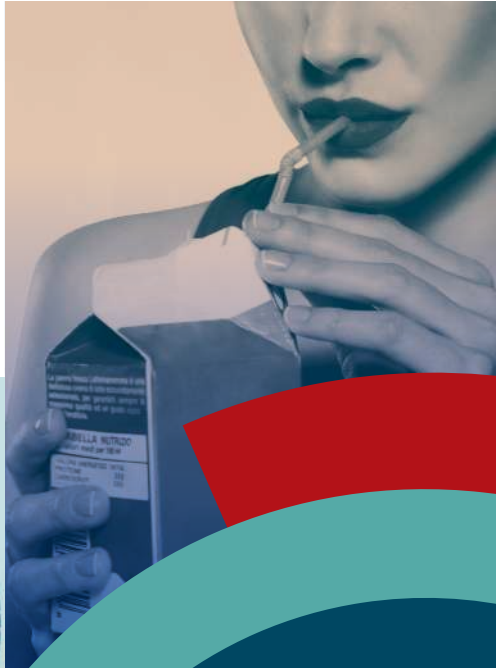


COMET HOLDING AG Annual Report

2013



The COMET Group

The COMET 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, the Group helps its customers maximize the quality, reliability and efficiency of their products and processes. In COMET, YXLON and ebeam, the Group has three strong brands, each serving different markets. 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 company builds high-quality, high-technology 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 for security applications at airports. Under its "ebeam" brand, the Group offers very compact ebeam sets used, for example, in the non-contact sterilization of beverage packaging. 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 HOLDING AG Annual Report

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COMET GROUP KEY CONSOLIDATED FINANCIAL RESULTS

In thousands of CHF	2013	2012 ¹	2011 ¹	2010	2009
Net sales	249,629	214,401	216,965	217,395	150,750
Operating income/(loss)	25,060	12,468	14,667	16,239	(13,992)
In % of net sales	10.0%	5.8%	6.8%	7.5%	-9.3%
EBITA	28,976	17,555	20,102	21,543	(7,540)
In % of net sales	11.6%	8.2%	9.3%	9.9%	-5.0%
EBITDA	36,002	25,149	27,325	28,333	(432)
In % of net sales	14.4%	11.7%	12.6%	13.0%	-0.3%
Net income/(loss)	16,094	5,680	10,055	7,489	(12,730)
In % of net sales	6.4%	2.6%	4.6%	3.4%	-8.4%
Operating cash flow ²	17,379	22,606	28,173	19,176	10,912
In % of net sales	7.0%	10.5%	13.0%	8.8%	7.2%
Total assets	227,833	200,780	207,396	214,805	229,603
Shareholders' equity	137,852	115,824	118,442	111,735	112,372
Equity ratio (% of total assets)	60.5%	57.7%	57.1%	52.0%	48.9%
Number of employees (year-end)					
Switzerland	357	301	297	330	259
International	554	469	437	391	352
Total	911	770	734	721	611

¹ Restated to reflect the revised IAS 19.

² Net cash provided by operating activities, as per consolidated statement of cash flows.

INFORMATION FOR INVESTORS

	2013	2012 ¹	2011 ¹	2010	2009
Capital stock	CHF 7,700,880	7,663,120	7,625,160	7,574,800	7,574,800
Number of shares (Dec. 31)	770,088	766,312	762,516	757,480	757,480
Weighted average number of shares outstanding	756,458	757,401	760,406	757,401	755,149
Stock price (adjusted)					
High for the year (Dec. 30, 2013)	CHF 476.75	225.00	236.50	208.40	151.50
Low for the year (Jan. 3, 2013)	CHF 210.00	138.80	122.50	130.00	75.00
Year-end (Dec. 31)	CHF 469.50	215.00	149.00	195.80	151.00
Earnings/(loss) per share	CHF 21.28	7.54	13.22	9.89	(16.86)
Distribution per share ²	CHF 8.00	4.00	4.00	3.50	0.50
P/E ratio (at year-end price)	22	29	11	20	n.a.
Distribution yield (at year-end price)	% 1.7%	1.9%	2.7%	1.8%	0.3%
Equity per share ³	CHF 182.2	151.1	155.3	147.5	148.3
Market capitalization (Dec. 31)	CHF m 361.6	164.8	113.6	148.3	114.4

¹ Restated to reflect the revised IAS 19.

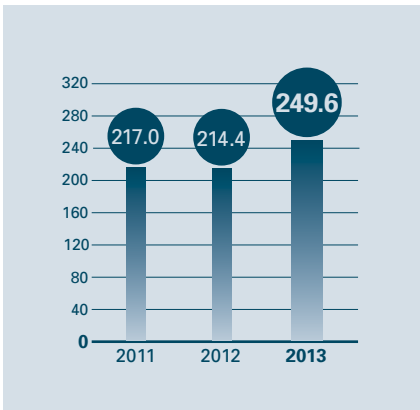
² 2013: Proposal by the Board of Directors for the year under review.

³ Shareholders' equity divided by the weighted average number of shares outstanding.

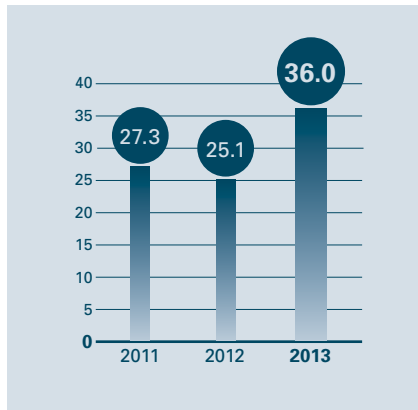
2013: Strong Performance

Key Financials of the COMET Group

Net sales
In CHF million



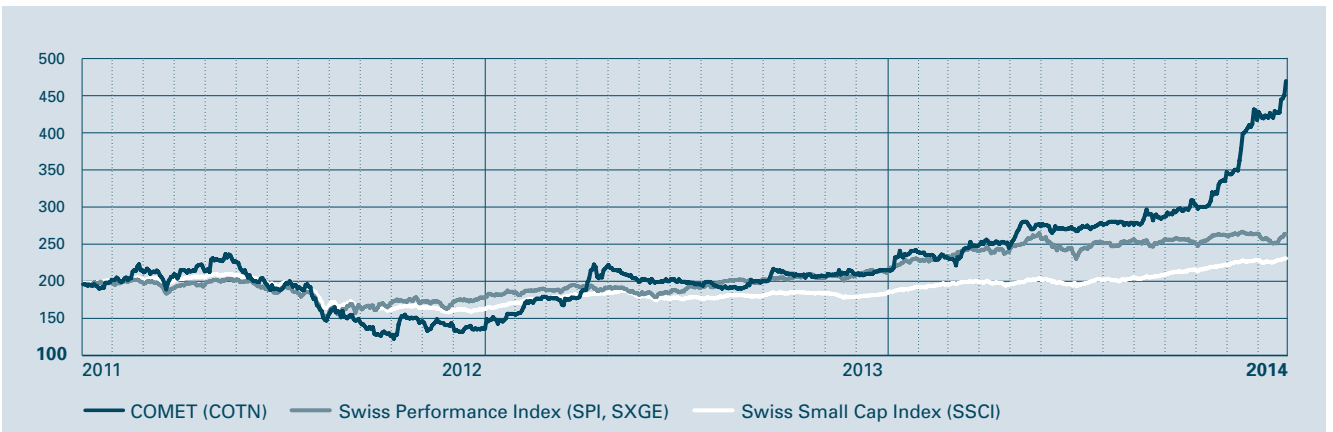
EBITDA
In CHF million



Staff count
Number of employees (year-end)



COMET registered stock
Performance in CHF



The brands of the COMET Group

COMET

Making maximum product safety possible and enabling highly precise control of memory chip manufacturing processes – this is where the COMET brand excels. COMET’s high-performance x-ray sources are widely used in systems for non-destructive testing and inspection. And for sophisticated control of plasma processes, leading makers of memory chips, flat screens and solar panels rely on COMET vacuum capacitors, RF generators and “matchboxes” (impedance matching networks).

ebeam

The finishing and sterilization of surfaces is an important need in many industries. Harnessing the power of electron beams, the compact ebeam technology from the COMET Group makes industrial processes faster, more energy-efficient, and (as a non-chemical approach) environmentally friendly. The sterilization of beverage packaging has been commercialized as the technology’s first major application, with more to follow.

YXLON

Under the YXLON brand, the COMET Group provides leading integrated solutions for non-destructive testing in the automotive, electronics, aerospace and energy industries. For both mobile and stationary x-ray systems, YXLON offers worldwide, complete service and support over the whole life cycle.

To Our Shareholders

The COMET Group's net sales increased by 16.4% to CHF 249.6 million and net income grew strongly to CHF 16.1 million (from CHF 5.7 million in 2012).

The consistent execution of the organic growth strategy proved effective in 2013. Aided by a recovery in demand from the semiconductor market, the Group generated substantial, profitable sales growth of 16.4% to CHF 249.6 million (2012: CHF 214.4 million). In local-currency terms the Group grew by 17.5%. Thanks to the sales growth and heightened operational excellence, EBITDA earnings jumped by 43.2% to CHF 36.0 million and the EBITDA margin increased to 14.4% (2012: 11.7%). Net income rose markedly to CHF 16.1 million (2012: CHF 5.7 million). Earnings per share climbed to CHF 21.28 (2012: CHF 7.54). The equity ratio was 60.5% (2012: 57.7%).

Strategy is working – Broad-based sales growth

The strategic focus on intensified marketing of existing products and technologies and on the accelerated development of high-growth business segments brought results as all three of the Group's operating segments saw growth. The greatest expansion in sales was achieved by Plasma Control Technologies. Leveraging the investment of the prior years in an innovative product portfolio, and helped by the semiconductor market recovery, the operating segment posted record sales of CHF 81.5 million (2012: CHF 58.3 million). Similarly, the X-Ray & ebeam Technologies segment significantly expanded its position with x-ray sources in the core business of non-destructive testing: Overall, the segment's sales rose to CHF 64.4 million (2012: CHF 56.1 million). The X-Ray Systems segment gained ground especially with portable x-ray systems, recording sales of CHF 125.1 million (2012: CHF 118.4 million). The Group grew in every region – above all in Asia, which now accounts for 36.5% of sales, the largest single regional share (USA: 31.5%, Europe: 28.0%).

Profitability up: EBITDA margin of 14.4%

To ensure growth is sustained over the long term, the Group invested judiciously in marketing and the strategic initiatives around ebeam, portable x-ray tubes and RF generators. Gains in operational excellence enabled the Group to keep cost increases low relative to sales growth, resulting in a significant improvement in EBITDA margin to 14.4% (2012: 11.7%). In the X-Ray Systems segment the clear focus on high-margin products and lean processes led to a further widening of the EBITDA margin to 12.9% (2012: 9.7%). In Plasma Control Technologies the strong revenue growth and structural streamlining were also beneficial, with the EBITDA margin rising to 13.1% (2012: 4.8%). Remaining highly profitable – despite capital spending for ebeam – the X-Ray & ebeam Technologies segment had an EBITDA margin of 17.6% (2012: 22.3%).

Growth strategy delivers results

New for 2013, the COMET Group now reports in three market-based segments: X-Ray & ebeam Technologies, Plasma Control Technologies (both previously the Modules & Components division) and X-Ray Systems (the former Systems division). Significant progress was made in all core thrusts of the strategy. The Group strengthened its capabilities in marketing and sales across all segments, stepped up business with key customers and developed new applications. With the opening of a new sales and application center in Korea, the Group expanded its network of sites to 13 locations worldwide, thus paving the way for further growth in the strategically important Asian market. The Group's emerging businesses also made good headway: In ebeam the preparations for the rollout with Tetra Pak are progressing as planned. The segment was turned into a separate business unit with its own brand and is focusing on unlocking new applications for its technology. In portable YXLON x-ray systems, stronger market development activities were rewarded by sales growth of 36%, while COMET made inroads in the laser industry with RF generators. With



Hans Hess, Chairman of the Board of Directors



Ronald Fehlmann, Chief Executive Officer

new performance management tools – the worldwide implementation of Beyond Budgeting and the introduction of a new variable compensation system that ties profit-sharing compensation directly to the Group's net income – COMET in 2013 continued to build and refine the foundation for value-based management.

Outlook: Expecting continuous profitable growth

With its innovative technologies and products, the COMET Group is superbly positioned to exploit current market trends. The strategy proved its worth in 2013. The Board and management are convinced that, unless there is a deterioration in the economic environment and currency situation, the Group will be able to steadily maintain its profitable growth. On this basis, the guidance for 2014 is for sales of CHF 270 million to CHF 290 million and an EBITDA margin slightly above the prior year.

Doubling of dividend

The Board of Directors will propose to shareholders at the next Annual Meeting to pay a distribution of CHF 8.00 per share from distributable paid-in capital (prior year: CHF 4.00 per share). This represents a payout of 38% of net income.

Thank you

On behalf of the whole Board and executive management, we thank COMET's shareholders for their trust. We also take this opportunity to express our gratitude to our partners, customers and suppliers for the good collaboration and their strong confidence in our technology, our people and our business. A special thank-you goes to all of the Group's employees, whose hard work and passionate commitment made the year's outstanding results possible.

Hans Hess
Chairman of the Board of Directors

Ronald Fehlmann
Chief Executive Officer

Highlights of a strategy with proven traction



New sales and application center in Korea

The COMET Group sets up shop in the hub of 3D chip technology

Going where its customers are, Plasma Control Technologies in 2013 opened a new sales, application and service center in South Korea. This puts COMET's experts at the source of the development of 3D chip technology, in which Samsung is leading the way. The PCT team brings its expertise to bear right where the customer is working, thus setting the stage for future growth based on the new technology. The facility also creates a counterpart to COMET's presence in Silicon Valley. The X-Ray Systems segment as well is benefiting from the center in Korea: The laboratory provides user and engineering support for YXLON x-ray systems employed in the inspection of electronic components.



Profitable through improved operational excellence

X-Ray Systems raises profitability, reaching a 13% EBITDA margin

As recently as 2010, X-Ray Systems still struggled with an EBITDA margin of about 3%. With a focus on improving operational excellence, the segment leaned down its processes, shortened production lead times, enhanced controller-ship and increased transparency. Sales of high-margin products were stepped up, service was expanded and sales staff trained. In 2013 the segment thus further improved its profitability at the EBITDA margin level, from 9.7% to 12.9%.



New business areas ignite growth

Portable X-Ray sells 36% more existing systems

The portable x-ray systems business exemplifies the Group's effective execution of its strategy in fiscal year 2013: As an emerging business, Portable X-Ray was set up as a self-contained unit with clearly defined responsibilities, creating an entrepreneurial environment for rapid growth. This in combination with focused marketing lifted sales of existing products by 36.2%.



15% growth as the market leader

Industrial X-Ray Technologies tapping the SME market

To continue to grow even as a clear market leader in x-ray sources for non-destructive testing and security inspection is a challenge that Industrial X-Ray Technologies is mastering with flying colors: In 2013 the business unit delivered further sales growth of 14.7%. In this case too, consistent strategy implementation was the key to success. As part of its broad-based and intensive market development, Industrial X-Ray Technologies strengthened the sales organization and built relationships with entirely new customer segments. For example, inroads were made in the Chinese small and medium enterprise market with customized products.



New distinct brand

ebeam sets its sights on four new markets

2013 was a year of expansion around the innovative ebeam technology. While Tetra Pak continued the process of converting its main lines to the sterilization system devised with ebeam, the COMET team in Flamatt further developed the supply-chain and building concepts to meet the coming demand for ebeam systems. As well, the ebeam organization prepared for new applications: with an enlarged expert team, designation as a separate business unit, and its own brand – the Group's third beside "COMET" and "YXLON". In four specific market segments the unit, following a well-defined business development process, is now opening up new applications. The first discussions and non-disclosure agreements have been very promising.



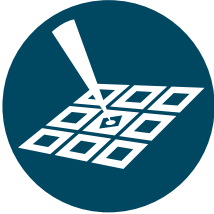



COMET Group marks 65 years in business

Growth strategy promises a bright future

COMET's strengths are many: three key technologies; market leadership in high-quality products based on x-ray and radio frequency technology; the power to innovate; excellent customer relationships worldwide; markets with good potential; and a focused growth strategy that clearly gained traction in 2013 – the COMET Group, founded back in 1948, has a bright future. Coinciding with the 65-year anniversary of the firm originally established as the "Company for Electronic Tubes", the COMET Group in 2013 also celebrated ten years of having its headquarters in Flamatt near Berne.

Trends, Technologies & Products

Trend	Technology
<p data-bbox="145 479 387 622">Protecting the Environment and Saving Resources</p>  <p data-bbox="657 479 1070 779">Manufacturing firms worldwide are searching for environmentally friendly production processes that ideally are chemical-free. Demand for energy-saving solutions is unbroken. China is stepping up the expansion of its solar energy capacity.</p>	<p data-bbox="1134 483 1453 752">Radio frequency technology from COMET is used to control coating processes in the manufacture of high-performance solar cells. COMET's ebeam technology can save up to 40% of CO2 emissions and 80% of energy consumption in sterilization processes.</p>
<p data-bbox="145 882 373 958">Mobile Communication</p>  <p data-bbox="657 882 1070 1211">Consumers expect ever more capable mobile devices and high-resolution flat panel displays. Ever greater function density is taken for granted. In response, the electronics industry is turning to three-dimensional integrated circuits. 3D chip structures are the shape of the future.</p>	<p data-bbox="1134 887 1453 1099">With COMET's radio frequency technologies for the production of storage media and display panels, manufacturers are able to create smart mobile gadgets even more efficiently and inexpensively.</p>
<p data-bbox="145 1285 368 1317">Miniaturization</p>  <p data-bbox="657 1285 1070 1615">Products and components are always becoming smaller, more complex and function-rich. 3D integrated circuits place new demands on quality inspection. Many manufacturers now inspect 100% of components before entering mass production. Automation of inspection is integral to this trend.</p>	<p data-bbox="1134 1290 1453 1525">With microfocus systems, computed tomography and 3D imaging, YXLON gives industry the ever more sophisticated tools it needs for the easy and automated detection of non-conformities during the production process.</p>
<p data-bbox="145 1688 336 1794">Reliability, Safety and Performance</p>  <p data-bbox="657 1688 1070 1951">Products need to be free of defects. Quality assurance is increasingly integrated into the production process. The efficient finding and recovery of valuable substances to save time and costs is also a growing demand trend.</p>	<p data-bbox="1134 1693 1501 2018">X-ray and imaging technologies from COMET and YXLON give industrial customers an advantage in quality assurance, both during development and in the manufacturing process. In mining, sought-after metals and minerals in the process stream can be detected more efficiently; in recycling, materials can be sorted with extreme precision.</p>

Product



ebeam engine (ebeam lamp and high voltage power supply)



ebeam laboratory unit



Power supply unit



Vacuum capacitors



Radio frequency (RF) impedance matching network (RF matchbox)



RF generator



Microfocus system



Software



X-ray source

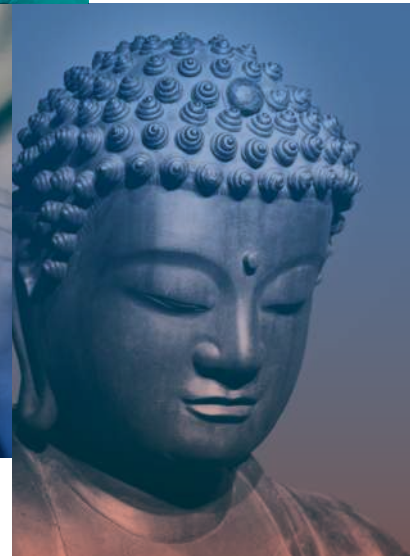


YXLON wheel inspection system



Mobile x-ray system

With its Strategy 2015, the COMET Group is focusing on four thrusts:



Innovative technologies
Organic growth
Acceleration of dynamic new businesses
Improving operational excellence

Growth Strategy

The COMET Group is striving for continual organic growth. The objective for 2015 is to achieve sales of CHF 300 million and an EBITDA margin of 15%. Substantial progress in this direction was made in 2013. Five examples illustrate the Group's complementary approaches to reaching its strategic goals.

1

Local presence

To develop innovative solutions for its customers, COMET is successfully expanding its local capabilities, including in Korea.

2

Applications

With new applications such as sorting and mining, COMET is exploiting the potential of its existing technologies and products.

3

Products

With customized solutions, the COMET Group keeps broadening its product portfolio.

4

Technologies

Ever easier, better and above all faster – the CT systems from YXLON create a world of new possibilities for seeing inside of things.

5

Innovation

In ebeam, COMET has developed an exciting new technology. The preparations for the rollout of the first application – chemical-free sterilization – are underway, with more applications to follow.

1

Local presence

LOCAL PRESENCE AS A BUSINESS STRATEGY

The COMET Group has long placed great importance on working in direct proximity to its customers. This is true in all its businesses, and nowhere more so than in the Plasma Control Technologies (PCT) division. Building close relationships is crucial to successful business development in new markets. Thus, as early as 2006, a new branch office was opened in California's Silicon Valley, the heartland of the semiconductor industry. The rapid growth of that site speaks volumes: From initially two employees, its staff has now burgeoned to more than 90 people. In other markets as well, such as Germany and China, the Group has established an effective local presence in recent years. In each case, COMET benefited from scale effects by applying its proven Silicon Valley model to building these bridgeheads. The latest example is the December 2013 opening of a subsidiary in Suwon, Korea. This new extension of the Group's presence also fulfilled an explicit request from customers, as Yong-Tae Kim, General Manager of COMET Technologies Korea, explains: "With the existing close collaboration, leading Korean semiconductor manufacturers wanted a point of contact right here on their door step. This is not just about sales but also services and the joint development of new technologies and applications."



New center in Korea

Particularly in the semiconductor sector so important to COMET's PCT business, as well as in flat panel displays, Korean manufacturers are among the best in the world. And they intend to keep strengthening this position. Expectations



South Korea – The new COMET sales and application center facilitates the joint development of new technologies and applications locally with customers.

for partners are correspondingly high: "What the Koreans want from us is not just outstanding quality, service and the willingness to go the extra mile. They also expect us to develop new solutions for them proactively. That requires a very close relationship with the customer," continues Yong-Tae Kim. A big advantage is that Korea and Switzerland have a lot in common. Naturally, it also helps that Swiss brands are highly regarded in Korea: "To our customers, we are synonymous with the highest standards of Swiss quality. As well, COMET is a very desirable employer." Right now, the team in Korea consists of five people, with plans for expansion this year.

"We are ideally positioned to grow side by side with our customers."

The opening of the sales, application and service center in Korea came at just the right time. It was the logical next step after the strong intensification of customer relationships in the past years. The signs for 2014 and beyond are good. With our office in Suwon, we are ideally positioned to grow side by side with our customers. This is a very exciting time for COMET. There is much work to do, but the opportunities are great. The whole team is strongly motivated. Together we will get COMET Korea off the ground and soaring.

Yong-Tae Kim
General Manager,
COMET Technologies Korea





Smart mobility
made in Korea – Manufacturers
rely on innovative
radio-frequency technology
from COMET.

In resource extraction
and in recycling, COMET
x-ray processes boost
efficiency.



2

Applications

TAPPING NEW MARKET SEGMENTS

In its core business of x-ray sources, the COMET Group is the uncontested market leader. Especially in the traditional market sector of non-destructive testing, the company has a very strong position. But COMET is also a key component provider in security inspection, the second important market segment for x-ray sources. There continue to be growth opportunities here, as the need for security in areas such as aviation is steadily rising: "IATA, the International Air Transport Association, is now working on the 'Checkpoint of the Future', which will require several new screening technologies. In checked baggage screening as well, we anticipate one or the other opportunity," explains Don Brennan, Vice President of Business Development and Sales at COMET's IXT business unit. In the big picture, however, COMET's high market shares in these two sectors place limits on its growth. The division therefore plans to move into additional market segments by harnessing its technology to new applications.

Mining and sorting

Areas that Don Brennan wants to focus on include new applications for mining and sorting, where he sees significant potential: "Take diamond mining, for example. Nowadays, for a few grams of diamonds, mining companies will



essentially excavate whole hillsides. Then the diamonds are searched out through complex sorting processes." Vast amounts of ore must be screened for every small diamond that is found. With x-ray-based methods, this process can be greatly improved: "When diamonds are struck by x-rays, they glow, making them easy to sort out of the ore."



Mining: With COMET x-ray solutions, valuable materials like gold are found more quickly and effectively.

In other words, with x-ray processes, diamond extraction becomes far smarter and more efficient. Much the same is true in the recovery of gold from ore, which generally is marked by very high process costs. These costs can also be slashed through the use of x-ray equipment. Yet x-ray technology can help not only with primary resource extraction but also in the effective sorting of recycling materials. X-rays allow substances to be distinguished and sorted with extreme precision. Thus materials of different levels of purity can also be separated, which greatly raises efficiency when sorting things like scrap car components. Ultimately this also boosts the yield and value of reusable materials in recycling.

"With x-ray processes, recyclable materials can be sorted much more efficiently."

Each year in the United States alone, about 12.5 million scrap cars are recycled. This represents a huge store of potentially recoverable resources. As it is still relatively challenging today to separate out the various materials in these scrap vehicles, large quantities of materials are not recycled. Given the scarcity of the natural resources involved, it is high time for this to change. Of special interest to recycling firms for these purposes are x-ray processes, since they allow much more efficient sorting. That in turn makes the use of recycled materials more attractive.

Don Brennan
Vice President,
Business Development and Sales,
COMET Industrial
X-Ray Technologies



3

Products

CUSTOMIZED SOLUTIONS FOR EVERY NEED

Since its beginnings 65 years ago, the COMET Group has been one of the leading vendors of x-ray technology. Originally known under the name "Company for Electronic Tubes", COMET has always focused on offering a wide range of innovative and high-performing products. This has not changed. But when it comes to developing new products, says Stephan-Eirik Haferl, General Manager of the Industrial X-Ray Technologies unit, there has been a pronounced shift: "Then, we simply had a set portfolio of products and the customer would select the appropriate x-ray source from a catalog. Today, in addition we develop solutions specifically for the unique requirements of the individual customer."

Trust is essential

Customized x-ray tubes can be compared to highly complex pre-fabricated homes: The outer shell may be similar from one house to the next, but the interior is customized to the buyer's specific needs. What this means for the x-ray tube is that the relevant ones of its approximately one dozen adjustable parameters are fine-tuned to the customer's specific re-



quirements. Significantly, this demands a great deal of trust between customer and supplier, as the supplier needs confidential customer information about the intended application in order to perform the customization. With this knowledge, a product can, for instance, be optimally calibrated to scan the interior of particu-



Screening of baggage and air cargo – always improving in thoroughness and speed through customized solutions from COMET.


larly large-diameter objects, or to speed up x-ray throughput times. "What triggered our decision to offer the development of custom solutions was the sometimes incorrect use of our products. This faulty utilization led to defects that could be traced to the specific manner of use and the resulting stresses on the product. Through customization, we were able to reduce such issues dramatically by adjusting some parameters," recalls Stephan-Eirik Haferl. The aim of the new product strategy is essentially to offer customers a kind of modular x-ray technology "kit" from which the right, unique system can be configured for every need. The approach is showing results: "Revenue with customized solutions continues to grow and now accounts for 25% of Industrial X-Ray's sales, compared to just 5% a few years ago."

"Many of our customers appreciate the fresh, outside perspective we bring to their needs."

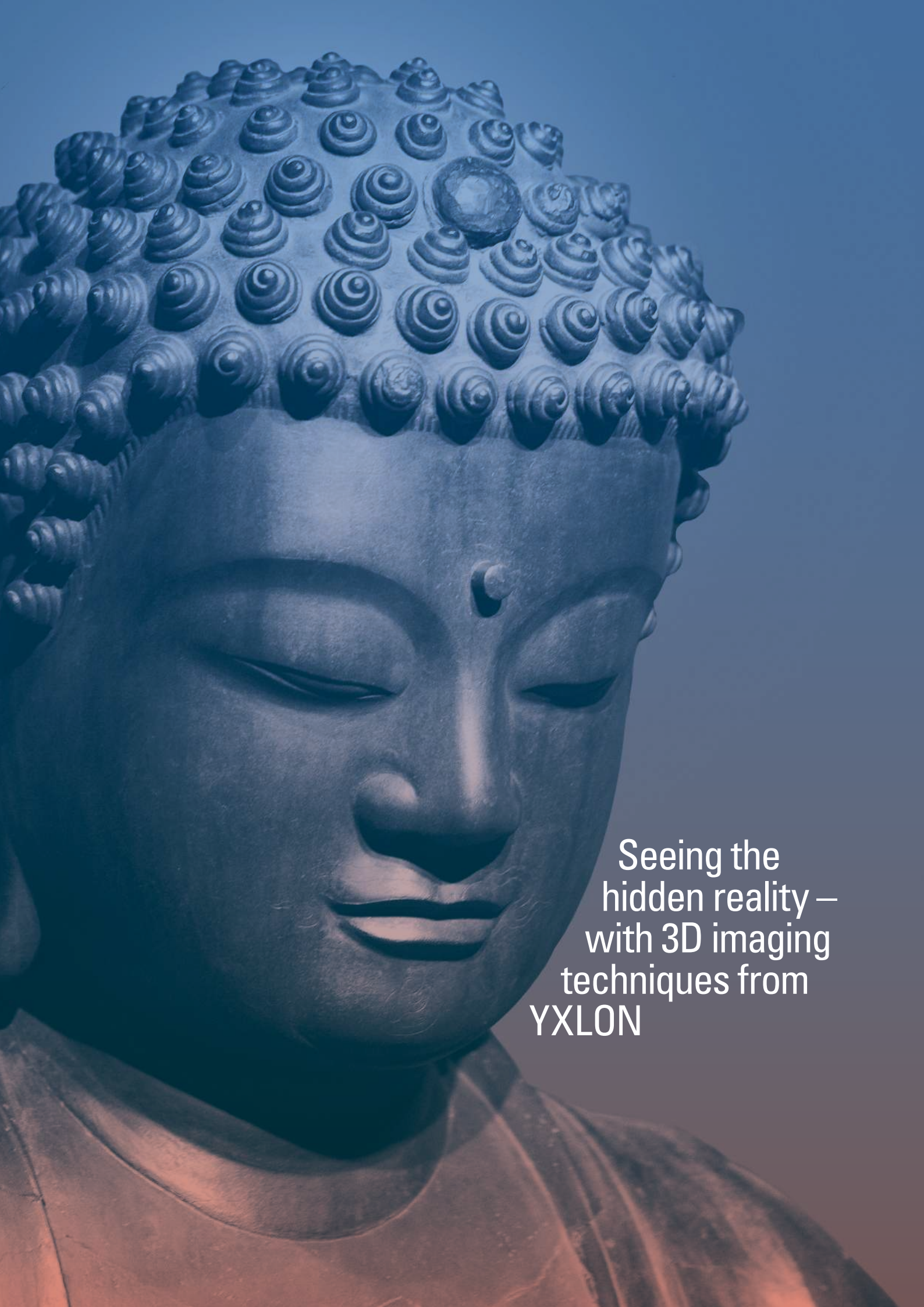
Delivering a product perfectly tailored to the relevant application requires a strong relationship of trust with the customer, as the close collaboration gives the supplier in-depth insight into the client's specific requirements. Through discretion and dedication, we have been privileged over the years to win our customization clients' complete trust. Many have come to appreciate not only our made-to-measure products, but also the fresh outside perspective we bring to their needs.

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





Thick turbine blades –
application-specific COMET
x-ray technology brings
the tiniest flaws to light



Seeing the
hidden reality —
with 3D imaging
techniques from
YXLON



4

Technologies

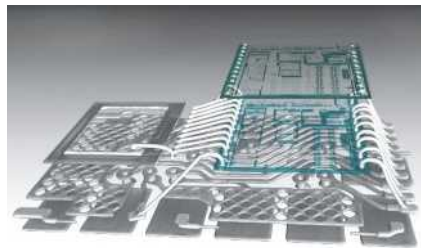
3D COMPUTED TOMOGRAPHY – A FAST-RISING TECHNOLOGY

In the recent years of the digital age, the pace of change in many areas of technology has been breathtaking. What was state of the art yesterday is ubiquitous today and will be out of date tomorrow. Everything is continually becoming smaller, faster, better. This is not about to change in the years ahead. Progress has also been swift in 3D imaging technology: “In computed tomography, a core competency of YXLON’s, we have made big advances in recent years,” notes Shinichi Kamihara, General Manager of YXLON Japan. “YXLON is also very well networked with universities, which adds further momentum to our innovation in this area.”

Looking inside of things

Extremely user-friendly, intuitive systems that provide 3D images with minimal operator effort are already a reality in YXLON’s product lineup: “The systems’ ease of use has improved markedly in the past two or three years. Today anyone, even without expertise in x-ray technology, can operate a CT scanner,” stresses Kamihara. Potential for further improvement lies especially in the speed with which objects are scanned, and in the resolution of the imaging. “Until now, industrial CT was used mostly in research applications, so the development emphasis has been on improving resolution. But with the

growing reliance on CT in industry – such as in quality-checking the entire pilot run of a new smartphone – speed is also progressively gaining in importance,” continues Shinichi Kamihara. In research as well, computed tomography keeps extending the boundaries of the possible. Thus, during the CT analysis of a Buddha sculpture, researchers at the Kyushu National Museum in Dazaifu,



CT scans of memory chips and other components are increasingly the standard for quality inspection in the electronics industry

Japan, discovered lotus blossoms in the interior of the sculpture. Such insights can provide important clues about the historical cultural significance of religious objects. Another ability gained through CT technology is the three-dimensional scanning of paintings to find out more about their origins. “With CT, for the first time we are able to see inside of objects three-dimensionally and comprehensively without damaging them,” says Kamihara in explaining the technology’s rising popularity. Likewise, the largest and oldest museum in Japan, the Tokyo National Museum, is investing in CT equipment.

“The Tokyo National Museum anticipates important insights from the use of our CT systems.”

3D rendering is a big trend in cultural and economic life: from 3D movies, to 3D printing, to 3D imaging in research and production. As a prominent example of how important computed tomography is to research, the Tokyo National Museum expects its no fewer than three new YXLON systems to provide many valuable insights into cultural artifacts, adding perspectives not possible without CT scanners. Personally, it gives me satisfaction to know that in this way, the COMET Group is also able to make a contribution to the understanding and appreciation of our cultural heritage.

Shinichi Kamihara
General Manager,
YXLON Japan



5

Innovation

BREAKING INTO NEW MARKETS WITH ebeam

ebeam is the newest pillar, and brand, in the COMET Group's portfolio of businesses. Although this innovative, yet already well-proven technology involving electron beams is only in the beginning stages of finding further applications, its potential is vast. This was also apparent in the landmark success achieved in the technology's commercialization together with COMET's customer Tetra Pak: In 2012 the two companies presented the world's first non-contact sterilization line for aseptic packaging. After successful testing, Tetra Pak is now in the process of converting its main lines to the new technology. The advantages of ebeam over conventional sterilization methods are remarkable: Up to 80% energy savings and up to 40% lower CO2 emissions make this technology a compelling choice. And compared to other environmentally friendly alternative technologies, the use of ebeam creates cost savings for customers.



Broad versatility, high potential

Yet sterilization is only one of many possible applications. Thanks to its exceptional characteristics, ebeam can unlock a wide array of innovative solutions in many areas of endeavor. Charles Flükiger, President of X-Ray & ebeam



The treatment of granular foods such as seeds and grain is one of many possible applications for the innovative, environmentally sound ebeam technology.

Technologies, sees particular potential in applications such as the treatment of seeds and curing of printed surfaces, and in the production of new plastics, to name just a few uses. "We have brought together experts from diverse areas of research with 150 years of combined experience. This will help expedite the development of new applications for ebeam," says Charles Flükiger in conversation. The goal is ambitious: In the medium to long term, ebeam is to become an important core business of the COMET Group. The chances of success are high: "We have an ingenious and versatile technology and a driven, high-powered team – a strong combination with the capability to achieve great things," adds Charles Flükiger.

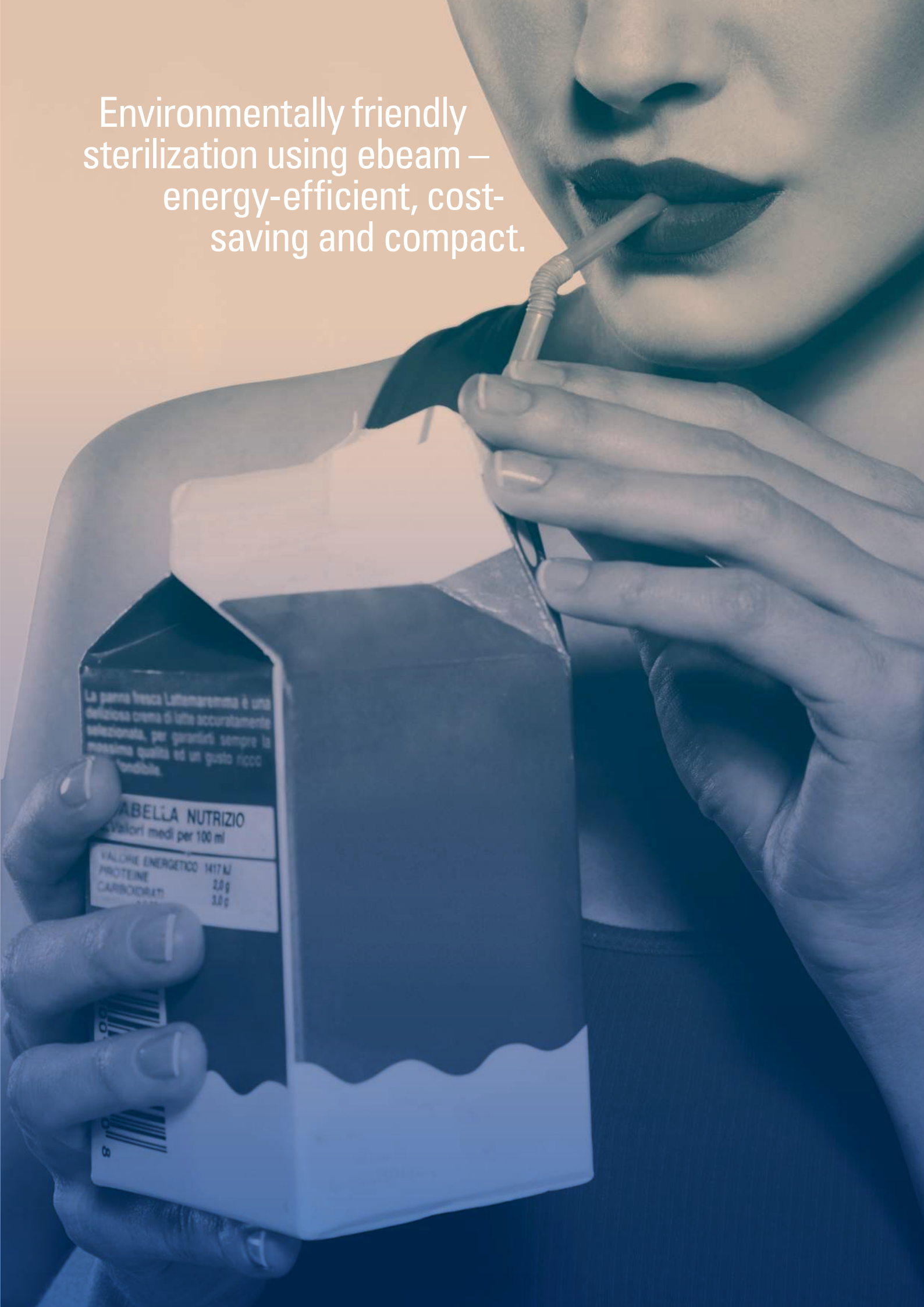
"ebeam has the ability to make a valuable contribution to our future."

The world population will keep growing in the coming decades, straining global natural resources that are even now approaching their limits. New solutions are therefore urgently needed. A big cause for hope in this regard is the promise of innovative technologies like ebeam: By virtue of its unique features, ebeam is able to eliminate the need for environmentally harmful chemicals in production processes while also cutting energy consumption by 50–80%. In this way, ebeam helps make the environment a better place.

Charles Flükiger
President,
X-Ray & ebeam
Technologies



Environmentally friendly
sterilization using ebeam –
energy-efficient, cost-
saving and compact.



La panna fresca Lattemaremma è una
deliziosa crema di latte accuratamente
selezionata, per garantirvi sempre la
massima qualità ed un gusto ricco
e morbido.

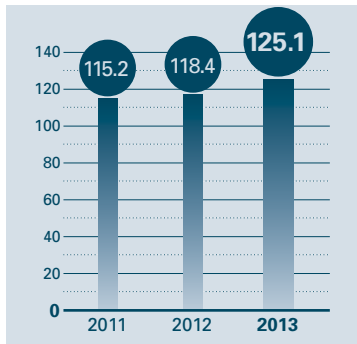
LABELLA NUTRIZIO
Valori medi per 100 ml

VALORE ENERGETICO	1417 kJ
PROTEINE	2,0 g
CARBOIDRATI	3,0 g

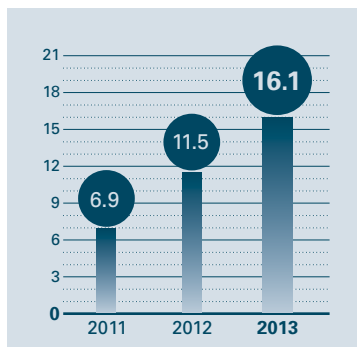


X-Ray Systems

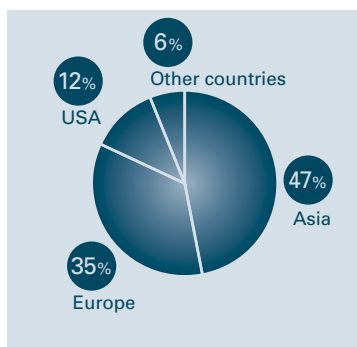
Total net sales in CHF million



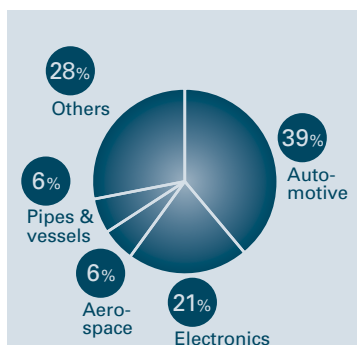
EBITDA in CHF million



Sales split by region in 2013



Sales split by market in 2013



X-Ray Systems (IXS), like the other two operating segments of the COMET Group, saw its sales grow in 2013. Total net sales improved by 5.6% from the prior year to CHF 125.1 million. Thanks to the focus on operational excellence, the segment achieved further growth of 3.2 percentage points in its EBITDA margin to 12.9%. Operating earnings at EBITDA level rose to CHF 16.1 million (2012: CHF 11.5 million).

A clear focus on high-margin products, the exploiting of market trends, and vigorous market development efforts were growth drivers for sales in the X-Ray Systems segment and led to a continued improvement in profitability. 2013 was also used to further expand the capabilities in computed tomography (CT).

Market developments

Requirements for quality inspection are changing with the ever smaller structures involved – such as memory chips for smartphones – and with the new multilayer chip technology. While customers in the electronics market generally want the most automated and rapid possible 2D inspection with high-resolution rendering, the priority needs in research labs are maximum image quality and 3-dimensional visualization of objects. By contrast, producers of castings, wheels and tires place a greater value on high throughput and reliability, preferably at low prices.

With its wide-ranging application know-how amassed over many years, X-Ray Systems was able to exploit these trends and increase its sales by 5.6%. Business was very strong with laboratories and institutions requiring high-resolution, high-performance CT systems for 3D inspection. In the electronics market, IXS achieved growth with microfocus systems for 100% inspection of the pilot runs of mobile phones. For cyclical reasons, demand for tire inspection systems also rose. However, the X-Ray Systems segment realized its strongest growth in portable x-ray solutions, thanks to focused market development and marketing; new customers were won especially in the pipeline inspection market segment. Demand in the USA, on the other hand, was down after the good prior year.

Yet, with a revitalized and expanded sales force, the order books in the US market were successfully filled in the second half of the year, laying the foundation for a strong 2014. As well, in 2013, major aircraft manufacturers released standards for digital x-ray inspection. This means that an important prerequisite for their suppliers' coming switch to digital radiography is now in place. In China and Europe, meanwhile, the aerospace segment enjoyed considerable growth.

Products

In 2013, X-Ray Systems further expanded its foundation for sustained growth in services and products: Thus, a new service concept was rolled out featuring a "service pass", which lets customers choose their desired service package up front when they purchase an inspection system. X-Ray Systems also continued its development work on the imaging chain, improving the resolution, mechanics, software and detector. The line scan detector for tire inspection launched in 2012 began to generate sales in 2013. It enables tire manufacturers to inspect their product more quickly and accurately. The well-proven Y.MU2000-D system was newly equipped with the popular CT option, and the Y.Multiplex received new software for customers in the aerospace industry. X-Ray Systems also bolstered its product portfolio with a new portable x-ray system developed in 2013 that is now being launched on the market.

In the future, CT is to become part of nearly every YXLON system. The company sees very high potential for CT in the years ahead.

Organization

In 2013, with a new market segmentation and a resulting focus on six growth segments – electronics, wheels, tires, castings, superalloys for the aerospace and energy industries, and laboratories and institutions – X-Ray Systems adopted a customer-centric approach in its organizational structure as well. To significantly advance the development of 3D imaging systems for research and production from 2014, the operating segment concentrated its expertise on one

platform and brought its specialists together at the segment headquarters in Hamburg. This involved moving the production facility in Hattingen to Hamburg. Elsewhere last year, X-Ray Systems strengthened its distribution organizations in the USA and Asia, including an expansion of the sales team in China. The operating segment also benefits from the new application laboratory in South Korea, whose role includes providing user and engineering support for YXLON x-ray systems used in the inspection of electronic parts.

Outlook and trends

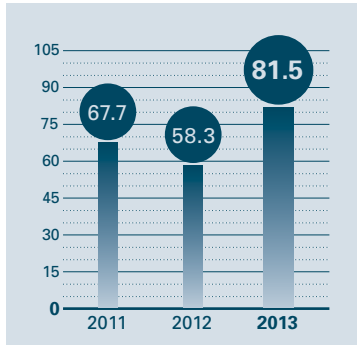
Trends with particularly clear market potential are miniaturization and automation. While X-Ray Systems is already very well-positioned for the trend toward miniaturization, the segment sees scope to further expand its stature in the market for automated quality inspection. Another trend which X-Ray Systems will leverage in the coming years is the growing demand for computed tomography. The CT option for Y.MU2000-D is a step in this direction. Additional CT systems are in planning. In the future, CT is to become part of nearly every YXLON system. The company sees very high potential for CT in the years ahead. The new focus on well-defined customer and growth segments will help X-Ray Systems make the most of this opportunity.

IXS

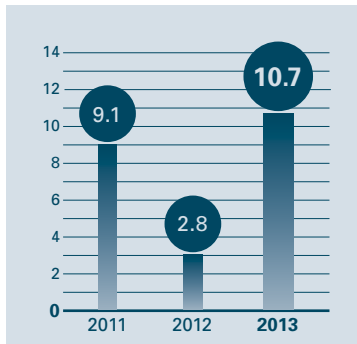
The core business of the X-Ray Systems segment lies in integrated solutions for non-destructive testing, marketed under the YXLON brand. With these customized or standard, stationary or mobile systems, test pieces are examined for manufacturing defects using x-rays. Whether x-ray, microfocus or CT technology: All products come with comprehensive global service and support over the entire life cycle. YXLON's customers are mainly in the automotive, electronics, aerospace and energy sectors.

Plasma Control Technologies

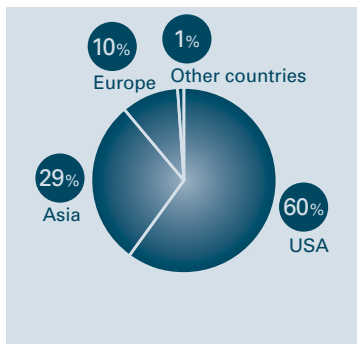
Total net sales in CHF million



EBITDA in CHF million



Sales split by region in 2013



Sales split by market in 2013



Plasma Control Technologies (PCT), an independent operating segment since 2013, delivered record results for the year: With sales growth of 40.0% from the prior year, PCT contributed the largest share of the Group's revenue expansion. On total net sales of CHF 81.5 million, the segment generated greatly improved operating earnings (EBITDA) of CHF 10.7 million (2012: CHF 2.8 million) and a jump in EBITDA margin to 13.1% (2012: 4.8%).

In 2013, Plasma Control Technologies (PCT) benefited from the strong recovery in the semiconductor market, driven largely by the industry's transformational embrace of the new, 3D chip architecture. By developing new products and strengthening its customer relationships, PCT prepared itself very intensively for this technological course-change and, in 2013, began to reap the rewards of these efforts.

Market developments

End consumers' wish for ever more-powerful mobile devices led to a technological paradigm shift in 2013, from conventional two-dimensional (planar) chip structures to 3D integrated circuits. Chip contract manufacturers, known as foundries, changed their production setups to accommodate the new technologies, such as TSV (through-silicon via), multilayer and 3D. Plasma Control Technologies, with its innovative impedance-matching networks (or "match-boxes") and high-performance vacuum capacitors developed in the previous years, benefited from this trend. The operating segment successfully accommodated the strong demand from the semiconductor industry and achieved record sales in this market. Business was also buoyed by the vigorous demand for tablet computers. The market for high-resolution flat panel displays recovered and thus stimulated demand, especially for COMET vacuum capacitors. With its high-quality standard products in RF generators, PCT was also able to make inroads in the laser indus-

try, thus strengthening its position outside the semiconductor market as well.

Last year this combination of favorable factors led to growth in every region. PCT's sales rose particularly in the United States and Asia. Business in the solar sector remained quiet. However, thanks to good contacts and strong preparatory market development, PCT is well-positioned to benefit from a possible upswing in this market segment.

The technological revolution of 3D chip architecture, along with the expansion of sales channels, is driving the growth of the PCT segment.

Products

For the fabrication plants, the progression from 2D to 3D chip structures means faster, more precise processes in the plasma chamber. Designed for this exacting application, the innovative matchboxes from Plasma Control Technologies were in demand with customers and enabled PCT to benefit from this market trend. In the product area of capacitors, PCT drove forward the development of a fast-tuning solution which will soon further accelerate the fabrication of new generations of memory chips, notably 3D integrated circuits. The new product will reach the market in 2014. In the portfolio's third important product group – generators – PCT furthered the development of critical features.

Organization

Following its strategy, the segment aligned itself even more rigorously with the individual market segments and customers. The sales channels were expanded and the presence in customer locations was strengthened. Thus, the production of matchboxes was moved from Flamatt to San Jose in the heart of Silicon Valley, as an ideal springboard for growth in a current environment of customer consolidation. In China the sales force was strengthened by adding staff. An important milestone in 2013 was the opening of a subsidiary in Suwon, South Korea, with COMET's own sales, application and service center. The local company is to further deepen the already close working relationship with the Group's Korean partners and help ensure future growth in Asia.

Outlook and trends

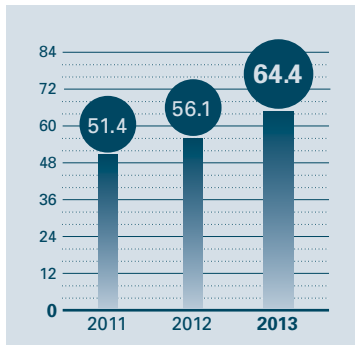
The technological revolution that is replacing 2D integrated circuits with a new, three-dimensional chip architecture will remain the most crucial driving force for PCT's business. With judicious investment in RF power technology and in innovations such as the fast-tuning approach, PCT will continue to shape this development going forward. In the flat panel coating market, the advent of organic light emitting diodes (OLED) is expected to deliver additional impetus to the vacuum capacitors business. As well, the segment is very well prepared to take advantage of a recovery in the Chinese solar market. Working even more closely with customers will remain central to market development efforts; an expansion of the new subsidiary in Korea is already planned for this year.

PCT

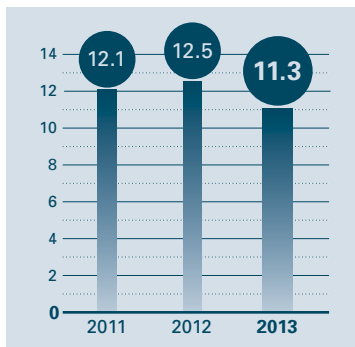
The Plasma Control Technologies segment develops and markets high-quality vacuum capacitors as well as high-performance RF generators and impedance-matching networks (known as matchboxes). All these specialized components are used for the very precise control of plasma processes, such as in the production of memory chips, flat panel displays and solar panels. The customers for the PCT products from COMET are primarily OEMs in the semiconductor and solar sectors, as well as companies in the electronics industry.

X-Ray & ebeam Technologies

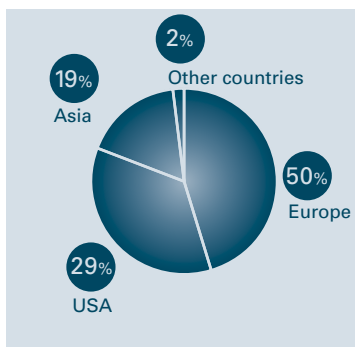
Total net sales in CHF million



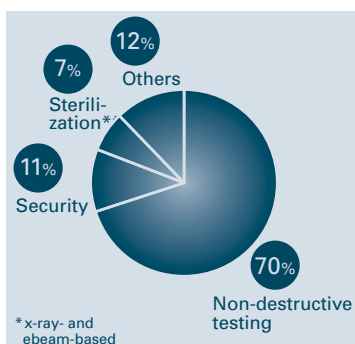
EBITDA in CHF million



Sales split by region in 2013



Sales split by market in 2013



The X-Ray & ebeam Technologies (XET) operating segment increased its total net sales by a vigorous 14.7% to CHF 64.4 million. XET, a separate segment since the beginning of 2013, achieved an EBITDA margin of 17.6% (2012: 22.3%) despite investment in the expansion of the ebeam business. Operating earnings (EBITDA) amounted to CHF 11.3 million (2012: CHF 12.5 million).

Sound, profitable growth characterized the year 2013 for X-Ray & ebeam Technologies (XET). Thanks to intensified sales and market development, customized product solutions and the development of new applications, the XET segment expanded its position in the core business of non-destructive testing significantly further, growing more strongly than the market. With ebeam made into a separate business unit within XET, the segment was reorganized and the ground prepared for further growth.

Market developments

In 2013 in the market for non-destructive testing, demand continued for quality inspection systems that enable customers to achieve the desired quality standards at high throughput around the clock. X-Ray & ebeam Technologies exploited the opportunities of this environment. Following a strategy of broad-based and intensive market development, the segment expanded its sales force in order to substantially boost sales, especially in the core business of non-destructive testing. In the market for airport security inspection, XET won important project tenders, drove forward existing projects with key accounts and further expanded its strong position in this sector. In new applications, next to the sorting of metals in recycling processes, XET was able to add the detection of diamonds and other precious minerals and metals during the extraction process in the mining sector.

Sales of the X-Ray & ebeam Technologies segment grew in all regions, particularly the USA. There, XET also benefited from the strong business in portable x-ray sources. In Asia, market share was won through intensified marketing to small and medium enterprises.

In the sterilization of beverage packaging using ebeam technology, the preparations for the rollout with Tetra Pak are progressing as planned. Tetra Pak is in the process of converting its main product lines to the new technology. In the sterilization market segment, the ebeam unit also saw an increase in orders for laboratory systems by customers in research and development. In the long term, XET intends to develop additional market segments by opening up new applications for the compact, environmentally friendly and cost-effective ebeam technology.

Products

What COMET offers customers under its product strategy is effectively a modular x-ray technology "kit" from which the right, unique solution can be configured for every customer's requirements. This approach is increasingly successful; in 2013, the revenue contribution from customized solutions grew further.

The segment management sees high potential in XRS modules for incorporating its generators, which have been part of the XRS product portfolio since 2009. The development of a new family of generators for in-line applications continued in 2013. After their market launch in 2014, the new generators are to fuel sustained organic growth. As well, the product range was further widened based on the highly promising ebeam technology.

New applications will continue to be tapped with the innovative x-ray and ebeam technologies from COMET.

Organization

Consistently executing its strategy, COMET expanded the organization in the area of sales, applications and service, above all in Asia. To tap the broad potential of ebeam technology, ebeam was made its own business unit, as well as given more staff. Market segments and business development processes were clearly defined in order to unlock new applications in a systematic and effective way. Also, by designating "ebeam" as a brand in its own right, the stage was set for focused marketing communication of this technology.

Outlook and trends

The need for safe, reliable products and efficient processes is driving the continuing integration of quality inspection into production processes. What customers want are high-performing, dependable inspection systems that let them achieve the desired quality with 100% inspection at high throughput rates, 24 hours a day, seven days a week. Strong customer relationships built over the years, an in-depth understanding of customer applications, and technological mastery – these factors allow the X-Ray & ebeam Technologies segment to remain at the forefront of this trend, now and in the future. With the new generator line, customized optimal solutions, and the development of new applications, the segment plans to further expand its lead as the global technology and market leader in x-ray products and services.

Great potential also resides in the trend toward natural resource conservation and environmental protection, such as the cutting of CO₂ emissions and energy consumption, elimination of harmful substances from manufacturing processes, and reuse of materials in ways that add value. The innovative, compact ebeam technology has the ability, in the medium to long term, to make a large contribution in this area. The ebeam business unit is focusing on two key activities: the rollout for the sterilization of beverage packages at Tetra Pak, and the development of new applications.

XET

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 x-ray modules for non-destructive testing and security inspection, and electron-beam engines for the environmentally friendly treatment of surfaces and materials. COMET x-ray sources are used in the automotive, aerospace, electronics, pipeline and steel industries; ebeam engines, under the new "ebeam" brand, are currently employed mainly in the sterilization of beverage packaging.

Executive Committee



Christoph Bärtschi

Eric Dubuis

Markus Portmann

Ronald Fehlmann

Stefan Moll

Charles Flükiger

Michael Kammerer

Since January 1, 2014, the Executive Committee – the COMET Group's most senior executive management – is complete again, with the following seven members:

Meet the Executive Committee

Chief Executive Officer
Ronald Fehlmann

Chief Financial Officer
Markus Portmann

Chief Human Resource Officer
Christoph Bärtschi

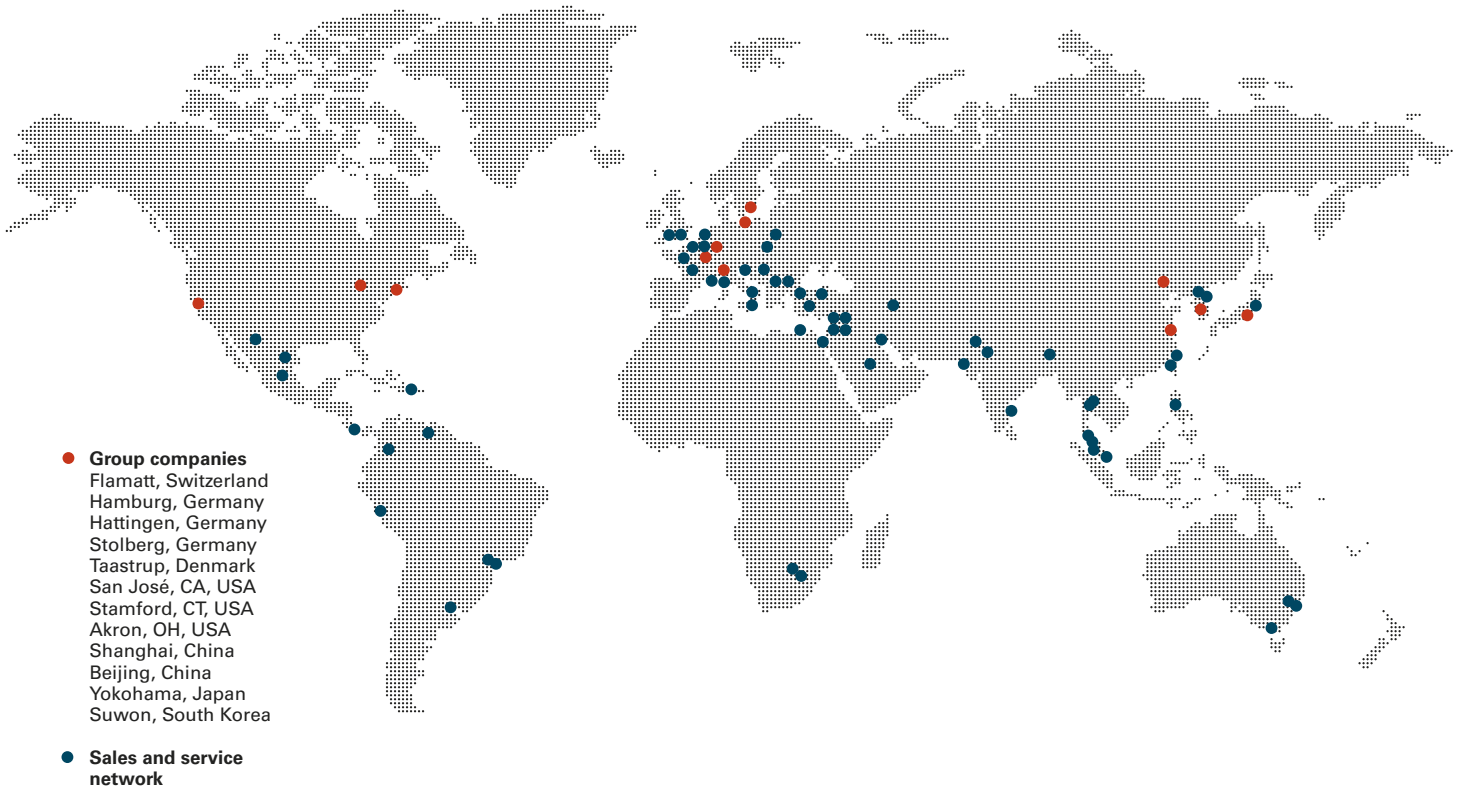
Chief Information Officer
Eric Dubuis

President of X-Ray Systems
Stefan Moll

President of Plasma Control Technologies
Michael Kammerer

President of X-Ray & ebeam Technologies
Charles Flükiger

Growth Markets



Sales in CHF million

Asia 91.2

USA 78.7

Europe 69.9

Other countries 9.8

Growth in %

↗ +22.2

↗ + 19.8

→ + 9.1

→ - 1.9

Outlook

With its innovative technologies and products, the COMET Group is perfectly placed to exploit current market demand trends such as mobile communication, conservation of resources, miniaturization, product safety and process reliability.

In 2014 and beyond, the Group plans to keep enlarging its market capabilities for winning new customers as well as for continued close attention to existing accounts, while sustaining its trajectory of profitable growth.

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CONSOLIDATED BALANCE SHEET

In thousands of CHF

Assets	Note	Dec. 31, 2013	%	Dec. 31, 2012 Restated ¹	%	Jan. 1, 2012 Restated ¹
Cash and cash equivalents		18,214		16,740		19,992
Trade and other receivables	5	47,007		39,236		33,647
Other financial assets	6	1,140		300		0
Tax receivables		250		10		0
Inventories	7	46,490		35,419		35,394
Net assets from manufacturing contracts	8	5,417		1,721		1,579
Prepaid expenses		1,601		1,460		1,982
Total current assets		120,118	52.7%	94,886	47.3%	92,594
Property, plant and equipment	9	55,148		55,192		57,963
Intangible assets	10	46,892		48,533		53,605
Financial assets	6	404		315		0
Employee benefit plan assets	17	3,750		1,014		1,759
Deferred tax assets	12	1,521		840		1,474
Total non-current assets		107,715	47.3%	105,894	52.7%	114,801
Total assets		227,833	100.0%	200,780	100.0%	207,396
Liabilities and shareholders' equity						
Current debt	13	11,896		13,469		13,340
Trade and other payables	14	28,940		19,006		19,044
Other financial liabilities	6	6		0		860
Tax payables		5,156		2,959		3,051
Net liabilities from manufacturing contracts	8	0		425		144
Accrued expenses	15	12,899		11,909		6,238
Current provisions	16	4,557		3,893		4,122
Total current liabilities		63,453	27.9%	51,661	25.7%	46,799
Non-current debt	13	20,002		29,150		38,800
Non-current provisions	16	95		95		165
Employee benefit plan liabilities	17	1,755		1,762		1,444
Deferred tax liabilities	12	4,676		2,289		1,746
Total non-current liabilities		26,528	11.6%	33,296	16.6%	42,155
Total liabilities		89,981	39.5%	84,956	42.3%	88,954
Capital stock	28	7,701		7,663		7,625
Additional paid-in capital		57,854		59,930		62,180
Treasury stock		0		(4,424)		0
Retained earnings		92,616		72,665		67,560
Foreign currency translation differences		(20,318)		(20,010)		(18,922)
Total equity attributable to shareholders of COMET HOLDING AG		137,852	60.5%	115,824	57.7%	118,442
Total liabilities and shareholders' equity		227,833	100.0%	200,780	100.0%	207,396

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies"

CONSOLIDATED STATEMENT OF INCOME

In thousands of CHF	Note	2013	%	2012 Restated ¹	%
Net sales	3	249,629		214,401	
Cost of sales		(151,989)		(131,365)	
Gross profit		97,640	39.1%	83,036	38.7%
Other operating income	19	4,688	1.9%	3,928	1.8%
Development expenses	21	(25,598)	-10.3%	(26,886)	-12.5%
Marketing and selling expenses		(35,575)	-14.3%	(30,239)	-14.1%
General and administrative expenses		(16,096)	-6.4%	(17,371)	-8.1%
Operating income		25,060	10.0%	12,468	5.8%
Financing expenses	23	(8,820)	-3.5%	(12,204)	-5.7%
Financing income	23	7,090	2.8%	9,866	4.6%
Income before tax		23,330	9.3%	10,130	4.7%
Income tax	12	(7,235)	-2.9%	(4,450)	-2.1%
Net income		16,094	6.4%	5,680	2.6%
Earnings per share in CHF, diluted and basic	24	21.28		7.54	
Operating income		25,060	10.0%	12,468	5.8%
Amortization	22	3,916	1.6%	5,087	2.4%
EBITA		28,976	11.6%	17,555	8.2%
Depreciation	22	7,026	2.8%	7,594	3.5%
EBITDA		36,002	14.4%	25,149	11.7%

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies"

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of CHF	2013	2012 restated ¹	Change	Change in %
Net income	16,094	5,680	10,415	183.4%
Other comprehensive income				
Foreign currency translation differences	(308)	(1,088)	780	-71.7%
Total items that will be reclassified to the income statement on realization	(308)	(1,088)	780	-71.7%
Actuarial gains and losses on defined benefit plans	2,590	(1,209)	3,799	-
Income tax	(455)	345	(800)	-
Total items that will not subsequently be reclassified to the income statement	2,135	(864)	2,999	-
Total other comprehensive income/(loss)	1,827	(1,952)	3,779	-
Total comprehensive income	17,922	3,728	14,194	380.8%

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies"

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of CHF	Note	2013	2012 restated ¹
Net income		16,094	5,680
Income tax		7,235	4,450
Depreciation and amortization	9, 10	10,942	12,681
Interest expense/income, net	23	1,596	1,971
Share-based payments	29	972	1,111
Losses/(gains) on disposal of property, plant and equipment		30	(24)
Losses on disposal of intangible assets		69	0
Other non-cash income/expense		1,583	(779)
Change in provisions	16	659	(260)
Change in other working capital		(17,963)	675
Interest received		19	20
Taxes paid		(3,858)	(2,919)
Net cash provided by operating activities		17,379	22,606
Consideration for prior-year acquisition of subsidiary	4	0	(930)
Purchases of property, plant and equipment	9	(4,869)	(5,170)
Purchases of intangible assets	10	(2,221)	(557)
Disposals of property, plant and equipment	9	443	36
Net cash used in investing activities		(6,647)	(6,621)
Proceeds from new debt	13	0	1,000
Repayment of debt	13	(10,664)	(10,498)
Interest paid		(1,587)	(2,097)
Repurchase of treasury stock		0	(4,424)
Reissuance of treasury stock		6,111	0
Distribution to shareholders of COMET HOLDING AG		(2,977)	(3,035)
Net cash used in financing activities		(9,117)	(19,054)
Net increase/(decrease) in cash and cash equivalents		1,615	(3,069)
Foreign currency translation losses on cash and cash equivalents		(141)	(183)
Cash and cash equivalents at January 1		16,740	19,992
Net cash and cash equivalents at December 31		18,214	16,740

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

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, 2011	7,625	62,180	0	68,415	(18,922)	119,298
Restatement ¹				(856)		(856)
January 1, 2012 restated¹	7,625	62,180	0	67,560	(18,922)	118,442
Net income				5,680		5,680
Other comprehensive (loss)				(864)	(1,088)	(1,952)
Total comprehensive income				4,816	(1,088)	3,728
Distribution to shareholders of COMET HOLDING AG		(3,035)				(3,035)
Repurchase of treasury stock			(4,424)			(4,424)
Increase in capital (for stock compensation for 2011)	38	785		(698)		126
Share-based payments for 2012				986		986
December 31, 2012	7,663	59,930	(4,424)	72,665	(20,010)	115,824
Net income				16,094		16,094
Other comprehensive income/(loss)				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

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- 01 Nature of COMET's business activities**
- The COMET Group ("COMET"; the "Group") is one of the world's leading vendors of x-ray, radio frequency (RF) and ebeam technology. With high-quality components, systems and services, marketed under the "COMET", "YXLON" and "ebeam" brands, the Group helps its customers optimize the quality, reliability and efficiency of their products and processes. YXLON x-ray systems for non-destructive testing are supplied to end customers in the automotive, aerospace, electronics and energy sectors. Under the COMET brand, the Group builds components and modules such as x-ray sources, vacuum capacitors, RF generators and impedance matching networks, marketed to manufacturers in the automotive, aerospace, semiconductor and solar industries as well as for security applications at airports. Under the ebeam brand, the Group offers compact electron-beam engines used for the non-contact sterilization of surfaces.
-
- 02 Accounting policies**
- The consolidated financial statements (except with respect to certain financial instruments) have been drawn up under the historical cost convention. The fiscal year-end of the subsidiaries is December 31. Assets and liabilities are recognized if they are likely to result in inflows or outflows, respectively, of future economic benefits and if the associated amounts can be measured reliably. These consolidated financial statements for 2013 have been prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS). All IFRS in force at the balance sheet date and all interpretations (IFRIC) of the International Accounting Standards Board (IASB) were applied. COMET did not early-adopt new standards and interpretations except as specifically stated below. The significant accounting policies applied are unchanged from the prior year except as set out below.
- 02.1 Changes in accounting policies**
- Revised and new accounting rules**
- With effect from January 1, 2013, COMET has applied the following new or revised IFRS/IAS for the first time:
- IAS 1 – Amendments – Presentation of Financial Statements
 - IAS 19 – Amendments – Employee Benefits
 - IAS 27 – Amendments – Separate Financial Statements
 - IAS 28 – Amendments – Investments in Associates and Joint Ventures
 - IFRS 10 – Consolidated Financial Statements
 - IFRS 11 – Joint Arrangements
 - IFRS 12 – Disclosure of Interests in Other Entities
 - IFRS 13 – Fair Value Measurement
 - IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
 - Annual Improvements to IFRSs: 2009–2011 Cycle (published May 2012)
- With the exception of IAS 19, the impacts of which are described below, 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.

Principal effects of first-time application of amended IAS 19

The amended IAS 19 eliminates the option to defer the recognition of actuarial gains and losses (the so-called corridor method) and requires their immediate recognition in other comprehensive income. As well, the past recognition of the expected return on plan assets and the calculation of interest costs on the defined benefit obligation are replaced by the recognition of net interest income, calculated on the net defined benefit liability or asset. For COMET this resulted in slightly higher pension costs and a significantly reduced plan asset. The prior periods were restated accordingly; the effects of the restatement are presented below.

Summary of restatement of 2012 results

2011 consolidated balance sheet:

In thousands of CHF	December 31, 2011 / January 1, 2012		
	Previously reported	Restatement	Restated
Total current assets	92,594	-	92,594
Employee benefit assets	2,786	(1,027)	1,759
Other non-current assets	113,042	-	113,042
Total non-current assets	115,828	(1,027)	114,801
Total assets	208,423	(1,027)	207,396
Total current liabilities	46,799	-	46,799
Employee benefit liabilities	1,578	(133)	1,444
Deferred tax liabilities	1,783	(37)	1,746
Other non-current liabilities	38,965	-	38,965
Total liabilities	89,125	(171)	88,954
Total shareholders' equity	119,298	(856)	118,442
Total liabilities and equity	208,423	(1,027)	207,396

2012 consolidated balance sheet:

In thousands of CHF	December 31, 2012		
	Previously reported	Restatement	Restated
Total current assets	94,886	-	94,886
Employee benefit assets	3,246	(2,232)	1,014
Other non-current assets	104,880	-	104,880
Total non-current assets	108,126	(2,232)	105,894
Total assets	203,012	(2,232)	200,780
Total current liabilities	51,661	-	51,661
Employee benefit liabilities	1,598	163	1,761
Deferred tax liabilities	2,722	(433)	2,289
Other non-current liabilities	29,245	-	29,245
Total liabilities	85,226	(270)	84,956
Total shareholders' equity	117,786	(1,962)	115,824
Total liabilities and equity	203,012	(2,232)	200,780

Consolidated statement of income:

In thousands of CHF	2012		
	Previously reported	Restatement	Restated
Net sales	214,401	–	214,401
Cost of sales	(131,119)	(246)	(131,365)
Gross profit	83,282	(246)	83,036
Other operating income	3,928	–	3,928
Development expenses	(26,815)	(71)	(26,886)
Marketing and selling expenses	(30,230)	(9)	(30,239)
General and administrative expenses	(17,404)	34	(17,371)
Operating income	12,761	(292)	12,468
Net finance expense	(2,338)	–	(2,338)
Income before tax	10,423	(292)	10,130
Income tax	(4,499)	49	(4,450)
Net income	5,924	(243)	5,680
Earnings per share in CHF	7.86	(0.32)	7.54

Consolidated statement of comprehensive income:

In thousands of CHF	2012		
	Previously reported	Restatement	Restated
Net income	5,924	(243)	5,680
Other comprehensive income			
Foreign currency translation differences recognized in equity	(1,088)	0	(1,088)
Total items that will be reclassified to the income statement on realization	(1,088)	0	(1,088)
Actuarial gains and losses on defined benefit plans	0	(1,209)	(1,209)
Income tax	0	345	345
Total items that will not subsequently be reclassified to the income statement	0	(864)	(864)
Total other comprehensive (loss)	(1,088)	(864)	(1,952)
Total comprehensive income/(loss)	4,836	(1,108)	3,728

02.2 New accounting rules becoming effective in subsequent periods

Standard	Expected impact	Effective date	Planned adoption by COMET
IAS 32 – Amendments – Offsetting Financial Assets and Financial Liabilities	(1)	Jan. 1, 2014	Fiscal year 2014
IAS 36 – Amendments – Disclosures for Non-Financial Assets	(2)	Jan. 1, 2014	Fiscal year 2014
IAS 39 – Amendments – Novation of Derivatives and Continuation of Hedge Accounting	(1)	Jan. 1, 2014	Fiscal year 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	(1)	Jan. 1, 2014	Fiscal year 2014
IFRIC Interpretation 21 – Levies	(1)	Jan. 1, 2014	Fiscal year 2014
IAS 19 – Amendments – Employee Contributions	(1)	Jul. 1, 2014	Fiscal year 2015
Annual Improvements published December 2013	(1)	Jul. 1, 2014	Fiscal year 2015
Hedge Accounting (Amendments to IFRS 9, IFRS 7 and IAS 39)	(1)	Not set	Fiscal year 2015
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 which 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.

- Provisions (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 and the rate of return on investments, 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. 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			Dec. 31, 2013	Closing rate		Average rate
				Dec. 31, 2012	2013	2012
USA	USD	1	0.889	0.915	0.927	0.938
Europe	EUR	1	1.226	1.207	1.231	1.205
China	CNY	1	0.147	0.147	0.151	0.149
Japan	JPY	100	0.846	1.059	0.953	1.178
Denmark	DKK	1	0.164	0.162	0.165	0.162
Republic of Korea	KRW	1,000	0.842	n/a	0.836	n/a

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 is impaired. At that time the cumulative gain or loss recognized in comprehensive income is recorded in the income statement.
- Loans and receivables as well as held-to-maturity investments: These items are measured at amortized cost using the effective interest method.
- Other financial liabilities: With the exception of derivatives, financial liabilities are measured at amortized cost.

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

it has sold the rights or they have lapsed. Financial liabilities are derecognized when the obligation specified in the contract is discharged, 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 additional paid-in capital.

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 depreciation but presented separately. 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 the expense category corresponding 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 itself. In the case of defined contribution plans or equivalent arrangements, the expenses accrued in the reporting period represent the agreed contributions of the respective 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 that portion of compensation which must be equity-settled (i.e., for which there is no option of cash payment) is recognized directly in equity. For the other portion – 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 and Germany 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, on the rolling multi-quarter forecast and the rolling multi-year plan.

03 Segment reporting

In 2013, consistent with its strategic goals, COMET adjusted the organizational structure at Group level, assigning the former two divisions to three market-based segments. The segment reporting was adjusted accordingly and the Modules & Components division was split into two segments – X-Ray & ebeam Technologies and Plasma Control Technologies – which from now on are reported separately as segments. The former Systems division, renamed without undergoing a structural change, is now reported as the X-Ray Systems segment. The prior-year data for the segment reporting was restated to conform to the new reporting structure.

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 for non-destructive testing and security inspection, as well as ebeam engines 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 stationary and mobile x-ray systems and services for non-destructive testing using x-ray and microfocus technology and computed tomography.

Segment results include all revenues and expenses attributable to a particular segment. Only the costs and revenues of COMET HOLDING AG as well as net financial items and income taxes are not allocated to the segment results. These unallocated expenses and revenues are reported in the “Corporate” column. The segment assets and liabilities represent all operating items. The following items are not allocated to operating segments: the assets and liabilities of COMET HOLDING AG, all cash and cash equivalents, 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 2013**

In thousands of CHF

	X-Ray & ebeam Technologies	Plasma Control Technologies	X-Ray Systems	Elimination of interseg- ment sales	Corporate	Consolidated
Net sales						
External net sales	49,195	81,528	118,906	0	0	249,629
Intersegment sales	15,165	0	6,146	(21,311)	0	0
Total net sales	64,360	81,528	125,051	(21,311)	0	249,629
Earnings						
Segment operating income	7,803	7,165	12,237	(413)	0	26,792
Unallocated costs	0	0	0	0	(1,732)	(1,732)
Operating income	7,803	7,165	12,237	(413)	(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	11,300	10,707	16,140	(413)	(1,732)	36,002
EBITDA in % of sales	17.6%	13.1%	12.9%			14.4%
Assets and liabilities						
Segment assets	61,275	53,732	91,628	–	21,197	227,833
Segment liabilities	(10,888)	(10,589)	(25,986)	–	(42,517)	(89,981)
Net assets	50,387	43,143	65,642	–	(21,320)	137,852
Other segment information						
Capital expenditure	3,258	1,229	5,750	0	0	10,236
Depreciation and amortization	3,497	3,541	3,904	0	0	10,942
Change in provisions	340	267	73	0	(21)	659
Other non-cash (income)/expense	(260)	1,333	644	440	(574)	1,583
Number of employees at year end	246	317	348	0	0	911

Fiscal year 2012

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	41,283	58,251	114,868	0	0	214,401
Intersegment sales	14,826	–	3,529	(18,355)	0	0
Total net sales	56,109	58,251	118,397	(18,355)	0	214,401
Earnings						
Segment operating income ¹	8,089	(1,031)	7,107	(454)	0	13,711
Unallocated costs	0	0	0	0	(1,243)	(1,243)
Operating income¹	8,089	(1,031)	7,107	(454)	(1,243)	12,468
Financing expenses						(12,204)
Financing income						9,866
Income before tax¹						10,130
Income tax ¹						(4,450)
Net income¹						5,680
EBITDA¹	12,530	2,779	11,537	(454)	(1,243)	25,149
EBITDA in % of sales	22.3%	4.8%	9.7%			11.7%
Assets and liabilities¹						
Segment assets ¹	58,335	45,526	78,972	0	17,947	200,780
Segment liabilities ¹	(8,669)	(4,712)	(22,994)	0	(48,581)	(84,956)
Net assets¹	49,667	40,813	55,978	0	(30,634)	115,824
Other segment information						
Capital expenditure	1,467	1,655	4,309	0	0	7,432
Depreciation and amortization	4,441	3,810	4,430	0	0	12,681
Change in provisions	199	(407)	(16)	0	(36)	(260)
Other non-cash expense/(income)	146	(16)	(562)	488	(836)	(779)
Number of employees at year end	208	230	332		0	770

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	2013	2012
Operating segments' assets	206,636	182,833
Total cash and cash equivalents	18,214	16,740
Derivatives used for foreign exchange hedging	1,140	300
Tax receivables	250	10
Deferred tax assets	1,521	840
COMET HOLDING AG's receivables from 3rd parties	72	58
Total assets	227,833	200,780
Operating segments' liabilities	(47,464)	(36,375)
Current and non-current debt	(31,897)	(42,619)
Derivatives used for foreign exchange hedging	(6)	0
Tax payables	(5,156)	(2,959)
Deferred tax liabilities	(4,676)	(2,289)
COMET HOLDING AG's payables to 3rd parties	(782)	(714)
Total liabilities	(89,981)	(84,956)

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	2013	2012
Switzerland	2,566	2,786
Germany	30,084	27,676
Rest of Europe	37,291	33,670
Total Europe	69,941	64,132
Total USA	78,711	65,703
China	45,575	40,241
Japan	19,150	12,879
Rest of Asia	26,479	21,486
Total Asia	91,205	74,607
Rest of world	9,772	9,959
Total	249,629	214,401

Non-current assets by region

In thousands of CHF	2013	2012
Switzerland	53,189	56,698
Germany	40,236	38,718
Rest of world	8,615	8,309
Total	102,040	103,725

03.3 Sales with key accounts

In the year under review, the Plasma Control Technologies segment recorded sales of CHF 33.2 million with its largest customer, which represented 13.3% of Group sales (prior year: CHF 24.0 million, or 11.2% of Group sales).

04 Acquisitions

The Group did not make any acquisitions in 2013 or in the prior year.

05 Trade and other receivables

In thousands of CHF	2013	2012
Trade receivables, gross	43,056	36,822
Provision for doubtful accounts	(892)	(856)
Trade receivables, net	42,164	35,966
Refundable sales taxes and value-added taxes	3,073	1,435
Prepayments to suppliers	487	641
Sundry receivables	1,284	1,194
Total other receivables	4,844	3,270
Total trade and other receivables	47,007	39,236

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	2013	2012
January 1	856	917
Used	(44)	(143)
Added	216	169
Released	(139)	(78)
Foreign currency translation differences	3	(9)
December 31	892	856

At the balance sheet date, full impairment was recognized and provided on CHF 408 thousand (prior year: CHF 518 thousand) of trade receivables.

Summary of trade receivables past due

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	2013	2012
Total trade receivables	42,164	35,966
Not past due, no impairment provided	31,478	24,132
Total past due with impairment partly provided, net	10,686	11,834
1–30 days past due, impairment partly provided, net	6,615	7,354
30–60 days past due, impairment partly provided, net	1,875	2,568
Over 60 days past due, impairment partly provided, net	2,196	1,912

In all other receivables, there were no amounts past due and no impaired receivables. The Group does not hold security against trade and other receivables.

06 Other financial assets and liabilities**06.1 Other financial assets**

In thousands of CHF	2013	2012
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	1,140	300
Total financial assets at fair value through profit or loss	1,140	300
Loans and receivables		
Other non-current financial assets	404	315
Total loans and receivables	404	315
Total other financial assets	1,544	615
Total current	1,140	300
Total non-current	404	315

06.2 Other financial liabilities

In thousands of CHF	2013	2012
Other financial liabilities		
Derivatives used for foreign exchange hedging	6	0
Total other financial liabilities	6	0

06.3 Derivative financial instruments

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

In thousands of CHF	2013	2012
USD forward exchange contracts		
Contract amounts	14,598	9,402
Positive fair values	340	300
Negative fair values	6	0
JPY forward exchange contracts		
Contract amounts	5,518	0
Positive fair values	800	0
Negative fair values	0	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	2013	2012
Raw materials and semi-finished products	29,499	24,196
Work in process	7,854	5,249
Finished goods	9,137	5,974
Total inventories	46,490	35,419

The inventory amounts reflect any necessary individual write-downs for items with a market value below manufacturing cost. The expense recognized for inventory write-downs was CHF 2.9 million (prior year: CHF 2.3 million).

08 Manufacturing contracts**08.1 Net assets from manufacturing contracts**

In thousands of CHF	2013	2012
Net assets from manufacturing contracts		
Project cost incurred and profits recognized	6,045	1,906
Advances received on manufacturing contracts in progress	(628)	(185)
Net assets from manufacturing contracts	5,417	1,721

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

08.2 Net liabilities from manufacturing contracts

In thousands of CHF	2013	2012
Net liabilities from manufacturing contracts		
Project costs incurred and profits recognized	0	14
Advances received on manufacturing contracts in progress	0	(439)
Net liabilities from manufacturing contracts	0	(425)

09 Property, plant and equipment**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

Under other tangible assets, the additions 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 to inventories. 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 facilities under construction in the amount of CHF 1,491 thousand.

Fiscal year 2012				
In thousands of CHF				
	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
Cost				
January 1, 2012	50,522	53,037	12,310	115,869
Additions	91	4,832	1,952	6,875
Disposals	0	(1,031)	(2,173)	(3,204)
Foreign currency translation differences	(3)	(48)	(576)	(627)
December 31, 2012	50,611	56,790	11,512	118,913
Accumulated depreciation				
January 1, 2012	15,017	37,798	5,091	57,905
Additions	1,687	4,719	1,188	7,594
Disposals	0	(1,011)	(758)	(1,769)
Foreign currency translation differences	0	59	(69)	(10)
December 31, 2012	16,704	41,564	5,452	63,720
Carrying amount				
January 1, 2012	35,506	15,239	7,218	57,963
December 31, 2012	33,907	15,226	6,060	55,192

Under other tangible assets, the additions included internally produced demonstration equipment in the X-Ray Systems segment of CHF 1,705 thousand, and the disposals included the reclassification of CHF 1,423 thousand of demonstration equipment to inventories. 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 818 thousand. Plant and equipment included facilities under construction in the amount of CHF 2,746 thousand.

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

In thousands of CHF	2013	2012
Carrying amount of pledged real estate	31,536	33,391
Total principal amount of real estate liens (mortgage notes)	30,000	30,000
Of which held by the Group	0	0
Total deposited as security for Group obligations	30,000	30,000
Mortgage loan amounts drawn	23,668	30,000

10 Intangible assets

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 depreciation						
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

Fiscal year 2012						
In thousands of CHF						
	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2012	30,088	27,253	11,436	8,194	897	77,867
Additions	0	0	0	530	27	557
Disposals	0	(1,326)	(3,712)	(126)	(80)	(5,244)
Foreign currency translation differences	(136)	(625)	(56)	(6)	(5)	(828)
December 31, 2012	29,952	25,302	7,668	8,592	839	72,352
Accumulated depreciation						
January 1, 2012	0	11,100	8,241	4,704	217	24,262
Additions	0	1,888	1,291	1,545	363	5,087
Disposals	0	(1,326)	(3,712)	(126)	(80)	(5,244)
Foreign currency translation differences	0	(243)	(38)	(3)	(1)	(285)
December 31, 2012	0	11,419	5,782	6,120	499	23,820
Carrying amount						
January 1, 2012	30,088	16,153	3,195	3,490	680	53,605
December 31, 2012	29,952	13,883	1,886	2,472	341	48,533

The categories "goodwill and trademarks", "customer lists" and "technology" were capitalized in connection with business combinations. The residual useful lives of the customer lists range from one to ten 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 1,381 thousand of internal development work on the new software platform for the systems was capitalized.

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, 2013. 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 2014 to 2018. 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.

Allocation of carrying amounts to the two cash generating units (CGU)

	X-Ray Systems CGU		X-Ray & ebeam Technologies CGU		Total	
	2013	2012	2013	2012	2013	2012
In thousands of CHF						
Goodwill	20,985	20,665	6,874	6,873	27,859	27,538
Trademarks (YXLON)	2,451	2,414	0	0	2,451	2,414
Total carrying amount	23,436	23,079	6,874	6,873	30,310	29,952

Assumptions used in the valuation model

	X-Ray Systems CGU		X-Ray & ebeam Technologies CGU	
	2013	2012	2013	2012
Discount rate (WACC) before tax	12.8%	12.8%	12.3%	12.4%
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 (2014 to 2018):

- Growth assumptions: Sales revenue is projected by product group and region. Given the stable situation as a starting point in 2013, the average annual rate of sales growth is assumed to be 8% (prior year: 7%).
- Gross margins: It is expected that gross margins will average approximately 36% in the medium term on continuing sales growth. Target achievement depends in part on the trend in purchasing prices of materials.
- 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 exchange rates prevailing at the time of forecast preparation.
- 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	2013	2012 ¹
Current income tax expense in respect of the current year	5,868	2,951
Current income tax expense in respect of prior years	56	(60)
Deferred income tax expense	1,311	1,559
Total income tax expense	7,235	4,450

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

12.2 Reconciliation of tax expense

In thousands of CHF	2013	2012 ¹
Income before tax	23,330	10,130
Expected income tax at base tax rate of 28% (prior year: 28%)	6,532	2,836
Effect of tax rates other than base tax rate	(518)	(392)
Effect of tax exemption by canton of Fribourg	(460)	(1,118)
Effect of non-tax-deductible expenses	109	94
Effect of change in tax rate on deferred income tax	118	378
Effect of non-recognition of tax loss carryforwards	1,734	2,131
Effect of recognition/use of previously unrecognized tax loss carryforwards	(425)	0
Effect of income tax from other periods	56	(60)
Other effects	89	581
Income tax reported in the income statement	7,235	4,450
Effective income tax rate in % of income before tax	31.0%	43.9%

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

The canton of Fribourg has granted COMET AG, based in Flamatt, tax relief in the form of a reduction in cantonal and municipal taxes for the period from 2013 to 2022. For 2013 the tax reduction amounted to 30% (2003 to 2012: reduction of 100%). The tax relief is tied to the Group's maintaining a certain level of activity at the Flamatt location and can range from 0% to 30% (beginning in 2015, the possible range will be 0% to 50%).

12.3 Deferred tax assets and liabilities

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

In thousands of CHF	2013		2012 ¹	
	Assets	Liabilities	Assets	Liabilities
Inventories	1,969	170	1,117	0
Manufacturing contracts	0	564	137	498
Property, plant and equipment	155	103	204	0
Intangible assets	0	4,395	0	4,958
Employee benefit plan assets	0	637	24	172
Trade and other payables	3	153	0	122
Accrued expenses	187	0	184	0
Provisions	46	0	102	0
Employee benefit plan liabilities	369	0	434	0
Other	52	339	48	370
Tax loss carryforwards	425	0	2,421	0
Total gross deferred tax of Group companies	3,206	6,361	4,671	6,120
Netting of deferred tax by Group companies	(1,685)	(1,685)	(3,831)	(3,831)
Amounts in the consolidated balance sheet	1,521	4,676	840	2,289

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

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 35.8 million (prior year: CHF 31.9 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 reported or future income taxes.

12.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2013	2012 ¹
January 1	1,449	272
Origination and reversal of temporary differences recognized in the income statement	(685)	288
Recognition of deferred tax assets on loss carryforwards	(425)	0
Use of tax loss carryforwards	2,421	1,261
Deferred tax expense in the income statement	1,311	1,549
Origination and reversal of temporary differences recognized in other comprehensive income	455	(345)
Foreign currency translation differences	(59)	(27)
December 31	3,155	1,449

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

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 2.0 million (prior year: 0). There were tax loss carryforwards on which no deferred tax assets were recognized, as presented in the following overview.

In thousands of CHF	2013		2012	
	Loss carryforwards	Potential tax asset	Loss carryforwards	Potential tax asset
Within one year	0	0	0	0
In two to five years	0	0	0	0
In more than five years	29,838	11,269	24,870	8,159
Total	29,838	11,269	24,870	8,159

13 Current and long-term debt**13.1 Current debt**

In thousands of CHF	2013	2012
Bank borrowings with original maturities of less than twelve months	2,706	3,782
Current obligations under finance leases	190	187
Current portion of long-term debt	9,000	9,500
Total current debt	11,896	13,469

At the end of the fiscal year under review the COMET Group had undrawn credit facilities of CHF 23.1 million (prior year: CHF 21.8 million).

13.2 Long-term debt

Long-term debt consisted of a mortgage loan in respect of the company premises in Flamatt, Switzerland, and bank loans to finance the acquisition of the YXLON activities. 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, 2013.

In thousands of CHF	2013	2012
Repayment due in two to five years	17,153	23,227
Repayment due in more than five years	3,000	6,140
Subtotal	20,153	29,367
Future amortization of costs	(151)	(217)
Total long-term debt	20,002	29,150

All long-term debt consisted of fixed-rate loans denominated in CHF with fixed maturities. The 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	2013	2012
Due within one year	190	187
Due in two to five years	710	747
Due in more than five years	0	140
Total payment obligations	900	1,074
Less interest component	(151)	(214)
Total finance lease obligations	749	860

14 Trade and other payables

In thousands of CHF	2013	2012
Trade payables	17,799	11,037
Sundry payables	2,659	1,288
Sales commissions	3,094	2,120
Total financial liabilities	23,552	14,445
Sales tax and value-added tax	23	596
Prepayments by customers	5,365	3,965
Total other payables	5,389	4,561
Total trade and other payables	28,940	19,006

15 Accrued expenses

In thousands of CHF	2013	2012
Accrued staff costs	7,863	6,612
Other accrued expenses	5,036	5,297
Total accrued expenses	12,899	11,909

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 other non-material elements of orders.

16 Provisions

Fiscal year 2013

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

Fiscal year 2012

In thousands of CHF	Warranties	Restructuring provisions	Other provisions	Total provisions
January 1, 2012	3,155	288	844	4,287
Added	1,671	0	106	1,777
Used	(1,435)	(286)	(33)	(1,753)
Released	0	0	(284)	(284)
Foreign currency translation differences	(31)	(2)	(5)	(38)
December 31, 2012	3,359	0	629	3,988
Of which:				
Current provisions	3,359	0	534	3,893
Non-current provisions	0	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 relate largely to risks arising from the insolvency of a past logistics provider to YXLON's German operations. A third party that acted as a guarantor for customs duties and sales tax payables of the logistics provider is seeking legal recourse against YXLON, and there is also a risk that suppliers whom the logistics company failed to pay will enforce their insolvency claims directly against YXLON's German operations. 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 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) while still receiving half pay to complete the compensation for the service in the earlier, working phase.

Principal actuarial assumptions

	Switzerland		Germany	
	2013	2012	2013	2012
Discount rate at January 1	1.8%	2.4%	3.0%	4.7%
Discount rate at December 31	1.8%	1.8%	3.0%	3.0%
Expected rate of salary increases	1.0%	1.0%	2.0%	2.0%
Mortality tables	BVG2010 GT	BVG2010 GT		

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

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 cost 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)

Fiscal year 2012

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	(38,284)	39,531	(254)	993
Current service cost	(1,515)	0	0	(1,515)
Interest (expense)/income	(916)	975	(6)	53
Defined benefit cost recognized in profit or loss	(2,431)	975	(6)	(1,463)
Return on plan assets, excluding interest income	0	1,406	0	1,406
Actuarial loss arising from changes in financial assumptions	(1,650)	0	0	(1,650)
Actuarial gain arising from changes in demographic assumptions	603	0	0	603
Actuarial loss arising from experience adjustments	(1,711)	0	144	(1,568)
Defined benefit cost recognized in other comprehensive income	(2,758)	1,406	144	(1,209)
Benefits paid-in/deposited	4,721	(4,689)		32
Employee contributions	(1,551)	1,551		-
Employer contributions	0	1,722		1,722
Foreign currency translation differences	15	(10)		4
December 31	(40,289)	40,486	(116)	81
Reported as an asset				1,014
Reported as a liability				(933)

The average duration of the defined benefit obligation was 15.9 years.

Key figures by country

	2013	Switzerland		Germany	
		2012	2013	2012	2013
In thousands of CHF					
Present value of defined benefit obligation	(39,006)	(37,409)	(2,613)	(2,880)	
Fair value of plan assets	43,537	38,539	1,714	1,947	
Effect of asset ceiling under IAS 19.58(b)	(781)	(116)	0	0	
Net carrying amount recognized in balance sheet	3,750	1,014	(899)	(933)	
Defined benefit cost recognized in profit or loss	1,534	1,441	(98)	22	
Defined benefit gains/(cost) recognized in other comprehensive income	2,615	(935)	(25)	(274)	

The expected employer contributions to the plans in Switzerland for fiscal year 2014 amount to CHF 1,563 thousand.

Major categories of plan assets

	2013	2012
In thousands of CHF		
Cash and cash equivalents	6,650	4,555
Equity instruments	9,726	10,374
Debt instruments	22,047	19,303
Real estate	5,114	4,307
Total plan assets at fair value (quoted market price)	43,537	38,539
Other assets	1,714	1,947
Total non-quoted market price	1,714	1,947
Total plan assets	45,251	40,486

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 given hypothetical changes in the actuarial assumptions.

Scenarios

	2013	Switzerland		Germany	
		2012	2013	2012	2013
In thousands of CHF					
Discount rate: 0.25% decrease	40,152	–	2,693	–	
Discount rate: 0.25% increase	37,933	–	2,537	–	
Salaries: 0.25% decrease	38,857	–	2,613	–	
Salaries: +0.25% increase	39,153	–	2,613	–	
Life expectancy: 1-year increase	39,290	–	2,684	–	
Life expectancy: 1-year decrease	38,718	–	2,541	–	

17.2 Defined contribution plans The contributions paid to defined contribution plans in the fiscal year amounted to CHF 2,208 thousand (prior year: CHF 1,914 thousand).

17.3 Length-of-service awards COMET grants length-of-service awards to employees in Switzerland and Germany 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	2013	2012
Provision at January 1	828	679
Current service cost	92	70
Interest cost	20	29
Benefits paid	(92)	(77)
Actuarial losses	2	129
Foreign currency translation differences	6	(2)
Provision at December 31	856	828

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 included CHF 6,045 thousand (prior year: CHF 1,920 thousand) for current customer projects accounted for using the percentage of completion method.

19 Other operating income

In thousands of CHF	2013	2012
Customers' contributions to development projects	2,019	1,084
Government grants	378	0
Gain from sale of non-current assets	0	24
Revenue from sale of prototypes	2,250	2,633
Miscellaneous income	41	187
Total other operating income	4,688	3,928

20 Staff costs and staff count

20.1 Staff costs

In thousands of CHF	2013	2012
Wages and salaries	73,695	64,751
Employee benefits	10,940	10,265
Total staff costs	84,635	75,016

20.2 Staff count

	2013	2012
Number of employees (year-end)	911	770
Average full-time equivalents during the year	799	712

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 1,381 thousand of internal development work on the systems' new software platform was capitalized. This software development will be completed in 2015.

22 Amortization and depreciation

In thousands of CHF	2013	2012
Amortization	3,916	5,087
Depreciation	7,026	7,594
Total amortization and depreciation	10,942	12,681

23 Financing income and expenses

In thousands of CHF	2013	2012
Interest expense	1,615	1,991
Losses on derivatives used for currency hedging	99	1,200
Foreign currency translation losses	7,105	9,013
Total financing expenses	8,820	12,204

In thousands of CHF	2013	2012
Interest income	19	20
Gains on derivatives used for currency hedging	1,721	467
Foreign currency translation gains	5,350	9,379
Total financing income	7,090	9,866

In thousands of CHF	2013	2012
Net interest expense	1,596	1,971
Net foreign currency translation losses	134	367

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.

	2013	2012 ¹
Weighted average number of shares outstanding	756,458	753,768
Net income in thousands of CHF	16,094	5,680
Net income per share in CHF, diluted and basic	21.28	7.54

¹ Restated to reflect the revised IAS 19. See note 02.1, "Changes in accounting policies".

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 expect the situation to 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 Restrictions of title

In connection with financing the acquisition of the YXLON group (the X-Ray Systems segment), all shares of the YXLON companies were pledged as security.

25.3 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	2013	2012
Due within one year	2,905	2,840
Due within two to five years	5,954	6,297
Due in more than five years	-	2,133
Total payment obligations	8,859	11,270

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 3,567 thousand (prior year: CHF 3,548 thousand).

26 Financial instruments**26.1 Classes of financial instruments****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.

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 2012

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		16,740			*
Trade and other receivables		35,966			*
Derivatives	300				300
Financial assets		315			*
Current debt				13,469	13,659
Trade and other payables				14,445	*
Derivatives			0		0
Long-term debt (fixed rate)				29,150	31,312
Interest income/(expense)	0	20	0	(1,991)	
Gain/(loss) on derivatives	467	0	1,200	0	
Change in provisions for doubtful accounts and in losses on trade receivables		(91)			
Total net gain/(loss) recognized in the income statement	467	(71)	1,200	(1,991)	

* 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	2013	2012
Current debt	11,896	13,469
+ Long-term debt	20,002	29,150
./. Cash and cash equivalents	18,214	16,740
Net debt	13,684	25,879
EBITDA	36,002	25,149
Debt ratio (net debt in relation to EBITDA)	0.4	1.0
Shareholders' equity	137,852	115,824
Equity ratio (shareholders' equity in % of total assets)	60.5%	57.7%

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 2013

	Increase in ex- change rate in %	Effect on income before tax in thousands of CHF	Effect on equity in thousands of CHF
EUR/CHF	+5	+1,658	+1,663
USD/CHF	+5	+280	+474

Fiscal year 2012

	Increase in ex- change rate in %	Effect on income before tax in thousands of CHF	Effect on equity in thousands of CHF
EUR/CHF	+5	+1,110	+2,917
USD/CHF	+5	-118	+710

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 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 determined centrally. The following table shows the amounts held at the three most important counterparties at the balance sheet date:

		2013		2012
	Rating *	Balance	Rating *	Balance
Bank A	A	4,714	A	4,257
Bank C	A	4,080	A	3,914
Bank C	A	3,617	A	4,524
Other counterparties		5,803		4,045
Total bank deposits		18,214		16,740

* 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 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

Fiscal year 2012

In thousands of CHF

	Carrying amount	Payments due by period		
		Total	In 2013	2014 – 2017 After 2017
Current and long-term debt	42,619	47,568	15,177	26,010 6,381
Trade and other payables	14,445	14,445	14,445	0 0
Derivatives (negative fair values)	0	0	0	0 0
Total	57,064	62,013	29,622	26,010 6,381

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.

28 Capital structure and shareholders

Capital stock

The capital stock at January 1, 2013 was CHF 7,663,120, divided into 766,312 registered shares with a par value of CHF 10 per share. In fiscal year 2013 the capital stock was increased by 3,776 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 3,776 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2013 thus had CHF 7,700,880 of capital stock, divided into 770,088 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2013 the Board of Directors established that the capital increase from authorized capital for equity compensation was carried out properly. The information on COMET HOLDING AG in the commercial register was updated to reflect the change in capital stock.

	2013		2012	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	766,312	7,663,120	762,516	7,625,160
Increase in capital from the portion of authorized capital designated for equity-based compensation	3,776	37,760	3,796	37,960
December 31	770,088	7,700,880	766,312	7,663,120

At the balance sheet date, COMET HOLDING AG held no treasury stock (prior year: 22,000 shares).

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 Kapital"). For this purpose, in accordance with a resolution of the Annual Shareholder Meeting on April 18, 2013, the capital stock of the Company may be increased by a maximum of CHF 300,000 by issuing up to 30,000 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members of COMET HOLDING AG and/or to senior executive management in Switzerland and Germany. 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 an incentive plan 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

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the market price. Under the 2012 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 3,776 shares of stock in April 2013 in payment of CHF 607,936 of compensation due. The shares were applied to the compensation due at a price of CHF 161 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:

	2013		2012	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	30,000	300,000	12,484	124,840
Stock issued during fiscal year	(3,776)	(37,760)	(3,796)	(37,960)
December 31	26,224	262,240	8,688	86,880

Authorized capital for other capital increases

At December 31, 2013, 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 Kapital"). 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 way of firm underwriting and increases by part of the total authorized amount are permitted.

28.1 Significant shareholders

At December 31, 2013 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%
Pictet Funds, Geneva	5.01%
Corisol Holding AG, Swiss Small Cap Invest AG, Zug	4.77%
UBS Fund Management (Switzerland) AG, Basel	4.62%
Matter Group AG, Zug	4.42%
BlackRock Global Investment Management (UK) Limited, London	3.06%
BlackRock Global Funds - Swiss Small & MidCap Opportunities Fund, Zurich	3.04%

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**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 stock. In addition, the Board compensation scheme has a performance-based component. The Board receives performance-based variable fees to the extent that the corporate targets for the fiscal year have been achieved. Any variable compensation must be drawn entirely in the form of stock of COMET HOLDING AG. The stock is subject to a holding period of three years.

Members of the Executive Committee and other senior management

In addition to the fixed base salary, the incentive plan provides a variable, performance-based pay component for members of the Executive Committee and senior managers that is determined by the Group's net income and the degree of achievement of other quantitative performance targets. Depending on the individual's level in the management hierarchy, the target variable compensation represents 20% to 50% of the base salary, in line with market practice. One-half of the variable compensation consists of a pure profit-sharing component, while the other half is based on the achievement of a mix of specific, measurable quantitative targets. The pure profit-sharing component of compensation, to the extent accrued, is paid in cash. The variable compensation component that is based on performance against other quantitative targets is paid out irrespective of the amount of consolidated net income, and is paid solely in stock. The share price at which compensation due is converted to the number of shares to be granted to eligible recipients in Switzerland and Germany is the average closing price of the stock during the period from the stock's 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 stock received is subject to a holding period of three years. The expense recognized for share-based payments in the year under review was CHF 1,021 thousand (prior year: CHF 986 thousand). In April 2013, under the 2012 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior management were granted 3,776 shares. The shares were awarded at a price of 161 CHF per share. Ownership of the shares passes to the recipients at the grant date. The shares carry dividend rights immediately.

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	2013	2012 *
Cash compensation, including short-term employee benefits	2,461	2,416
Contributions to post-employment benefit arrangements	233	256
Expense for share-based payments	715	636
Total compensation	3,409	3,308

* 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 20 thousand less than previously reported.

Disclosures under corporation law on the compensation of the members of the Board of Directors and the Executive Committee are provided in the notes to the separate financial statements of COMET HOLDING AG from page 87.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced services in the amount of CHF 45 thousand (prior year: CHF 14 thousand). Hans Leonz Notter is a partner at Notter Mégevand & Partner of Berne, Fribourg and Geneva, whose members provide legal advice and other legal services to the COMET Group.

The detailed disclosures, required under Swiss legislation, on the compensation and shareholdings of the members of the Board of Directors and of the Executive Board and parties related to them are made in the notes to the separate financial statements of COMET HOLDING AG. Compensation is reported from page 87; shareholdings are presented from page 91.

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 that is designed for the early identification of risks and 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 109.
<hr/>		
32	Events after the balance sheet date	There have been no events after the balance sheet date with a material effect on the amounts in the consolidated financial statements.
<hr/>		
33	Proposed distribution to shareholders	The Board of Directors will propose to the Annual General Meeting to pay a distribution of CHF 8.00 per share (prior year: CHF 4.00) to shareholders from distributable paid-in capital. The total amount of the proposed distribution is CHF 6,161 thousand (prior year: CHF 3,065 thousand).
<hr/>		
34	Release of the consolidated financial statements for publication	The Board of Directors released these financial statements on March 6, 2014 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 24, 2014 for approval.

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, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity, and the notes (pages 32 to 78), for the year ended December 31, 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the 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 and fair presentation 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 (ISA). 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 and fair presentation 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 December 31, 2013 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, March 6, 2014

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

Separate Financial Statements of COMET HOLDING AG

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BALANCE SHEET

In thousands of CHF

	Dec. 31, 2013	%	Dec. 31, 2012	%
Assets				
Cash and cash equivalents	52		304	
Treasury stock	0		4,424	
Receivables from non-Group entities	72		0	
Receivables from Group companies	6		55	
Prepaid expenses	0		3	
Total current assets	130	0.1%	4,786	3.9%
Loans to Group companies	65,737		55,258	
Investments in subsidiaries	61,785		61,350	
Rights to trademarks and names, FeinFocus	1,717		2,016	
Total non-current assets	129,239	99.9%	118,624	96.1%
Total assets	129,370	100.0%	123,410	100.0%

Liabilities and shareholders' equity

Liabilities to non-Group entities	75		63	
Liabilities to related parties	424		343	
Liabilities to Group companies	16,250		16,408	
Current portion of long-term debt	5,000		6,500	
Bank debt	2,250		7,246	
Accrued expenses	283		308	
Total liabilities	24,282	18.8%	30,867	25.0%
Capital stock	7,701		7,663	
Legal reserves				
– General legal reserve	4,967		4,967	
– Additional paid-in capital	47,843		49,910	
– Reserve for treasury stock	0		4,424	
Capital stock and reserves	60,511		66,964	
– Retained earnings	30,003		16,718	
– Net income for the year	14,574		8,861	
Total retained earnings	44,577		25,579	
Total shareholders' equity	105,088	81.2%	92,543	75.0%
Total liabilities and shareholders' equity	129,370	100.0%	123,410	100.0%

STATEMENT OF INCOME

	2013	%	2012	%
In thousands of CHF				
Income from subsidiaries	15,688		10,989	
Financing income	2,191		1,161	
License fee income	404		384	
Total income	18,284	100.0%	12,534	100.0%
Financing expenses	(959)		(1,024)	
Foreign currency translation losses	(689)		(775)	
Administrative expenses	(1,763)		(1,576)	
Amortization of rights to trademarks and names, FeinFocus	(299)		(299)	
Total expenses	(3,710)	20.3%	(3,673)	29.3%
Net income for the year	14,574	79.7%	8,861	70.7%

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 market capitalization at December 31, 2013 was CHF 361.6 million (SIX Swiss Exchange closing price per share: CHF 469.50). The separate financial statements of COMET HOLDING AG at and for the year ended December 31, 2013 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 companies were consolidated in the Group financial statements of COMET HOLDING AG at December 31, 2013:

Company	Registered office	Currency	Capital stock	Equity interest in %	
				2013	2012
COMET HOLDING AG	Flamatt, Switzerland	CHF	7,663,120	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.	Stamford CT, USA	USD	1,000	100%	100%
COMET Technologies Korea Co. Ltd. *	Suwon, Korea	KRW	500,000,000	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%

* The new subsidiary COMET Technologies Korea Co. Ltd. was founded in South Korea at December 2, 2013. With this exception, the investments in subsidiaries remained unchanged from the prior year.

02 Capital structure and shareholders

COMET HOLDING AG 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, 2013	CHF 469.50
Market capitalization at December 31, 2013	CHF 361.6 million

Assorted data on the stock of COMET HOLDING AG is provided on page 2 of the annual report.

Non-listed Group companies

COMET HOLDING AG has no publicly traded subsidiaries. The subsidiaries consolidated in the COMET Group are presented above in note 01, "Investments in subsidiaries".

COMET HOLDING AG
Separate Financial Statements

Registered shareholders

At December 31, 2013, COMET HOLDING AG had 1,349 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,820). Of the total issued registered stock, 100% (prior year: 97%) represented free float. COMET HOLDING AG held no treasury stock at December 31, 2013 (prior year: 22,000 shares of treasury stock).

The structure of share ownership size classes among the shareholders of record at December 31, 2013 was as follows:

Number of shares	Number of shareholders
1 to 100	1,007
101 to 1,000	286
1,001 to 5,000	36
5,001 to 10,000	9
More than 10,000	11

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2013 these shares of unregistered owners amounted to 34% of the total (prior year: 27%).

Significant shareholders

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33¹/₃%, 50% and 66²/₃% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance). At December 31, 2013 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%
Pictet Funds, Geneva	5.01%
Corisol Holding AG, Swiss Small Cap Invest AG, Zug	4.77%
UBS Fund Management (Switzerland) AG, Basel	4.62%
Matter Group AG, Zug	4.42%
BlackRock Global Investment Management (UK) Limited, London	3.06%
BlackRock Global Funds - Swiss Small & MidCap Opportunities Fund, Zurich	3.04%

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 2013

In the fiscal year under review, 13 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, 2013 was CHF 7,663,120, divided into 766,312 registered shares with a par value of CHF 10 per share. In fiscal year 2013 the capital stock was increased by 3,776 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 3,776 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2013 thus had CHF 7,700,880 of capital stock, divided into 770,088 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2013 the Board of Directors established that the capital increase from authorized capital for equity compensation was carried out properly. The information on COMET HOLDING AG in the commercial register was updated to reflect the change in capital stock.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2013	766,312	7,663,120
Increase in capital from authorized capital for equity-based compensation	3,776	37,760
December 31, 2013	770,088	7,700,880

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 Kapital"). For this purpose, in accordance with a resolution of the Annual Shareholder Meeting on April 18, 2013, the capital stock of the Company may be increased by a maximum of CHF 300,000 by issuing up to 30,000 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members of COMET HOLDING AG and/or to senior executive management in Switzerland and Germany. 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 an incentive plan 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 April 2013, under the 2012 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 3,776 shares of stock in payment of CHF 607,936 of compensation due. The shares were applied to the compensation due at a price of CHF 161 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, 2013	30,000	300,000
Stock issued during the fiscal year	(3,776)	(37,760)
December 31, 2013	26,224	262,240

Authorized capital for other capital increases

At December 31, 2013, 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 Kapital"). 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 way of firm underwriting and increases by part of the total authorized amount are permitted.

03 Disclosure of compensation

The following disclosures represent all compensation to members of the Board of Directors and of the Executive Committee and to related parties. 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 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						
Base fees, net	(1)	76,000	32,363	32,138	31,801	33,375	205,677
Total cash compensation		76,000	32,363	32,138	31,801	33,375	205,677
Stock compensation	(2)	107,542	69,019	64,995	58,960	87,125	387,642
Contributions for old age and survivors insurance and unemployment insurance		0	7,830	7,518	7,049	9,236	31,633
Total expenses for long-term benefits	(3)	0	7,830	7,518	7,049	9,236	31,633
Total compensation		183,542	109,212	104,651	97,810	129,736	624,951

Fiscal year 2012 *							
Name		Hans Hess	Hans Leonz Notter	Gian-Luca Bona	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman	Vice Chairman	Member since 4/18/2012	Member	Member	Total
In CHF	Footnote						
Base fees, net	(1)	76,044	31,679	24,359	31,679	32,015	195,776
Total cash compensation		76,044	31,679	24,359	31,679	32,015	195,776
Stock compensation	(2)	83,878	52,794	48,973	52,794	58,482	296,921
Contributions for old age and survivors insurance and unemployment insurance		0	6,849	5,917	6,849	7,301	26,916
Total expenses for long-term benefits	(3)	0	6,849	5,917	6,849	7,301	26,916
Total compensation		159,923	91,322	79,250	91,322	97,797	519,614

* Data in the table has been restated to reflect variances between amounts estimated for the prior year (2012) in the prior-year annual financial statements, and the actual amounts observed. The variances are 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 2012 was CHF 12,100 less than the estimated amount reported in the 2012 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 performance-based compensation, if any. The variable fees must be drawn entirely in the form of stock. This item also 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 purchase 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 stock is subject to a holding period of three years. The purchase 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). COMET does not pay contributions to pension funds, health insurance plans or accident insurance premiums for Board members.

In the year under review, no variable fees were paid for special duties.

In the year under review, no variable compensation was paid in cash.

The increase in compensation compared with the prior year was attributable to the greater number of meetings and higher variable compensation. For 2013 the variable compensation amounted to 41% of the base retainer (prior year: 19%). The aggregate variable compensation, including expenses for long-term benefits, was CHF 126,500 (prior year: CHF 35,700).

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 45 thousand (prior year: CHF 14 thousand). Hans Leonz Notter is a partner at Notter Mégevand & Partner of Berne, Fribourg and Geneva, whose members provide legal advice and other legal services to the COMET Group.

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 purchases) 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 performance-based compensation determined by the extent of achievement of the Group's net income target. This portion of the variable compensation is paid only in cash. 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 that portion of variable compensation which is based on performance against quantitative targets other than consolidated net income. This portion of variable compensation is paid out regardless of consolidated net income, and is paid solely in stock. The effective transfer of the stock occurs in the subsequent year. The purchase 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 stock is subject to a holding period of three years. The purchase discount of 36% is also recognized as compensation.
- (5) One member of the Executive Committee is entitled to the use of a company-owned car. The full lease installments are paid by the Company. Also, the purchase of a GA travel card for the use of Swiss public ground transportation was 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.

In the fiscal year, total variable compensation amounted to an average of 91% of base salaries (prior year: 73%). The aggregate variable compensation, including expenses for long-term benefits, was CHF 663,200 (prior year: CHF 566,000). Of this total, 49% was paid in stock (prior year: 60%).

03.3 Former Board and Executive Committee members (including related parties)

After the former president of X-Ray Systems left the Executive Committee of COMET HOLDING AG on April 30, 2012, the COMET Group retained him as a technology consultant to the Board's Technology Committee. In this role, he provided services as an x-ray engineering expert until the end of 2013. In the fiscal year, he was paid fees in the amount of CHF 237,100.

In the year under review, no other compensation was paid to former members of the Board of Directors or Executive Committee.

03.4 Additional information on compensation

In the year under review, no termination benefits were paid to former members of the Board of Directors or Executive Committee. Board members did not receive benefits in kind.

In the year under review, no loans or other credit were granted to members of the Board of Directors or Executive Committee. At the balance sheet date, no loans or other credit were outstanding.

There were no material changes in compensation after the balance sheet date of December 31, 2013.

03.5 Interim management contracts

There were no interim management contracts in the fiscal year.

04 Disclosure of Board and Executive Committee shareholdings

The ownership interests in COMET HOLDING AG held by members of the Board of Directors and 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 held the position at the balance sheet date. The shareholdings shown include those of respective related parties.

	Total number of shares	Of which: shares subject to holding periods ending				Share of voting rights	
		2013	2012	5/6/2014	4/17/2015	4/17/2016	2013
Hans Hess Chairman of the Board	6,392	9,058	467	492	334	0.8%	1.2%
Hans Leonz Notter Vice Chairman and member of the Board	14,350	19,812	609	280	223	1.9%	2.6%
Gian-Luca Bona Member of the Board	207	0	0	0	207	0.0%	0.0%
Lucas A. Grolimund Member of the Board	654	431	52	280	223	0.1%	0.1%
Rolf Huber Member of the Board	2,171	1,924	433	280	247	0.3%	0.3%
Ronald Fehlmann Chief Executive Officer	1,300	700	0	550	600	0.2%	0.1%
Markus Portmann Chief Financial Officer	1,093	1,397	317	184	246	0.1%	0.2%
Joseph Kosanetzky President of X-Ray Systems (until April 30, 2012)	127	448	93	34	0	0.0%	0.1%
Stefan Moll President of X-Ray Systems (from May 1, 2012)	621	653	0	33	168	0.1%	0.1%
Michael Kammerer President of Plasma Control Technologies	361	296	147	149	65	0.0%	0.0%
Charles Flükiger President of Industrial X-Ray	443	270	162	108	173	0.1%	0.0%
Eric Dubuis Chief Information Officer	379	280	115	165	99	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 0.1299% of all voting power (prior year: 0.1305%). The Board of Directors and Executive Committee held a total of 3.7% of voting rights. No material changes in ownership interests arose after the balance sheet date of December 31, 2013.

05 Options and conversion rights

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

	2013	2012
Number of shares at January 1	22,000	0
Number of shares purchased in the year	0	22,000
Number of shares sold in the year	(22,000)	0
Number of shares at December 31	0	22,000
Average purchase price per share in CHF	–	201
Average sale price per share in CHF	278	–

COMET HOLDING AG held no treasury stock at December 31, 2013 (prior year: 22,000 shares of treasury stock).

06 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.

	2013	2012
In thousands of CHF		
Shares of subsidiary YXLON International GmbH pledged as collateral under a bank credit agreement (at carrying amount)	44,403	44,403

07 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 for the early identification of risks and 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 109.

08 Release of the separate financial statements for publication

The Board of Directors released these financial statements on March 6, 2014 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 24, 2014 for approval.

BOARD OF DIRECTORS' PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

In the fiscal year, COMET HOLDING AG earned total income of CHF 18.3 million (prior year: CHF 12.5 million). The increase compared with the prior year resulted from higher dividend income and a gain of CHF 1.7 million (included in financing income) on the sale of treasury stock. The interest income from loans to subsidiaries decreased as a result of the further decline in interest rates. Total expenses in the fiscal year, at CHF 3.7 million, were in line with the year-earlier level. Financing expenses eased year-over-year, as did currency translation losses thanks to more stable currency relations. Administrative expenses rose slightly, by CHF 0.2 million. 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. Through the establishment of COMET Technologies Korea Co. Ltd., investments in subsidiaries increased by CHF 0.4 million. The shareholders' equity of COMET HOLDING AG at the end of the fiscal year was CHF 105.1 million (prior year: CHF 92.5 million), representing an equity ratio of 81.2% (prior year: 75.0%).

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

In thousands of CHF	2013	2012
Earnings brought forward	25,579	21,142
Net income for the year	14,574	8,861
Total retained earnings	40,153	30,003
Transfer to reserve for treasury stock	0	(4,424)
Transfer from reserve for treasury stock	4,424	0
Retained earnings available for distribution	44,577	25,579
Earnings carried forward	44,577	25,579

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	2013	2012
Distributable paid-in capital brought forward	46,933	49,126
Transfer from/(to) general legal reserve	0	(9)
Additional paid-in capital from increase in capital stock *	910	793
Distributable paid-in capital reserve **	47,843	49,910
Repayment of CHF 8.00 per share from distributable paid-in capital for 2013 (prior year: CHF 4.00 per share)	(6,161)	(2,977)
Distributable paid-in capital carried forward	41,682	46,933

* COMET has applied to the Swiss Federal Tax Administration for approval to designate CHF 910,016 of additional paid-in capital for tax-exempt repayment to shareholders; this additional paid-in capital is related to the 2013 capital increase from authorized capital for equity-based compensation. This approval and the approval of CHF 24,026 from previous capital increases are still pending.

** The Swiss Federal Tax Administration has approved a total of CHF 46,908,786 of paid-in-capital reserves for tax-exempt repayments to shareholders.

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 82 to 92), for the year ended December 31, 2013.

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 December 31, 2013, 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, March 6, 2014

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

Corporate Governance

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Corporate governance is defined by COMET as all of the principles and practices aimed at safeguarding shareholder interests. While maintaining management's decision-making capability and efficiency, the aim of good corporate governance is to ensure 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 tier 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 Directive on Information Relating to Corporate Governance (DCG) of October 29, 2008.

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 47 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, 2013	CHF 469.50
Market capitalization at December 31, 2013	CHF 361.6 million

Assorted data on the stock of COMET HOLDING AG is provided on page 2 of the annual report.

Non-listed Group companies

COMET HOLDING AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are named on page 83.

Registered shareholders

At December 31, 2013, COMET HOLDING AG had 1,349 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,820). Of the total issued registered stock, 100% (prior year: 97%) represented free float. COMET HOLDING AG held no treasury stock at December 31, 2013 (prior year: 22,000 shares of treasury stock).

The structure of share ownership size classes among the shareholders of record at December 31, 2013 was as follows:

Number of shares	Number of shareholders
1 to 100	1,007
101 to 1,000	286
1,001 to 5,000	36
5,001 to 10,000	9
More than 10,000	11

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2013 these shares of unregistered owners amounted to 34% of the total (prior year: 27%).

Significant shareholders

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

At December 31, 2013 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%
Pictet Funds, Geneva	5.01%
Corisol Holding AG, Swiss Small Cap Invest AG, Zug	4.77%
UBS Fund Management (Switzerland) AG, Basel	4.62%
Matter Group AG, Zug	4.42%
BlackRock Global Investment Management (UK) Limited, London	3.06%
BlackRock Global Funds - Swiss Small & MidCap Opportunities Fund, Zurich	3.04%

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, 13 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, 2013 was CHF 7,663,120, divided into 766,312 registered shares with a par value of CHF 10 per share. In fiscal year 2013 the capital stock was increased by 3,776 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 3,776 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2013 thus had CHF 7,700,880 of capital stock, divided into 770,088 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2013 the Board of Directors established that the capital increase from authorized capital for equity compensation was completed properly. The information on COMET HOLDING AG in the commercial register was updated accordingly.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2013	766,312	7,663,120
Increase in capital from authorized capital for equity-based compensation	3,776	37,760
December 31, 2013	770,088	7,700,880

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 Kapital"). For this purpose, in accordance with a resolution of the Annual Shareholder Meeting on April 18, 2013, the capital stock of the Company may be increased by a maximum of CHF 300,000 by issuing up to 30,000 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members of COMET HOLDING AG and/or to senior executive management in Switzerland and Germany. 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 an incentive plan 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. Under the 2012 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 3,776 shares in April 2013 in payment of CHF 607,936 of compensation due. The shares were applied to the corresponding compensation due at a price of CHF 161 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, 2013	30,000	300,000
Stock issued during the fiscal year	(3,776)	(37,760)
December 31, 2013	26,224	262,240

Authorized capital for other capital increases

At December 31, 2013, 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 Kapital"). 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 way of firm 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, 2010	7,575	20,160	38,970	0	7,000	2,935	76,640
Transfer to distributable paid-in capital	0	(15,202)	15,202	0	0	0	0
Transfer from free reserve	0	0	0	0	(7,000)	7,000	0
Net income	0	0	0	0	0	11,207	11,207
Distribution from distributable paid-in capital	0	0	(2,651)	0	0	0	(2,651)
Increase in capital stock	50	0	640	0	0	0	690
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
Transfer to distributable paid-in capital	0	0	0	0	0	0	0
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

The corresponding information for the two preceding fiscal years is found on page 98 of the 2011 annual report and page 96 of the 2012 annual report. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 35 of this 2013 annual report.

Shares and participation certificates

The Company's capital stock at December 31, 2013 consisted of 770,088 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. The Company has not issued any participation certificates.

Dividend right certificates

The Company has not issued any dividend right certificates.

Restrictions on transferability and nominee registration

The Company keeps a share register in which the shares' owners and beneficial owners and the number of their shares are recorded. The share register is operated 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 this 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.

Convertible bonds and options

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

Management transactions

The Listing Rules of 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 executive management). In the fiscal year, 31 disclosures were filed. Published disclosures can be found on the website of SIX Swiss Exchange.

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, 2013 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	2014
Hans Leonz Notter Lawyer	Swiss	Vice Chairman and non-executive member	1989	2014
Lucas Grolimund Dipl. Ing. ETH, MBA INSEAD	Swiss	Non-executive member	2007	2014
Rolf Huber Dipl. Ing. ETH	Swiss	Non-executive member	2008	2014
Gian-Luca Bona Prof. Dr.	Swiss	Non-executive member	2012	2014

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 the individual Board members. 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 Optonics 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, 2013, none of the members of the Board of Directors had executive management responsibilities in the COMET Group. In the three years immediately prior to the year under review, none of the current Board members other than Hans Hess was a member of the Executive Committee of the COMET Group; Hans Hess was interim chief executive from February 1, 2010 to December 31, 2010.

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, 2013):

Hans Hess

Member of the board, Burckhardt Compression Holding AG, Winterthur / Chairman of the board, Reichle & deMassari Holding AG, Wetzikon / Member of the board, Kaba Holding AG, Rümlang / Member of the board, RhySearch, Buchs / 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

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 / Board member, Bundesanstalt für Materialien (BAM, German Federal Institute for Materials Research and Testing), Berlin / Member, International Advisory Board, National Institute for Material Science (NIMS), Tsukuba, Japan

Board elections and terms

The Bylaws of COMET HOLDING AG stipulate that its Board of Directors must have at least three members; the actual number of members in the year under review satisfied this requirement. 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.

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, 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 at its next meeting for approval.

Board committees

For fiscal year 2013 the Board of Directors of COMET HOLDING AG set the composition of the Board committees as follows:

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

The committees' principal function is to prepare decision support for the full Board in specialized 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 prepares all relevant agenda items related to the nomination and compensation of Board members and Executive Committee members. The Committee has the following responsibilities in particular:

- Develop the guidelines for the compensation of the Board of Directors and Executive Committee members
- Evaluate the compensation strategy of the COMET Group
- 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 meet at least twice per year. During the year under review the Committee held eight meetings. The high number of meetings compared to the prior years is attributable to the development of a new variable compensation model that will take effect in 2014. The Committee may invite other Board members, members of the Executive Committee and specialists to its meetings as required. Of the Committee's eight meetings in the year under review, the CEO partially or fully attended five meetings, and the Chief Human Resource Officer, six meetings.

Audit Committee

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

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

During the fiscal year, two meetings were held. They were attended by the external auditors, internal audit, the CEO and the Chief Financial Officer (CFO). The Committee may invite other Board members, members of the Executive Committee 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 that 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 areas 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 executive 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 areas 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 several special audits at a number of locations. Key audit priorities were operating activities in Switzerland (order fulfilment in both segments at the Flamatt site) and in Germany (processes in IT, HR and finance; customer contract management; service, parts and repair processes). The internal auditor reports directly to the Audit Committee of the Board of Directors, at least twice per year and more frequently as required. On completion of each 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 add new risks. As required, newly identified risks are added to the portfolio and action plans are formulated to manage them. In the year under review, the Executive Committee held two meetings on risk management, which were also attended by 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 and 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 day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures that risks are detected at an early stage and that the necessary countermeasures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of book-keeping 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 executive management – is responsible for the operational management of the COMET Group within the powers delegated to it. As of December 31, 2013, the COMET Executive Committee had the members named below.



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, Xeboo 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 since 2005: head of Robert Bosch AG, Switzerland

Changes in Executive Committee membership

With effect from January 1, 2014, the Board of Directors of COMET HOLDING AG appointed Christoph Bärtschi as the COMET Group's new Chief Human Resource Officer and as a member of the Executive Committee of COMET HOLDING AG. He succeeds Jürg Keller, who left the Group at July 31, 2013.

Activities and interests outside the Group

Outside the COMET Group, at December 31, 2013, the members of the Executive Committee did not hold positions in executive or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations. Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

Related party transactions

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

Interim management contracts

No interim management contracts existed in the COMET Group. Detailed information on the compensation of the Board of Directors and Executive Committee under section 663 bbis of the Swiss Code of Obligations is provided in the notes to the separate financial statements of COMET HOLDING AG from page 87 of this report.

Compensation, stock ownership and loans

Structure and determination of compensation and stock ownership plans for the Board of Directors

Responsibility and process for determining compensation and stock ownership plans

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 own experience and on comparisons with similar listed peer companies in the COMET Group's industry. The latest such review was performed in respect of fiscal year 2008.

Base retainer and per-day fee

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 stock. The purchase price to recipients is the average closing price of the stock during the period from the stock's 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 stock received is subject to a holding period of three years.

Variable fees

In addition, the Board compensation scheme has a performance-based component. The Board receives performance-based variable fees to the extent that the corporate targets for the fiscal year have been achieved. This performance-related compensation is calculated in accordance with the same general principles as the incentive plan for senior executive management.

The relevant financial performance parameters at Group level are net income and economic profit, which are weighted equally. If the lower end of the target range set by the Board is not reached, the respective variable compensation is zero (0% of the base retainer). If the target is achieved exactly, the variable compensation is 50% of the base retainer. If the upper end of the target range is reached or surpassed, the variable compensation amounts to its maximum possible level, which is 100% of the base retainer. For target achievement levels between these points, the variable compensation is interpolated on a straight-line basis. For 2013 the variable compensation amounted to an average of 41% of the base retainer (prior year: 19%). The aggregate variable compensation, including expenses for long-term benefits, was CHF 126,500 (prior year: CHF 35,700).

In exceptional cases, it can be in the interest of the company and shareholders to also recognize the achievement of certain non-financial targets at Board level through performance-based variable compensation. Such targets must be formally established by the Board of Directors at the beginning of the fiscal year or of the specific event in question. In these cases as well, lower and upper thresholds must be identified at which the variable compensation remains zero or reaches a given maximum level. In the year under review no such targets were set.

Any variable compensation must be drawn entirely in the form of stock of COMET

HOLDING AG. The purchase price to recipients is the average closing price of the stock during the period from the stock's 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 stock received is subject to a holding period of three years.

An additional precondition of the awarding of profit-sharing compensation is that, after the accrual of all variable compensation in the consolidated statement of income, the Group must still be able to report positive net income.

Compensation for special duties

On an exception basis, the Board may assign special responsibilities to one or more of its members. These are duties that exceed the ordinary scope of Board members' responsibilities (the fixed base retainer covers up to 25 working days for the Board Chairman and up to 15 working days for other Board members). The special duties are compensated based on actual time spent, at an hourly rate determined by the full Board of Directors plus a flat expense allowance of 5%. This compensation is paid only in cash. In the year under review no such special tasks were assigned.

Structure and determination of compensation and stock ownership plans for the Executive Committee

Responsibility and process for determining compensation and stock ownership plans

The Nomination and Compensation Committee prepares a specific proposal for the Executive Committee compensation packages, for approval by the full Board of Directors. The Committee bases its recommendations on general experience, a comparison with listed peer companies in the industry, and pay surveys conducted by the consulting firm Towers Watson. Periodically, based on the Committee's proposal, the full Board sets and approves the compensation packages (including stock-based compensation). The latest such review was performed in fiscal year 2010. The members of the Executive Committee do not attend the related Board meetings and do not have a voice in the approval of their compensation.

Fixed compensation

The members of the Executive Committee receive a fixed base salary and a flat expense allowance. This compensation is paid in cash. One of the members of the Executive Committee is also entitled to a company car. Another member is entitled to a GA travel card for the use of Swiss public ground transportation.

Variable compensation

In addition to the fixed base salary, the incentive plan provides a variable, performance-based pay component for senior management that is determined by the Group's net income and the degree of achievement of other quantitative performance targets.

Depending on the individual's level in the management hierarchy, the target variable compensation represents between 30% and 50% of the base salary, in line with market practice. One-half of the variable compensation consists of a pure profit-sharing component; the other half is based on the achievement of a mix of specific, measurable quantitative targets.

The profit-sharing compensation is based on the consolidated net income of the COMET Group. The year's net income target and target range are set by the Board of Directors in its sole discretion. The profit-sharing compensation can vary from 0% to 200% of its target level and thus, at a maximum, the profit-sharing payment can equal the amount of the total target variable compensation. If the exact target

level of consolidated net income is reached, the profit-sharing payment represents half of the total target variable compensation. If net income is less than the minimum amount (.i.e., below the lower end of the target range), the profit-sharing compensation is zero. If the net income target is surpassed, the profit-sharing compensation can rise to a maximum of two times its target level.

The targets for the following year are annually set anew. This portion of variable compensation (if accrued) is paid in cash. A precondition of the awarding of profit-sharing compensation is that, after the accrual of all variable compensation in the consolidated statement of income, the Group must still be able to report positive net income.

The variable compensation that is based on performance against the other quantitative targets is calculated according to the achievement of two corporate targets and one to two personal targets, all of which are individually weighted. Each target is weighted such that, in total, the associated compensation at target achievement represents half of the total target variable compensation. Some of the quantitative targets are selected by the Board of Directors, which determines in its sole discretion whether and to what extent the targets have been met. Depending on the business situation, these financial metrics can include, for example, sales growth, economic profit, EBIT or net working capital targets, etc. As well, the respective supervisor annually sets one to two personal quantitative targets that vary between individual employees; these targets are selected according to the business priorities. These can be metrics related to growth, to margins, to quality statistics or other clearly measurable targets. All variable compensation that is based on quantitative targets other than on net income is paid out irrespective of reported net income, and is paid solely in stock. The purchase price to recipients is the average closing price of the stock during the period from the stock's 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 stock received is subject to a holding period of three years.

In the fiscal year, total variable compensation amounted to an average of 91% of base salaries (prior year: 73%). The aggregate variable compensation was CHF 667,800 (prior year: CHF 567,100). Of this total, 49% was paid in stock (prior year: 60%).

Additional stock ownership plan

All COMET employees in countries where stock ownership plans are permitted, as well as the members of the Board of Directors, have the opportunity to participate in an additional stock ownership plan. The shares are issued from the authorized capital designated for use in equity-based compensation. The award price 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 stock subscribed is payable in cash at the time of purchase. This one-off allotment is limited to a maximum purchase amount of CHF 50,000 per eligible recipient per year. The Board of Directors annually decides anew, based on business performance, whether to implement this stock ownership plan in the year. For fiscal year 2013 it was decided not to implement the plan.

All stock allotted at a discount under the stock ownership plan or under the variable compensation plan is subject to a holding period of three years from the grant date.

Shareholders' participation rights

Shareholders' participation rights, such as 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.

Voting rights restrictions and proxy voting

Shareholders may vote if their name appears in the Company's shareholder 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. The Bylaws of COMET HOLDING AG do not provide for resolutions that would require a different type of majority in order to be passed, with the exception of resolutions named in section 704 of the Swiss Code of Obligations.

Calling of the Shareholder Meeting

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

Placing business on the Shareholder Meeting agenda

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

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 to date in the history of the Company. 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 purchase offer for shares

Under section 32 para. 1 of the Stock Exchange Act (BEHG), anyone acquiring 33 1/3% or more of all voting rights must make a public tender offer. The Bylaws of COMET HOLDING AG contain neither an opting-up clause (in other words, they do not raise this percentage threshold) nor an opting-out clause (i.e., they do not 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 or provisions for termination benefits as a result of 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, Berne (EY), has been the independent auditor 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 appointed 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 auditor of most Group companies:

In thousands of CHF	2013	2012
Audit fees	304	302

Including the other auditing firms, the total audit fees in the year under review amounted to CHF 363 thousand (prior year: CHF 349 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

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

In thousands of CHF	2013	2012
Audit-related consulting services	15	43
Tax consulting services	60	123
Total consulting services	75	166

Information tools with respect to independent auditors

The Audit Committee of the Board of Directors annually reviews the performance, compensation and independence of the independent 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.

Once per year, the Audit Committee and the lead audit partner discuss the planning of the annual financial statements audit, and once per year discuss the audit findings. The CEO, CFO and internal auditor take part in these meetings. After the audit of the annual financial statements, the results are reported on the basis of the comprehensive report to the Board of Directors and of the reports of the independent auditors to the Shareholder Meeting.

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

The dates of the most important publications and events are:

End of fiscal year	December 31, 2013
Annual results press conference	March 20, 2014
Publication of annual report	March 20, 2014
Annual Shareholder Meeting	April 24, 2014
End of first half of fiscal year	June 30, 2014
Publication of half-year report	August 21, 2014

Publication media

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

The official gazette used by COMET HOLDING AG is the "Schweizerisches Handelsamtsblatt" (SHAB); disclosure announcements for stock exchange purposes are made on the electronic publication platform operated by the SIX Swiss Exchange.

In addition, the Company's website, at www.comet.ch, 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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