18,559	18,214

Consolidated statement of changes in equity

In thousands of CHF	Equity attributable to shareholders of COMET Holding AG					
	Capital stock	Additional paid-in capital	Treasury stock	Retained earnings	Foreign currency translation differences	Total shareholders' equity
December 31, 2012	7,663	59,930	(4,424)	72,665	(20,010)	115,824
Net income				16,094		16,094
Other comprehensive income				2,135	(308)	1,827
Total comprehensive income				18,230	(308)	17,922
Distribution to shareholders of COMET Holding AG		(2,977)				(2,977)
Reissuance of treasury stock			4,424	1,687		6,111
Increase in capital (for stock compensation for 2012)	38	901		(987)		(49)
Share-based payments for 2013				1,021		1,021
December 31, 2013	7,701	57,854	0	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	0	118,518	(19,212)	159,768

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 its ebeam brand, the Group offers compact electron-beam sets used in the non-contact sterilization of surfaces.</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 2014 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, 2014, COMET has applied the following new or revised IFRS/IAS for the first time:</p> <ul style="list-style-type: none"> ■ IAS 27, IFRS 10, IFRS 12 – Amendments – Investment Entities ■ IAS 32 – Amendments – Financial Instruments: Presentation ■ IAS 36 – Amendments – Impairment of Assets ■ IAS 39 – Amendments – Financial Instruments: Recognition and Measurement ■ IFRIC 21 – Levies <p>The first-time application of these revised and new 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 19 – Amendments – Employee Contributions	(1)	Jul. 1, 2014	Fiscal year 2015
Annual Improvements published December 2013	(1)	Jul. 1, 2014	Fiscal year 2015
IAS 1 – Amendments – Disclosure Initiative	(1)	Jan. 1, 2016	Fiscal year 2016
IAS 16 and IAS 41 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation	(1)	Jan. 1, 2016	Fiscal year 2016
IAS 16 and IAS 41 – Amendments – Bearer Plants	(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 and IAS 28 – Amendment – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(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
IFRS 15 – Revenue from Contracts with Customers	(2)	Jan. 1, 2017	Fiscal year 2017
IFRS 9 – Financial Instruments	(2)	Not before Jan. 1, 2018	Fiscal year 2018

- (1) Expected to have no, or no significant, impact on the consolidated financial statements.
- (2) Expected to result in additional or changed disclosures or in changes in presentation of the consolidated financial statements.

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 10 and 11): 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 16): 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 12) 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 17): 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. For a list of the companies consolidated in the Group, refer to note 1, "Investments in subsidiaries", in the notes to the separate financial statements of COMET Holding AG.

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 fully 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 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) in the case of the income statement and at year-end rates (the "closing rate") in the case of 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 that were used to translate the most important currencies are tabulated below:

Foreign currency translation				Closing rate		Average rate	
				Dec. 31, 2014	Dec. 31, 2013	2014	2013
USA	USD	1	0.990	0.889	0.915	0.927	
Europe	EUR	1	1.203	1.226	1.215	1.231	
China	CNY	1	0.159	0.147	0.149	0.151	
Japan	JPY	100	0.828	0.846	0.866	0.953	
Denmark	DKK	1	0.162	0.164	0.163	0.165	
Republic of Korea	KRW	1,000	0.909	0.842	0.869	0.836	

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 it ceases to have control, i.e., when it has sold the rights or they have lapsed. Financial liabilities are derecognized when the obligation specified in the contract is discharged or is canceled or expires.

Cash and cash equivalents

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

Treasury stock

Shares of COMET Holding AG purchased by the Group are recognized at cost and presented as a deduction from shareholders' equity. The purchase and resale of treasury stock and the issue of stock are recognized outside profit or loss. Any differences between the carrying amount of stock and the proceeds of its resale are recognized in retained earnings.

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.

Manufacturing contracts

Certain custom manufacturing orders in the Systems business are accounted for by the percentage of completion method. The degree of completion is determined on the basis of the stage of completion of the individual contract, and manufacturing contracts are recognized if their outcome can be estimated reliably. Specifically, the stage of contract completion is determined by reference to the ratio of (i) costs incurred for work already performed to (ii) the estimated total contract costs. The revenue is recognized in proportion to the percentage of completion thus determined, with identifiable losses expensed immediately. Receivables are capitalized as a net asset, i.e., net of prepayments received, or as a net liability if prepayments received on a contract exceed the costs incurred.

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 it appears likely that the sale will 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 amortized on a straight-line basis over their expected useful life. Goodwill and acquired rights to trademarks and names are not amortized but are tested annually for impairment (see section “Impairment of non-current assets” below). The expense for amortization of intangible assets with finite useful lives is recognized in the income statement under that expense category which corresponds to the function of the intangible asset in the Group. Development costs are capitalized if the criteria under IAS 38 for doing so are satisfied.

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 executive 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 in the fiscal year in which they were accrued.

Leases

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

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

Impairment of non-current assets

The value of property, plant and equipment and other non-current assets, including intangibles, is reviewed whenever it appears possible, as a result of changed circumstances or events, that the assets' carrying amount represents an overvaluation. 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 along the lines of the three operating segments described below, which are defined on the basis of the products and services offered. With effect from the beginning of 2014, the portable x-ray modules business was transferred organizationally to the X-Ray & ebeam Technologies segment (from the X-Ray Systems segment). The segment reporting has been adjusted accordingly, with a restatement of the prior-year results of the two affected segments to reflect the new segment composition.

The operating segments and their business activities are as follows:

- The **X-Ray & ebeam Technologies** 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 e-beam sets for the environmentally friendly sterilization of surfaces.
- The **Plasma Control Technologies** 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** 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 2014

In thousands of CHF

	X-Ray & ebeam Technologies	Plasma Control Technologies	X-Ray Systems	Elimination of intersegment 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						
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

Fiscal year 2013 (restated)

In thousands of CHF

	X-Ray & ebeam Technologies ¹⁾	Plasma Control Technologies	X-Ray Systems ¹⁾	Elimination of intersegment sales	Corporate	Consolidated
Net sales						
External net sales	56,878	81,528	111,222	0	0	249,629
Intersegment sales	11,865	0	1,241	(13,105)	0	0
Total net sales	68,743	81,528	112,463	(13,105)	0	249,629
Earnings						
Segment operating income	7,635	7,165	12,115	(123)	0	26,792
Unallocated costs	0	0	0	0	(1,732)	(1,732)
Operating income	7,635	7,165	12,115	(123)	(1,732)	25,060
Financing expenses						(8,820)
Financing income						7,090
Income before tax						23,330
Income tax						(7,235)
Net income						16,094
EBITDA	11,156	10,707	15,994	(123)	(1,732)	36,002
EBITDA in % of sales	16.2%	13.1%	14.2%			14.4%
Assets and liabilities						
Segment assets	65,847	53,732	87,057	0	21,197	227,833
Segment liabilities	(12,666)	(10,589)	(24,209)	0	(42,517)	(89,981)
Net assets	53,180	43,143	62,847	0	(21,320)	137,852
Other segment information						
Capital expenditure	3,285	1,229	5,722	0	0	10,236
Depreciation and amortization	3,521	3,541	3,880	0	0	10,942
Change in provisions	377	267	35	0	(21)	659
Other non-cash expense/(income)	(237)	1,333	621	440	(574)	1,583
Number of employees at year end	281	317	313	0	0	911

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

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	2014	2013
Operating segments' assets	220,440	206,636
Total cash and cash equivalents	18,559	18,214
Derivatives used for foreign exchange hedging	13	1,140
Tax receivables	432	250
Deferred tax assets	6,459	1,521
COMET Holding AG's receivables from 3rd parties	7	72
Total assets	245,911	227,833
Operating segments' liabilities	(54,788)	(47,464)
Current and non-current debt	(20,570)	(31,897)
Derivatives used for foreign exchange hedging	(633)	(6)
Tax payables	(4,951)	(5,156)
Deferred tax liabilities	(4,286)	(4,676)
COMET Holding AG's payables to 3rd parties	(914)	(782)
Total liabilities	(86,143)	(89,981)

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	2014	2013
Switzerland	3,015	2,566
Germany	27,830	30,084
Rest of Europe	40,692	37,291
Total Europe	71,537	69,941
Total USA	102,859	78,711
China	57,117	45,575
Japan	17,932	19,150
Rest of Asia	25,997	26,479
Total Asia	101,046	91,205
Rest of world	12,453	9,772
Total	287,895	249,629

Non-current assets by region

In thousands of CHF	2014	2013
Switzerland	52,425	53,189
Germany	39,911	40,236
Rest of world	8,791	8,615
Total	101,127	102,040

03.3 Sales with key accounts

In the year under review, the Plasma Control Technologies segment recorded sales of CHF 50.4 million with its largest customer, which represented 17.5% of Group sales (prior year: CHF 33.2 million and 13.3%).

04 Acquisitions

The Group did not make acquisitions in 2014 or the prior year.

05 Trade and other receivables

In thousands of CHF	2014	2013
Trade receivables, gross	50,803	43,056
Provision for doubtful accounts	(1,377)	(892)
Trade receivables, net	49,426	42,164
Refundable sales taxes and value-added taxes	3,242	3,073
Prepayments to suppliers	2,354	487
Sundry receivables	2,211	1,284
Total other receivables	7,807	4,844
Total trade and other receivables	57,233	47,007

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	2014	2013
January 1	892	856
Used	(8)	(44)
Added	518	216
Released	(73)	(139)
Foreign currency translation differences	48	3
December 31	1,377	892

At the balance sheet date, full impairment was recognized and provided on CHF 534 thousand (prior year: CHF 408 thousand) of trade receivables. In 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	2014	2013
Trade receivables, net	49,426	42,164
Not past due, no impairment provided	39,095	31,478
Total past due with impairment partly provided, net	10,331	10,686
1–30 days past due, impairment partly provided, net	5,778	6,615
30–60 days past due, impairment partly provided, net	1,729	1,875
Over 60 days past due, impairment partly provided, net	2,824	2,196

06 Other financial assets and liabilities

06.1 Other financial assets

In thousands of CHF	2014	2013
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	13	1,140
Total financial assets at fair value through profit or loss	13	1,140
Loans and receivables		
Other non-current financial assets	379	404
Total loans and receivables	379	404
Total other financial assets	392	1,544
Total current	13	1,140
Total non-current	379	404

06.2 Other financial liabilities

In thousands of CHF	2014	2013
Other financial liabilities		
Derivatives used for foreign exchange hedging	633	6
Total other financial liabilities	633	6

06.3 Derivative financial instruments

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

In thousands of CHF	2014	2013
USD forward exchange contracts		
Contract amounts	13,073	14,598
Positive fair values	0	340
Negative fair values	631	6
JPY forward exchange contracts		
Contract amounts	482	5,518
Positive fair values	13	800
Negative fair values	2	0

The gains and losses from foreign exchange contracts are recognized as financing income or expense (see note 23). 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	2014	2013
Raw materials and semi-finished products	34,619	29,499
Work in process	10,244	7,854
Finished goods	11,758	9,137
Total inventories	56,621	46,490

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 1.9 million (prior year: CHF 2.9 million).

08 Manufacturing contracts

In thousands of CHF	2014	2013
Net assets from manufacturing contracts		
Project cost incurred and profits recognized	0	6,045
Advances received on manufacturing contracts in progress	0	(628)
Net assets from manufacturing contracts	0	5,417

In the fiscal year, as in the prior year, there were no retentions, i.e., no manufacturing contract receivables retained by customers that are paid only upon fulfillment of certain conditions.

09 Property, plant and equipment

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 year under review, under other tangible assets, the disposals included the reclassification of CHF 2,718 thousand of internally produced demonstration equipment in the X-Ray Systems segment, 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.

Fiscal year 2013

In thousands of CHF

	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
Cost				
January 1, 2013	50,611	56,790	11,512	118,913
Additions	4	3,924	4,086	8,014
Disposals	0	(1,940)	(932)	(2,872)
Foreign currency translation differences	9	(149)	(319)	(459)
December 31, 2013	50,624	58,625	14,347	123,595
Accumulated depreciation				
January 1, 2013	16,704	41,564	5,452	63,720
Additions	1,688	3,792	1,546	7,026
Disposals	0	(1,731)	(437)	(2,168)
Foreign currency translation differences	1	(76)	(56)	(131)
December 31, 2013	18,393	43,549	6,505	68,447
Carrying amount				
January 1, 2013	33,907	15,226	6,060	55,192
December 31, 2013	32,231	15,076	7,842	55,148

In the prior year, additions to other tangible assets included internally produced demonstration equipment in the X-Ray Systems segment of CHF 3,145 thousand, and the disposals included the reclassification of CHF 231 thousand of demonstration equipment. Neither of these movements resulted in an outflow of funds. The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 708 thousand. Plant and equipment included assets under construction in the amount of CHF 1,491 thousand.

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

In thousands of CHF	2014	2013
Carrying amount of pledged real estate	30,132	31,536
Total principal amount of real estate liens (mortgage notes)	30,000	30,000
Of which held by the Group	(6,000)	0
Total deposited as security for Group obligations	24,000	30,000
Mortgage loan amounts drawn	17,000	23,668

10 Intangible assets

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

Fiscal year 2013

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2013	29,952	25,302	7,668	8,592	839	72,352
Additions	0	0	0	2,221	0	2,221
Disposals	0	0	(5,527)	(421)	(804)	(6,751)
Foreign currency translation differences	358	(442)	68	(13)	4	(25)
December 31, 2013	30,310	24,861	2,210	10,379	39	67,798
Accumulated amortization						
January 1, 2013	0	11,419	5,782	6,120	499	23,820
Additions	0	1,868	222	1,578	248	3,916
Disposals	0	0	(5,527)	(422)	(734)	(6,682)
Foreign currency translation differences	0	(196)	38	1	10	(146)
December 31, 2013	0	13,092	516	7,277	23	20,907
Carrying amount						
January 1, 2013	29,952	13,883	1,886	2,472	341	48,533
December 31, 2013	30,310	11,769	1,694	3,102	16	46,892

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.

Applying 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 2,341 thousand of internal development work on the new software platform for the systems was capitalized (prior year: CHF 1,381 thousand).

11 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, 2014. 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 2015 to 2019. 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	
	2014	2013	2014	2013	2014	2013
In thousands of CHF						
Goodwill	20,597	20,985	6,873	6,874	27,470	27,859
Trademarks (YXLON)	2,406	2,451	0	0	2,406	2,451
Total carrying amount	23,002	23,436	6,873	6,874	29,876	30,310

	X-Ray Systems CGU		X-Ray & ebeam Technologies CGU	
	2014	2013	2014	2013
Discount rate (WACC) before tax	12.7%	12.8%	12.2%	12.3%
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 (2015 to 2019):

- Growth assumptions: Sales revenue is projected by product group and region. Given the stable situation as a starting point in 2014, the average annual rate of sales growth is assumed to be 9% (prior year: 8%).
- Gross margins: It is expected that with rising sales, gross margins will average approximately 41% in the medium term (prior year: 36%). Target achievement also depends in part on the trend in 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 2014 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.

12 Income tax**12.1 Current and deferred income tax expense**

In thousands of CHF	2014	2013
Current income tax expense in respect of the current year	7,181	5,868
Current income tax expense in respect of prior years	18	56
Deferred income tax expense	(4,708)	1,311
Total income tax expense	2,492	7,235

12.2 Reconciliation of tax expense

In thousands of CHF	2014	2013
Income before tax	28,768	23,330
Expected income tax at base tax rate of 28% (prior year: 28%)	8,055	6,532
Effect of tax rates other than base tax rate	162	(518)
Effect of tax exemption by canton of Fribourg	(211)	(460)
Effect of non-tax-deductible expenses	112	109
Effect of change in tax rate on deferred income tax	29	118
Effect of non-recognition of tax loss carryforwards	246	1,734
Effect of recognition/use of previously unrecognized tax loss carryforwards	(6,143)	(425)
Effect of income tax from other periods	18	56
Effect of non-refundable withholding tax	195	0
Other effects	29	89
Income tax reported in the income statement	2,492	7,235
Effective income tax rate in % of income before tax	8.7%	31.0%

COMET AG (which is 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 2014 the tax reduction amounted to 30% (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. In 2013 and 2014, the tax reduction could be either 0% or 30%, depending on fulfilment of the conditions (beginning in 2015, it can be either 0% or 30% or 50%).

12.3 Deferred tax assets and liabilities

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

In thousands of CHF	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Inventories	3,341	340	1,969	170
Manufacturing contracts	0	0	0	564
Property, plant and equipment	197	167	155	103
Intangible assets	2	5,525	0	4,395
Employee benefit plan assets	0	524	0	637
Trade and other payables	33	1	3	153
Accrued expenses	791	0	187	0
Provisions	422	2	46	0
Employee benefit plan liabilities	0	44	369	0
Other	652	94	52	339
Tax loss carryforwards	3,432	0	425	0
Total gross deferred tax of Group companies	8,870	6,697	3,206	6,361
Netting of deferred tax by Group companies	(2,411)	(2,411)	(1,685)	(1,685)
Amounts in the consolidated balance sheet	6,459	4,286	1,521	4,676

The deferred tax assets and liabilities were measured at local tax rates, ranging from 17% to 39%. No deferred tax liabilities were established for temporary differences of CHF 47.5 million (prior year: CHF 35.8 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.

12.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2014	2013
Net liability at January 1	3,155	1,449
Origination and reversal of temporary differences recognized in the income statement	(1,691)	(685)
Recognition of deferred tax assets on loss carryforwards	(3,016)	(425)
Use of tax loss carryforwards	0	2,421
Deferred tax (income)/expense in the income statement	(4,708)	1,311
Origination and reversal of temporary differences recognized in other comprehensive income	(173)	455
Foreign currency translation differences	(447)	(59)
Net (asset)/liability at December 31	(2,173)	3,155

12.5 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: 2.0). There were tax loss carryforwards on which no deferred tax assets were recognized, as presented in the following overview.

In thousands of CHF	2014		2013	
	Loss carryforwards	Potential tax asset	Loss carryforwards ¹	Potential tax asset ¹
Within one year	0	0	0	0
In two to five years	0	0	0	0
In more than five years	4,349	1,000	14,549	5,362
Total	4,349	1,000	14,549	5,362

¹ Restated, see explanation in next paragraph.

The Group company in the USA which in the prior years originated most of the loss carryforwards not recognized as tax assets was able in 2014 to record a substantial profit and is expected by management to remain profitable for the next several years. Consequently, a deferred tax asset was recognized for all US tax loss carryforwards that remained after offsetting the loss carryforwards against 2014 net income (see note 12.2). In connection with this, it was determined that loss carryforwards reported previously had been too high. The disclosures for 2013 have been corrected accordingly.

13 Current and long-term debt

13.1 Current debt

In thousands of CHF	2014	2013
Bank borrowings with original maturities of less than twelve months	621	2,706
Current obligations under finance leases	186	190
Current portion of long-term debt	5,750	9,000
Total current debt	6,557	11,896

At the end of the fiscal year under review the COMET Group had undrawn credit facilities of CHF 33.7 million (prior year: CHF 22.8 million).

13.2 Long-term debt

The long-term debt consisted of mortgage loans in respect of the company 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, 2014.

In thousands of CHF	2014	2013
Repayment due in two to five years	11,107	17,153
Repayment due in more than five years	3,000	3,000
Subtotal	14,107	20,153
Future amortization of costs	(94)	(151)
Total long-term debt	14,013	20,002

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.

13.3 Finance lease obligations

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

In thousands of CHF	2014	2013
Due within one year	186	190
Due in two to five years	512	710
Due in more than five years	0	0
Total payment obligations	698	900
Less interest component	(94)	(151)
Total finance lease obligations	603	749

14 Trade and other payables

In thousands of CHF	2014	2013
Trade payables	17,562	17,799
Sundry payables	3,320	2,659
Sales commissions	3,607	3,094
Total financial liabilities	24,489	23,552
Sales tax and value-added tax	538	23
Prepayments by customers	8,332	5,365
Total other payables	8,870	5,389
Total trade and other payables	33,358	28,940

15 Accrued expenses

In thousands of CHF	2014	2013
Accrued staff costs	9,088	7,863
Other accrued expenses	5,208	5,036
Total accrued expenses	14,296	12,899

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.

16 Provisions**Fiscal year 2014**

In thousands of CHF	Warranties	Other provisions	Total provisions
January 1, 2014	4,127	525	4,652
Added	5,774	149	5,922
Used	(3,707)	(326)	(4,032)
Released	(393)	(102)	(495)
Foreign currency translation differences	54	0	54
December 31, 2014	5,855	245	6,100
Of which:			
Current provisions	5,855	166	6,021
Non-current provisions	0	79	79

Fiscal year 2013

In thousands of CHF	Warranties	Other provisions	Total provisions
January 1, 2013	3,359	629	3,988
Added	3,609	1,010	4,619
Used	(2,524)	(352)	(2,876)
Released	(311)	(772)	(1,083)
Foreign currency translation differences	(6)	10	4
December 31, 2013	4,127	525	4,652
Of which:			
Current provisions	4,127	430	4,557
Non-current provisions	0	95	95

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. Current "other" provisions used relate largely to the payment by YXLON's German operations for the customs duties and sales tax payables of an insolvent logistics provider to a guarantor that successfully sought recourse through the courts. 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.

17 Employee benefits

17.1 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, the Group has various partial early retirement agreements with employees, but all of these arrangements are in their 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, the employee works full-time at half pay for the first half (the working phase) of the partial early retirement period, and then does not work at all during the second half (the inactive phase), but still receives half pay to complete the compensation for the service of the working phase.

Principal actuarial assumptions

	Switzerland		Germany	
	2014	2013	2014	2013
Discount rate at January 1	1.8%	1.8%	3.0%	3.0%
Discount rate at December 31	1.2%	1.8%	2.3%	3.0%
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 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 loss 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)

Fiscal year 2013

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	(40,289)	40,486	(116)	81
Current service cost	(1,428)	0	0	(1,428)
Interest (expense)/income	(773)	768	(2)	(8)
Defined benefit cost recognized in profit or loss	(2,202)	768	(2)	(1,436)
Return on plan assets, excluding interest income	0	2,531	0	2,531
Actuarial loss arising from changes in financial assumptions	(120)	0	0	(120)
Actuarial gain arising from experience adjustments	841	0	(663)	178
Defined benefit gain recognized in other comprehensive income	721	2,531	(663)	2,590
Benefits paid-in/deposited	1,429	(1,416)		12
Employee contributions	(1,233)	1,233		–
Employer contributions	0	1,618		1,618
Foreign currency translation differences	(46)	31		(15)
December 31	(41,619)	45,251	(781)	2,851
Reported as an asset				3,750
Reported as a liability				(899)

The average duration of the defined benefit obligation was 12.4 years.

Key figures by country

In thousands of CHF	Switzerland		Germany	
	2014	2013	2014	2013
Present value of defined benefit obligation	(46,667)	(39,006)	(2,500)	(2,613)
Fair value of plan assets	49,751	43,537	1,575	1,714
Effect of asset ceiling under IAS 19.58(b)	0	(781)	0	0
Net carrying amount recognized in balance sheet	3,084	3,750	(925)	(899)
Defined benefit (cost)/gain recognized in profit or loss	(1,869)	(1,534)	92	98
Defined benefit (cost)/gain recognized in other comprehensive income	(743)	(2,615)	(146)	25

The employer contributions to the plans in Switzerland for fiscal year 2015 are expected to amount to CHF 1,997 thousand.

Major categories of plan assets

In thousands of CHF	2014	2013
Cash and cash equivalents	6,371	6,650
Equity instruments	13,636	9,726
Debt instruments	22,868	22,047
Real estate	6,877	5,114
Total plan assets at fair value (quoted market price)	49,751	43,537
Other assets	1,575	1,714
Total plan assets without a quoted market price	1,575	1,714
Total plan assets	51,326	45,251

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

Sensitivities

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

Sensitivity of present value of defined benefit obligation to different scenarios

In thousands of CHF	Switzerland		Germany	
	2014	2013	2014	2013
Discount rate: 0.25% decrease	48,154	40,152	2,585	2,693
Discount rate: 0.25% increase	45,269	37,933	2,419	2,537
Salaries: 0.25% decrease	46,458	38,857	2,500	2,613
Salaries: 0.25% increase	46,836	39,153	2,500	2,613
Life expectancy: 1-year increase	47,046	39,290	2,579	2,684
Life expectancy: 1-year decrease	46,287	38,718	2,419	2,541

17.2 Defined contribution plans The contributions paid to defined contribution plans in the fiscal year amounted to CHF 2,753 thousand (prior year: CHF 2,208 thousand).

17.3 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	2014	2013
Provision at January 1	856	828
Current service cost	164	92
Interest cost	20	20
Benefits paid	(77)	(92)
Actuarial losses	66	2
Foreign currency translation differences	(5)	6
Provision at December 31	1,024	856

18 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: CHF 6,045 thousand) from current customer projects accounted for using the percentage of completion method.

19 Other operating income

In thousands of CHF	2014	2013
Customers' contributions to development projects	2,704	2,019
Government grants	337	378
Revenue from sale of prototypes	1,587	2,250
Miscellaneous income	21	41
Total other operating income	4,649	4,688

20 Staff costs and staff count

20.1 Staff costs

In thousands of CHF	2014	2013
Wages and salaries	83,601	73,695
Employee benefits	12,954	10,940
Total staff costs	96,555	84,635

20.2 Staff count

	2014	2013
Number of employees (year-end)	986	911
Average full-time equivalents during the year	909	799

21 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 2,341 thousand of internal development work on the new software platform for the systems was capitalized (prior year: CHF 1,381 thousand). This software development will be completed in 2015.

22 Amortization and depreciation

In thousands of CHF	2014	2013
Amortization	2,761	3,916
Depreciation	7,349	7,026
Total amortization and depreciation	10,110	10,942

23 Financing income and expenses

In thousands of CHF	2014	2013
Interest expense	1,211	1,615
Losses on derivatives used for currency hedging	1,448	99
Foreign currency translation losses	2,009	7,105
Total financing expenses	4,669	8,820

In thousands of CHF	2014	2013
Interest income	21	19
Gains on derivatives used for currency hedging	1,263	1,721
Foreign currency translation gains	2,498	5,350
Total financing income	3,782	7,090

In thousands of CHF	2014	2013
Net interest expense	1,190	1,596
Net foreign currency translation (gains)/losses	(303)	134

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

24 Earnings per share

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

	2014	2013
Weighted average number of shares outstanding	771,237	756,458
Net income in thousands of CHF	26,277	16,094
Net income per share in CHF, diluted and basic	34.07	21.28

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

25 Off-balance sheet transactions**25.1 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 continue to be monitored for the next several years. 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 no longer require 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 current knowledge, COMET believes that no significant costs are likely to result.

25.2 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	2014	2013
Due within one year	3,036	2,996
Due within two to five years	5,546	6,425
Due in more than five years	24	0
Total payment obligations	8,606	9,421

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 3,559 thousand (prior year: CHF 3,567 thousand).

26 Financial instruments

26.1 Classes of financial instruments

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.

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). COMET carried only derivative financial instruments at fair value. The fair values of the derivatives and of current and long-term debt were determined using the rules for Level 2.

Fiscal year 2013

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		18,214			*
Trade and other receivables		42,164			*
Derivatives	1,140				1,140
Financial assets		404			*
Current debt				11,896	12,125
Trade and other payables				23,552	*
Derivatives			6		6
Long-term debt (fixed rate)				20,002	21,740
Interest income/(expense)	0	19	0	(1,615)	
Gain/(loss) on derivatives	1,721	0	(99)	0	
Change in provisions for doubtful accounts and in losses on trade receivables		(77)			
Total net gain/(loss) recognized in the income statement	1,721	(57)	(99)	(1,615)	

* The carrying amount approximates fair value.

26.2 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.

27 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.

27.1 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	2014	2013
Current debt	6,557	11,896
+ Long-term debt	14,013	20,002
./. Cash and cash equivalents	18,559	18,214
Net debt	2,010	13,684
EBITDA	39,765	36,002
Debt ratio (net debt in relation to EBITDA)	0.1	0.4
Shareholders' equity	159,768	137,852
Equity ratio (equity in % of total assets)	65.0%	60.5%

27.2 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.

27.2.1 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 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

Fiscal year 2013

	Increase in exchange rate in%	Effect on income before tax in thousands of CHF	Effect on equity in thousands of CHF
EUR/CHF	+ 10	+3,316	+3,326
USD/CHF	+ 10	+560	+948

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

Interest rate risk

COMET's debt financing exposes it to the risk of interest rate fluctuation. As the loans of the COMET Group largely 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 profitability. 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 26.1.

27.2.2 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 three most important counterparties at the balance sheet date:

In thousands of CHF	2014		2013	
	Rating *	Balance	Rating *	Balance
Bank A	A	4,122	A	4,714
Bank B	A	2,267	A	4,080
Bank C	A	5,271	A	3,617
Other counterparties		6,900		5,803
Total bank deposits		18,559		18,214

* 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.

27.2.3 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. In managing the debt profile, emphasis is placed on achieving an advantageous debt maturity structure. 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 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

Fiscal year 2013

In thousands of CHF	Carrying amount	Payments due by period			
		Total	In 2014	2015–2018	After 2018
Current and long-term debt	31,898	35,226	13,129	19,001	3,096
Trade and other payables	23,552	23,552	23,552	0	0
Derivatives (negative fair values)	6	6	6	0	0
Total	55,455	58,784	36,687	19,001	3,096

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.

28 Capital structure and shareholders

Capital stock

The capital stock at January 1, 2014 was CHF 7,700,880, divided into 770,088 registered shares with a par value of CHF 10 per share. In fiscal year 2014 the capital stock was increased by 1,978 shares, issued from the portion of authorized capital designated for equity-based compensation. Including the increase of 1,978 shares from this portion of authorized capital, COMET Holding AG at December 31, 2014 thus had CHF 7,720,660 of capital stock, divided into 772,066 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2014 the Board of Directors established that the capital increase from authorized capital for equity compensation was carried out properly. The information for COMET Holding AG in the commercial register was updated to reflect the change in capital stock.

	2014		2013	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	770,088	7,700,880	766,312	7,663,120
Increase from authorized capital for employee, management and Board incentive plan	1,978	19,780	3,776	37,760
December 31	772,066	7,720,660	770,088	7,700,880

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

Authorized capital for equity-based compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only in equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 262,240 by issuing up to 26,224 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members and Executive Committee members of COMET Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights 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 May 2014, under the 2013 incentive plan, the members of the Board of Directors of COMET Holding AG and senior executive management in Switzerland and Germany were granted a total of 1,978 shares of stock in payment of CHF 682,410 of compensation due. The shares were applied to the compensation due at a price of CHF 345 per share. As a result of these share grants during the year under review, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2014		2013	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	26,224	262,240	30,000	300,000
Stock issued during the fiscal year	(1,978)	(19,780)	(3,776)	(37,760)
December 31	24,246	242,460	26,224	262,240

Authorized capital for other capital increases

At December 31, 2014, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). For these purposes, the Board of Directors is authorized until April 18, 2015 to increase the capital stock by a maximum of CHF 1,500,000 by issuing up to 150,000 fully payable registered shares with a par value of CHF 10 per share. Increases by firm commitment underwriting and increases by part of the total authorized amount are permitted.

28.1 Significant shareholders

At December 31, 2014 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):

Shareholder or shareholder group	Share of voting rights as disclosed by shareholders
Garlito B.V., Amsterdam	5.09%
Artisan Partners Limited Partnership, Milwaukee, WI, USA	5.08%
Pictet Funds, Geneva	5.01%
BlackRock Global Investment Management (UK) Limited, London	5.01%
Corisol Holding AG, Zug, and KEW Beteiligungen AG, Wollerau	4.77%
BlackRock Institutional Trust Company, San Francisco, CA, USA	3.06%
BlackRock Global Funds – Swiss Small & MidCap Opportunities Fund, Zurich	3.04%
UBS Fund Management (Switzerland) AG, Basel	3.01%

The Company 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.

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

For all employees (including the Executive Committee) and for the Board of Directors, the compensation system of the COMET Group provides a fixed base component paid in cash, and a profit-sharing component. For the Executive Committee and Board of Directors, the profit-sharing component is paid partly in cash and partly in shares of the Company. For the other employees, the profit-sharing compensation is paid only in cash.

Compensation of the Board of Directors

The members of the Board of Directors receive compensation consisting of a fixed base retainer, a per-day fee for Board meetings, and an expense allowance. The entire base retainer and the expense allowance are paid only in cash. The entire per-day fee must be paid in the form of stock. In addition, the Board compensation plan has a profit-sharing component. The entire profit-sharing compensation of the Board of Directors is paid solely in stock of COMET Holding AG.

Compensation of the Executive Committee

The members of the Executive Committee receive a fixed base salary that is paid monthly, and a flat expense allowance. In addition to the fixed base salary, the compensation plan provides a performance-related pay component, of which up to 50% must be paid in stock.

Calculation of grant price for share awards

The price at which the stock is awarded 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.

Expenses recorded

The expense recognized for share-based payments in the year under review was CHF 1,363 thousand (prior year: CHF 1,021 thousand).

30 Compensation of 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	2014	2013 *
Cash compensation, including short-term employee benefits	2,992	2,447
Contributions to post-employment benefit arrangements	293	233
Expense for share-based payments	1,318	696
Total compensation	4,604	3,376

* Prior-year data has been restated to reflect the difference between the ratio of stock to cash compensation previously recorded as accrued and the actual ratio observed, and any difference between the variable portion of compensation previously recorded as accrued at the year-end and the actual variable portion of compensation. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated in the prior-year financial statements. The actual aggregate compensation for the prior year was CHF 33 thousand less than previously reported.

Additional compensation for legal services

In the year under review the law firm Notter Mégevand & Partner, based in Berne, Fribourg and Geneva, invoiced services of CHF 36,500 (prior year: CHF 45,000). Hans Leonz Notter is a partner at this law firm, whose members provide legal advice and other legal services to the COMET Group.

31 Risk assessment

The Board of Directors of COMET Holding AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. Based on the resulting information, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system designed both for the early identification of risks and the timely adoption of appropriate countermeasures. The organization and reporting related to the risk management system are described in the corporate governance report under the heading "Monitoring and control with respect to the Executive Committee" from page 108.

32	Events after the balance sheet date	<p>The decision of the Swiss central bank, announced on January 15, 2015, to eliminate the currency peg of the Swiss franc to the euro did not necessitate an adjustment of these annual financial statements for the year ended December 31, 2014. However, the resulting appreciation of the Swiss franc will lead to valuation losses in future financial statements. The actual amount of the losses will depend directly on the exchange rates effective at the balance sheet date.</p> <p>As a result of the COMET Group's international activities, its consolidated balance sheet includes significant items denominated in foreign currencies, which for the preparation of the consolidated financial statements are translated to Swiss francs at the exchange rate prevailing at the balance sheet date. As explained in note 2 under "Foreign currency translation", when currency translation losses arise on the foreign currency positions of the Group's Swiss companies as a result of a strengthening of the franc, those losses are recognized in the income statement. Note 27.2.1, "Market risk", presents the effects of a ten-percent movement in the CHF exchange rates against the euro and US dollar, as the foreign currencies most important for COMET (a franc appreciation leads to translation losses). By contrast, the losses from the translation of net assets of foreign Group companies for inclusion in the consolidated financial statements are charged to equity through other comprehensive income (see the consolidated statement of comprehensive income).</p> <p>There have been no other events after the balance sheet date with a material effect on the amounts in the consolidated financial statements.</p>
33	Proposed distribution to shareholders	<p>The Board of Directors will propose to the Annual Shareholder Meeting to pay a distribution of CHF 11.00 per share (prior year: CHF 8.00) to shareholders from distributable paid-in capital. The total amount of the proposed distribution is CHF 8,493 thousand (prior year: CHF 6,161 thousand).</p>
34	Release of the consolidated financial statements for publication	<p>The Board of Directors released these financial statements on March 5, 2015 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 22, 2015.</p>

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 income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes (pages 36 to 82), for the year ended 31 December 2014.

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 2014 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, 5 March 2015

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Dominic von Allmen
Licensed audit expert



Separate Financial Statements of COMET Holding AG

86	Balance Sheet
	Statement of Income
87	Notes to the Separate Financial Statements of COMET Holding AG
92	Board of Directors' Proposal for the Appropriation of Retained Earnings
93	Report of the Statutory Auditor

PRECISION WORK

The tungsten filaments are fitted into the cathode by hand to a precision of one one-hundredth of a millimeter.

Balance sheet

In thousands of CHF	Dec. 31, 2014	%	Dec. 31, 2013	%
Assets				
Cash and cash equivalents	112		52	
Receivables from non-Group entities	4		72	
Receivables from Group companies	63		6	
Prepaid expenses	3		0	
Total current assets	182	0.1%	130	0.1%
Loans to Group companies	59,797		65,737	
Investments in subsidiaries	61,785		61,785	
Rights to trademarks and names, FeinFocus	1,418		1,717	
Total non-current assets	123,000	99.9%	129,239	99.9%
Total assets	123,183	100.0%	129,370	100.0%
Liabilities and shareholders' equity				
Liabilities to non-Group entities	43		75	
Liabilities to related parties	626		424	
Liabilities to Group companies	8,703		16,250	
Current portion of long-term debt	2,250		5,000	
Bank debt	–		2,250	
Accrued expenses	250		283	
Total liabilities	11,872	9.6%	24,282	18.8%
Capital stock	7,721		7,701	
Legal reserves				
– General legal reserve	4,967		4,967	
– Distributable paid-in capital reserve	42,740		47,843	
Capital stock and reserves	55,428		60,511	
– Retained earnings	44,577		30,003	
– Net income for the year	11,306		14,574	
Total retained earnings	55,883		44,577	
Total shareholders' equity	111,311	90.4%	105,088	81.2%
Total liabilities and shareholders' equity	123,183	100.0%	129,370	100.0%

Statement of income

In thousands of CHF	2014	%	2013	%
Income from subsidiaries	12,642		15,688	
Financing income	1,355		2,191	
License fee income	415		404	
Total income	14,411	100.0%	18,284	100.0%
Financing expenses	(726)		(959)	
Foreign currency translation losses	(302)		(689)	
Administrative expenses	(1,778)		(1,763)	
Amortization of rights to trademarks and names, FeinFocus	(299)		(299)	
Total expenses	(3,106)	21.5%	(3,710)	20.3%
Net income for the year	11,306	78.5%	14,574	79.7%

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, 2014 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 Investments in subsidiaries

The following subsidiaries were consolidated in the Group financial statements of COMET Holding AG at December 31, 2014:

Company	Registered office	Currency	Capital stock	Equity interest in%	
				2,014	2,013
COMET Holding AG	Flamatt, Switzerland	CHF	7,720,660	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%

02 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 (known as the Main Standard 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, 2014	CHF 646.00
Market capitalization at December 31, 2014	CHF 498.8 million

Assorted data on the stock of COMET Holding AG is provided inside the cover flap at the front of this 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 1, "Investments in subsidiaries".

Registered shareholders

At December 31, 2014, COMET Holding AG had 1,417 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,349). Of the total issued registered stock, 100% (prior year: 100%) represented free float. COMET Holding AG held no treasury stock at December 31, 2014 (prior year: none).

The structure of share ownership size classes among the shareholders of record at December 31, 2014 was as follows:

Number of shares	Number of shareholders
1 to 100	1,090
101 to 1,000	268
1,001 to 5,000	42
5,001 to 10,000	5
More than 10,000	12

This analysis does not capture the stock of shareholders who were not registered in the share register; at December 31, 2014 these shares of unregistered owners amounted to 35% of the total (prior year: 34%).

Significant shareholders

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33 $\frac{1}{3}$ %, 50% and 66 $\frac{2}{3}$ % of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance). At December 31, 2014 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):

Shareholder or shareholder group	Share of voting rights as disclosed by shareholders
Garlito B.V., Amsterdam	5.09%
Artisan Partners Limited Partnership, Milwaukee, WI, USA	5.08%
Pictet Funds, Geneva	5.01%
BlackRock Global Investment Management (UK) Limited, London	5.01%
Corisol Holding AG, Zug, and KEW Beteiligungen AG, Wollerau	4.77%
BlackRock Institutional Trust Company, San Francisco, CA, USA	3.06%
BlackRock Global Funds – Swiss Small & MidCap Opportunities Fund, Zurich	3.04%
UBS Fund Management (Switzerland) AG, Basel	3.01%

The Company 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 2014

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

Cross-shareholdings

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

Capital structure

Capital stock

The capital stock at January 1, 2014 was CHF 7,700,880, divided into 770,088 registered shares with a par value of CHF 10 per share. In fiscal year 2014 the capital stock was increased by 1,978 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 1,978 shares from this portion of authorized capital, COMET Holding AG at December 31, 2014 thus had CHF 7,720,660 of capital stock, divided into 772,066 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2014 the Board of Directors established that the capital increase from authorized capital for equity compensation was carried out properly. The information for 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, 2014	770,088	7,700,880
Increase in capital from the portion of authorized capital designated for equity-based compensation	1,978	19,780
December 31, 2014	772,066	7,720,660

Authorized capital for equity-based compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only in equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 262,240 by issuing up to 26,224 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members and Executive Committee members of COMET Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights to employees 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/or Board members may be made at less than the market price.

In May 2014, under the 2013 incentive plan, the members of the Board of Directors of COMET Holding AG and senior executive management in Switzerland and Germany were granted a total of 1,978 shares of stock in payment of CHF 682,410 of compensation due. The shares were applied to the compensation due at a price of CHF 345 per share. As a result of these share grants during the year under review, the Company's unissued authorized capital for equity-based compensation showed the following movement:

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2014	26,224	262,240
Stock issued during the fiscal year	(1,978)	(19,780)
December 31, 2014	24,246	242,460

Authorized capital for other capital increases

At December 31, 2014, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). For these purposes, the Board of Directors is authorized until April 18, 2015 to increase the capital stock by a maximum of CHF 1,500,000 by issuing up to 150,000 fully payable registered shares with a par value of CHF 10 per share. Increases by firm commitment underwriting and increases by part of the total authorized amount are permitted.

03 Disclosure of Board and Executive Committee shareholdings

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.

	2014	Total number of shares				2014	Share of voting rights
		2013	4/17/2015	4/17/2016	4/24/2017		
Hans Hess Chairman of the Board	4,532	6,392	467	492	199	0.6%	0.8%
Hans Leonz Notter Vice Chairman and member of the Board	5,906	14,350	609	280	130	0.8%	1.9%
Gian-Luca Bona Member of the Board	327	207	0	0	120	0.0%	0.0%
Lucas A. Grolimund Member of the Board	763	654	52	280	109	0.1%	0.1%
Rolf Huber Member of the Board	1,129	2,171	433	280	162	0.1%	0.3%
Ronald Fehlmann Chief Executive Officer	1,549	1,300	0	550	249	0.2%	0.2%
Markus Portmann Chief Financial Officer	838	1,093	317	184	91	0.1%	0.1%
Stefan Moll Segment President, X-Ray Systems	659	621	0	33	38	0.1%	0.1%
Michael Kammerer Segment President, Plasma Control Technologies	269	361	147	149	55	0.0%	0.0%
Charles Flükiger Segment President, X-Ray & ebeam Technologies	352	443	162	108	71	0.0%	0.1%
Eric Dubuis Chief Information Officer	317	379	115	165	53	0.0%	0.0%
Christoph Bärtschi Chief HR Officer (from January 1, 2014)	0	0	0	0	0	0.0%	0.0%
Jürg Keller Chief HR Officer (until July 31, 2013)	130	130	0	130	0	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 0.1295% of all voting power (prior year: 0.1299%). The members of the Board of Directors and Executive Committee held a total of 2.2% of voting rights (prior year: 3.6%). No material changes in ownership interests arose after the balance sheet date of December 31, 2014.

04 Options, conversion rights and treasury stock

COMET Holding AG has not issued any conversion rights or stock options.

The amount of treasury stock held showed the following movement:

	2014	2013
Number of shares at January 1	0	22,000
Number of shares purchased in the year	0	0
Number of shares sold in the year	0	(22,000)
Number of shares at December 31	0	0
Average purchase price per share in CHF	0	0
Average sale price per share in CHF	0	278

05 Guarantees and pledged assets

As the Group is taxed as a single entity for purposes of value-added tax, COMET Holding AG has joint and several liability for the value-added tax obligations of its Swiss subsidiary.

In thousands of CHF	2014	2013
Shares of subsidiary YXLON International GmbH pledged as collateral under a bank credit agreement (at carrying amount)	0	44,403

06 Risk assessment

The Board of Directors of COMET Holding AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. Based on the resulting information, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system designed both for the early identification of risks and the timely adoption of appropriate countermeasures. The organization and reporting related to the risk management system are described in the corporate governance report under the heading "Monitoring and control with respect to the Executive Committee" on page 108 of this annual report.

07 Release of the separate financial statements for publication

The Board of Directors released these financial statements on March 5, 2015 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 22, 2015.

Board of Directors' proposal for the appropriation of retained earnings

In the fiscal year, COMET Holding AG earned total income of CHF 14.4 million (prior year: CHF 18.3 million). The decrease compared with the prior year resulted primarily from the non-recurrence of that year's gain on disposal of treasury stock as well as from lower dividend income. Total expenses in the fiscal year, at CHF 3.1 million, were down by CHF 0.6 million from the prior year. This reduction was driven by the further decrease in interest expenses and lower foreign currency translation losses, while administrative expenses were steady at the year-earlier level. 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 111.3 million (prior year: CHF 105.1 million), representing an equity ratio of 90.4% (prior year: 81.2%).

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

In thousands of CHF	2014	2013
Earnings brought forward	44,577	25,579
Net income for the year	11,306	14,574
Total retained earnings	55,883	40,153
Transfer from reserve for treasury stock	0	4,424
Retained earnings available for distribution	55,883	44,577
Earnings carried forward	55,883	44,577

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

In thousands of CHF	2014	2013
Distributable paid-in capital brought forward	41,682	46,933
Additional paid-in capital from increase in capital stock	1,058	910
Distributable paid-in capital reserve *	42,740	47,843
Repayment of CHF 11.00 per share from distributable paid-in capital (prior year: CHF 8.00 per share)	(8,493)	(6,161)
Distributable paid-in capital reserve carried forward	34,248	41,682

* Of this total, CHF 1,098 thousand has not yet been confirmed by the Swiss Federal Tax Administration as paid-in capital reserves distributable free of Swiss anticipatory tax.

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 that 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 86 to 91), for the year ended 31 December 2014

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 2014 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.

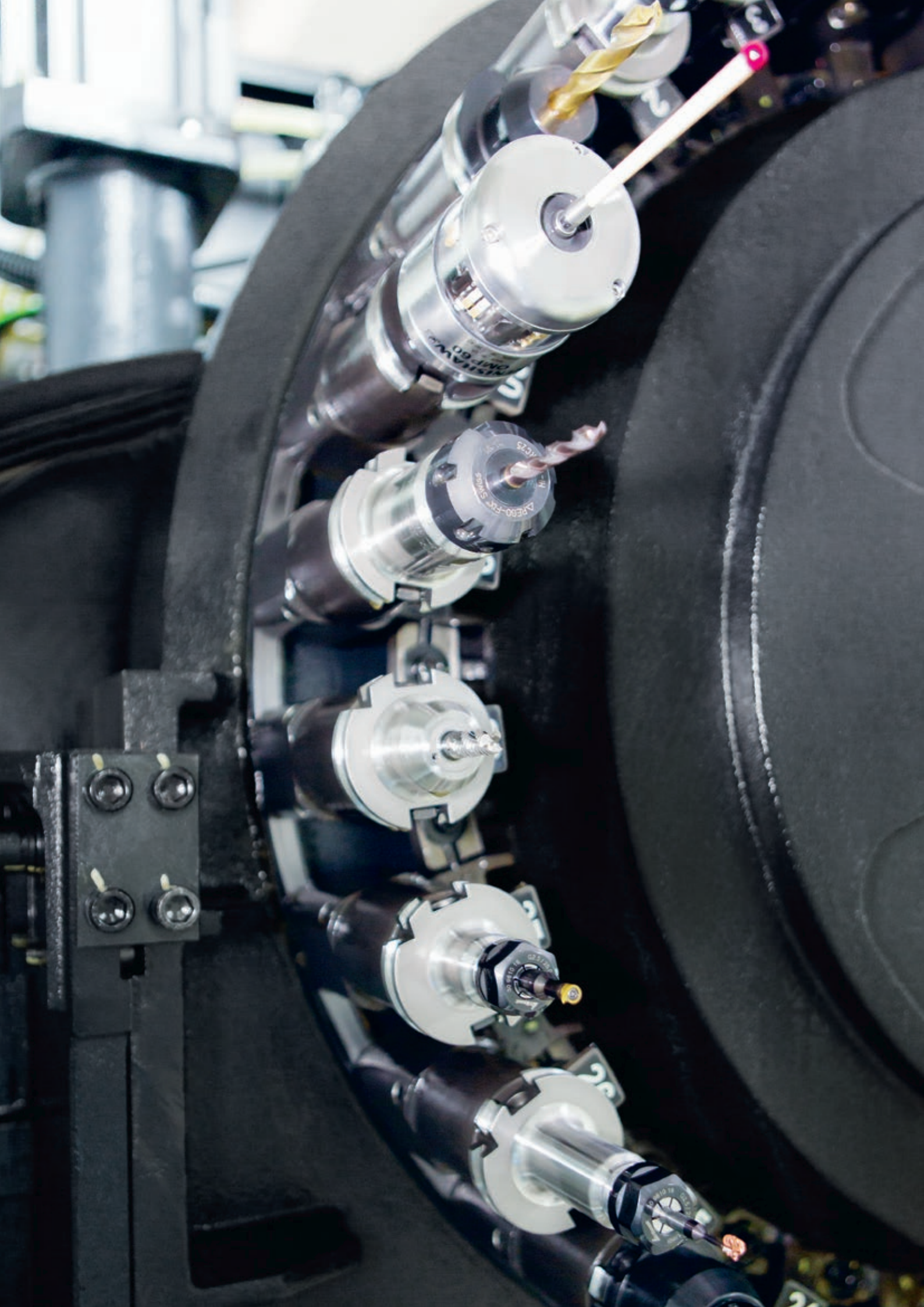
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Berne, 5 March 2015

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Dominic von Allmen
Licensed audit expert



Corporate Governance

96	Group Structure and Ownership
98	Capital Structure
102	Board of Directors
111	Executive Committee
114	Compensation, Stock Ownership and Loans
120	Shareholders' Participation Rights
121	Changes in Control and Measures to Prevent Hostile Takeovers
	Auditors
122	Communication Policy

EFFICIENCY AND PRECISION

With so-called "done-in-one" equipment, all processing steps, from blank to finished part, can be performed by the same machine. In addition to higher machining accuracy and faster production lead times, this means COMET can reduce the costs of its parts manufacturing in Flamatt.

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 transparent reporting and an appropriate balance of leadership and control.

This corporate governance report describes the management structure and control principles in place at the top organizational level of the COMET Group. The key elements of these are defined in the Company's Bylaws and its organizational regulations.

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.

The disclosure requirements of the new Ordinance Against Excessive Compensation at Listed Companies (OAEC; German abbreviation: VegüV) of November 20, 2013 were also complied with to the extent possible. The Bylaws of COMET Holding AG were revised under the OAEC transition provisions in the course of 2014 and aligned with that legislation. The resulting proposed amendments to the Bylaws will be presented to shareholders for approval at the 2015 Annual Shareholder Meeting. As the proposed changes to the Bylaws did not yet have shareholder approval in fiscal year 2014, certain information relating to the OAEC could not yet be incorporated into the compensation report.

Group structure and ownership

Structure of the operating activities of the COMET Group

COMET Group

X-Ray & ebeam Technologies

Plasma Control Technologies

X-Ray Systems

The Group's commercial activities are divided into 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 49 of this annual report.

Listed Group company: COMET Holding AG

COMET Holding AG (the "Company") is the Group's only company listed on a stock exchange. The Company's registered office is in Flamatt, Switzerland. The registered shares of COMET Holding AG have been listed in the main market segment (known as the Main Standard 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, 2014	CHF 646.00
Market capitalization at December 31, 2014	CHF 498.8 million

Assorted data on the stock of COMET Holding AG is provided inside the cover flap at the front of this 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 87.

Registered shareholders

At December 31, 2014, COMET Holding AG had 1,417 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,349). Of the total issued registered stock, 100% (prior year: 100%) represented free float. COMET Holding AG held no treasury stock at December 31, 2014 (prior year: none).

The structure of share ownership size classes among the shareholders of record at December 31, 2014 was as follows:

Number of shares	Number of shareholders
1 to 100	1,090
101 to 1,000	268
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More than 10,000	12

This analysis does not capture the stock of shareholders who were not registered in the share register; at December 31, 2014 these shares of unregistered owners amounted to 35% of the total (prior year: 34%).

Significant shareholders

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

At December 31, 2014 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):

Shareholder or shareholder group	Share of voting rights as disclosed by shareholders
Garlito B.V., Amsterdam	5.09%
Artisan Partners Limited Partnership, Milwaukee, WI, USA	5.08%
Pictet Funds, Geneva	5.01%
BlackRock Global Investment Management (UK) Limited, London	5.01%
Corisol Holding AG, Zug, and KEW Beteiligungen AG, Wollerau	4.77%
BlackRock Institutional Trust Company, San Francisco, CA, USA	3.06%
BlackRock Global Funds – Swiss Small & MidCap Opportunities Fund, Zurich	3.04%
UBS Fund Management (Switzerland) AG, Basel	3.01%

The Company 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, ten reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

Cross-shareholdings

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

Capital structure

Capital stock

The capital stock at January 1, 2014 was CHF 7,700,880, divided into 770,088 registered shares with a par value of CHF 10 per share. In fiscal year 2014 the capital stock was increased by 1,978 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 1,978 shares from this portion of authorized capital, COMET Holding AG at December 31, 2014 thus had CHF 7,720,660 of capital stock, divided into 772,066 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2014 the Board of Directors established that the capital increase from authorized capital for equity compensation was completed properly. The information for COMET Holding AG in the commercial register was updated accordingly.

	Number of shares	Par value in CHF
Registered stock, par value of CHF 10 per share January 1, 2014	770,088	7,700,880
Increase in capital from the portion of authorized capital designated for equity-based compensation	1,978	19,780
December 31, 2014	772,066	7,720,660

Authorized capital for equity-based compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only in equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 262,240 by issuing up to 26,224 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members and Executive Committee members of COMET Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights to employees 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/or Board members may be made at less than the market price.

In May 2014, under the 2013 incentive plan, the members of the Board of Directors of COMET Holding AG and senior executive management in Switzerland and Germany were granted a total of 1,978 shares of stock in payment of CHF 682,410 of compensation due. The shares were applied to the compensation due at a price of CHF 345 per share. As a result of these share grants during the year under review, the Company's unissued authorized capital for equity-based compensation showed the following movement:

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2014	26,224	262,240
Stock issued during the fiscal year	(1,978)	(19,780)
December 31, 2014	24,246	242,460

Authorized capital for other capital increases

At December 31, 2014, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). For these purposes, the Board of Directors is authorized until April 18, 2015 to increase the capital stock by a maximum of CHF 1,500,000 by issuing up to 150,000 fully payable registered shares with a par value of CHF 10 per share. Increases by firm commitment underwriting and increases by part of the total authorized amount are permitted. The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

Changes in shareholders' equity

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

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Treasury stock	Free reserve	Retained earnings	Total shareholders' equity
December 31, 2011	7,625	4,958	52,161	0	0	21,142	85,886
Transfer from distributable paid-in capital	0	9	(9)	0	0	0	0
Net income	0	0	0	0	0	8,861	8,861
Distribution from distributable paid-in capital	0	0	(3,035)	0	0	0	(3,035)
Increase in capital stock	38	0	793	0	0	0	831
Repurchase of treasury stock	0	0	0	4,424	0	(4,424)	0
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

The corresponding information for the prior two fiscal years is found on page 96 of the annual report 2012 and page 101 of the annual report 2013. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 39 of this annual report 2014.

Shares

The Company's capital stock at December 31, 2014 consisted of 772,066 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, 37 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 executive management 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, 2014 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	2015
Hans Leonz Notter Lawyer	Swiss	Vice Chairman and non-executive member	1989	2015
Lucas A. Grolimund Dipl. Ing. ETH, MBA INSEAD	Swiss	Non-executive member	2007	2015
Rolf Huber Dipl. Ing. ETH	Swiss	Non-executive member	2008	2015
Gian-Luca Bona Prof. Dr.	Swiss	Non-executive member	2012	2015

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 Medicinal & 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



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

Executive management functions At the reporting date of December 31, 2014, 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 The members of the Board of Directors had the following positions in executive and supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations (at December 31, 2014):

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

Lucas A. Grolimund

Member of the board, Micronas Semiconductor Holding AG, Zurich

Rolf Huber

Member of the board, Hunziker AG Festwirtschaften, Willisau; CEO, H2 Energy AG, Zurich

Gian-Luca Bona

Member of the board, Technopark Zürich Foundation, chairman from 2013; chairman, Swiss Technopark Allianz; chairman, glaTec technology center, Dübendorf; member, Swiss Defense Commission; expert for knowledge and technology transfer, Commission for Technology and Innovation (KTI); member, Advisory Board, Swiss Cleantech Initiative; member, Steering Committee, Zurich Innovation Park; 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

As noted at the beginning of this corporate governance report, the Bylaw amendments related to the disclosure requirements of the new Ordinance Against Excessive Compensation at Listed Companies (OAEC) will be presented to shareholders for approval at the 2015 Annual Shareholder Meeting. As the proposed changes to the Bylaws did not yet have shareholder approval in fiscal year 2014, no information can be provided on the number of positions permitted to be held outside the Group.

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 ending on the day of the next Annual Shareholder Meeting. 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. Board members may be re-elected for consecutive terms. They are individually elected when standing for election or re-election. Board members retire from the Board no later than at the Annual Shareholder Meeting held in the year during which they reach the age of 70. As noted above, the Bylaw amendments related to the disclosure requirements of the new Ordinance Against Excessive Compensation at Listed Companies (OAEC) will be presented to shareholders for approval at the 2015 Annual Shareholder Meeting. As the proposed changes to the Bylaws did not yet have shareholder approval in fiscal year 2014, no information can be provided about Bylaws that differ from the legal requirements.

Internal organizational structure

The Board of Directors constitutes itself at its first meeting after election or re-election by the Shareholder Meeting. The Board appoints its Chairman and Vice Chairman, the members of the 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 presented to the Board for approval at its next meeting.

Board committees

For fiscal year 2014 the Board of Directors of COMET Holding AG set the composition of the Board committees as follows:

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 Board. The full Board decides on all agenda items. Every committee normally consists of at least two members of the Board. The members of the committees are elected 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. 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 appointed by the Board of Directors and prepares all agenda items related to the nomination and compensation of Board and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the Board of Directors. The Committee has the following responsibilities in particular:

- Produce the compensation report and support the Board of Directors in preparing resolutions for consideration by the Annual Shareholder Meeting
- Develop the guidelines for the compensation of the Board of Directors and Executive Committee
- Evaluate the compensation policy of the COMET Group, and review the preliminary disclosure of compensation for the annual report
- Review stock ownership plans and recommend adjustments when deemed appropriate
- Identify and recommend new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may call additional meetings at its discretion. During the year under review the Committee held five meetings. All members of the Committee attended all of the meetings. The high number of meetings compared to past years was attributable to work prompted by the OAEC and the introduction of the new variable compensation model.

Of the Committee's five meetings in the year, the CEO partially or fully attended one meeting, and the Chief Human Resources Officer, four meetings; both attended in an advisory role.

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 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, issue directions to the Executive Committee

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

Technology Committee

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

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

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

Functioning of the full Board of Directors

The Board of Directors as a rule convenes for a regular meeting every two months. Additional meetings or telephone conferences are held as needed. A total of seven regular meetings of the full Board were held in the year. Depending on the business at hand, the Board meetings are half a day or a full day in length. In addition to several telephone conferences, the Board committees met as described in the relevant sections above; committee meetings are normally about half a day in length.

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

Division of authority

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

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

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

- Manage the COMET Group, implement the Board's strategic directions and decisions, and ensure timely and appropriate reporting to the Board
- Develop business targets within the general objectives established by the Board and present proposals for the rolling forecasts and for the strategic multi-year planning.
- Request items of business to be placed on the agenda of Board meetings and prepare such business for transacting by the Board; the CEO is also responsible for 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, in the context of 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 business strategy pursued 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. Key audit priorities were aspects of operating activities in Switzerland (IT infrastructure, security, licenses, training, etc.); in Germany in the PCT segment (processes, IT, inventories and non-current assets, all at Stolberg); in all three US locations (processes in IT, HR and finance; production and inventory processes in Shelton and San Jose; R&D processes and transfer prices in San Jose; contract management and transfer prices in Hudson); and in China (all major finance and business processes of the three segments in Shanghai and Beijing). 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 audit project, the internal auditor prepares an audit report for the Board, complete with a proposed action plan addressing the findings. 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 regular scheduled reporting is based on the audit priorities approved by the Board for the next three years. The nature of the coordination and cooperation between internal and external auditing, complete with the identification of the respective responsibilities, has been specified in writing and approved by the Board.

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 CEO, 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 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 staff of the corporate quality department. 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 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 context of 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, 2014, 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, Xebeo 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; 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

The members of the Executive Committee did not hold positions outside the COMET Group on executive or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations (at December 31, 2014). Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

As noted at the beginning of this corporate governance report, the Bylaw amendments related to the disclosure requirements of the new Ordinance Against Excessive Compensation at Listed Companies (Oaec) will be presented to shareholders for approval at the 2015 Annual Shareholder Meeting. As the proposed changes to the Bylaws did not yet have shareholder approval in fiscal year 2014, no information can be provided on the Bylaw provisions relating to the number of positions permitted to be held outside the 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 663^{bis} of the Swiss Code of Obligations is provided in the notes to the separate financial statements of COMET Holding AG from page 81 of this annual report and in the compensation report from page 125.

Compensation, stock ownership and loans

Compensation decision authority and responsibility

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

The authority matrix for compensation proposals and approvals is structured as follows:

Subject	Proposal/ recommendation by	Final approval by
Compensation of Board of Directors	NCC	Board of Directors
Fixed base salary of CEO	NCC	Board of Directors
Fixed base salaries of other members of Executive Committee	NCC	Board of Directors
Individual profit-sharing compensation of CEO	NCC	Board of Directors
Individual profit-sharing compensation of other members of Executive Committee	NCC, based on recommendation by CEO	Board of Directors
General profit-sharing compensation	NCC, based on rules of profit-sharing plan	Board of Directors

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.

Compensation system

With effect from January 1, 2014, the Board of Directors of COMET Holding AG launched a new compensation system that applies worldwide. The new framework governs the profit-sharing for all employees and for the Board of Directors, based on criteria determined by the Board. The details of the system are specified in a Board-approved regulation document. In the year under review, the profit-sharing criteria were the sales growth and net income of the COMET Group. The compensation of the members of the Board of Directors and Executive Committee is disclosed in the new separate compensation report within the annual report.

Compensation structure and components

The compensation system has two main elements. The first is fixed compensation: the Board of Directors draws a fixed base retainer and the Executive Committee and all other employees draw a fixed base salary. Second, there is a performance-based component for the Board, the Executive Committee and all other employees.

Calculation of total profit-sharing pool

The total amount of this profit-sharing compensation is determined as a percentage of the consolidated net income of the COMET Group. This percentage is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2014, the percentage of consolidated net income is 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 Executive Committee members) and the members of the Board of COMET Holding AG, using a general allocation formula.

Up to a maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees, using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Any unused portion of the individual allocation pool is distributed by the general allocation formula.

Allocations to the CEO and the other Executive Committee members are decided solely by the Board of Directors of COMET Holding AG.

Compensation groups and calibration

Each person in the COMET Group is assigned to one of five compensation groups. The Board of Directors, the CEO and the Executive Committee each fall into their own compensation group with its own multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of COMET Holding AG.

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

Condition of distribution

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

Disbursement of profit-sharing compensation

The entire profit-sharing compensation of the Board of Directors is paid solely in stock of the Company. The members of the Executive Committee receive 50% of their profit-sharing compensation in stock. The other 50% is paid out in cash.

Calculation of grant price for share awards

The price at which the stock is awarded 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 capital 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 effective even during the holding period, including rights to dividends and similar distributions and the right to participate in shareholder meetings.

Compensation system for the Board of Directors

The annual total compensation of each Board member, in accordance with the Board compensation plan, is determined by the demands on the member's time and the responsibilities assumed in the fiscal year. The remuneration for the year to be paid to the Board members (within the limits of the compensation plan) is proposed to the NCC by the Chairman of the Board. The NCC deliberates upon the proposal at its regular meeting in December and submits a proposal to the full Board for approval by the latter.

Responsibility and procedure

The fixed and variable compensation for the Board of Directors is periodically reviewed and revised by the full Board itself. The Board bases its decisions partly on its experience of board compensation in other firms, as well as on systematic comparisons with a peer group of listed industrial companies. The latest such review was performed in fiscal year 2014.

Base retainer and per-day fee

The compensation of the members of the Board of Directors includes a fixed base retainer, a per-day fee for Board meetings, and an expense allowance. The fixed base retainer covers up to 15 days' work for general members of the Board and up to 25 days of work for the Board Chairman.

The entire base retainer and the whole expense allowance are paid only in cash. The entire per-day fee must be paid in the form of stock.

Base compensation structure for the Board of Directors

Position	Compensation/expenses	Paid in cash	Paid in stock
Member of the Board	Base retainer	CHF 28,500	
	Flat expense allowance	CHF 1,500	
Chairman of the Board	Base retainer	CHF 76,000	
	Flat expense allowance	CHF 4,000	
Members and Chairman	Meeting fee per day		CHF 2,800
	Flat expense allowance per day	CHF 200	

Profit-sharing

Besides the base retainer, the compensation plan of the Board of Directors has a performance-based pay component. This variable profit-sharing compensation is calculated in accordance with the Board compensation plan (which is set out in the "Regulation for Compensation of the Board of Directors of the COMET Group").

Calculation of profit-sharing compensation

An individual Board 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

$$\frac{\text{Base retainer of Board member} \times \text{multiplier} \times 100}{\text{Total weighted gross salaries of all staff}^1} = \% \text{ share of total profit-sharing pool}$$

¹ Represents the aggregate of the multiplier-weighted gross salaries of all employees and base 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 Board member'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 (that portion represents 80% to 100% of the total profit-sharing pool to be distributed).

New and departing Board members

When a new member joins the Board of Directors, the basis for calculating the pro-rated profit-sharing compensation is the full calendar quarter during which the member joined.

When a member leaves the Board intra-year (i.e., not at an Annual Shareholder Meeting), the profit-sharing compensation for the current fiscal year is pro-rated based on the financial results for the quarter immediately prior to the quarter of departure. The entire outstanding compensation of the Board member (base retainer, meeting fees, expense allowance and profit-sharing compensation) is paid in cash one month after the member's departure. In the case of intra-year departure, none of the compensation can be paid in stock.

Compensation
for special duties

The Board may assign special duties to one or more of its members. Such special duties must be formally established by the Board of Directors at the beginning of the fiscal year or of the specific event in question. Special duties are tasks or roles that exceed the ordinary scope of Board members' responsibilities. Compensation for special duties accrues if the working days covered by the base retainer are exceeded.

The rate of compensation for special duties is CHF 440 per hour plus a flat expense allowance of 5% of this amount. This compensation is paid only in cash.

**Compensation system for
the Executive Committee**

On the basis of the compensation plan and market rates of pay, the Board of Directors periodically, upon recommendations by the NCC, sets the levels of fixed compensation of the CEO and the other members of the Executive Committee. The fixed base salaries of the individual Executive Committee members are proposed by the NCC upon recommendations from the CEO. The decision on profit-sharing for the completed fiscal year is made by the Board of Directors after the annual financial statements are available.

Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the Executive Committee members' compensation packages, for approval by the full Board of Directors. In arriving at its recommendations, the NCC considers levels of compensation at listed peer industrial companies. Based on the proposal of the NCC, the full Board periodically sets and approves the compensation system. This was last done in fiscal year 2014. 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

The members of the Executive Committee receive a fixed base salary that is paid monthly, and a flat expense allowance. The fixed 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.

Compensation structure for the Executive Committee

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%)	Pay-for-performance	Corporate financial results
	Annual payment in stock (50%)	Long-term alignment of interests of management and shareholders	Corporate financial results
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 base salary, the COMET Group's 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 base 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.

New and departing members of the Executive Committee

An employee joining the Executive Committee intra-year participates 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. Payments to individuals leaving the Executive Committee are made entirely in cash.

OAEC-related provisions in the Bylaws

At the 2015 Annual Shareholder Meeting, the Bylaws will be amended under the transitional provisions of the Ordinance Against Excessive Compensation to bring them into alignment with the OAEC. As the prospective new Bylaws did not yet have shareholder approval in fiscal year 2014, certain information about the Bylaws related to the OAEC could not yet be incorporated into this 2014 compensation report. This applies to provisions in the Bylaws relating to:

- Loans, other credits and pension benefits to members of the Board of Directors and Executive Committee or their related parties
- Voting on compensation at the Shareholder Meeting
- So-called "additional amounts" for compensation needs arising after the Shareholder Meeting's vote on compensation

Shareholder participation rights

Shareholders' participation rights (such as rights with respect to voting), are set down in general terms in the Swiss Code of Obligations, and these legal provisions are supplemented by rules in the Bylaws of the Company. The Bylaws of COMET Holding AG can be viewed on the Company's website at www.comet.ch. As noted at the beginning of this corporate governance report, the Bylaw amendments related to the disclosure requirements of the new Ordinance Against Excessive Compensation at Listed Companies (OAEC) will be presented to shareholders for approval at the 2015 Annual Shareholder Meeting. As the proposed changes to the Bylaws did not yet have shareholder approval in fiscal year 2014, no information can be provided on possible Bylaw provisions concerning instructions to the independent proxy or electronic participation in Shareholder Meetings.

Voting rights restrictions and proxy voting

Shareholders may vote if their name appears in the Company's share register as of ten days before the Shareholder Meeting. 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. Upon presentation of a written proxy, shareholders may be represented at the Shareholder Meeting by another shareholder.

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. Other than the resolutions named in section 704 of the Swiss Code of Obligations, the Bylaws of COMET Holding AG do not provide for resolutions that would require a different type of majority in order to be passed.

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.

Registration in the share register

As section 12 para. 2 of the Bylaws specifies that only those shareholders are entitled to vote who are recorded in the share register as of ten days before the Shareholder Meeting, the share register is closed to new entries from then until and including the day of the Shareholder Meeting. No exceptions to this rule have been made at Shareholder Meetings to date. Shareholders who sell their stock before the Shareholder Meeting are not entitled to vote the shares sold.

Changes in control and measures to prevent hostile takeovers

Requirement to make a public tender offer

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

Provisions on changes in 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 granted or purchased stock. 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' mandate 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 auditors are 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 auditors of most Group companies:

In thousands of CHF	2014	2013
Audit fees	305	304

Including the other auditing firms, the total audit fees in the year under review amounted to CHF 356 thousand (prior year: CHF 363 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 coverage of 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	2014	2013
Audit-related consulting services	17	15
Tax consulting services	10	60
Total consulting services	27	75

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 independent external auditors. 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 meets and 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 annual financial statements are available, 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 comply 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, 2014
Annual results press conference	March 19, 2015
Publication of annual report	March 19, 2015
Annual Shareholder Meeting	April 22, 2015
End of first half of fiscal year	June 30, 2015
Publication of half-year report	August 20, 2015

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.

In addition, the Company's website, at www.comet-group.com, provides an overview of the Group's organizational structure and business activities. Among other information, the website contains the annual report, press releases, presentations for press conferences, and the Bylaws of COMET Holding AG. As well, anyone may register on the website to automatically receive all press releases in electronic form.

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YXLON



Compensation Report 2014

COMPENSATION POLICY

- 126 Principles of compensation policy
- 127 Market comparison criteria
 - Decision authority and responsibility for compensation
- 128 Nomination & Compensation Committee

COMPENSATION SYSTEM

- 128 Compensation structure and components
- 130 Compensation system for the Board of Directors
- 132 Compensation system for the Executive Committee
- 133 OAEC-related provisions in the Bylaws

DISCLOSURE OF COMPENSATION

- 134 Current members of the Board of Directors
- 136 Current members of the Executive Committee
- 138 Former members of the Board of Directors and Executive Committee
 - Additional amount for the Executive Committee
 - Supplementary information on compensation
 - Interim management contracts

DISCLOSURE OF SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

SIMPLE AND INTUITIVE

Users of the new YXLON CT systems get highly precise three-dimensional images with just a few clicks. Thanks to remote monitoring, they also know the system's status and the progress of the scan even when they are not nearby.

This compensation report provides information on the compensation policy, the compensation system used, and the responsibilities for designing and procedures for determining the compensation of the Board of Directors and Executive Committee of the COMET Group.

The compensation report also discloses the specific amounts of compensation of the Board members and Executive Committee members for fiscal years 2013 and 2014. The compensation paid – disclosed and presented in accordance with International Financial Reporting Standards and the Swiss Code of Obligations – is also disclosed in the consolidated financial statements of COMET Holding AG on page 81 and in the notes to the company financial statements of COMET Holding AG on page 90.

In the last two years the Board of Directors has made extensive adjustments in the course of developing an appropriate and sustainable compensation system. With effect from fiscal year 2014, the COMET Group introduced a completely revised new profit-sharing compensation model tied to the net income of the COMET Group. In addition, various compensation plans were revised and the employment contracts of the Executive Committee adjusted accordingly.

The disclosure requirements of the new Ordinance Against Excessive Compensation at Listed Companies (OAEC; German abbreviation: VegüV) of November 20, 2013 were complied with to the extent possible. The Bylaws of COMET Holding AG were revised under the OAEC transition provisions in the course of 2014 and brought into line with the OAEC. The resulting proposed amendments to the Bylaws will be presented to shareholders for approval at the 2015 Annual Shareholder Meeting. As the proposed changes to the Bylaws did not yet have shareholder approval in fiscal year 2014, certain information relating to the OAEC could not yet be incorporated into the compensation report.

The compensation report conforms to the transparency requirements of section 663b^{bis} and 663c of the Code of Obligations and the corporate governance information standards of the SIX Swiss Exchange.

01	Compensation policy	COMET is confident that its remuneration architecture creates an effective link between compensation and performance that generates lasting value for shareholders. The compensation elements take into account short-term and long-term aspects of sustainable company performance and development.
01.1	Principles of compensation policy	<p>The compensation system is designed to attract and retain highly capable management and specialist staff. Its focus is on competitive remuneration consisting of a fixed base salary paid in cash, and a performance-based component that is paid partly in cash and partly in shares of the Company. No termination benefits are provided.</p> <p>COMET seeks to set compensation levels that reflect individual degrees of competency and responsibility in the Group and are on a par with other employers that compete with COMET for talent. This endeavor is supported by a fair system of remuneration designed to match levels of pay offered by peer companies.</p>

To promote a focus on corporate strategy and closer ties to the Group, a profit-sharing system has also been introduced, which is based on criteria determined by the Board of Directors. As a long-term element of compensation, the members of the Board receive their entire profit-sharing remuneration in COMET stock and the Executive Committee members receive up to one-half of theirs in this form. The other employees are paid their profit-sharing compensation in cash.

The goal of the compensation strategy is to achieve a simple, clearly structured remuneration system that ensures fair compensation and is transparent for employees.

01.2 Market comparison criteria

COMET strives for compensation that is consistent with market rates of pay. Individual compensation reflects the demands of the position, the person's skills and performance, and the financial results of the Group.

These principles also apply to the determination of the compensation framework for the Board of Directors and Executive Committee, which is approved by the Board upon proposal by the Nomination & Compensation Committee (NCC). The composition and amount of the remuneration of the Board and Executive Committee are guided by consideration of the industry and labor market environment and are regularly reviewed against benchmarks. To do so, specific corresponding positions in similar sectors are assessed and compared with those in the Group. The amounts and mix of the individual components of compensation are determined by reference to benchmarks and are regularly reviewed and, when necessary, revised.

01.3 Compensation decision authority and responsibility

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

The authority matrix for compensation proposals and approvals is structured as follows:

Subject	Proposal/ recommendation by	Final approval by
Compensation of Board of Directors	NCC	Board of Directors
Fixed base salary of CEO	NCC	Board of Directors
Fixed base salaries of other members of Executive Committee	NCC	Board of Directors
Individual profit-sharing compensation of CEO	NCC	Board of Directors
Individual profit-sharing compensation of other members of Executive Committee	NCC, based on recommendation by CEO	Board of Directors
General profit-sharing compensation	NCC, based on rules of profit-sharing plan	Board of Directors

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.

01.4 **Nomination & Compensation Committee (NCC)**

The Nomination & Compensation Committee is made up of two members appointed by the Board of Directors and prepares all agenda items related to the nomination and compensation of Board and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the Board of Directors. The Committee has the following responsibilities in particular:

- Produce the compensation report and support the Board of Directors in preparing resolutions for consideration by the Annual Shareholder Meeting
- Develop the guidelines for the compensation of the Board of Directors and Executive Committee
- Evaluate the compensation policy of the COMET Group Review the preliminary disclosure of compensation for the annual report
- Review stock ownership plans and recommend adjustments when deemed appropriate
- Identify and recommend new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

The members of the Nomination & Compensation Committee convene for at least two regular meetings per year. The NCC may call additional meetings at its discretion. During the year under review the Committee held five meetings. All members of the Committee attended all of the meetings. The high number of meetings compared to past years was attributable to work prompted by the new Transparency Act and the introduction of the new variable compensation model.

Of the Committee's five meetings in the year under review, the CEO partially or fully attended one meeting, and the Chief Human Resources Officer, four meetings; both attended in an advisory role.

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

02 **Compensation system**

With effect from January 1, 2014, the Board of Directors of COMET Holding AG launched a new compensation system that applies worldwide. The new framework governs the profit-sharing for all employees and for the Board of Directors, based on criteria determined by the Board. The details of the system are specified in a Board-approved regulation document. In the year under review, the profit-sharing criteria were the sales growth and net income of the COMET Group.

02.1 **Compensation structure and components**

The compensation system has two main elements. The first is fixed compensation: the Board of Directors draws a fixed base retainer and the Executive Committee and all other employees draw a fixed base salary. Second, there is a performance-based component for the Board, the Executive Committee and all other employees.

02.1.1 Calculation of total profit-sharing pool

The total amount of this profit-sharing compensation is determined as a percentage of the consolidated net income of the COMET Group. This percentage is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2014, the percentage of consolidated net income is 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 Executive Committee members) and the members of the Board of COMET Holding AG, using a general allocation formula.

Up to a maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees, using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Any unused portion of the individual allocation pool is distributed by the general allocation formula.

Allocations to the CEO and the other Executive Committee members are decided solely by the Board of Directors of COMET Holding AG.

Compensation groups and calibration

Each person in the COMET Group is assigned to one of five compensation groups. The Board of Directors, the CEO and the Executive Committee each fall into their own compensation group with its own multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of COMET Holding AG.

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

Condition of distribution

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

Disbursement of profit-sharing compensation

The entire profit-sharing compensation of the Board of Directors is paid solely in stock of the Company. The members of the Executive Committee receive 50% of their profit-sharing compensation in stock. The other 50% is paid out in cash.

02.1.2 Calculation of grant price for share awards

The price at which the stock is awarded 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 effective even during the holding period, including rights to dividends and similar distributions and the right to participate in shareholder meetings.

02.2 Compensation system for the Board of Directors

The annual total compensation of each Board member, in accordance with the Board compensation plan, is determined by the demands on the member's time and the responsibilities assumed in the fiscal year. The remuneration for the year to be paid to the Board members (within the limits of the compensation plan) is proposed to the NCC by the Chairman of the Board. The NCC deliberates upon the proposal at its regular meeting in December and submits a proposal to the full Board for approval by the latter.

02.2.1 Responsibility and procedure

The fixed and variable compensation for the Board of Directors is periodically reviewed and revised by the full Board itself. The Board bases its decisions partly on its experience of board compensation in other firms, as well as on systematic comparisons with a peer group of listed industrial companies. The latest such review was performed in fiscal year 2014.

02.2.2 Base retainer and per-day fee

The compensation of the members of the Board of Directors includes a fixed base retainer, a per-day fee for Board meetings, and an expense allowance. The fixed base retainer covers up to 15 days' work for general members of the Board and up to 25 days of work for the Board Chairman.

The entire base retainer and the whole expense allowance are paid only in cash. The entire per-day fee must be paid in the form of stock.

Base compensation structure for the Board of Directors

Position	Compensation/expenses	Paid in cash	Paid in stock
Member of the Board	Base retainer	CHF 28,500	
	Flat expense allowance	CHF 1,500	
Chairman of the Board	Base retainer	CHF 76,000	
	Flat expense allowance	CHF 4,000	
Members and Chairman	Meeting fee per day		CHF 2,800
	Flat expense allowance per day	CHF 200	

02.2.3 Profit-sharing

Besides the base retainer, the compensation plan of the Board of Directors has a performance-based pay component. This variable profit-sharing compensation is calculated in accordance with the Board compensation plan (which is set out in the "Regulation for Compensation of the Board of Directors of the COMET Group").

Calculation of profit-sharing compensation

An individual Board 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

$$\frac{\text{Base retainer of Board member} \times \text{multiplier} \times 100}{\text{Total weighted gross salaries of all staff}^1} = \% \text{ share of total profit-sharing pool}$$

¹ Represents the aggregate of the multiplier-weighted gross salaries of all employees and base 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 Board member'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 (that portion represents 80% to 100% of the total profit-sharing pool to be distributed).

New and departing Board members

When a new member joins the Board of Directors, the basis for calculating the pro-rated profit-sharing compensation is the full calendar quarter during which the member joined.

When a member leaves the Board intra-year (i.e., not at an Annual Shareholder Meeting), the profit-sharing compensation for the current fiscal year is pro-rated based on the financial results for the quarter immediately prior to the quarter of departure. The entire outstanding compensation of the Board member (base retainer, meeting fees, expense allowance and profit-sharing compensation) is paid in cash one month after the member's departure. In this case, none of the compensation can be paid in stock.

02.2.4 Compensation for special duties

The Board may assign special duties to one or more of its members. Such special duties must be formally established by the Board of Directors at the beginning of the fiscal year or of the specific event in question. Special duties are tasks or roles that exceed the ordinary scope of Board members' responsibilities. Compensation for special duties accrues if the working days covered by the base retainer are exceeded.

The rate for compensation of special duties is CHF 440 per hour plus a flat expense allowance of 5% of this amount. This compensation is paid only in cash.

02.3 Compensation system for the Executive Committee

On the basis of the compensation plan and market rates of pay, the Board of Directors periodically, upon recommendations by the NCC, sets the levels of fixed compensation of the CEO and the other members of the Executive Committee. The fixed base salaries of the individual Executive Committee members are proposed by the NCC upon recommendations from the CEO. The decision on profit-sharing for the completed fiscal year is made by the Board of Directors after the annual financial statements are available.

02.3.1 Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the Executive Committee compensation packages, for approval by the full Board of Directors. In arriving at its recommendations, the NCC considers levels of compensation at listed peer industrial companies. Based on the proposal of the NCC, the full Board periodically sets and approves the compensation system. This was last done in fiscal year 2014. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

02.3.2 Fixed base salary

The members of the Executive Committee receive a fixed base salary that is paid monthly, and a flat expense allowance. The fixed 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.

Compensation structure of the Executive Committee

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%)	Pay-for-performance	Corporate financial results
	Annual payment in stock (50%)	Long-term alignment of interests of management and shareholders	Corporate financial results
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

02.3.3 Profit-sharing

In addition to the fixed base salary, the COMET Group's 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

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

¹ Represents the aggregate of the multiplier-weighted gross salaries of all employees and base 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.

New and departing members of the Executive Committee

An employee joining the Executive Committee intra-year participates 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. Payments to individuals leaving the Executive Committee are made entirely in cash.

02.4 OAEC-related provisions in the Bylaws

At the 2015 Annual Shareholder Meeting, the Bylaws will be amended under the transitional provisions of the Ordinance Against Excessive Compensation to bring them into alignment with the OAEC. As the prospective new Bylaws did not yet have shareholder approval in fiscal year 2014, certain information about the Bylaws related to the OAEC could not yet be incorporated into this 2014 compensation report. This applies to provisions in the Bylaws relating to:

- Loans, other credits and pension benefits to members of the Board of Directors and Executive Committee or their related parties
- Voting on compensation at the Shareholder Meeting
- So-called "additional amounts" for compensation needs arising after the Shareholder Meeting's vote on compensation

03 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, disclosed in accordance with the transparency requirements of the Swiss Code of Obligations for fiscal year 2013 and with the Ordinance Against Excessive Compensation at Listed Companies for fiscal year 2014. Further details on the included individuals and their positions in the Company 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.

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

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	Footnote						
Total cash compensation	(1)	76,000	35,721	34,819	34,144	34,482	215,166
Stock compensation	(2)	163,199	112,494	95,896	83,446	89,671	544,706
Total expenses for long-term benefits	(3)	0	9,906	10,046	9,076	9,561	38,589
Total compensation		239,199	158,121	140,761	126,667	133,714	798,461

Fiscal year 2013 *

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)	76,000	31,679	32,335	31,930	33,245	205,189
Stock compensation	(2)	108,627	70,856	65,400	59,405	88,290	392,578
Total expenses for long-term benefits	(3)	0	7,830	5,152	4,708	6,794	24,483
Total compensation		184,627	110,365	102,887	96,043	128,329	622,250

* Data in the table has been restated to reflect variances between amounts estimated for the prior year (2013) in the prior-year annual financial statements, and the actual amounts observed. The variances represent the difference between the estimated ratio of stock to cash compensation previously recorded as accrued for the prior year and the actual ratio drawn, as well as any difference between the performance-based variable fees recorded as accrued at the year-end and the actual performance-based variable fees. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated for the prior year. The actual aggregate compensation for 2013 was CHF 2,700 less than had been reported in the prior-year annual financial statements.

- (1) Base fees are paid as compensation for Board responsibilities and consist of a fixed base retainer and expenses. Also included in this item is the amount necessary to cover payment of social security contributions in connection with stock compensation. The entire base retainer and the expense allowance are paid only in cash.
- (2) This item includes the performance-related compensation element, which is calculated based on the criteria of the compensation system. This profit-sharing compensation must be drawn entirely in stock. As well, this item includes the per-day fee for meetings, which must also be drawn entirely 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 discount of 36% is also recognized as compensation.
- (3) This item consists of employer and staff contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as family allowance contributions (FAK). For Board members, COMET does not pay contributions to pension funds, health insurance plans or accident insurance premiums.

Neither in the fiscal year under review nor in the prior year was any portion of profit-sharing compensation paid in cash.

The increase in remuneration compared to the prior year was attributable to a greater number of meetings and the higher performance-based compensation (the profit-sharing distribution) resulting from the strong growth in net income. The aggregate amount of profit-sharing compensation, including expenses for long-term benefits, was CHF 397,900 (prior year: CHF 126,500).

Additional compensation for legal services

In the year under review the law firm Notter Mégevand & Partner, based in Berne, Fribourg and Geneva, invoiced legal fees of CHF 36,500 (prior year: CHF 45,000). Hans Leonz Notter is a partner at this law firm, whose members provide legal advice and other legal services to the COMET Group.

03.2 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: 6.6). The compensation of the members of the Executive Committee for which an expense was accrued is presented in the table below.

In CHF		Executive Committee total		Highest compensation Ronald Fehlmann (1), CEO	
Fiscal year	Footnote	2014	2013 *	2014	2013 *
Base salary, gross	(2)	1,960,280	1,662,977	480,545	430,001
Variable compensation, gross	(3)	501,182	341,975	172,351	121,893
Total cash compensation		2,461,462	2,004,952	652,896	551,894
Stock compensation	(4)	773,722	303,565	269,298	135,705
Benefits in kind	(5)	27,337	26,946	5,165	5,165
Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	(6)	522,771	398,443	156,810	123,896
Contributions for health and accident insurance	(7)	20,036	19,746	3,737	3,239
Total expenses for long-term benefits		542,807	418,189	160,547	127,135
Total compensation		3,805,328	2,753,651	1,087,906	819,899

* Data in the table has been restated to reflect variances between amounts estimated for the prior year (2013) in the prior-year annual financial statements, and the actual amounts observed. The variances represent the difference between the ratio of stock to cash compensation previously recorded as accrued for the prior year and the actual ratio drawn, as well as any difference between the performance-based variable fees recorded as accrued at the year-end and the actual performance-based variable fees. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated for the prior year in the prior-year annual financial statements. The actual aggregate compensation for 2013 was CHF 30 thousand less than had been reported in the prior-year annual financial statements.

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%.

- (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 year under review.
- (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 based on 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 increase in remuneration compared to the prior year was attributable mainly to the higher performance-based compensation (the profit-sharing distribution) resulting from the strong growth in net income. The aggregate amount of profit-sharing compensation, including expenses for long-term benefits, was CHF 1,400,904 (prior year: CHF 753,700). Of this total, 61% is being paid in stock (prior year: 47%).

- 03.3 Former Board and Executive Committee members (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.
- 03.4 Additional amount for the Executive Committee (section 19 OAEC)** At the 2015 Annual Shareholder Meeting, the Bylaws will be amended under the transitional provisions of the Ordinance Against Excessive Compensation to bring them into alignment with the OAEC. In 2014, for lack of an existing basis in the Bylaws, no so-called additional amount was provided in the Bylaws which can be paid to Executive Board members who are appointed after the Shareholder Meeting's vote on compensation.
- 03.5 Supplementary information on compensation** In the fiscal year, no signing bonuses were paid to present or former members of the Board of Directors or Executive Committee and no termination benefits were granted. No loans or other credit were granted in the year under review. At the balance sheet date, no loans or other credit were outstanding. COMET has not provided any guarantees or other security. Board members did not receive benefits in kind. COMET does not pay termination benefits.
- No material changes related to compensation occurred after the balance sheet date of December 31, 2014.
- 03.6 Interim management contracts** There were no interim management contracts in the fiscal year.
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- 04 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 2.2% of the outstanding shares of COMET Holding AG (prior year: 3.6%).
- 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 90.

Report of the statutory auditor on the compensation report

To the General Meeting of COMET Holding AG, Flamatt

We have audited the compensation report (section 03 – Disclosure of compensation of the Board and Executive Committee, pages 134 to 138) of COMET Holding AG for the year ended 31 December 2014.

Responsibility of the Board of Directors

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 against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 remuneration, 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 2014 of COMET Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Berne, 5 March 2015

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

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Licensed audit expert

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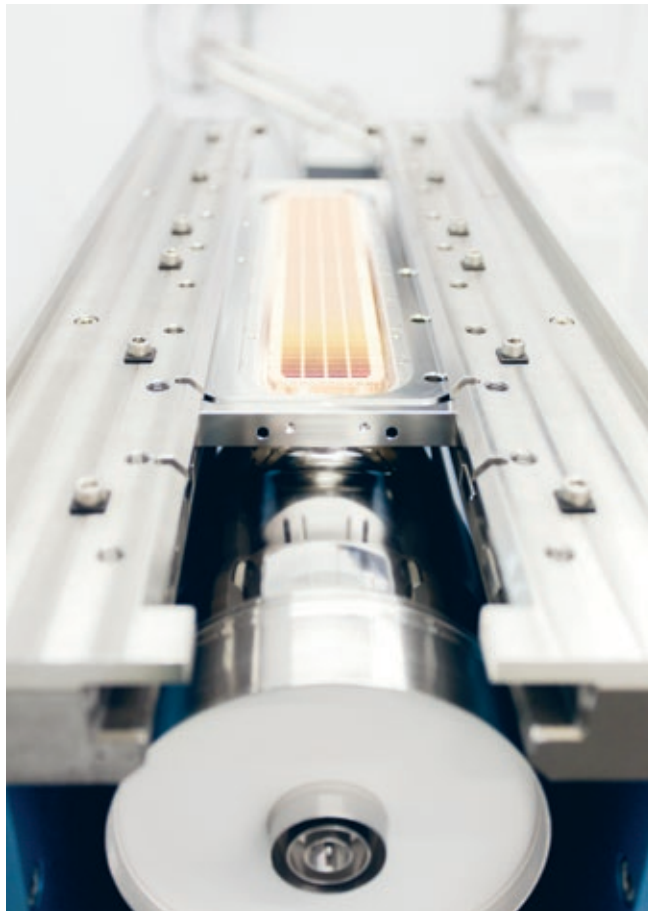
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