

Annual Report 2011



COMET HOLDING AG



Non-destructive testing

COMET is the market leader in the technology of x-ray-based non-destructive testing. For efficient industrial processes and safe products.

Sterilization

COMET has made e-beam technology compact. It is now easy to integrate into production lines for environmentally friendly sterilization applications.

Plasma Control Technologies

COMET builds systems for plasma control with perfectly coordinated components. For the semiconductor and solar industries.

Security inspection

COMET develops custom-tailored inspection solutions for the protection of people and structures. At the heart of it all are highly precise and safe x-ray sources.

The COMET Group Worldwide

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- 9 **COMET Electronics Co. Ltd. & COMET Mechanical Equipment Co. Ltd.**
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■ Headquarters (Group and/or division)
● Subsidiaries
● Sales and service locations



The COMET Group

A world-leading vendor of high-quality components, systems and services that optimize customers' products and processes in the areas of non-destructive testing, plasma excitation, security inspection and surface sterilization.

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A Clear Focus on Quality and Precision

Combining a passion for technology and absolute precision with the ability to find new approaches, the technology specialists of the COMET Group develop innovative high-tech components and modules as well as complete system solutions that make industrial processes and products safe, resource-conserving and more efficient.

Operating worldwide, the COMET Group has a highly qualified staff of about 700 people. With passionate attention to detail, COMET's specialists develop x-ray sources and systems, vacuum capacitors, RF (radio frequency) matchboxes, generators and sophisticated software functionalities for defect detection and automation of inspection processes. They anticipate customer needs and exceed expectations with innovative and technologically superior solutions. "Quality first" is a principle universally practiced in the COMET Group.

Global market leadership through innovation

Nearly all sectors of industry benefit from the COMET Group's passion for technology. The principal markets for the x-ray products are non-destructive testing in the automotive, aerospace and electronics industries and the energy sector, as well as security inspection at airports and borders. Vacuum capacitors are used in the production of memory chips, flat screens, solar panels and for radio transmitters. RF modules known as matchboxes are employed to control complete plasma processes. The compact e-beam (electron beam) technology from COMET is valuable in applications where chemical-free sterilization

is preferred. The pharmaceutical industry is already using it, and in the packaging industry its market launch is imminent. COMET and YXLON are leading global brands that, with complementary core businesses, have for decades enjoyed an outstanding reputation in the market for x-ray-based non-destructive testing and in the production of vacuum capacitors.

Focus on proximity to customers has led to global presence

COMET was founded in 1948 and is based in Flamatt, Switzerland. Today, the COMET Group has a worldwide presence, with manufacturing operations in Switzerland, Germany, Denmark, the USA and China and other subsidiaries in the USA and Japan. The Group's two divisions represent the OEM business (the Modules & Components division) and the end-user business (the Systems division) and consist of several product areas. The Group invests continuously in research and development, ensuring a sustained high rate of innovation.

COMET – Technology with Passion.



Complete systems: The Systems division provides integrated solutions for non-destructive testing and inspection under the YXLON brand (x-ray, computed tomography and microfocus technologies). The products come with intensive, full service and support over their whole life cycle.

The division's customers are mainly in the automotive, electronics, aerospace and energy sectors. The systems are used to x-ray test pieces – an important contribution to safe products and defect-free manufacturing chains.

X-Ray Systems: www.yxlon.com



Highly advanced technologies: The Modules & Components division's activities encompass x-ray, e-beam and plasma control technologies. Industrial X-Ray develops and manufactures metal ceramic x-ray sources for the non-destructive examination of materials and components. Designed by drawing on the Group's expertise in x-ray engineering, e-beam technology from COMET allows surfaces to be sterilized in an environmentally safe and inexpensive way.

Plasma Control Technologies develops and manufactures high-performance vacuum capacitors. These are indispensable in plasma processes for the coating and etching of silicon wafers and large-area glass substrates – the basis for memory chips, flat panel displays and solar panels. The capacitors are also an important component in radio transmitters. In addition, COMET develops complete RF matchboxes and, since recently, high frequency generators, which are used to control plasma chambers. The high-tech products of the Modules & Components division are in demand by the semiconductor, solar, automotive, aerospace, pipeline and steel industries. They also safeguard security at airports and borders.

Industrial X-Ray: www.comet-xray.com

Plasma Control Technologies: www.comet-pct.com

To Our Shareholders

In a challenging environment in 2011, the COMET Group generated sales of CHF 217.0 million and EBITDA of CHF 27.3 million, matching the level of the previous year's results. Net income was boosted significantly to CHF 10.1 million.

Through consistent execution of the Group strategy, cost consciousness and timely measures to cushion the negative exchange rate effects and economic slowdown in the second half of the year, the COMET Group in 2011 matched the level of the prior year's results. In local currency, compared to a strong 2010, the Group delivered continuing double-digit sales growth of 12%. Following a good start to 2011, the strong Swiss franc and weaker demand from the semiconductor industry slowed the pace of business for COMET in the second half of the year. In December, sales in the non-destructive testing segment rose strongly, bringing the Group's consolidated net sales to CHF 217.0 million, the prior-year level. Profitability at EBITDA level, with a margin of 12.6%, was held steady year over year (2010: 13.0%). Net income grew substantially to CHF 10.1 million (2010: CHF 7.5 million). The equity ratio climbed to a sound 57.2% (2010: 52%) and free cash flow increased to a robust CHF 17.6 million (2010: CHF 14.3 million). The COMET Group thus remains in a very good position to act on its operational and strategic opportunities in the future.

12% sales growth in local currencies

The COMET Group increased its revenue by a solid 12% from the prior year in local currencies, including the acquisition of Stolberg HF-Technik AG. Organic growth was 11%. Both divisions and all regions except North America contributed to the sales increase.

The Systems division enjoyed steady demand from the automotive and electronics industries, growing its total net sales by 8.5% to CHF 115.2 million (2010: CHF 106.2 million). In the Modules & Components division, it was

primarily the reduced demand in the latter half of the year from the semiconductor and security markets, as well as the strong Swiss franc, that caused its total net sales to ease to CHF 119.1 million (2010: CHF 130.6 million). Asia continued to account for the largest single share of the COMET Group's sales, at 37.9% (2010: 38.1%). This was despite delays in solar industry projects and also reflected the net effects of the tsunami and earthquake in Japan. The Group realized its strongest growth in Europe, which went from 24.1% of Group sales in 2010 to 30.7% in 2011. In North America, on the other hand, competition from local vendors intensified as a result of the currency situation, leading to a decrease in the region's revenue share to 27.5% expressed in Swiss francs (2010: 35.7%).

Strong profitability in a challenging environment

Innovative solutions, a focus on high-margin market segments and cost discipline helped to absorb most of the negative exchange rate effects. With reduced working hours adopted from October in parts of the operations in Flamatt, COMET was also able to soften the impact of the demand decline in the semiconductor industry. The Systems division almost doubled its EBITDA margin, to 6.0% (2010: 3.3%). Modules & Components, even amid the sales contraction, attained an EBITDA margin of 17.8% (2010: 21.0%).

For the Group as a whole, this meant an EBITDA margin of 12.6% (2010: 13.0%). As a result of improved net financing items and lower taxes, Group net income grew to CHF 10.1 million, or CHF 13.22 per share (2010: CHF 9.89 per share).



Pointing the way: CEO Ronald Fehlmann (on left) and Board Chairman Hans Hess are proud of the market-leading technologies developed at COMET.

Strategically on track for continued success

The double-digit, profitable sales growth in local currencies attests to the fact that, even in a trying business environment, COMET's strategy is working well for the Group. The Group reached important milestones in the major strategic thrusts (forward integration, strengthening of the Asia business, investment in innovations, and expansion of consultative direct selling).

Successful forward integration

The purchase of Germany's Stolberg HF-Technik AG expands COMET's capabilities in high frequency (HF) plasma control processes. As a specialist for high frequency generators, Stolberg perfectly complements COMET's expertise and now enables the Group to sell complete HF power supply systems.

Technology leadership cemented in all major product areas

With inventive, premium-quality solutions the Group continued in 2011 to delight customers and support them

in improving their products and processes. In X-Ray Systems, a new process was developed in laminography that exemplifies the compelling technological reasons for the Systems division's market leadership. In the Modules & Components division, Industrial X-Ray won design orders from well-known global companies for its technologies in high and low energy x-ray and in e-beam. Plasma Control Technologies established itself with leading suppliers to the semiconductor industry as a partner for the development of the next generation of semiconductors and moved into the number-one position in the market for RF matchboxes for plasma process control.

Closeness to customers and lean structures are success factors

By continuous improvement of processes in all product areas, the Group made further gains in productivity and efficiency in 2011. For instance, with the new production line for matchboxes in San Jose, California, which brings manufacturing closer to the development phase

“COMET’s strategy is working, as our profitable sales growth in local currencies demonstrates.”

Hans Hess

and shortens the distances for customers in Silicon Valley. As another example, production lead times were reduced, such as for microfocus systems in the Systems division. An important contribution also came from the investment in expansion of the service business. At the beginning of the year the service activities were established as a profit center in the Systems division. New service products and clear responsibilities resulted in gratifying growth. Yet another success story was the expansion of consultative direct sales through the application centers in Heilbronn, Germany, and Stamford, Connecticut. In the increasingly competitive marketplace, these centers serve as important points of acquisition and consulting that convince customers of the value added of the Group’s premium products.

Environmental management system certified

All of the Group’s striving for efficiency goes hand in hand with its work on sustainability. A big step forward was the switch to a new, resource-saving technology that cuts the packaging costs at the Flamatt facility by a factor of 25. Such initiatives are part of the environmental management system that was certified under ISO 14001 in Flamatt in fall 2011.

Distribution from paid-in capital

In view of the good results, the Board of Directors will propose to the Annual Shareholder Meeting to pay a distribution of CHF 4.00 per share from distributable paid-in capital (prior year: CHF 3.50 per share). This proposed payment to shareholders is exempt from Swiss anticipatory tax and represents 30% of the Group’s net income in 2011.

Outlook

The Group expects a continuing challenging environment for 2012, with results in the first half of the year that will be significantly weaker than in the first six months of 2011. For the full year 2012, assuming stable currency relations and no serious market disruptions, the Group is projecting sales and EBITDA operating profitability at the prior-year level.

Thank you

Speaking for the whole Board and Executive Committee, we thank COMET’s shareholders for their long-standing loyalty and trust. We also warmly thank all employees of the COMET Group worldwide for their strong dedication and untiring efforts in the year behind us. Together, we will do our utmost to continue to give customers around the globe exactly the products and services they need. Finally, a sincere “thank you” goes to all our customers, commercial partners and suppliers for their great support and their confidence in our technologies, our people and our business.



Hans Hess
Chairman of the
Board of Directors



Ronald Fehlmann
Chief Executive
Officer

COMET Stock Price Performance



Successful in a difficult market environment: Chairman Hans Hess (on left) and CEO Ronald Fehlmann.

COMET Registered Stock Performance in CHF



COMET HOLDING AG is listed on the SIX Swiss Exchange. The security number of COMET’s registered stock is 382 575.

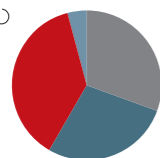
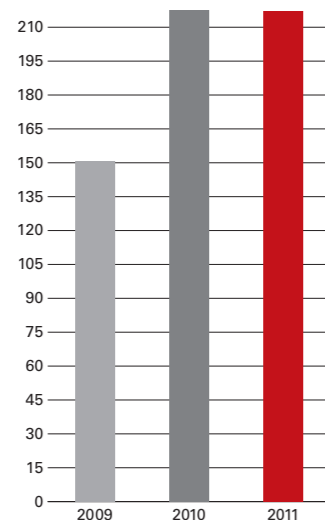
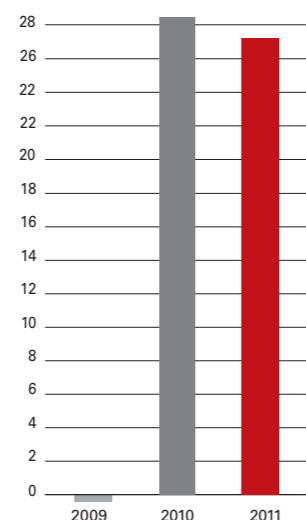
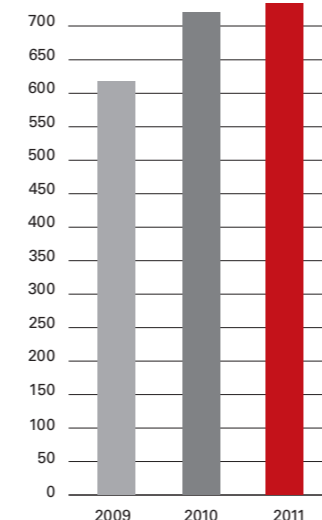
Group sales
by region in 2011

Europe
31%

North America
28%

Asia
38%

Other countries
4%

Group net sales
In CHF millionGroup EBITDA
In CHF millionGroup staff count
Number of employees (year-end)In thousands
of CHF

COMET Group Key Consolidated Financial Results

Fiscal year	2011	2010	2009	2008	2007
Net sales	216,965	217,395	150,750	222,555	171,124
Operating income/(loss)	14,667	16,239	(13,992)	11,031	9,476
In % of net sales	6.8%	7.5%	(9.3%)	5.0%	5.5%
EBITA	20,102	21,543	(7,540)	17,251	15,117
In % of net sales	9.3%	9.9%	(5.0%)	7.8%	8.8%
EBITDA	27,325	28,333	(432)	24,575	22,148
In % of net sales	12.6%	13.0%	(0.3%)	11.0%	12.9%
Net income/(loss)	10,055	7,489	(12,730)	8,272	5,740
In % of net sales	4.6%	3.5%	(8.4%)	3.7%	3.4%
Operating cash flow ¹	28,173	19,176	10,912	22,661	2,658
In % of net sales	13.0%	8.8%	7.2%	10.2%	1.6%
Total assets	208,423	214,805	229,603	249,932	273,108
Shareholders' equity	119,298	111,735	112,372	126,726	128,976
Equity ratio (% of total assets)	57.2%	52.0%	48.9%	50.7%	47.2%
Number of employees (year-end)					
Switzerland	297	330	259	276	273
International	437	391	352	401	401
Total	734	721	611	677	674

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

COMETGROUP

YXLON

Systems Division
X-Ray Systems

COMET

Modules & Components Division
Industrial X-Ray
Plasma Control Technologies

Information for Investors

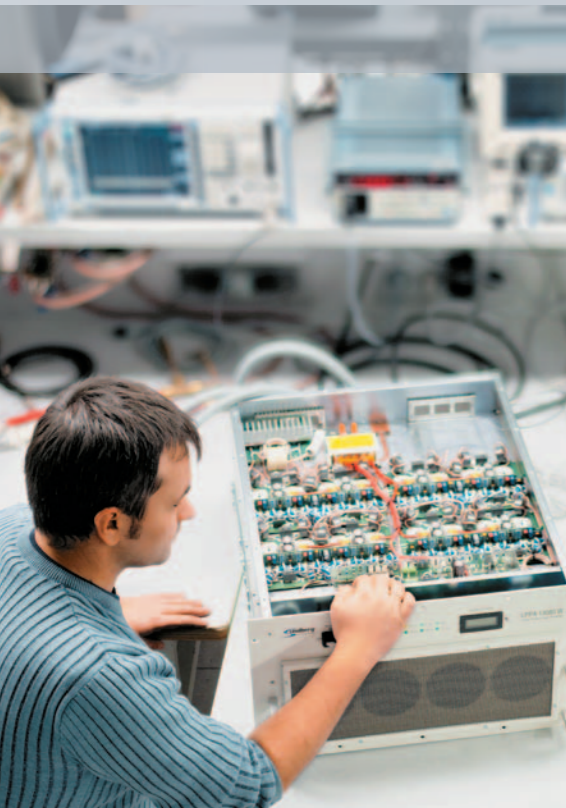
Fiscal year	2011	2010	2009	2008	2007
Capital stock	CHF 7,625,160	7,574,800	7,574,800	7,508,320	7,466,580
Number of shares (Dec. 31)	762,516	757,480	757,480	750,832	746,658
Weighted average number of shares outstanding	760,406	757,401	755,149	749,087	669,885
Stock price (adjusted)					
High for the year (May, 10, 2011)	CHF 236.50	208.40	151.50	244.50	330.00
Low for the year (Oct. 10, 2011)	CHF 122.50	130.00	75.00	81.00	211.50
Year-end (Dec. 31)	CHF 149.00	195.80	151.00	99.00	249.80
Earnings/(loss) per share	CHF 13.22	9.89	(16.86)	11.04	8.57
Distribution per share ¹	CHF 4.00	3.50	0.50	3.00	3.00
P/E ratio (at year-end price)	11	12	n/a	9	31
Distribution yield (at year-end price)	% 2.7%	1.8%	0.3%	3.0%	1.2%
Equity per share ²	CHF 156.9	147.5	148.8	169.2	192.5
Market capitalization (Dec. 31)	CHF m 113.6	148.3	114.4	74.3	186.5

¹ 2011: Proposal by the Board of Directors for the year under review² Shareholders' equity divided by the weighted average number of shares outstanding

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Highlights of 2011

By consistently following the Group strategy, COMET overcame a difficult business environment, achieving its stated objectives and further expanding its global market leadership. Here are the year's major milestones.



New competency added: HF generators

In 2011, as part of its forward strategy, the COMET Group acquired Stolberg HF-Technik AG, a German company that develops and manufactures primarily high frequency (HF) generators. With this acquisition, COMET now has the capability to develop complete power supply systems for the control of plasma processes. This strengthens the Group's worldwide position in the HF power business.



Strengthened consulting resources

Enhancing closeness to customers and enriching the service offering: YXLON opened its third application center in Europe, close to the southern German automobile industry. Here, existing and potential customers can learn about industrial x-ray inspection and computed tomography, and be advised on and shown optimum solutions for demanding testing requirements.



Ground-breaking innovation

Distinguishing minute structures in test objects several square meters in size is made easy with digital laminography – a special 3D x-ray technique that has been refined to new heights by YXLON's specialists. Reinforcing the technology leadership of the Systems division, the process expands the boundaries of testing to facilitate inspection of wind turbine rotors and other very large objects.



Sustainable use of resources

Environmentally sound manufacturing holds strategic significance for the COMET Group. The company has an effective environmental management system. In the fiscal year, COMET AG in Flamatt became the Group's first company to receive ISO 14001:2004 certification. Additionally, it has committed itself to CO₂ reduction under the Swissmem SF6 initiative.



Growth in local currency

Both divisions contributed to the profitable sales growth achieved in local currencies. In the eurozone, the welcome rise in investment confidence in the wheel and tire industry helped drive the good business performance. In Asia, business was selectively expanded in high-margin products and applications. This stimulated additional demand for COMET technologies.

Systems Division

The Systems division, consisting of the X-Ray Systems product area, achieved further growth in results in 2011. Its total net sales of CHF 115.2 million represent growth of 8.5% (or a currency-adjusted 23%) from the year before. Profitability at the level of EBITDA margin almost doubled from the prior year, to 6.0% (2010: 3.3%). Operating income (EBIT) rose to CHF 2.1 million.

X-Ray Systems grew into an even stronger business in the course of 2011. The consistent improvement in operating efficiency and strengthening of the market-leading position were rewarded with substantial increases in sales and profitability (EBITDA). Measures such as the expansion of the service business, the acceleration of throughput and delivery times and the focus on high-margin products, new product features and software upgrades all paid dividends. In combination with stringent cost control, this led to EBIT earnings of CHF 2.1 million, up from the prior year's small loss of CHF 1.4 million before special charges. At EBITDA level, a profit of CHF 6.9 million was recorded (prior year: CHF 3.5 million).

Market segments

As the market leader in industrial x-ray inspection technology, X-Ray Systems expanded its customer base in 2011 and cemented its strong position in the market. Despite the volatile economic environment, the division benefited from continuing good demand for standard equipment in the automotive segment. Another important driver of the good results was demand from the electronics industry for microfocus inspection systems for complex components. By contrast, the energy sector held back on investment.

The automotive segment showed a more positive trend than expected. After the record year 2010, high sales continued to be generated with the proven tire testing systems. With customers in Asia, this was attributable in part to the relocation of production capacity to lower-wage re-

gions and the rebuilding of infrastructure after the natural disasters in Japan. The aerospace segment witnessed a significant increase in new orders. The business was strongly driven by the replacement of film with digital imaging, which continues to gain momentum. With the YXLON high energy Y.MU56 inspection system, an important US manufacturer of turbine blades continued the transition from film to digital radiology and innovative YXLON image processing in its manufacturing operations. In the Asian market there was growing new investment in the expansion of the aircraft industry, creating new opportunities for the future.

Products

In standard systems, YXLON was able to consolidate its market position convincingly. The trend toward faster and more exact inspection of more complex components and new materials continued, resulting in strong demand for custom options for 3D imaging (largely computed tomography). Thanks to its long-standing expertise in software development, CT and high-end applications, YXLON was able to leverage decisive competitive advantages. Thus, 70% of the x-ray systems delivered in 2011 were shipped with the CT option, which provides customers extremely detailed information when searching for defects.

YXLON's engineers also broke new ground by developing a novel laminography method. This special form of x-ray inspection allows especially large, flat objects to be examined efficiently. The greatest potential for applica-

tions lies in wind turbines and aerospace. The new application and service center which was opened in the fall in Heilbronn, Germany, soon generated even more orders than expected, particularly from the electronics sector. For existing and prospective customers of YXLON there are thus now three locations in Germany where to learn about industrial x-ray testing and computed tomography, receive expert advice on and see demonstrations of optimal solutions to diverse testing requirements, or have x-ray testing performed on a contract basis. The investment in the expansion of the new service organization with specialized, high-margin offers and its own sales force proved very beneficial. Upgrades and high-quality consulting paid for themselves and contributed to profit margins.

Outlook

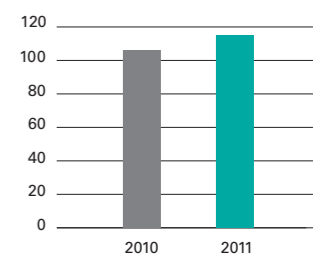
The Systems division took key measures in 2011 to successfully negotiate the likely further global market turbulence and to set itself apart from the competition. The consistent focus on customer requirements, coupled with innovative and high-margin products as well as lean processes, remains a top priority. The service business is enjoying ever-increasing demand and is being rolled out worldwide.

Regions

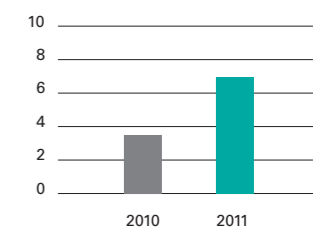
The Europe business was excellent in 2011, with 28% sales growth for the year. Manufacturers invested in inspection systems from the market leader, and new orders were won with the aircraft industry. There was strong demand for customized systems.

The Asian market likewise showed a welcome trend; with its inspection equipment the Systems division gained a foothold in the rail sector. In the automotive market, Chinese automobile manufacturers are gaining in importance; their exports must meet the same high test criteria as the established European automakers. The outlook in the aerospace segment is good, especially as the emerging Chinese aircraft industry will use digital methods from the outset. In the harsh economic climate that prevailed in the United States, the division experienced a reduction in sales. Toward the end of the year, new orders were rising again. Potential exists in the going-digital of the aerospace industry.

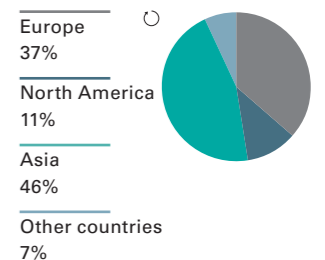
Total net sales
In CHF million



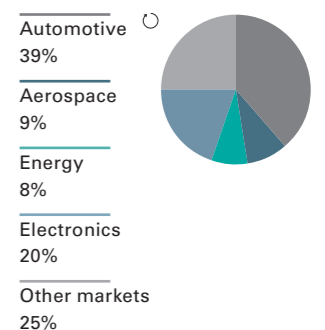
EBITDA
In CHF million



Sales by region
in 2011



Sales by market
in 2011



Modules & Components Division

Flexibility and steadfastness in handling fluctuations on end markets defined the fiscal year. In this market setting the division delivered an EBITDA margin of 17.8%, with absolute EBITDA of CHF 21.2 million. Despite a currency-induced decrease of 8.8% in total net sales to CHF 119.1 million, Industrial X-Ray and Plasma Control Technologies maintained their market leadership.

By single-minded execution of the strategy and an emphasis on lean processes, the division successfully defended its market shares. The first half of the year was marked by strong demand and good bookings of new orders. The second half required nimble reactions in view of the combination of dollar weakness and a strong Swiss franc, a climate of investment restraint, and reduced demand from the semiconductor and security markets. Including intercompany sales with the Systems division, Modules & Components generated total net sales of CHF 119.1 million; compared to the prior year's CHF 130.6 million, this was a decrease of 8.6%. Operating income (EBIT) was CHF 13.4 million (prior year: CHF 20.1 million), and EBITDA – as a purer indicator of operating profitability – amounted to CHF 21.2 million (prior year: CHF 27.3 million).

With the acquisition of Stolberg HF-Technik, the Plasma Control Technologies business has expanded its capabilities by adding high frequency (HF) generators. The purchase of the company in fall 2011 now enables COMET to act as a one-stop vendor by offering perfectly matched modules for the efficient control of plasma chambers.

Markets

As a result of growing demand from the semiconductor market, COMET's Plasma Control Technologies (PCT) product area enjoyed a positive business trend until the middle of the year. In the third quarter this gave way to a downturn amid the uncertain economic situation and the slump in the PC market. Owing to full inventories, the

industry held back on planned investment. New technologies such as tablets and solid-state drives (SSD) were not able to make up for the significant decline in sales of personal computers. At PCT this led to shortened work hours from October 2011. At the end of the year the new technology of flash memory gained traction in the market. With new innovations, COMET has already tackled customer projects in this area. The solar business stagnated at a low absolute level as governments deferred their investment in sustainable energy.

In its core business – non-destructive testing – Industrial X-Ray defended its position as the global market leader. With innovations, tailor-made solutions, product improvements and competitive prices, the product area was able to grow across the whole spectrum of technology. Customers' need for resource-saving manufacturing methods and the demand for product safety through x-ray-based testing were underpinnings of this growth. Easing investment by governments in the inspection of baggage and air cargo (especially in the USA) led to a revenue decline in the security market.

Products

In 2011, PCT became the world market leader for RF matchboxes. With the successful integration of Stolberg HF-Technik AG and its high frequency generators into the division, COMET is now able to provide everything customers need for plasma process control. Reflecting the new focus on complete systems, the product area was renamed from "Vacuum Capacitors" to "Plasma Con-

trol Technologies". The customer certification in fall 2011 of the production line in San José for the development of new RF matchboxes in Silicon Valley, and the overall expansion of this site, took the company even closer to customers.

Industrial X-Ray gained many big-name international customers for design orders for its COMET high and low-energy x-ray sources and for sterilization by e-beam. The expanded application center in Stamford also played an important role in this. Through a rigorous cost reduction drive, Industrial X-Ray further improved its productivity and thus increased its profitability.

Outlook

The uncertainty about markets' trajectories continues to require innovations, closeness to customers and cost consciousness. Leveraging the generator business expertise, PCT will work resolutely to open up its new market potential. How quickly new technologies – such as the new generation of wafers, or LED in lighting – will be widely adopted is difficult to foretell.

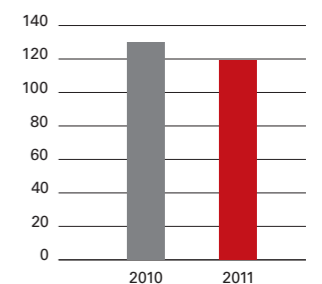
COMET is prepared for a rise in demand. For Industrial X-Ray the focus in 2012 is on the successful market launch of its innovations, intensified marketing, and optimization of administrative processes. The concept of application centers that has proven itself in the USA is to be transferred to Europe and Asia in 2012.

Regions

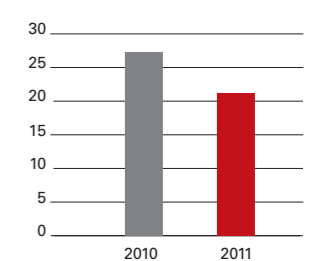
The division's landmark event in Europe was the acquisition of Stolberg HF-Technik AG. In Asia, COMET consolidated its market position. In non-destructive testing, Industrial X-Ray derived growth from the expanding domestic automotive and aerospace industry. PCT filled its first order to supply matchboxes to a state-of-the-art plant in Asia for the fabrication of thin-film silicon solar modules. At the same time, a degree of restraint was discernible in government investment programs.

The expansion of the development center in San José, California, complete with a production line for RF matchboxes, was a milestone for PCT. Customers benefit from short time-to-market and a complete portfolio of services on site. Despite the eroding value of the dollar, Industrial X-Ray prevailed against US competitors.

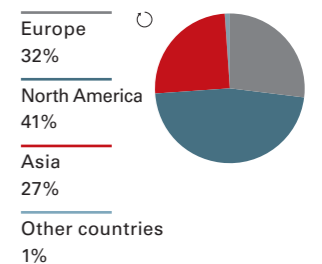
Total net sales
In CHF million



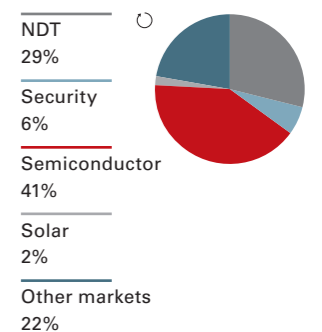
EBITDA
In CHF million



Sales by region
in 2011



Sales by market
in 2011



Whether in car racing or in everyday life: the quest for safety and performance through freedom from defects is frequently powered by COMET's x-ray and image processing technologies. As the leading systems and components of their kind worldwide, they are fundamental to the safety and effectiveness of products and processes.

Non-Destructive Testing (NDT)

Assuring Quality Without Compromise

COMET is the worldwide market leader in x-ray-based non-destructive testing and examination, enjoying a reputation for excellence. The Group is distinguished by a combination of many years of experience in x-ray technology, powerful software solutions and profound knowledge of industrial materials and processes. Portfolios of services covering the entire life cycle round out the offering.



High-performance tires must meet exacting quality standards to minimize the risk of accidents. NDT technologies from COMET support the manufacturing industry in the testing and resource-conserving production of safe goods.

High-profile customers for non-destructive testing (NDT) systems swear by the x-ray technology from YXLON and COMET. There is a growing need for ever faster and more exact inspection of test objects ranging from micro-structures all the way to very large components (such as rotors for power generation). With the Group's innovative products, ingenious software applications and end-to-end services, the ideal solutions for such requirements are readily available. Thus, YXLON has made compelling further improvements to its three-dimensional rendering technologies (computed tomography). Its CT systems give customers precise information with which to optimize their manufacturing processes. As well, the NDT technology can be integrated directly into customers' production lines. COMET supports its customers' innovations with ever higher-performing x-ray sources. This is also attested by various design orders for high and low power x-ray tubes. With custom solutions for the automotive, aircraft and electronics industries, and backed by a very high quality of service, the Group builds close relationships with customers and creates new opportunities for further projects.

www.comet-xray.com/Applications-en/NDT-Applications
www.yxlon.com

For modern mobility, the digital lifestyle and our future energy supply, high-quality vacuum capacitors and HF modules are indispensable. They control the plasma processes used to make essential components for storage chips, flat screens and solar panels.

Plasma Control Technologies (PCT)

Essentials for the Digital Way of Life

For more than 50 years, COMET has been building vacuum capacitors for a multitude of applications. Since recently, it also manufactures all the components for plasma process control in-house: perfectly coordinated capacitors, matchboxes and HF generators for the semiconductor, display and solar industries.



Industrial plasma processes figure prominently in applications such as the fabrication of memory chips, flat panel displays and solar panels. These processes run in vacuum plasma chambers where high frequency electromagnetic fields are used to discharge gases. The precise control of the desired effects on the surface of a material (notably etching, cleaning and coating) demands sophisticated vacuum capacitors. COMET has decades of experience in this field and is now also the world market leader in matchboxes. With the addition of the new HF generators, customers are now able to receive all modules from the same vendor.

Close partnership with customers fuels innovation

In the coating and etching of silicon wafers and large-area glass substrates, precision and process reliability are crucial. The durable components ensure that this exactitude and dependability are achieved in plasma excitation. COMET supplies its customers with the foundation for refining their technologies and driving future improvements in processes and efficiency.

With the help of plasma processes, wafers are modified so that they can later be turned into memory chips, solar cells and other elements of the digital lifestyle. COMET provides all the components needed for these processes, from vacuum capacitors, to matchboxes, to HF generators.

www.comet-pct.com

Security is a basic human need, and never more so than when flying. Ensuring safe air travel for millions of passengers requires security checks. X-ray technology, with its speed, safety and precision, is vital in this. Made-to-measure x-ray sources from COMET are at the heart of a wide variety of security inspection systems.

Security Inspection

Peace of Mind from Potential Hidden Threats

With their leading-edge technology, the x-ray sources from COMET are highly precise and safe. Together with customers in the security industry, the specialists at COMET develop well-thought-out solutions to protect people and structures. Both at airports, and wherever else hidden threats are a possibility that must be ruled out.



Baggage screening at airports: The x-ray sources from COMET reveal what is hidden inside suitcases, thus helping protect every air traveler. For other security applications as well, COMET supplies the right x-ray technology.

Whether screening baggage or x-raying cargo containers: Security is a matter of precise imaging combined with efficient speed. The mission is to protect people without hampering processes. This is achieved by rapid, precise x-ray sources from COMET, which are developed for a large number of applications. From simple small objects to complex material structures of any thickness, COMET x-ray tubes handle the challenges of today and tomorrow.

Centered on the customer

Customers benefit greatly from the extensive know-how of COMET's staff in x-ray technology and materials science. The x-ray sources are integrated into the industrial solutions in close consultation with the customer and in careful consideration of the legal requirements. Prototypes can be developed rapidly thanks to proven methodology. With comprehensive support solutions for the whole life cycle, customers have the peace of mind of knowing they have chosen not just a supplier, but a reliable partner.

www.comet-xray.com/Applications-en/Security

The e-beam system from COMET is nothing less than a revolution in sterilization technology. An environmentally friendly alternative to existing methods, it can be integrated efficiently in production lines.

Sterilization

E-beam is Easy on the Environment

Demonstrating their innovative powers, COMET's specialists have commercialized the method for sterilizing surfaces and materials with electron beams by making it viable for in-line serial application. The e-beam technology from COMET is compact and can be integrated seamlessly into manufacturing lines. Sterilization processes thus become more cost-effective and environmentally friendly.



Drug packages must be sterile. With e-beam equipment from COMET, they can be sterilized directly in the manufacturing process. Rapidly, simply, and above all without a need for environmentally harmful chemicals.

Sterilization by chemical means is currently still widely used. The e-beam technology from COMET now provides an environmentally sound, compact alternative. The development team at COMET has perfected a chemical-free technique for sterilizing surfaces by electron bombardment: The methodology can be integrated in production processes and makes them more efficient.

Broad applications and market potential

Extensive tests have been conducted with big-name partners in industry – so successfully, in fact, that e-beam sterilization is already in use by the pharmaceutical sector. In other market segments, such as food, the technology is soon to be launched. The e-beam technology from COMET makes production processes ecologically safer, quicker and more cost-effective. The potential applications range from packaging, all the way to improving the properties of plastics. A special e-beam laboratory test unit from COMET allows R&D departments to develop and optimize new products or processes and carry out spot checks for quality assurance.

www.comet-xray.com/Products-en/The-e-beam-Source

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COMET Group

Consolidated Financial Statements

Consolidated Balance Sheet						
In thousands of CHF	Assets	Note	Dec. 31, 2011	%	Dec. 31, 2010	%
	Cash and cash equivalents		19,992		16,622	
	Trade and other receivables	4	33,647		38,688	
	Other financial assets	5	0		1,307	
	Tax receivables		0		302	
	Inventories	6	35,394		38,707	
	Net assets from manufacturing contracts	7	1,579		2,979	
	Prepaid expenses		1,982		895	
	Total current assets		92,594	44.4%	99,500	46.3%
	Property, plant and equipment	8	57,963		57,414	
	Intangible assets	9	53,605		55,279	
	Employee benefit plan assets	16	2,786		2,334	
	Deferred tax assets	11	1,474		278	
	Total non-current assets		115,828	55.6%	115,305	53.7%
	Total assets		208,423	100.0%	214,805	100.0%
	Liabilities and shareholders' equity					
	Current debt	12	13,340		12,746	
	Trade and other payables	13	19,044		22,554	
	Other financial liabilities	5	860		127	
	Tax payables		3,051		1,929	
	Net liabilities from manufacturing contracts	7	144		521	
	Accrued expenses	14	6,238		9,844	
	Current provisions	15	4,122		3,328	
	Total current liabilities		46,799	22.5%	51,049	23.8%
	Long-term debt	12	38,800		48,284	
	Non-current provisions	15	165		49	
	Employee benefit plan liabilities	16	1,578		2,096	
	Deferred tax liabilities	11	1,783		1,592	
	Total non-current liabilities		42,326	20.3%	52,021	24.2%
	Total liabilities		89,125	42.8%	103,070	48.0%
	Capital stock		7,625		7,575	
	Additional paid-in capital		62,180		63,745	
	Retained earnings		68,415		58,677	
	Foreign currency translation differences		(18,922)		(18,262)	
	Total equity attributable to shareholders of COMET HOLDING AG		119,298	57.2%	111,735	52.0%
	Total liabilities and shareholders' equity		208,423	100.0%	214,805	100.0%

Consolidated Statement of Income

In thousands of CHF	Note	2011	%	2010	%
Net sales	17	216,965		217,395	
Cost of sales		(136,568)	(62.9%)	(135,831)	(62.5%)
Gross profit		80,397	37.1%	81,564	37.5%
Other operating income	18	3,009	1.4%	2,764	1.3%
Development expenses	20	(22,518)	(10.4%)	(20,573)	(9.5%)
Marketing and selling expenses		(26,302)	(12.1%)	(23,884)	(11.0%)
General and administrative expenses		(19,919)	(9.2%)	(23,632)	(10.9%)
Operating income		14,667	6.8%	16,239	7.5%
Financing expenses	21	(18,136)	(8.4%)	(14,775)	(6.8%)
Financing income	21	14,105	6.5%	8,464	3.9%
Income before tax		10,636	4.9%	9,928	4.6%
Income tax	11	(581)	(0.3%)	(2,439)	(1.1%)
Net income		10,055	4.6%	7,489	3.5%
Earnings per share in CHF, diluted and basic	22	13.22		9.89	
Amortization		5,435	2.5%	5,304	2.4%
EBITA		20,102	9.3%	21,543	9.9%
Depreciation		7,223	3.3%	6,790	3.1%
EBITDA		27,325	12.6%	28,333	13.0%

Consolidated Statement of Comprehensive Income

In thousands of CHF	2011	2010	Change	Change in %
Net income	10,055	7,489	+2,566	+34.3%
Other comprehensive income				
Foreign currency translation differences	(660)	(8,778)	+8,118	–
Total other comprehensive loss	(660)	(8,778)	+8,118	–
Total comprehensive income/(loss)	9,395	(1,289)	+10,684	–

Consolidated Statement of Cash Flows

In thousands of CHF	Note	2011	2010
Net income		10,055	7,489
Income tax		581	2,439
Depreciation and amortization	8/9	12,658	12,094
Interest expense/income, net	21	2,628	3,399
Share-based payments	28	698	1,192
Losses on disposal of non-current assets		15	75
Other non-cash income/expense		1,474	2,641
Change in provisions	15	641	299
Change in other working capital		960	(8,976)
Interest received		24	27
Taxes paid		(1,561)	(1,503)
Net cash provided by operating activities		28,173	19,176
Acquisition of subsidiary, net of cash acquired	3	(3,430)	–
Purchases of property, plant and equipment	8	(6,324)	(3,693)
Purchases of intangible assets	9	(856)	(1,219)
Disposals of property, plant and equipment	8	62	38
Net cash used in investing activities		(10,548)	(4,874)
Free cash flow		17,625	14,302
Assumption of new debt	12	0	357
Repayment of debt	12	(9,002)	(17,567)
Interest paid		(2,573)	(3,291)
Repurchases/sales of treasury stock, net		0	(161)
Distribution to shareholders of COMET HOLDING AG		(2,651)	(379)
Net cash used in financing activities		(14,226)	(21,041)
Net decrease in cash and cash equivalents		(3,399)	(6,739)
Foreign currency translation losses on cash and cash equivalents		(29)	(826)
Cash and cash equivalents at January 1		16,622	24,187
Net cash and cash equivalents at December 31		19,992	16,622

Consolidated Statement of Changes in Equity

	Equity attributable to shareholders of COMET HOLDING AG				
	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total shareholders' equity
In thousands of CHF					
December 31, 2009	7,575	63,745	50,536	(9,484)	112,372
Net income			7,489		7,489
Other comprehensive loss				(8,778)	(8,778)
Total comprehensive loss			7,489	(8,778)	(1,289)
Distribution to shareholders of COMET HOLDING AG			(379)		(379)
Repurchases/sales of treasury stock, net			(161)		(161)
Share-based payments			1,192		1,192
December 31, 2010	7,575	63,745	58,677	(18,262)	111,735
Net income			10,055		10,055
Other comprehensive loss				(660)	(660)
Total comprehensive income			10,055	(660)	9,395
Distribution to shareholders of COMET HOLDING AG		(2,651)			(2,651)
Repurchases/sales of treasury stock, net			3		3
Increase in capital (for stock compensation for 2010)	50	1,086	(1,018)		118
Share-based payments			698		698
December 31, 2011	7,625	62,180	68,415	(18,922)	119,298

Notes to the Consolidated Financial Statements**1 Nature of COMET's business activities**

The COMET Group is one of the world's leading manufacturers of systems and components for non-destructive testing, security applications, and plasma excitation in the fabrication of memory chips, flat screens and solar panels. Leveraging its core competencies of vacuum technology, high frequency and high voltage engineering, the Group manufactures its core products: x-ray sources and vacuum capacitors. These form the basis for the components, modules, systems and services marketed by the Group worldwide under the COMET and YXLON brands.

2 Significant 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 2011 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 Financial Reporting Interpretations Committee 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.

Changes in accounting policies**Revised and new accounting rules**

With effect from January 1, 2011, COMET has applied the following new or revised IFRS/IAS for the first time:

- IAS 24 – Amendments – Related Party Disclosures
- IAS 32 – Amendments – Classification of Rights Issues
- IFRIC 14 – Amendments – Prepayments of a Minimum Funding Requirement
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- Annual Improvements to IFRSs 2010, to the extent that they are effective from January 1, 2011.

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.

New accounting rules becoming effective in subsequent periods

Standard	Expected impact	Effective date	Planned adoption by COMET
IAS 1 – Amendments – Presentation of Financial Statements	(2)	July 1, 2012	Fiscal year 2013
IAS 12 – Amendments – Income taxes	(1)	Jan. 1, 2012	Fiscal year 2012
IAS 19 – Amendments – Employee Benefits	(3)	Jan. 1, 2013	Fiscal year 2013
IAS 27 – Amendments – Separate Financial Statements	(1)	Jan. 1, 2013	Fiscal year 2013
IAS 28 – Amendments – Investments in Associates and Joint Ventures	(1)	Jan. 1, 2013	Fiscal year 2013
IAS 32 – Amendments – Offsetting Financial Assets and Financial Liabilities	(1)	July 1, 2014	Fiscal year 2014
IFRS 7 – Amendments – Disclosures – Transfers of Financial Assets	(1)	July 1, 2011	Fiscal year 2012
IFRS 7 – Amendments – Disclosures – Offsetting Financial Assets and Financial Liabilities	(1)	July 1, 2013	Fiscal year 2013
IFRS 9 – Financial Instruments	(2)	Jan. 1, 2015	Fiscal year 2015
IFRS 10 – Consolidated Financial Statements	(1)	Jan. 1, 2013	Fiscal year 2013
IFRS 11 – Joint Arrangements	(1)	Jan. 1, 2013	Fiscal year 2013
IFRS 12 – Disclosure of Interests in Other Entities	(2)	Jan. 1, 2013	Fiscal year 2013
IFRS 13 – Fair Value Measurement	(1)	Jan. 1, 2013	Fiscal year 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	(1)	Jan. 1, 2013	Fiscal year 2013

- (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.
- (3) The changes with the greatest effects relate to the elimination of the option to defer the recognition of actuarial gains and losses (known as the “corridor method”), and the new requirement to use the discount rate for the rate of return on plan assets, rather than using the expected rate of return. The amended standard also requires extensive additional disclosures. If the amendments had already been applied in fiscal year 2011, the adjustment of the expected return on plan assets would have increased the pension cost recognized in the income statement to approximately CHF 1.5 million (an estimated increase of CHF 0.2 million), with a corresponding reduction in net income. In addition, the net employee benefit plan asset would have been lower by CHF 1.6 million, which would have reduced shareholders’ equity at December 31, 2011 by the same amount.

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 reported.

The following estimates have the greatest effects on the consolidated financial statements:

- Intangible assets (see note 9 and 10): For acquisitions, the fair value of the acquired net assets (including acquired intangible assets) is estimated. Any amount paid in excess of this estimate represents goodwill. Intangible assets with a finite life are written off over the expected period of use; those with an indefinite life (primarily goodwill and rights to trademarks and names) are not amortized but are tested annually for impairment. Especially in the determination of the value in use of goodwill and rights to trademarks and names, differences between assumed and actual outcomes

could lead to revaluations. The valuation of goodwill and other intangibles, as well as the estimation of useful life, have an effect on the consolidated financial statements.

- Provisions (see note 15): Provisions are recognized only if the specific criteria under IFRS for doing so are met. Provisions represent probable obligations arising from a past event and are established only if their amount can be estimated reliably. Provisions are determined by taking into account all information available at the time of preparation of the financial statements. Nevertheless, adjustments to provisions may be required in subsequent periods, with corresponding effects on income.
- Deferred tax assets (see note 11) are generally recognized only if it is likely that profits will be earned in the future. Making this determination involves the use of estimates and assumptions, which may later prove incorrect. This can lead to changes with an effect on income.
- Employee benefit plans (see note 16): The Group operates employee benefit plans for its staff that are classified as defined-benefit plans under IFRS. These defined-benefit plans are valued annually, which requires the use of various assumptions. Departures of actual developments from the assumptions, particularly with respect to the discount rate for future obligations and the rate of return on investments, may have effects on the valuation of plan assets and thus on the financial position and results of operations 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.

COMET acquired all shares of Stolberg HF-Technik AG at September 1, 2011 and fully consolidated the company from that date (see note 3, Acquisitions).

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			Closing rate		Average rate	
			Dec. 31, 2011	Dec. 31, 2010	2011	2010
USA	USD	1	0.935	0.932	0.887	1.043
Europe	EUR	1	1.214	1.247	1.233	1.383
China	CNY	1	0.149	0.141	0.137	0.154
Japan	JPY	100	1.215	1.152	1.113	1.191
Denmark	DKK	1	0.163	0.168	0.166	0.186

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 are recognized at the transaction date. Financial items are subsequently measured according to their categorization:

- 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 during 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 by the effective interest method.
- Other financial liabilities: With the exception of derivatives, most 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 cancelled or expires.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables 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 by 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.

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 manufacturing orders for customized systems 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 as the proportion 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. Given the uncertainty associated with the technical feasibility and economic benefits of the current development projects, COMET believes that the criteria for capitalizing development costs are not met. For this reason all development costs are treated as operating expenses.

The following estimated useful lives are applied in determining amortization:

Unfilled orders	Up to 1 year
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 accumulation of reserves in the balance sheet of the 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 liability recognized in the balance sheet consists of the present value of the defined-benefit obligation as determined by the actuary, less the following three items: the fair value of plan assets, unrecognized actuarial gains and losses, and unrecognized past service costs. 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 and the interest cost, less employee contributions and the expected return on plan assets. Actuarial gains and losses arise from experience adjustments (the difference between previous actuarial assumptions and observed outcomes) and from changes in actuarial assumptions. Accumulated actuarial gains or losses of a given plan are recognized only inasmuch as they exceed the so-called "corridor" (10% of the greater of the present value of the defined-benefit obligation or the fair value of the plan's assets). Any actuarial gain or loss exceeding this 10% limit is amortized over the average of the remaining working lives of the participating employees.

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 by the projected unit credit method. The obligation is recalculated periodically 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.

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 charged to retained earnings (or to paid-in capital, as the case may be) 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. The recoverable amount is the higher of fair value or value in use. Value in use is determined on the basis of discounted expected future cash flows.

Any acquired goodwill and any rights to trademarks or names with an indefinite useful life are not amortized, but are reviewed annually at the same date for impairment. This impairment test is based on the results for the fiscal year, the budget and medium-term forecasts.

3 Acquisitions

With effect from September 1, 2011, COMET assumed control of Stolberg HF-Technik AG by acquiring 100% of the company's voting shares (see list of subsidiaries on page 82). The acquisition was undertaken as part of the consistent execution of the forward strategy from components to systems manufacturer. The new subsidiary develops, manufactures and markets RF and VHF generators and has profound expertise and long experience in these market segments. Thanks to this acquisition, COMET now has everything it requires to become a one-stop provider of complete RF power supply systems with perfectly coordinated components and to rapidly make inroads into this market.

In the COMET Group's organizational structure, the acquired company has been assigned to the Plasma Control Technologies product area and is thus part of the Modules & Components division. With an effective date of January 26, 2012, Stolberg HF-Technik AG was merged into YXLON International GmbH, Hamburg.

The fair values of the assets and liabilities identified at the acquisition date were as follows:

In thousands of CHF	Note	Fair values recognized at acquisition date
Cash and cash equivalents		501
Trade and other receivables		405
Inventories		1,985
Prepaid expenses		10
Property, plant and equipment	8	605
Intangible assets	9	3,633
Total assets		7,139
Current debt		274
Trade and other payables		223
Tax payables		122
Accrued expenses		82
Provisions	15	288
Deferred tax liabilities	11.4	1,205
Total liabilities		2,193
Total identified net assets, at fair value		4,946
Total consideration		4,725
Negative goodwill recognized in income	18	221

The – small – amount of negative goodwill resulted from differences in assumptions between COMET and the seller regarding the future performance and cash flows of the acquired business and is recognized in the income statement within other operating income (see note 18).

None of the liabilities recognized were contingent liabilities.

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

Payment of purchase price

As contractually agreed, the purchase price was paid or is payable in cash.

In thousands of CHF	
Non-contingent consideration	4,435
Fair value of contingent consideration ¹	290
Total consideration	4,725
Liability for contingent consideration ¹	(290)
Liability for purchase price holdback ²	(504)
Cash and cash equivalents acquired	(501)
Net cash outflow on acquisition	(3,430)

¹ The contingent consideration serves to cover legal and tax risks that existed at the acquisition date.

² The purchase price holdback is payable in the second half of 2012 after the legal and tax risks have been resolved, or alternatively is payable no later than in the second half of 2013 if these risks cannot be resolved as planned.

The consulting costs of CHF 152 thousand associated with the acquisition were recognized in general and administrative expenses and are reflected in the operating income of the Modules & Components division.

Key employees of the acquired company have undertaken in the purchase agreement to remain with the company for at least 18 months after the acquisition date, failing which they would have to repay a portion of the purchase price; this contingently repayable portion decreases on a straight-line basis over time. The maximum total amount repayable was CHF 1.6 million. To date, no key employee has left the company and there is no indication that such a departure will occur during the term of the agreement. The resulting staff cost charged to operating income in 2011 was CHF 0.4 million, which was allocated to functional costs according to the positions of the key employees.

Effects on consolidated results

The consolidated income statement for the fiscal year includes the acquired company's sales of CHF 1,960 thousand and net income of CHF 9 thousand for the period from September 1 to December 31, 2011.

If the acquisition had been consolidated for the full year, the consolidated sales of the COMET Group would have amounted to CHF 221.2 million and its net income would have been CHF 10.1 million.

4 Trade and other receivables

In thousands of CHF	2011	2010
Trade receivables, gross	31,862	36,112
Provision for doubtful accounts	(917)	(686)
Trade receivables, net	30,945	35,426
Refundable sales taxes and value-added taxes	1,268	2,009
Prepayments to suppliers	549	353
Sundry receivables	885	900
Total trade and other receivables	33,647	38,688

COMET provides for doubtful accounts (impaired trade receivables) through the use of an allowance account, by individually recognizing impairment of 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	2011	2010
January 1	686	747
Used	(73)	(106)
Added	343	352
Released	(27)	(221)
Foreign currency translation differences	(11)	(86)
December 31	917	686

At the balance sheet date, full impairment was recognized and provided on CHF 586 thousand (prior year: CHF 171 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	2011	2010
Total trade receivables	30,945	35,426
Not past due, no impairment provided	19,895	27,107
Total past due, with impairment partly provided, net	11,050	8,319
1 – 30 days past due and impairment partly provided, net	7,181	5,488
30 – 60 days past due and impairment partly provided, net	1,513	1,563
More than 60 days past due and impairment partly provided, net	2,356	1,268

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.

5 Other financial assets and liabilities

In thousands of CHF	2011	2010
Other financial assets		
Derivatives used for foreign exchange hedging	0	1,307
Total other financial assets	0	1,307
Other financial liabilities		
Derivatives used for foreign exchange hedging	767	47
Derivatives used for interest rate hedging	93	80
Total other financial liabilities	860	127

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

In thousands of CHF	2011	2010
USD forward exchange contracts		
Contract amounts	10,697	8,276
Positive fair values	0	1,307
Negative fair values	767	22
JPY forward exchange contracts		
Contract amounts	0	833
Positive fair values	0	0
Negative fair values	0	25

There was also an open interest rate swap with a contract amount of EUR 4 million and a negative fair value of CHF 93 thousand. This contract matures on July 1, 2013.

The gains and losses are recognized as financing income or financing expense (see note 21). The contract amounts shown represent the notional principal amounts of the forward contracts. Consistent with the nature of the Group's activities, the forward exchange contracts have maturities of less than one year. Most are due within six months.

6 Inventories

In thousands of CHF	2011	2010
Raw materials and semi-finished products	23,764	23,751
Work in process	4,409	6,891
Finished goods	7,221	8,065
Total inventories	35,394	38,707

The inventory amounts reflect any necessary individual write-downs for items with a market value below manufacturing cost.

7 Manufacturing contracts

In thousands of CHF	2011	2010
Net assets from manufacturing contracts		
Project costs incurred and profits recognized, net	1,762	4,342
Advances received on manufacturing contracts in progress	(183)	(1,363)
Net assets from manufacturing contracts	1,579	2,979
Net liabilities from manufacturing contracts		
Project costs incurred and profits recognized, net	221	748
Advances received on manufacturing contracts in progress	(364)	(1,269)
Net liabilities from manufacturing contracts	(144)	(521)

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

8 Property, plant and equipment

Fiscal year 2011				
In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
Cost				
January 1, 2011	50,026	48,658	10,064	108,749
Additions	288	4,458	2,570	7,315
Acquisition of subsidiary	207	369	29	605
Disposals	0	(481)	(445)	(926)
Foreign currency translation differences	1	32	93	126
December 31, 2011	50,522	50,037	12,310	115,869
Accumulated depreciation				
January 1, 2011	13,369	34,100	3,866	51,335
Additions	1,648	4,106	1,469	7,223
Disposals	0	(407)	(267)	(674)
Foreign currency translation differences	0	(2)	24	22
December 31, 2011	15,017	37,798	5,091	57,905
Carrying amount				
January 1, 2011	36,658	14,558	6,198	57,414
December 31, 2011	35,506	15,239	7,218	57,963

Under other tangible assets, the additions included internally produced demonstration equipment in the Systems division of CHF 991 thousand and the disposals included the reclassification of CHF 177 thousand of demonstration equipment to inventories. Neither of these transactions resulted in an outflow of funds. The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 1,229 thousand. Real estate included facilities under construction in the amount of CHF 294 thousand.

Fiscal year 2010

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
Cost				
January 1, 2010	50,020	49,320	6,454	105,795
Additions	7	1,190	4,562	5,759
Disposals	0	(1,136)	(210)	(1,346)
Foreign currency translation differences	(1)	(716)	(741)	(1,458)
December 31, 2010	50,026	48,658	10,064	108,749
Accumulated depreciation				
January 1, 2010	11,739	31,377	3,354	46,471
Additions	1,630	4,214	947	6,790
Disposals	0	(1,081)	(156)	(1,237)
Foreign currency translation differences	0	(410)	(278)	(688)
December 31, 2010	13,369	34,100	3,866	51,335
Carrying amount				
January 1, 2010	38,281	17,943	3,100	59,324
December 31, 2010	36,658	14,558	6,198	57,414

At the end of 2010 the carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 1,229 thousand.

Real estate, at the end of 2010, included facilities under construction in the amount of CHF 7 thousand.

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

In thousands of CHF	2011	2010
Carrying amount of pledged real estate	35,021	36,651
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	30,000	30,000

No financial assets were pledged as security for liabilities or guarantee obligations.

9 Intangible assets

Fiscal year 2011

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2011	30,724	26,786	9,398	7,621	40	74,570
Additions	0	0	0	800	56	856
Acquisition of subsidiary	0	727	2,126	0	780	3,633
Disposals	0	0	0	(216)	0	(216)
Foreign currency translation differences	(636)	(261)	(88)	(11)	21	(975)
December 31, 2011	30,088	27,253	11,436	8,194	897	77,867
Accumulated amortization						
January 1, 2011	0	9,376	6,422	3,481	12	19,291
Additions	0	1,839	1,940	1,447	209	5,435
Disposals	0	0	0	(216)	0	(216)
Foreign currency translation differences	0	(116)	(121)	(7)	(4)	(248)
December 31, 2011	0	11,100	8,241	4,704	217	24,262
Carrying amount						
January 1, 2011	30,724	17,410	2,976	4,140	28	55,279
December 31, 2011	30,088	16,153	3,195	3,490	680	53,605

Fiscal year 2010

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2010	35,236	30,420	10,452	8,661	49	84,819
Additions	0	0	0	1,219	0	1,219
Disposals	0	0	0	(2,189)	(2)	(2,190)
Foreign currency translation differences	(4,512)	(3,634)	(1,054)	(72)	(7)	(9,279)
December 31, 2010	30,724	26,786	9,398	7,621	40	74,570
Accumulated amortization						
January 1, 2010	0	8,668	5,052	4,440	9	18,169
Additions	0	2,020	2,000	1,279	5	5,304
Disposals	0	0	0	(2,184)	0	(2,184)
Foreign currency translation differences	0	(1,312)	(630)	(54)	(2)	(1,998)
December 31, 2010	0	9,376	6,422	3,481	12	19,291
Carrying amount						
January 1, 2010	35,236	21,751	5,400	4,221	40	66,650
December 31, 2010	30,724	17,410	2,976	4,140	28	55,279

The categories of goodwill, rights to trademarks, customer lists and technology were capitalized in connection with business combinations.

Applying a long-term dual-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. Other intangible assets in 2011 included an amount of CHF 603 thousand with respect to the non-compete agreements with key employees in connection with the acquisition of a subsidiary.

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

The impairment test for goodwill and other intangible assets with indefinite useful lives was performed as at September 30, 2011. For the purpose of the impairment test, the goodwill and other intangible assets with indefinite useful lives were allocated to and measured as the following two cash generating units:

- The Systems division, 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 Industrial X-Ray product area (within the Modules & Components division), for the generator business. The generator activities were transferred in 2009 from YXLON International GmbH in Hamburg to COMET AG in Flamatt, thus allowing all component production activities to be centralized at COMET AG. Correspondingly, in addition to goodwill, other intangible assets (technology, customer lists) were also proportionately transferred to COMET AG according to a value-based allocation key.

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 2012 budget and on forecasts for 2013 to 2016. Using estimates derived from past experience, the forecasting is 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 used in determining value in use correspond to the expected long-term average growth rate of the Systems division's operating business and of Industrial X-Ray's generator business. Input variables with a critical effect 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)

Cash generating unit	Systems division		Industrial X-Ray		Total	
	2011	2010	2011	2010	2011	2010
Goodwill	20,787	21,357	6,873	6,873	27,660	28,230
Intangible assets with indefinite useful lives	2,428	2,494	0	0	2,428	2,494
Total carrying amount	23,215	23,851	6,873	6,873	30,088	30,724

Assumptions used in the valuation model

	Systems division		Industrial X-Ray	
	2011	2010	2011	2010
Discount rate (WACC) before tax	13.9%	14.0%	14.1%	14.0%
Growth rate of terminal value	1.5%	1.5%	1.5%	1.5%
Inflation rate	1.0%	1.0%	1.0%	1.0%

Industrial X-Ray CGU

The discount rate (the weighted average cost of capital, or WACC) before tax is 14.1% (prior year: 14.0%). The cash flows from the year 2016 on are extrapolated at a growth rate of 1.5%, which is equal to the average expected rate of inflation. The long-term average growth in this industry is estimated at 3% to 4%.

The recoverable amount determined by the DCF method exceeds the carrying amount of the net assets involved by CHF 58.8 million or 169% (prior year: by CHF 78.6 million or 227%). In view of the calculated value of the business, no impairment charge is required.

With regard to the determination of the value in use of the Industrial X-Ray CGU, management believes that, even in the event of material changes in the input data employed, the recoverable amount from the present value of future cash flows would exceed the carrying amount of the net assets in question.

Systems division CGU

The discount rate (WACC) before tax is 13.9% (prior year: 14.0%). The cash flows from the year 2016 on are extrapolated at a growth rate of 1.5%, which is equal to the average expected rate of inflation. The long-term average growth in this industry is estimated at 3% to 4%.

The recoverable amount determined by the DCF method exceeds the carrying amount of the net assets involved by CHF 79.4 million or 127% (prior year: by CHF 49.4 million or 69%). In view of the calculated value of the business, no impairment charge is required.

Sensitivities to the assumptions applied in the valuation model

The measurement of value in use of the Systems division CGU is sensitive to the following assumptions in the planning period (2012 to 2016):

- Growth assumptions: Sales revenue is projected by product group and region. Given the low base in 2011, the average annual rate of sales growth is assumed to be 11%.
- Gross margins: It is expected that gross margins will average approximately 35% in the medium term on renewed sales growth. Target achievement depends in part on the trend in materials purchasing prices.

- Exchange rates: The movement in exchange rates between the euro and US dollar versus the Swiss franc 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.

In the event of a material change in the input values compared with the above forecast scenario, such as (i) a sustained decline of 28% (prior year: 12%) in sales or (ii) a sustained gross margin that is 9.2%-points lower (prior year: 5.8%-points lower), the value in use equals the reported net assets. COMET believes that, in the event of such a deterioration in the situation, it would have the ability to make further adjustments in the cost structure and that an impairment would occur only if there were a simultaneous deterioration in several input variables. An impairment would also occur if, at constant other input values, the discount rate before tax were to increase to 28.4% (prior year: to 21.7%).

11 Income tax**11.1 Current and deferred income tax expense**

In thousands of CHF	2011	2010
Current income tax expense in respect of the current year	2,523	2,772
Current income tax expense in respect of prior years	299	(140)
Deferred income tax benefit	(2,241)	(193)
Total income tax expense	581	2,439

11.2 Reconciliation of tax expense

In thousands of CHF	2011	2010
Income before tax	10,636	9,928
Expected income tax at base tax rate of 28% (prior year: 28%)	2,978	2,780
Effect of tax rates other than base tax rate	(444)	164
Effect of tax exemption by canton of Fribourg	(1,872)	(3,146)
Effect of non-tax-deductible expenses	29	48
Effect of change in tax rate on deferred income tax	47	0
Effect of non-recognition of tax loss carryforwards	1,141	1,396
Impairment charge on deferred tax assets	0	278
Effect of recognition/use of previously unrecognized tax loss carryforwards	(1,611)	(261)
Effect of income tax from other periods	299	(140)
Other effects	14	1,320
Income tax reported in the income statement	581	2,439
Effective income tax rate in percent of income before tax	5.5%	24.6%

The government of the canton of Fribourg has granted COMET AG, Flamatt, a complete exemption from cantonal, municipal and church taxes. The tax exemption is effective for a period of ten years from the Group's relocation to the canton of Fribourg in January 2003. From January 2013, a continuing, partial tax reduction of between 30% and 50% will be in effect. This continuing tax relief will be tied to the success of the Company at the Flamatt location and will be available until December 2022 at the latest.

11.3 Deferred tax assets and liabilities

In thousands of CHF	2011	2010
Deferred tax liabilities/(assets) resulting from temporary differences		
Current assets	(1,404)	(883)
Non-current assets	5,766	6,696
Tax loss carryforwards	(4,161)	(4,010)
Provisions	108	(489)
Total carrying amount	309	1,314

In thousands of CHF	2011	2010
Amounts recognized in the balance sheet		
Deferred tax assets	1,474	278
Deferred tax liabilities	1,783	1,592

Deferred tax liabilities and assets were determined at the local tax rates, ranging from 7.8% to 42%. No deferred tax liabilities were established for temporary differences of CHF 38.6 million (prior year: CHF 41.0 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. Distributions by COMET HOLDING AG to its shareholders have no effect on the reported or future income taxes.

11.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2011	2010
January 1	1,314	1,623
Origination and reversal of temporary differences	(2,098)	(216)
Recognition of deferred tax assets on loss carryforwards	(151)	23
Acquisition of subsidiary	1,205	0
Foreign currency translation differences	39	(116)
December 31	309	1,314

11.5 Unrecognized tax assets

Deferred tax assets, including tax loss carryforwards and expected tax credits, are recognized only when it is likely that future taxable profits will be available to which these deferred tax assets can be applied. Temporary differences for which no tax assets were recognized were nil, as in the prior year.

There were tax loss carryforwards on which no deferred tax assets were recognized. The expiration dates and amounts of these loss carryforwards were as follows:

In thousands of CHF	2011	2010
Within one year	0	0
In two to five years	0	0
In more than five years	6,296	9,334
Total losses carried forward without recognition as tax assets	6,296	9,334

12 Current and long-term debt**12.1 Current debt**

In thousands of CHF	2011	2010
Bank overdrafts	3,642	2,649
Current obligations under finance leases	198	347
Current portion of long-term debt	9,500	9,750
Total current debt	13,340	12,746

At the end of fiscal year 2011 the COMET Group had undrawn credit facilities of CHF 19.8 million (prior year: CHF 14.9 million).

12.2 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, 2011.

In thousands of CHF	2011	2010
Repayment due in two to five years	28,265	32,406
Repayment due in more than five years	10,829	16,280
Subtotal	39,094	48,686
Future amortization of costs	(294)	(402)
Total long-term debt	38,800	48,284

All long-term debt consisted of fixed-rate loans denominated in CHF. The interest rates on the loans outstanding at the balance sheet date were between 0.95% and 4.50%. The acquisition loan carried an average effective interest rate of 4.72%.

The portions of the mortgage loan and of the acquisition loan coming due in the subsequent year were reclassified to current debt.

12.3 Finance lease obligations

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

In thousands of CHF	2011	2010
Due within one year	198	344
Due in two to five years	743	775
Due in more than five years	329	530
Total payment obligations	1,270	1,649
Less interest component	(289)	(389)
Total finance lease obligations	981	1,260

13 Trade and other payables

In thousands of CHF	2011	2010
Total trade payables	9,083	11,845
Sales tax and value-added tax	111	418
Sales commissions	2,721	2,614
Sundry payables	2,986	2,485
Trade and other payables before prepayments by customers	14,901	17,362
Prepayments by customers	4,143	5,192
Total trade and other payables	19,044	22,554

14 Accrued expenses

In thousands of CHF	2011	2010
Accrued staff costs	3,409	6,638
Other accrued expenses	2,829	3,206
Total accrued expenses	6,238	9,844

Accrued staff costs consist mainly of the amount accrued for performance-based compensation, and vacation and overtime credits.

15 Provisions

Fiscal year 2011				
In thousands of CHF	Warranties	Restructuring provisions	Other provisions	Total provisions
January 1, 2011	2,880	13	484	3,377
Added	1,839	292	375	2,506
Acquisition of subsidiary	34	0	254	288
Used	(1,562)	(13)	(241)	(1,816)
Released	(27)	0	(22)	(49)
Foreign currency translation differences	(9)	(4)	(6)	(19)
December 31, 2011	3,155	288	844	4,287
Of which:				
Current provisions	3,155	288	679	4,122
Non-current provisions	0	0	165	165
Fiscal year 2010				
In thousands of CHF	Warranties	Restructuring provisions	Other provisions	Total provisions
January 1, 2010	1,887	1,223	259	3,369
Added	2,251	0	517	2,768
Used	(1,058)	(417)	(73)	(1,548)
Released	(48)	(720)	(154)	(921)
Foreign currency translation differences	(153)	(73)	(66)	(291)
December 31, 2010	2,880	13	484	3,377
Of which:				
Current provisions	2,880	13	435	3,328
Non-current provisions	0	0	49	49

Provisions are classified as current to the extent that the related cash outflows are expected to occur within one year from the balance sheet date. Conversely, the cash outflows in respect of non-current provisions are expected to occur more than twelve months after the balance sheet date. Where the interest effect is material, the cash outflows are discounted.

The other provisions relate largely to the insolvency of a logistics provider used in the past by YXLON's German operations and cover the risk that other suppliers whom the logistics company failed to pay may enforce their claims directly against YXLON.

The provision for warranties covers the risk of expenses that have not occurred to date, but that could potentially occur until the end of the warranty periods. COMET believes that the amount provided is sufficient to cover the expected costs over the warranty periods.

16 Employee benefits**16.1 Defined-benefit plans**

The COMET Group maintains various employee benefit plans that differ according to the legal environment in the home countries of the individual Group companies. The occupational plans in Switzerland and some of the plans in Germany are defined-benefit plans under IAS 19. All plans in the other national subsidiaries are defined-contribution plans.

The defined-benefit plans were remeasured and evaluated by an independent actuary as at the end of the fiscal year.

Principal actuarial assumptions at December 31

	2011	2010
Discount rate	2.55%	2.76%
Expected rate of return on plan assets	3.39%	3.89%
Expected compensation increase rate	1.53%	1.53%
Expected pension increase rate	0.09%	0.08%
Turnover rate	12.10%	11.60%

Movement in present value of obligations

In thousands of CHF	2011	2010
Present value of defined-benefit obligations at January 1	37,003	33,969
Interest cost	991	1,085
Current service cost	1,548	1,093
Employee contributions	1,317	1,160
(Contributions received) and benefits paid	(724)	(1,802)
Actuarial (gains)/losses on obligations	(894)	1,963
Foreign currency translation differences	(70)	(465)
Present value of obligations at December 31	39,171	37,003

Movement in plan assets

In thousands of CHF	2011	2010
Fair value of plan assets at January 1	37,939	34,291
Expected return on plan assets	1,532	1,400
Employer contributions	1,819	1,549
Employee contributions	1,317	1,160
Contributions paid in and (benefits paid)	(295)	(464)
Actuarial (losses)/gains on plan assets	(2,732)	150
Foreign currency translation differences	(48)	(147)
Fair value of plan assets at December 31	39,532	37,939
Actual (losses)/return on plan assets	(1,200)	1,551

Movement in amounts recognized in the balance sheet

In thousands of CHF	2011	2010
Present value of funded obligations	(39,171)	(37,003)
Plan assets	39,532	37,939
Surplus	361	936
Unrecognized actuarial losses	1,655	390
Amount unrecognized as a result of IAS 19.58(b)	(129)	(455)
Net carrying amount to be recognized in the balance sheet	1,887	871
Reported on the face of the balance sheet:		
Employee benefit plan assets	2,786	2,334
Employee benefit plan liabilities	(899)	(1,463)

Movement in pension costs recognized in the income statement

In thousands of CHF	2011	2010
Current service cost (employer)	1,548	1,093
Interest cost	991	1,085
Expected return on plan assets	(1,532)	(1,400)
Actuarial losses/(gains) recognized in the reporting period	577	(93)
Effect of asset ceiling under IAS 19.58(b)	326	455
Total expense recognized in the income statement	1,258	1,140
Expected employer contributions for the subsequent year	1,850	1,714

Major categories of plan assets

In thousands of CHF	2011	2010
Equity instruments of the Group	0	0
Equity instruments of other companies	9,726	9,567
Debt instruments of the Group	777	741
Debt instruments of other companies	19,945	19,605
Real estate	4,299	3,369
Other assets	4,785	4,657
Total plan assets	39,532	37,939

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

Multi-year record

The multi-year record below shows the degree to which the defined-benefit obligations are funded by plan assets, and the variances between expected and actual returns.

In thousands of CHF	2011	2010	2009	2008	2007
Present value of obligations	(39,171)	(37,003)	(33,969)	(39,621)	(39,332)
Plan assets	39,532	37,939	34,291	36,784	35,979
Surplus/(deficit)	361	936	322	(2,837)	(3,353)
Experience adjustment on defined-benefit obligations	6	(375)	2,170	2,168	(2,411)
Experience adjustment on plan assets	(2,732)	150	1,218	(2,471)	(844)

The expected rate of return on plan assets is based on the expected long-term rate of return of the investments, taking into account the allocation of the plan assets to the investment categories.

16.2 Defined-contribution plans

The contributions paid to defined-contribution plans in 2011 amounted to CHF 1,646 thousand (prior year: CHF 1,553 thousand).

16.3 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	2011	2010
Provision at January 1	633	736
Current service cost	68	68
Interest cost	28	32
Benefits paid	(97)	(127)
Actuarial losses/(gains)	56	(8)
Foreign currency translation differences	(9)	(68)
Provision at December 31	679	633

17 Net sales

Sales revenues from products and services supplied to third parties are stated on a net basis, that is, after deducting price discounts, sales taxes and value-added taxes, credits and refunds.

Sales in the year under review included CHF 1,983 thousand (prior year: CHF 5,090 thousand) for current customer projects accounted for using the percentage of completion method.

18 Other operating income

In thousands of CHF	2011	2010
Customers' contributions to development projects	1,329	1,816
Loss from sale of non-current assets	(13)	(60)
Negative goodwill recognized on acquisition of subsidiary	221	0
Miscellaneous income	1,472	1,008
Total other operating income	3,009	2,764

19 Staff costs and staff count**19.1 Staff costs**

In thousands of CHF	2011	2010
Wages and salaries	58,617	58,577
Employee benefits	9,161	8,546
Total staff costs	67,788	67,122

19.2 Staff count

	2011	2010
Number of employees (at year-end)	734	721

The average staff count during the year, expressed in full-time equivalents, was 692 (prior year: 647).

20 Development expenses

Development expenses comprise the costs of new-product development, improvement of existing products, and process engineering. The COMET Group's development activities focus on the fields of vacuum technology, high voltage engineering and material science, and on the core products of x-ray sources and vacuum capacitors.

In view of the uncertainty of future economic benefits that may flow from the development costs, COMET believes that the criteria for capitalizing development expenses are not fulfilled. All development costs are therefore charged directly to the income statement.

21 Financing income and expenses

In thousands of CHF	2011	2010
Interest expense	2,528	3,426
Losses on derivatives used for interest rate hedging	13	80
Losses on derivatives used for currency hedging	767	47
Foreign currency translation losses	14,828	11,222
Total financing expenses	18,136	14,775

In thousands of CHF	2011	2010
Interest income	24	27
Gains on derivatives used for currency hedging	0	1,307
Foreign currency translation gains	14,081	7,130
Total financing income	14,105	8,464

In thousands of CHF	2011	2010
Net interest expense	(2,517)	(3,399)
Net foreign currency translation losses	(1,514)	(2,832)

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

22 Earnings per share

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

	2011	2010
Weighted average number of shares outstanding	760,406	757,401
Net income in thousands of CHF	10,055	7,489
Net income per share in CHF, diluted and basic	13.22	9.89

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

23 Off-balance sheet transactions**23.1 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. The three-year monitoring period, which ended in 2011, showed that certain threshold levels are slightly exceeded. Legally, this means that the site requires remediation. However, as the contaminant source remains unknown, some final analyses are to be conducted in 2012. Although the experts involved do not expect the situation to change materially in the short to medium term, the site will continue to be monitored in the next several years. If neither the analyses nor the monitoring yield significant new results, all measures in relation to the site will be discontinued at the end of 2019. COMET believes, based on current knowledge, that no significant costs are likely to result. However, at present a final assessment cannot yet be made of the matters at issue and of any resulting as yet unprovided additional costs.

23.2 Restrictions of title

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

23.3 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	2011	2010
Due within one year	2,568	2,032
Due in two to five years	6,224	5,562
Due in more than five years	2,104	3,298
Total payment obligations	10,895	10,892

The payment obligations arise from off-balance sheet operating leases for business premises outside Switzerland and for road vehicles, office equipment and similar assets.

The expense recognized in the fiscal year for operating leases was CHF 3,229 thousand (prior year: CHF 3,289 thousand).

24 Financial instruments**24.1 Classes of financial instruments**

Fiscal year 2011	Financial assets		Financial liabilities		Fair value
	Held for trading	Loans and receivables	Held for trading	At amortized cost	
In thousands of CHF					
Cash and cash equivalents		19,992			19,992
Trade and other receivables		31,830			31,830
Derivatives	0				0
Current debt				13,340	13,340
Trade and other payables				14,790	14,790
Derivatives			860		860
Long-term debt (fixed rate)				38,800	41,234
					Total
Interest income/(expense)	0	24	0	(2,528)	(2,504)
Net loss on derivatives	0	0	(780)	0	(780)
Change in provisions for doubtful accounts and in losses on trade		(315)			(315)
Total net loss recognized in the income statement	0	(291)	(780)	(2,528)	(3,679)

There were no available-for-sale financial assets or held-to-maturity investments.

IFRS require all financial instruments which are held at fair value 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, which fall under Level 2 instruments.

Fiscal year 2010	Financial assets		Financial liabilities		Fair value
	Held for trading	Loans and receivables	Held for trading	At amortized cost	
In thousands of CHF					
Cash and cash equivalents		16,622			16,622
Trade and other receivables		36,326			36,326
Derivatives	1,307				1,307
Current debt				12,746	12,746
Trade and other payables				16,944	16,944
Derivatives			127		127
Long-term debt (fixed rate)				48,284	50,290
					Total
Interest income/(expense)	0	27	0	(3,426)	(3,399)
Net gain/(loss) on derivatives	1,307	0	(127)	0	1,180
Change in provisions for doubtful accounts and in losses on trade receivables		(131)			(131)
Total net gain/(loss) recognized in the income statement	1,307	(104)	(127)	(3,426)	(2,250)

24.2 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 recently obtained or refinanced loans.

25 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 inseparably linked to its business activities. COMET seeks to avoid inappropriate financial risks and to mitigate risks through appropriate hedges. The key elements of risk management form an integral part of Group strategy. Clearly defined management information and control systems are used to measure, monitor and control risks. Detailed risk reports are produced on a regular basis.

25.1 Capital management

The primary goal of capital management is to manage equity 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 using a gearing ratio (net debt divided by the sum of equity and net debt). The capital structure provides sufficient equity to cover the business risks and assures the Group's financial flexibility. Net debt represents interest-bearing current and long-term debt less cash and cash equivalents.

In thousands of CHF	2011	2010
Current debt	13,340	12,746
+ Long-term debt	38,800	48,284
./. Cash and cash equivalents	19,992	(16,622)
Net debt	32,148	44,408
Shareholders' equity	119,298	111,735
Shareholders' equity plus net debt	151,446	156,143
Gearing ratio	21%	28%

The Group seeks to maintain a gearing ratio (defined above) of between 20% and 40%.

25.2 Risks in connection with financial instruments

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

25.2.1 Market risk

Market risk is the risk of changes in the price of financial assets, in currency exchange rates, in interest rates and in 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 rather than 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 Systems division are hedged by means of forward exchange contracts at the time the order is received. The Modules & Components division non-selectively hedges 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 2011

In thousands of CHF	Increase in exchange rate	Effect on income before tax	Effect on equity
EUR/CHF	+5%	+1,350	+2,000
USD/CHF	+5%	+205	+289

Fiscal year 2010

In thousands of CHF	Increase in exchange rate	Effect on income before tax	Effect on equity
EUR/CHF	+5%	-275	+3,382
USD/CHF	+5%	+591	+197

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 in note 24.1 on an indicative basis.

25.2.2 Credit risk

Credit risk is the risk that a counterparty will not be willing or able to meet its obligations. To mitigate this risk, COMET deals with multiple 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:

	2011		2010	
	Rating*	Balance	Rating*	Balance
Bank A	A	9,958	A+	6,891
Bank B	AAA	178	AAA	1,166
Bank C	A	4,976	A	529
Other counterparties		4,863		8,016
Total bank deposits		19,975		16,602

* 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 4.

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

25.2.3 Liquidity risk

COMET defines liquidity risk as the risk that, at any time, 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 adherence to an appropriate level of the gearing ratio used. 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 2011				
		Carrying amount	Payments due by period			
			Total	2012	2013–2016	After 2016
In thousands						
of CHF						
	Current and long-term debt	52,140	58,604	15,074	31,744	11,786
	Trade and other payables	14,790	14,790	14,790	–	–
	Derivatives (negative fair values)	860	860	860	–	–
	Total	67,790	74,254	30,724	31,744	11,786
		Fiscal year 2010				
		Carrying amount	Payments due by period			
			Total	2011	2012–2015	After 2015
In thousands						
of CHF						
	Current and long-term debt	61,030	70,168	15,206	39,573	15,390
	Trade and other payables	16,944	16,944	16,944	–	–
	Derivatives (negative fair values)	127	127	127	–	–
	Total	78,101	87,239	32,277	39,573	15,390

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 5.

26 Segment reporting

For management reporting purposes the Group is divided into two divisions, based on the products and services offered. The Group has the following operating segments:

- The Modules & Components division develops, manufactures and markets components and modules for industrial x-ray applications, and components and RF modules for a wide range of applications in vacuum capacitors and for semiconductor fabrication plants.
- The Systems division is a global vendor of systems and services for non-destructive testing using x-ray technology and computed tomography.

Management monitors the operating results separately for each division in order to be able to determine the appropriate allocation of resources. Segment disclosures are consistent with the data from internal management reporting and encompass all revenues and costs that can be directly allocated to a segment. Items not allocated to a segment are the costs of COMET HOLDING AG, non-allocable financing income and expense, and income taxes. These unallocated expenses and revenues are reported in the “Corporate” column.

Segment assets include all operating assets such as trade and other receivables, inventories, property, plant and equipment, goodwill and other intangible assets. The segment liabilities consist of all operating liabilities, including provisions. The following items are not allocated to 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. Intersegment sales are recognized at prices that correspond to market prices.

26.1 Operating segments

Fiscal year 2011

In thousands of CHF	Modules & Components division	Systems division	Elimination of intersegment sales	Corporate	Consolidated
Net sales					
External net sales	104,082	112,883	–	–	216,965
Intersegment sales	14,989	2,325	(17,314)		–
Total net sales	119,071	115,208	(17,314)	–	216,965
Earnings					
Segment operating income	13,382	2,097	437		15,916
Unallocated costs	–	–		(1,249)	(1,249)
Operating income/(loss) [EBIT]	13,382	2,097	437	(1,249)	14,667
Financing expenses					(18,136)
Financing income					14,105
Income before tax					10,636
Income tax					(581)
Net income					10,055
EBITDA¹	21,249	6,890	437	(1,249)	27,325
Assets and liabilities					
Segment assets	110,382	75,562	–	22,478	208,423
Segment liabilities	(9,478)	(21,534)	–	(58,075)	(89,086)
Net assets	100,905	54,029	–	(35,597)	119,336
Other segment information					
Capital expenditure ²	5,333	2,838		–	8,171
Depreciation and amortization	7,866	4,792		–	12,658
Change in provisions	(311)	961		(10)	640
Other non-cash expense/(income)	(615)	(234)	(437)	2,643	1,357
Number of employees at year-end	420	314		–	734

¹ EBITDA represents operating income (EBIT) plus depreciation and amortization.

² Capital expenditure in the Systems division in 2011 included the following amount that did not represent a cash effect: CHF 991 thousand of additions to non-current assets from the reclassification of demonstration equipment from inventories to property, plant and equipment.

Fiscal year 2010

In thousands of CHF	Modules & Components division	Systems division	Elimination of intersegment sales	Corporate	Consolidated
Net sales					
External net sales	113,684	103,711	–	–	217,395
Intersegment sales	16,935	2,495	(19,430)		–
Total net sales	130,619	106,206	(19,430)	–	217,395
Earnings					
Segment operating income	20,062	(1,359)	(790)		17,914
Unallocated costs	–	–		(1,674)	(1,674)
Operating income/(loss) [EBIT]	20,062	(1,359)	(790)	(1,674)	16,239
Financing expenses					(42,005)
Financing income					35,694
Income before tax					9,928
Income tax					(2,439)
Net income					7,489
EBITDA¹	27,324	3,473	(790)	(1,674)	28,333
Assets and liabilities					
Segment assets	108,719	87,504	–	18,582	214,805
Segment liabilities	(14,108)	(22,392)	–	(66,570)	(103,070)
Net assets	94,611	65,112	–	(47,989)	111,735
Other segment information					
Capital expenditure ²	3,775	3,203		–	6,978
Depreciation and amortization	7,262	4,832		–	12,094
Other non-cash expense/(income)	33	888		–	921
Number of employees at year-end	411	310		–	721

¹ EBITDA represents operating income (EBIT) plus depreciation and amortization.

² Capital expenditure in the Systems division in 2010 included the following amounts that did not represent a cash effect: additions to non-current assets under finance leases in the amount of CHF 18 thousand, and additions of CHF 2,048 thousand to non-current assets from the reclassification of demonstration equipment from inventories to property, plant and equipment.

26.2 Geographic information

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

Net sales by region		2011	2010
In thousands of CHF			
	Switzerland	3,224	1,545
	Rest of Europe (largely EU countries)	63,492	50,911
	Total Europe	66,716	52,456
	North America	59,751	77,580
	Asia	82,165	82,807
	Other countries	8,333	4,553
	Total rest of world	150,249	164,939
	Total	216,965	217,395

The geographic distribution of non-current assets was as follows:

Non-current assets by region		2011	2010
In thousands of CHF			
	Switzerland	61,707	65,027
	Rest of Europe (largely EU countries)	41,443	40,426
	Total Europe	103,150	105,454
	North America	3,727	3,076
	Asia	4,691	4,164
	Other countries	0	0
	Total rest of world	8,418	7,240
	Total	111,568	112,693

26.3 Sales with key accounts

In the year under review, the Modules & Components division recorded sales of CHF 22.8 million with its largest customer, which represented 10.5% of Group sales (prior year: CHF 29.9 million/13.7%).

27 Capital structure and shareholders**Capital stock**

The capital stock at January 1, 2011 was CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 per share. In fiscal year 2011 the capital stock was increased by 5,036 shares from the portion of authorized capital designated for use in equity-based compensation.

Including the increase of 5,036 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2011 thus had CHF 7,625,160 of capital stock, divided into 762,516 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on November 3, 2011 the Board of Directors declared that the contingent increase in the capital stock was completed with due regard to the rules and regulations. The information for COMET HOLDING AG in the commercial register was updated to reflect the change in capital stock.

	2011		2010	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	757,480	7,574,800	757,480	7,574,800
Increase from authorized capital for employee, management and Board incentive plan	5,036	50,360	–	–
December 31	762,516	7,625,160	757,480	7,574,800

Neither COMET HOLDING AG nor its subsidiaries held treasury stock at the balance sheet date.

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: "bedingtes Kapital"). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 124,840 by issuing up to 12,484 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 employees of its subsidiaries 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 2010 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior management of the subsidiaries in Switzerland and Germany were granted a total of 5,036 shares of stock in May 2011 in payment of compensation due. The shares were offset against the compensation due at a price of CHF 137 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:

	2011		2010	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	17,520	175,200	17,520	175,200
Stock compensation under incentive plan	(5,036)	(50,360)	–	–
December 31	12,484	124,840	17,520	175,200

Authorized capital for other capital increases

At December 31, 2011, 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 27, 2013 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.

27.1 Significant shareholders

At December 31, 2011 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with 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%
Swisscanto Asset Management AG, Zurich	4.87%
Mi-Fonds (Lux), Luxembourg	4.82%
Matter Group AG, Zug	4.42%
UBS Fund Management (Switzerland) AG, Basel	3.92%

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

28 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 the form of 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 as stock of COMET HOLDING AG. The stock is subject to a holding period of three years.

Members of the Executive Committee and senior managers

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 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, 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 consolidated net income, and is paid solely in the form of stock.

The purchase price 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 date of the annual press conference announcing the full-year financial results, 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 698 thousand (prior year: CHF 1,192 thousand).

Under the 2010 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior management were granted 5,036 shares in May 2011. The shares were allotted at a price of 137 CHF per share. Ownership of the shares passes to the recipient at the grant date. The shares carry dividend rights immediately.

29 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	2011	2010*
Cash compensation, including short-term employee benefits	2,316	2,666
Contributions to post-employment benefit arrangements	326	289
Termination benefits	0	19
Expense for share-based payments	501	672
Total compensation	3,143	3,646

* Prior-year data is restated as a result of the difference between the proportion of stock to cash compensation recorded as accrued and the actual proportion, and any difference between the variable portion of compensation 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 for the prior year. The actual aggregate compensation for the prior year was CHF 127 thousand more 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 82.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 34,300 (prior year: CHF 59,400) for services rendered. 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 information, 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 is disclosed in the notes to the separate financial statements of COMET HOLDING AG. Compensation is presented beginning on page 84; shareholdings are presented from page 89.

30 Risk assessment

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. On this basis, 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 106.

31 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.

32 Proposed distribution to shareholders

The Board of Directors will propose to the Annual Shareholder Meeting to pay a distribution of CHF 4.00 per share for fiscal year 2011 (prior year: CHF 3.50) from distributable paid-in capital. The total amount of the proposed distribution is CHF 3,050 thousand (prior year: CHF 2,651 thousand).

33 Release of the consolidated financial statements for publication

The Board of Directors released these financial statements on March 1, 2012 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 18, 2012 for approval.

Report of the statutory auditor on the consolidated financial statements

To the Annual Shareholder Meeting of COMET HOLDING AG, Flamatt

As statutory auditor, we have audited the consolidated financial statements of COMET HOLDING AG which comprise the balance sheet, the statement of income, the comprehensive income statement, the statement of cash flows, and the statement of changes in equity, and the notes (pages 30 to 77) for the year ended December 31, 2011.

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, 2011 give a true and fair view of the financial position, the results of the 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 1, 2012

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Stefan Blaser
Licensed audit expert

COMET HOLDING AG

Separate Financial Statements

		Balance Sheet			
In thousands of CHF	Asset	Dec. 31, 2011	%	Dec. 31, 2010	%
	Cash and cash equivalents	531		394	
	Receivables from non-Group entities	1		1	
	Receivables from related parties	0		28	
	Receivables from Group companies	18		105	
	Prepaid expenses	2		2	
	Total current assets	552	0.5%	530	0.5%
	Loans to Group companies	49,011		48,449	
	Investments in subsidiaries	59,850		59,850	
	Rights to trademarks and names, Feinfocus	2,314		2,613	
	Total non-current assets	111,175	99.5%	110,912	99.5%
	Total assets	111,727	100.0%	111,442	100.0%
	Liabilities and shareholders' equity				
	Liabilities to non-Group entities	145		36	
	Liabilities to related parties	275		507	
	Liabilities to Group companies	4,744		6,925	
	Current portion of long-term debt	6,500		6,750	
	Bank debt	13,749		20,238	
	Accrued expenses	428		346	
	Total liabilities	25,841	23.1%	34,802	31.2%
	Capital stock	7,625		7,575	
	Legal reserves				
	General legal reserve	4,958		20,160	
	Additional paid-in capital			38,970	
	Distributable paid-in capital	52,161		–	
	Free reserve	–		7,000	
	Capital stock and reserves	64,744		73,705	
	Earnings brought forward	9,936		9,742	
	Net income/(loss) for the year	11,207		(6,806)	
	Total retained earnings	21,142		2,936	
	Total shareholders' equity	85,886	76.9%	76,640	68.8%
	Total liabilities and shareholders' equity	111,727	100.0%	111,442	100.0%

		Statement of Income			
In thousands of CHF		2011	%	2010	%
	Income from subsidiaries	13,000		3,000	
	Financing income	1,410		2,901	
	License fee income	372		–	
	Total income	14,782	100.0%	5,901	100.0%
	Financing expenses	(1,339)		(1,974)	
	Foreign currency translation losses	(909)		(13,007)	
	Administrative expenses	(1,029)		(1,747)	
	Amortization of rights to trademarks and names, Feinfocus	(299)		–	
	Impairment reversal on investments in subsidiaries	–		800	
	Impairment reversal on loans to Group companies	–		3,220	
	Total expenses	(3,575)	24.2%	(12,707)	215.3%
	Net income/(loss) for the year	11,207	75.8%	(6,806)	(115.3%)

Notes to the Separate Financial Statements of COMET HOLDING AG

General information

COMET HOLDING AG (the Company) 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, 2011 was CHF 113.6 million (SIX Swiss Exchange closing price per share: CHF 149.00).

The separate financial statements of COMET HOLDING AG at and for the year ended December 31, 2011 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.

1 Investments in subsidiaries

The following companies were consolidated in the Group financial statements of COMET HOLDING AG at December 31, 2011:

Company	Domicile	Currency	Capital stock	Equity interest in %	
				2011	2010
COMET HOLDING AG	Flamatt, Switzerland	CHF	7,625,160	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%
YXLON International GmbH	Hamburg, Germany	EUR	110,000	100%	100%
Stolberg HF-Technik AG*	Stolberg, Germany	EUR	900,000	100%	–
YXLON International A/S	Taastrup, Denmark	DKK	601,000	100%	100%
COMET Technologies USA Inc.	Akron, OH, USA	USD	1,000	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%

* With effect from September 1, 2011, the German company Stolberg HF-Technik AG was wholly acquired by YXLON International GmbH. With this exception, the investments in subsidiaries remained unchanged from the prior year.

Subsidiaries are measured at the lower of cost and market value.

2 Capital structure and shareholders

Shares outstanding

The capital stock at January 1, 2011 was CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 per share. In fiscal year 2011 the capital stock was increased by 5,036 shares from the portion of authorized capital designated for use in equity-based compensation.

Including the increase of 5,036 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2011 thus had CHF 7,625,160 of capital stock, divided into 762,516 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on November 3, 2011 the Board of Directors formally acknowledged that the capital increase from authorized capital for equity compensation was completed with due regard to the rules and regulations. The information for COMET HOLDING AG in the commercial register was updated to reflect the change in capital.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2011	757,480	7,574,800
Increase in capital from the portion of authorized capital designated for equity-based compensation	5,036	50,360
December 31, 2011	762,516	7,625,160

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: "bedingtes Kapital"). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 124,840 by issuing up to 12,484 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 employees of its subsidiaries 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 2010 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior management of the subsidiaries in Switzerland and Germany were granted a total of 5,036 shares of stock in May 2011 in payment of CHF 689,932 of compensation due. The shares were offset against the compensation due at a price of CHF 137 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, 2011	17,520	175,200
Number of shares issued during the fiscal year	(5,036)	(50,360)
December 31, 2011	12,484	124,840

Authorized capital for other capital increases

At December 31, 2011, in addition to shares outstanding and unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Kapital"). For these purposes, the Board of Directors is authorized until April 27, 2013 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.

Registered shareholders

At December 31, 2011, COMET HOLDING AG had 2,108 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 2,067). One hundred percent of the issued registered stock represented free float. COMET HOLDING AG did not own treasury stock at December 31, 2011.

Significant shareholders

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

At December 31, 2011 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with 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%
Swisscanto Asset Management AG, Zurich	4.87%
Mi-Fonds (Lux), Luxembourg	4.82%
Matter Group AG, Zug	4.42%
UBS Fund Management (Switzerland) AG, Basel	3.92%

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2011 these shares of unregistered owners amounted to 18% of the total (prior year: 17%).

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

Cross-shareholdings

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

3 Disclosure of compensation

The disclosures below present all compensation to members of the Board of Directors and Executive Committee and related parties¹:

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

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

Fiscal year 2010*							
Name		Hans Hess	Hans Leonz Notter	Thomas Hinderling	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman and acting CEO	Vice Chairman	Member	Member	Member	Total
In CHF							
Footnote							
Base fees, net	(1)	438,625	6,917	6,493	69,100	26,829	547,964
Variable fees from incentive plan, net	(2)	0	0	0	7,126	0	7,126
Variable fees for additional services, net	(3)	0	20,000	0	0	20,000	40,000
Total cash compensation		438,625	26,917	6,493	76,226	46,829	595,090
Stock compensation	(4)	106,030	138,243	127,347	11,804	98,291	481,715
Contributions for old age and survivors insurance and unemployment insurance		0	11,471	8,997	7,283	10,633	38,385
Total expenses for long-term benefits	(5)	0	11,471	8,997	7,283	10,633	38,385
Total compensation		544,655	176,631	142,837	95,313	155,753	1,115,190

* Prior-year (2010) data has been restated to reflect the difference between the proportion of stock to cash compensation previously recorded as accrued for 2010 and the actual proportion 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 the prior year was CHF 27,234 more than reported in the prior year.

The compensation of Hans Hess for fiscal year 2010 relates both to his position of Chairman of the Board of Directors of COMET HOLDING AG and to his additional, operational role of interim chief executive for the period from February 1, 2010 to December 31, 2010.

Fiscal year 2011							
Name		Hans Hess	Hans Leonz Notter	Thomas Hinderling	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman	Vice Chairman	Member till 4/27/2011	Member	Member	Total
In CHF							
Footnote							
Base fees, net	(1)	76,000	31,548	9,500	31,548	31,548	180,143
Variable fees from incentive plan, net	(2)	0	0	4,750	0	0	4,750
Variable fees for additional services, net	(3)	30,875	0	0	0	0	30,875
Total cash compensation		106,875	31,548	14,250	31,548	31,548	215,768
Stock compensation	(4)	94,003	54,552	0	54,552	54,552	257,659
Contributions for old age and survivors insurance and unemployment insurance		0	6,706	1,150	6,706	6,706	21,269
Total expenses for long-term benefits	(5)	0	6,706	1,150	6,706	6,706	21,269
Total compensation		200,878	92,806	15,400	92,806	92,806	494,695

As planned, with effect from January 1, 2011, Ronald Fehlmann assumed the positions of Group Chief Executive Officer and head of the Modules & Components division, taking over from Hans Hess, Chairman of the Board of the COMET Group, who had held these additional positions on an interim basis.

- (1) Base fees are paid as compensation for Board responsibilities and consist of a fixed base retainer plus expenses. Also included in this item is the amount necessary to cover payment of social security contributions in connection with share purchases. The entire base retainer and the expense allowance are paid only in cash.
- (2) The Board compensation scheme has a performance-based component. This performance-related compensation is calculated in accordance with the same general principles as the incentive plan for senior managers. Any variable compensation must be drawn entirely in the form of stock and is reported under stock compensation. An exception is the payment to Thomas Hinderling, who retired at the Annual Shareholder Meeting on April 27, 2011.
- (3) Based on the provision for additional responsibilities (special tasks) of Board members, in 2010 a compensation agreement for the work of Hans Hess as acting CEO was prepared under the lead of the Nomination & Compensation Committee for approval by the Board of Directors. Under this agreement, the Board decided to pay Hans Hess a one-time lump sum of CHF 30,875 for his additional responsibilities in connection with the orientation period of the new CEO in the 2011 fiscal year. This compensation was paid in cash.
- (4) This item includes any performance-based compensation. These variable fees must be drawn entirely in the form of stock. This item also includes the per-day fee, which must be drawn entirely in the form of stock. The effective transfer of the stock occurs in May of the subsequent year. The purchase price is determined based on the average market price of the stock from its first trading day after the date of the press conference announcing the annual financial results, 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) 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.

The significant decrease in total Board compensation compared with the prior year was attributable mainly to the almost complete absence of additional remuneration of Hans Hess as acting CEO and to the lower number of meetings. As well, the variable fees were significantly lower in fiscal year 2011 than in the prior year.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 34,300 (prior year: CHF 59,400). 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.

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

As announced on November 10, 2010, the Board of Directors of COMET HOLDING AG appointed Ronald Fehlmann as the new CEO of the COMET Group. He assumed this position on January 1, 2011. As well, on March 7, 2011, Jürg Keller became Head of Corporate Human Resources.

A total of seven persons thus served as Executive Committee members during all or part of the fiscal year. On average in the year under review, expressed in full-time equivalents, 6.9 persons served on the Executive Committee (prior year: 6.1 persons). The compensation of the ordinary members of the Executive Committee for which an expense was accrued is presented in the table below. It does not include the expense for the consulting services of Peter Schmid (see note 3.5). It also does not include the compensation paid to Hans Hess for the orientation of the new CEO, as this amount is already reported in Mr. Hess's compensation as a Board member.

Name	Footnote	Highest compensation		
		Executive Committee total	Ronald Fehlmann (1)	CEO since 1/1/2011
In CHF				
Fiscal year	Footnote	2011	2010*	2011
Base salary, gross	(2)	1,770,453	1,467,426	430,001
Variable compensation, gross	(3)	114,308	381,790	53,750
Total cash compensation		1,884,761	1,849,216	483,751
Stock compensation	(4)	242,866	189,816	83,984
Benefits in kind	(5)	21,857	21,062	3,200
Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	(6)	476,770	431,192	120,716
Contributions for health and accident insurance	(7)	21,953	20,275	3,702
Total expenses for long-term benefits		498,723	451,468	124,417
Termination benefit		0	19,000	0
Total compensation		2,648,208	2,530,561	695,353

* Prior-year (2010) data has been restated to reflect the difference between the proportion of stock to cash compensation previously recorded as accrued for 2010 and the actual proportion drawn, as well as any difference between the variable compensation recorded as accrued at the year-end and the actual variable compensation. The data for the prior year 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 the prior year was CHF 99,406 more than reported in the prior year.

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 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. This compensation is paid in cash. This item comprises the fixed compensation of all Executive Committee members who served during 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.
- (4) This item includes that portion of variable compensation which is based on performance against the quantitative targets other than consolidated net income. This portion of variable compensation is paid out irrespective of the amount of consolidated net income, and is paid solely in the form of stock. The effective transfer of the stock occurs in May of the subsequent year. The purchase price is determined based on the average market price of the stock from its first trading day after the date of the press conference announcing the annual financial results, 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, a GA travel card for the use of Swiss public ground transportation was purchased for one member of the Executive Committee.

- (6) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as contributions to the family allowance fund (FAK) and the Company's employee pension plans.
- (7) This item represents employer contributions to the health and accident insurance plans.

The total compensation of the Executive Committee was slightly higher than in the prior year as a result of a larger average number of active members of the Executive Committee. In the prior year the compensation of Hans Hess as designated representative of the Board of Directors and acting CEO was reported in the compensation to members of the Board of Directors. The total variable compensation of the Executive Committee was significantly lower than in the prior year.

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

With the exception of the one-time lump sum payment of CHF 30,875 to Hans Hess noted in section 3.1, no compensation was paid in the year under review to former members of the Board of Directors or of the Executive Committee.

3.4 Additional information on compensation

In the year under review, no termination benefits were paid to former members of the Board of Directors or of the 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, 2011.

3.5 Interim management contracts

In connection with the transition to a new Head of Corporate Human Resources, the Board of Directors had appointed Peter Schmid as interim Head of Corporate Human Resources in fiscal year 2010 on a consulting basis. Peter Schmid works as an independent consultant and interim manager in such human resources assignments. He previously held comparable positions at companies such as Saia Burgess and Zehnder Group. His temporary role at COMET expired at the end of March 2011 after the new Head of Corporate Human Resources, Jürg Keller, took up the position. In total for fiscal year 2011, Peter A. Schmid invoiced fees of CHF 71,720 under his interim management contract.

4 Disclosure of Board and Executive Committee shareholdings

The ownership interests in COMET HOLDING AG held by members of the Board of Directors and of the Executive Committee are disclosed below. This disclosure covers all persons who held Board or Executive Committee positions for all or part of the year under review or of the prior year, regardless of whether they still 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	
	2011	2010	May 7, 2012	May 3, 2013	May 6, 2014	2011	2010
Hans Leonz Notter Vice Chairman and member of the Board	17,988	17,214	54	394	609	2.4%	2.3%
Hans Hess Chairman of the Board	8,566	8,099	91	0	467	1.1%	1.1%
Thomas Hinderling Member of the Board until Apr. 27, 2011	1,943	1,382	916	357	561	0.3%	0.2%
Lucas A. Grolimund Member of the Board	151	99	27	0	52	0.0%	0.0%
Rolf Huber Member of the Board	1,644	1,211	786	413	433	0.2%	0.2%
Ronald Fehlmann Chief Executive Officer since Jan. 1, 2011	150	0	0	0	0	0.0%	0.0%
Markus Portmann Chief Financial Officer	1,254	937	346	0	317	0.2%	0.1%
Joseph Kosanetzky Head of Systems division	414	321	255	0	93	0.1%	0.0%
Michael Kammerer Head of Plasma Control Technologies	264	117	117	0	147	0.0%	0.0%
Charles Flükiger Head of Industrial X-Ray	314	305	152	0	162	0.0%	0.0%
Eric Dubuis Chief Information Officer	261	146	80	0	115	0.0%	0.0%
Jürg Keller Head of Corporate Human Resources since Mar. 7, 2011	0	0	0	0	0	0.0%	0.0%

Each 1,000 registered shares of COMET HOLDING AG with a par value of CHF 10 per share represented a total of 0.1311% of all voting power (prior year: 0.1320%). The Board of Directors and Executive Committee held a total of 4.4% of voting rights.

No material changes in ownership interests arose after the balance sheet date of December 31, 2011.

Options and conversion rights

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

Treasury stock

	2011	2010
Number of shares at January 1	0	0
Number of shares purchased in the year	507	1,426
Number of shares sold in the year	(507)	(1,426)
Number of shares at December 31	0	0
Average purchase price per share in CHF	191	149
Average sale price per share in CHF	198	151

COMET HOLDING AG did not own treasury stock at December 31, 2011.

5 Guarantees and pledged assets

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

In thousands of CHF	2011	2010
Guarantee obligations to banks in respect of bank credit limits	0	300
Shares of subsidiary YXLON International GmbH pledged as collateral under a bank credit agreement (at carrying amount)	44,403	44,403

6 Risk assessment

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. On this basis, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system that is designed both for the early identification of risks and the timely adoption of 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 106 of this annual report.

7 Release of the consolidated financial statements for publication

The Board of Directors released these financial statements on March 1, 2012 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 18, 2012 for approval.

Board of Directors' proposal for the appropriation of retained earnings

In the fiscal year, COMET HOLDING AG earned total income of CHF 14.8 million (prior year: CHF 5.9 million). The change relative to the prior year, which occurred despite lower interest expense on loans, resulted from significantly higher dividend income from subsidiaries.

Total expenses in the fiscal year, at CHF 3.6 million, were substantially lower than the year-earlier level of CHF 12.7 million. The principal reason for this lay in a pronounced year-over-year reduction in foreign exchange losses on the translation of euro-area loans into Swiss francs. The lower administrative expenses reflected lower fees paid to the Board of Directors and lower additional costs associated with the changes in the Group's management. The prior year's impairment reversals on investments in subsidiaries and on loans were absent in fiscal year 2011. Amortization of rights to trademarks and names related to Feinfocus was offset by passing the expenses through to the users of the rights.

The shareholders' equity of COMET HOLDING AG at the end of the fiscal year was CHF 85.9 million (prior year: CHF 76.6 million), representing an equity ratio of 76.9% (prior year: 68.8%).

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

In thousands of CHF	2011	2010
Earnings brought forward	9,936	9,742
Net income/(loss) for the year	11,207	(6,806)
Total retained earnings	21,142	2,936
Transfer from free reserve	–	7,000
Retained earnings available for distribution	21,142	9,936
Transfer to legal reserves	–	–
Earnings carried forward	21,142	9,936

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

In thousands of CHF	2011	2010
Distributable paid-in capital brought forward	–	–
Transfer from general legal reserve	15,202	–
Transfer from additional paid-in capital	36,319	2,651
Distributable paid-in capital reserve*	51,521	–
Repayment of CHF 4.00 per share from distributable paid-in capital for 2011 (2010: CHF 3.50 per share)	(3,050)	(2,651)
Distributable paid-in capital carried forward	48,471	–

* By a decision of the Swiss Federal Tax Administration, CHF 51,521,060 of the distributable paid-in capital reserve is approved for tax-exempt repayment to shareholders.

COMET is also applying for approval to similarly designate for tax-exempt repayment to shareholders the additional paid-in capital of CHF 639,572 related to the 2011 capital increase. This latter approval is still pending.

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

As statutory auditor, we have audited the financial statements of COMET HOLDING AG, which comprise the balance sheet, income statement and notes (pages 80 to 91), for the year ended December 31, 2011.

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, 2011, 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 1, 2012

Ernst & Young Ltd

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Stefan Blaser
Licensed audit expert

Corporate Governance

Corporate governance is defined by COMET as the entirety 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 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

Modules & Components Division

Systems Division

The Group's commercial activities fall into two divisions: Modules & Components, and Systems. Financial reporting is segmented along these divisional lines. The financial data for the individual divisions is found in the segment information within the notes to the consolidated annual financial statements, beginning on page 69 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. Since December 17, 2002, the registered shares of COMET HOLDING AG are listed in the main market segment (known as the Main Standard segment) of the SIX Swiss Exchange in Zurich.

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2011	CHF 149.00
Market capitalization at December 31, 2011	CHF 113.6 million

Assorted data on the stock of COMET HOLDING AG is provided on page 13 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 82.

Registered shareholders

At December 31, 2011, COMET HOLDING AG had 2,108 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 2,067). One hundred percent of the issued registered stock represented free float. COMET HOLDING AG did not own treasury stock at December 31, 2011.

The structure of share ownership size classes among the shareholders of record at December 31, 2011 was as follows:

Number of shares owned	Number of shareholders
1 to 100	1,554
101 to 1,000	473
1,001 to 5,000	58
5,001 to 10,000	10
More than 10,000	13

Significant shareholders

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

At December 31, 2011 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with 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%
Swisscanto Asset Management AG, Zurich	4.87%
Mi-Fonds (Lux), Luxembourg	4.82%
Matter Group AG, Zug	4.42%
UBS Fund Management (Switzerland) AG, Basel	3.92%

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2011 these shares of unregistered owners amounted to 18% of the total (prior year: 17%). The Company is not aware of any other shareholders that held more than 3% of its voting rights. To the best of the Company's knowledge, there were no voting pool agreements.

Reportable changes during fiscal year 2011

In the fiscal year no 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, 2011 was CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 per share. In the 2011 fiscal year the capital stock was increased by 5,036 shares from the portion of authorized capital designated for equity-based compensation.

Including the increase of 5,036 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2011 thus had CHF 7,625,160 of capital stock, divided into 762,516 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on November 3, 2011 the Board of Directors declared that the capital increase from authorized capital for equity compensation was completed with due regard to the rules and regulations. The information for 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, 2011	757,480	7,574,800
Increase in capital from the portion of authorized capital designated for equity-based compensation	5,036	50,360
December 31, 2011	762,516	7,625,160

Authorized capital for equity-based compensation

Under section 3b of its Bylaws, the Company has unissued authorized capital that is designated for use only in equity-based compensation (in German: «bedingtes Kapital»). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 124,840 by issuing up to 12,484 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 employees of its subsidiaries 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 2010 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior management of the subsidiaries in Switzerland and Germany were granted a total of 5,036 shares in May 2011 in payment of CHF 689,932 of compensation due. The shares were offset against the compensation due at a price of CHF 137 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, 2011	17,520	175,200
Number of shares issued during the fiscal year	(5,036)	(50,360)
December 31, 2011	12,484	124,840

Authorized capital for other capital increases

At December 31, 2011, 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 27, 2013 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 preemptive rights are granted but not exercised must be sold by the Company at market prices.

Changes in shareholders' equity

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

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Free reserve	Retained earnings	Total shareholders' equity
December 31, 2008	7,508	20,160	38,313	11,500	(1,866)	75,616
Net income					9,739	9,739
Transfer from free reserve				(4,500)	4,500	0
Dividend paid					(2,252)	(2,252)
Increase in capital stock	66		657			723
December 31, 2009	7,575	20,160	38,970	7,000	10,120	83,825
Net loss					(6,806)	(6,806)
Dividend paid					(379)	(379)
December 31, 2010	7,575	20,160	38,970	7,000	2,935	76,640
Transfer of distributable paid-in capital approved by tax authority		(15,202)	15,202			0
Transfer from free reserve				(7,000)	7,000	0
Net income					11,207	11,207
Distribution from distributable paid-in capital			(2,651)			(2,651)
Increase in capital stock	50		640			690
December 31, 2011	7,625	4,958	52,161	0	21,142	85,886

The corresponding information for the two preceding fiscal years is found on page 88 of the Annual Report 2009 and page 94 of the Annual Report 2010. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 34 of this Annual Report 2011.

Shares and participation certificates

The Company's capital stock at December 31, 2011 consisted of 762,516 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 and did not hold treasury stock at December 31, 2011.

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 ownership for their own account. A condition of registration in the share register is presentation of proof that the stock was bought to be held by the purchaser, or proof 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 commercial register. 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, strike entries (registrations) from the share register with retroactive effect to the entry date if the entry has come about as a result of false information provided by the purchaser. The purchaser must be advised immediately of the deletion. The Board of Directors in its discretion decides the related details and makes the arrangements necessary to ensure compliance with these rules. 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 senior executive management). In the fiscal year, one multi-person disclosure and ten single-person disclosures were filed. Published disclosures can be found on the website of the SIX Swiss Exchange.



Board of Directors

The Board of Directors has ultimate responsibility for the 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, 2011 the Board of Directors of COMET HOLDING AG had the following four members:

Name	Nationality	Board position	Member since	Elected until
Hans Hess Dipl. Ing. ETH, MBA USC	Swiss	Chairman and non-executive member	2005	2012
Hans Leonz Notter Lawyer	Swiss	Vice Chairman and non-executive member	1989	2012
Lucas A. Grolimund Dipl. Ing. ETH, MBA INSEAD	Swiss	Non-executive member	2007	2012
Rolf Huber Dipl. Ing. ETH	Swiss	Non-executive member	2008	2012

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

Changes in Board membership

On March 31, 2011 the Board of Directors of COMET HOLDING AG announced that Thomas Hinderling would retire for health reasons at the Annual Shareholder Meeting on April 27, 2011. The Board initiated the search for a new Board member.

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 (born 1955, Swiss citizen)

Education	Dipl. Werkstoff-Ingenieur degree in materials science from Swiss Federal Institute of Technology (ETH), Zurich MBA from University of Southern California, Los Angeles, CA
Professional experience	1981 to 1983: Development engineer at Sulzer AG, Winterthur 1983 to 1988: Head of PUR business unit, Huber & Suhner AG, Pfäffikon 1989 to 1993: Head of Medicinal & Stereo Microscopy, director, Leica AG, Heerbrugg 1993 to 1996: President of Optronics division, Leica AG, Heerbrugg 1996 to 2005: CEO of Leica Geosystems AG, Heerbrugg Since 2006: President of Hanesco AG, International Management Consulting, Pfäffikon

Hans Leonz Notter (born 1948, Swiss citizen)

Education	Lawyer Notary
Professional experience	Partner at law firm Notter Mégevand & Partner, Berne, Fribourg, Geneva Practice of business law, banking law and securities law

Lucas A. Grolimund (born 1966, Swiss citizen)

Education	Dipl. Elektroingenieur 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 (born 1965, Swiss citizen)

Education	M.Sc. 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

Executive management functions

As planned, with effect from January 1, 2011, Ronald Fehlmann took over as Group Chief Executive Officer and head of the Modules & Components division from Hans Hess, Chairman of the Board of the COMET Group, who had held these additional positions on an interim basis.

At the reporting date of December 31, 2011, no member 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, 2011):

Hans Hess	Member of the board, Burckhardt Compression Holding AG, Winterthur
	Chairman of the board, Reichle & deMassari Holding AG, Wetzikon
	Member of the board, Schaffner Holding AG, Luterbach
	Member of the ETH Board (ETH Domain)
	President, Swissmem (industry association)
Hans Leonz Notter	Vice President, economiesuisse (business association)
	Member of the board, SIGERANCE AG, Köniz
	Chairman of the board, Fondation Leschot, Berne
	Member of the board, Fondation Theodora
	Co-liquidator, Kleinert Unternehmungen Holding AG, Berne
Lucas A. Grolimund	Member of the board, Fribourg Chamber of Commerce
	Member of the board, Micronas Semiconductor Holding AG, Zurich
Rolf Huber	Member of the board, Hunziker AG Festwirtschaften, Willisau

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 organization

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 (which is usually the Chairman of the Board) as often as business requires, or when a Board member requests it 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 a tied vote, the meeting chairman 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.

As the Group's chief executive function has since January 1, 2011 again been performed by a full-time Chief Executive Officer, the Designated Representative of the Board of Directors withdrew from the chief executive role, which he had filled on a transitional basis in the prior year.

Board committees

In the interest of the efficient fulfillment of its obligations and as a result of the temporary reduction of its size to four members, the Board of Directors of COMET HOLDING AG adjusted the composition of the Board committees for the 2011 fiscal year as follows:

Committee	Members
Nomination & Compensation Committee	Rolf Huber (Committee chairman)
	Hans Leonz Notter
	Hans Hess
Audit Committee	Lucas A. Grolimund (Committee chairman)
	Hans Hess
Technology Committee	Temporarily not staffed

The committees' principal function is to prepare decision support for the full Board in specialized subject areas. At the ordinary 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 entire Group
- Review employee 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 five meetings. The Committee may invite other Board members, Executive Committee members or specialists to its meetings as needed. Two of the Committee's meetings in the year under review were attended by the CEO and the Head of Corporate Human Resources.

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 how well the independent auditing complements the internal controls, and review the performance and compensation of the independent auditors
- Evaluate the effectiveness of risk management
- Review the financial planning, budget, and budget adherence
- 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, Executive Committee members or specialists to its meetings as needed.

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 the technology sector 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. No separate meeting of the Technology Committee was held during the year. Instead, in 2011, the assessment of technology sector developments and the development measures taken by the Group were regularly discussed in the course of the Board's scheduled meetings with the divisions.

Functioning of the full Board of Directors

The Board of Directors as a rule convenes for a scheduled meeting every two months. Additional meetings or telephone conferences are held as needed. A total of six, scheduled 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, 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 also on an ad hoc basis as needed. Other members of the Executive Committee, other management staff and specialists of the COMET Group regularly attend Board meetings to report on particular projects in their area of responsibility. As well, external advisors are consulted as required to deal with specific matters. In addition, the Board receives monthly written reports on business performance, budget variances and forecast variances.

Delineation of areas 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 and business regulations. 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 financial plans and annual budgets
- Approve the acquisition and disposal of subsidiaries and of minority interests in other companies, as well as approve collaboration 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 and, in this capacity, ensure timely and appropriate reporting to the Board of Directors and implement the strategic decisions
- Develop business targets within the general objectives established by the Board and present proposals for strategic planning and the annual budget
- 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 the 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 Executive Committee 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 scheduled 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 more important business events 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 preparation of monthly consolidated financial statements and the comprehensive range of financial ratios calculated from them, the management reporting presents information such as new orders and order backlog, staffing levels and accounts past due. This data is aggregated by division and for the Group and compared to the prior year, the budget and the rolling forecast. The resulting insights and the actions to take in response 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 further tool for directing management processes, a rolling multi-year plan is prepared annually for the subsequent three years. In addition, every quarter, the management generates a rolling forecast for the following five quarters. These forward-looking control tools enable the Board to continually evaluate the financial effectiveness of the business strategy pursued and then take action accordingly.

Internal audit

Since 2006 the internal audit function is performed on a consulting basis by Robert Kruijswijk (based in Elgg, Switzerland). His compensation is determined by the amount of work performed. In the year under review, Mr. Kruijswijk carried out several special audits at a number of locations. Key audit priorities were various operating activities in Germany (working capital management, marketing and order fulfillment, procurement chain and production), in China (marketing, sales, human resources and finance) and Switzerland (research and development, marketing and communication). The internal auditor reports directly to the Audit Committee of the Board of Directors at least twice per year, and more frequently if required. On completion of each audit project, the internal auditor prepares and submits to the Board an audit report with a resulting action plan. 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). The regular scheduled reporting is based on the audit priorities approved by the Board of Directors 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 execution by the Executive Committee. Under the direction of the CEO, the significant risks in the individual business areas and departments are identified in 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 make regular adjustments to the existing risk portfolio. Also, newly identified risks are added to the portfolio and action plans are specified 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 on the assessment of the Group's risks.

Internal control system

In the fiscal year the COMET Group further refined the existing system of internal control (the "internal control system") and expanded and newly documented it where required. The internal control system has now been implemented 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, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in the day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures that risks are detected early and the necessary countermeasures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting. In the 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.

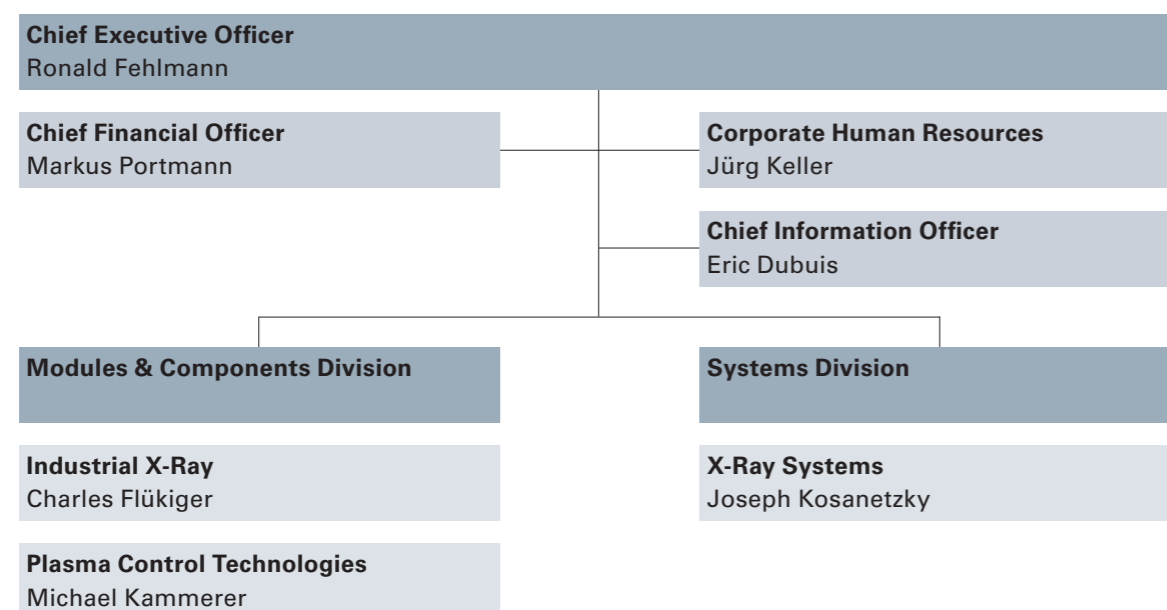


Jürg Keller Eric Dubuis Ronald Fehlmann Joseph Kosanetzky Markus Portmann Charles Flükiger Michael Kammerer

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, 2011, the COMET Executive Committee had seven members, who are named below.

Composition of the Executive Committee



Changes in Executive Committee membership

On January 1, 2011, Ronald Fehlmann assumed his new position as Chief Executive Officer of the COMET Group. On March 7, 2011, Jürg Keller took up his role as Head of Corporate Human Resources.

With COMET since:

Ronald Fehlmann (born 1962, Swiss citizen), Chief Executive Officer

Jan. 1, 2011

Education	Dipl. Ing. master's degree in engineering from Swiss Federal Institute of Technology (ETH), Zurich Lic. oec. MBA from University of St. Gallen (HSG)
Professional experience	1995 to 2000: Sarnafil International AG, head of sales Asia/direct exports and head of business development 2000 to 2005: Hilti AG, senior vice president, head of business unit 2005 to 2010: Wetrok AG, CEO

Markus Portmann (born 1959, Swiss citizen), Chief Financial Officer

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 in Berne; previously: various management positions in finance 1996 to 2001: CFO of Bund Verlag AG, Berne 2001 to 2004: CFO of Enterprise Communication division at Ascom, Solothurn

Eric Dubuis (born 1964, Swiss citizen), Chief Information Officer

Oct. 17, 2005

Education	Lic. phil. nat. degree in applied mathematics from University of Berne Dr. phil. nat. doctorate in computer science from University of Berne Executive MBA from University of Rochester, NY
Professional experience	1998 to 2000: MTS and technical manager, Lucent Technologies, Bell Labs, NJ; previously: various positions in software development 2000 to 2003: Director, Xebec Communications, Inc., NJ 2003 to 2005: Senior software engineer, Akadia AG, Thun

Joseph Kosanetzky (born 1953, German citizen), Head of Systems division

July 19, 2007

Education	Diplom-Physiker master's degree in physics from University of Bonn, Germany Doktor rer. Nat. doctorate in laser and molecular physics from University of Bonn
Professional experience	1980 to 1989: Philips research laboratory. From 1984: head of all research on X-ray diffraction; from 1986: senior scientist at Philips Research, Hamburg, Germany From 1990: Manager at Philips Industrial X-Ray 1998: CEO of YXLON International after MBO and company's launch Until July 2007: CEO of YXLON International Group HOLDING GmbH, Hamburg, Germany

Charles Flükiger (born 1960, Swiss citizen), Head of Industrial X-Ray

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
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 Since 2002: Head of Industrial X-Ray at COMET

Michael Kammerer (born 1961, Swiss citizen), Head of Plasma Control Technologies 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 2000 to 2002: Head of purchasing & logistics, Swisscom Solutions AG 2002 to 2007: Head of purchasing & supplier quality assurance, automotive, Saia-Burgess AG, Switzerland/Johnson Electric, Hong Kong

Jürg Keller (born 1966, Swiss citizen), Head of Corporate Human Resources Mar. 7, 2011

Education	Betriebsökonom FH degree in business administration from Zurich University of Applied Sciences (HWZ) Master of Advanced Studies in Human Resource Management from University of Applied Sciences (FH) Northwestern Switzerland, Olten
Professional experience	Until 2002: various positions primarily in finance 2002 to 2004: Project manager for staff and corporate development, Zurich Public Transport 2004 to 2006: Group controller, Wetrok AG, Kloten 2007 to 2010: Head of human resources management and member of the executive committee, Wetrok AG, Kloten

Activities and interests outside the Group

Outside the COMET Group, at December 31, 2011, the members of the Executive Committee did not hold positions on 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.

Compensation, Stock Ownership and Loans

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663 b^{bis} of the Swiss Code of Obligations is provided in the notes to the separate financial statements of COMET HOLDING AG on page 84 of this report.

Structure and determination of compensation and stock ownership plans for the Board of Directors**Basis and components of compensation and stock ownership plans****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 the form of 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 date of the annual press conference announcing the full-year financial results, 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 during which it must not be sold.

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 managers.

The relevant financial performance parameters at Group level are net income and return on capital employed (ROCE), which are weighted equally. If the lower end of the target range set by the Board is not reached, the respective portion of the variable compensation is zero. 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 the maximum of 100% of the base retainer. For target achievement levels between these points, the variable compensation is interpolated on a straight-line basis. In the fiscal year, the variable compensation amounted to 20% of the base retainer.

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 special tasks were assigned.

Any variable compensation must be drawn entirely as 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 date of the annual press conference announcing the full-year financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The stock received is therefore subject to a holding period of three years.

An additional precondition of the awarding of variable 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 tasks

On an exception basis, the Board may assign special tasks to one or more of its members. These are tasks that go beyond 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 each other Board member). The special tasks 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.

Based on this provision for special tasks, in 2010 a compensation agreement for the work of Hans Hess as acting CEO was prepared under the lead of the Nomination & Compensation Committee for approval by the Board of Directors. Under this agreement, the Board decided to pay Hans Hess a one-time lump sum of CHF 30,875 for his additional responsibilities in connection with the orientation period of the new CEO in the 2011 fiscal year. This compensation was paid in cash.

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.

Structure and determination of compensation and stock ownership plans for the Executive Committee**Basis and components of compensation and stock ownership plans****Fixed base salary**

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 under the employment contract.

Variable compensation

In addition to the fixed base salary, the incentive plan provides a variable, performance-based pay component for 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 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, while 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 range 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 target and the lower and upper boundaries of the target range are set annually as part of the budgeting process. 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 up to four, individually weighted targets. The individual targets are weighted such that, in total, the associated compensation on 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, return on capital employed (ROCE), EBIT margin or EBITDA margin. As well, the respective supervisor annually sets one to two other, personal quantitative targets that vary between individual employees, 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 date of the annual press conference announcing the full-year financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The stock received is therefore subject to a holding period of three years. In the fiscal year, total variable compensation amounted to an average of 44% of base salaries.

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 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 these Board meetings and do not have a voice in the approval of their compensation.

Additional stock ownership plan

All COMET employees in countries where it is 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 purchase 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 press conference announcing the full-year financial results, 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. For this one-off allotment, a maximum purchase amount of CHF 50,000 was established 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 2011 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 principle 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 commercial register. 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 spoilt 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 pass, 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 by mail to the shareholders of record at least 20 days before the meeting date.

Placing business on the Shareholder Meeting agenda

Shareholders' requests under section 699 (3) of the Swiss Code of Obligations to place business on the Meeting agenda, and the actual motion to be put forward, 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 (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 (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 at 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, has been the independent auditor of COMET HOLDING AG since 1999. Previously, Neutra Treuhand AG, Berne, a firm affiliated with Ernst & Young AG, had been the independent auditor of COMET HOLDING AG since 1985. Ms Bernadette Koch has been responsible for the engagement as lead audit partner since the 2010 fiscal year. The independent auditors are appointed by the Shareholder Meeting for one fiscal year at a time.

Audit fees

Ernst & Young AG received the following compensation for services in connection with the auditing of the consolidated financial statements and as the independent auditor of most Group companies:

In thousands of CHF	2011	2010
Audit fees	274	281

Including the other auditing firms, the total audit fees in the year under review amounted to CHF 350,000 (prior year: CHF 357,000). 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 targeting of specifically identified risks.

Other fees

For services in the fiscal year in connection with legal and tax consulting and for special projects (acquisition of the Stolberg company, validation of SAP, and improvements to the internal control system), Ernst & Young received the following compensation:

In thousands of CHF	2011	2010
Audit-related consulting services	80	19
Tax consulting services	79	75
Other consulting services	0	48
Total consulting fees	159	142

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 Audit 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 outside 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 they discuss the audit findings. The internal auditor and the CFO 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 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, 2011
Annual press conference	March 15, 2012
Publication of annual report	March 15, 2012
Annual Shareholder Meeting	April 18, 2012
End of first half of fiscal year	June 30, 2012
Publication of half-year report	August 23, 2012

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-group.com, provides an overview of the Group's organizational structure and business activities. Among other information, the website contains the annual report, press releases, presentations for press conferences, and the Bylaws of COMET HOLDING AG. As well, any interested party can register on the website to automatically receive all press releases in electronic form.

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The COMET Group is one of the world's leading manufacturers of systems and components for the non-destructive testing and security markets, and for plasma excitation in the fabrication of memory chips, flat-panel displays and solar panels.

Based on its core competencies – vacuum technology, high frequency and high voltage engineering, materials science, computed tomography and digital imaging technologies – and its core products of x-ray sources and vacuum capacitors, the COMET Group is a one-stop supplier for a complete and flexible portfolio of high-quality products and services.

The principal markets for the x-ray products are non-destructive testing in the automotive, aerospace and electronics industries and the energy sector, as well as security at airports and borders. Vacuum capacitors are used in the production of conventional memory chips, flat panel displays and solar panels. They are also employed in radio transmitters for frequency stabilization.

COMET was founded in 1948 and is based in Flamatt, Switzerland. Today, the COMET Group is represented in all world markets, manufactures in Switzerland, Germany, Denmark, the USA and China and maintains other subsidiaries in the USA and Japan. The COMET Group consists of two divisions. COMET's stock (COTN) is listed on the SIX Swiss Exchange.

COMETGROUP
Technology with Passion

COMET HOLDING AG

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