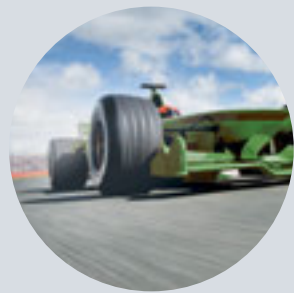
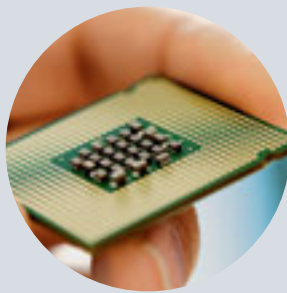


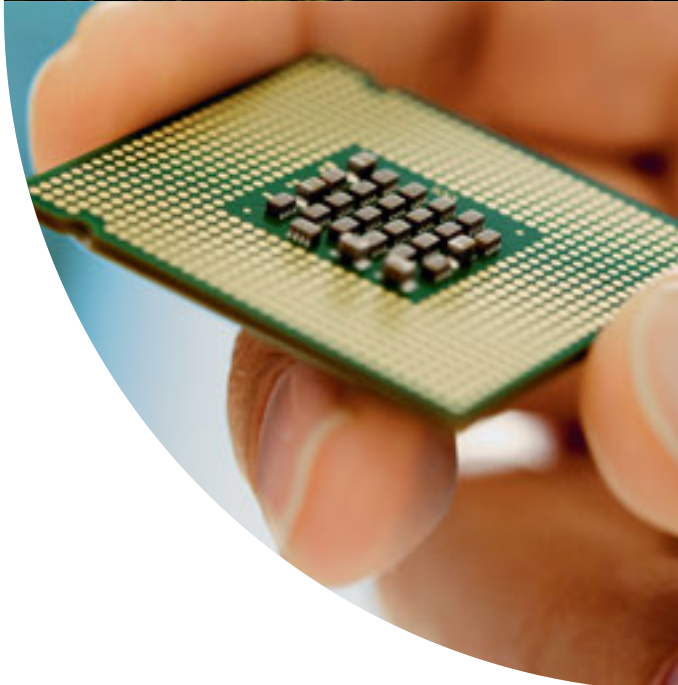
Annual Report 2012

COMET HOLDING AG



○ **Protecting the environment, conserving resources**

Responsible practices. Responsible development. Responsible manufacturing. COMET's technologies help manufacturers conserve natural and other resources.



○ **Miniaturization**

Microelectronics. Micromachinery. Microoptics. Miniaturization is driving the technological revolution. The technologies from the COMET Group are indispensable in the production of high-quality micro-components.

○ **Mobile communication**

Freedom unlimited. Everywhere, at any time. Thanks to mobile devices. COMET's technologies help manufacturers build devices more efficiently and cost-effectively.



○ **Reliability, safety and performance**

Reliable processes. Safe products. Maximum performance – both technologically and economically. To achieve this by design is a challenge to which COMET rises daily. The resulting technologies help customers make absolutely sure.

COMET Group

Global trends shape our business.

We empower our customers in all world markets to achieve supreme feats of engineering with our three core technologies: x-ray, radio frequency and e-beam. For reliable, safe, powerful and resource-saving processes and products.

Technology born of passion, since 1948:

More than 700 highly qualified employees worldwide develop, manufacture and market innovative high technology solutions for industry: x-ray sources and complete x-ray systems, software for the analysis of 2D and 3D images, and vacuum capacitors, radio frequency generators and matchboxes.


Our products are used in non-destructive testing (in the automotive, aerospace and electronics industries), in security inspection and in the production of memory chips, flat panel displays and solar panels. And our breakthrough e-beam technology allows the environmentally friendly sterilization of surfaces.

www.comet-group.com

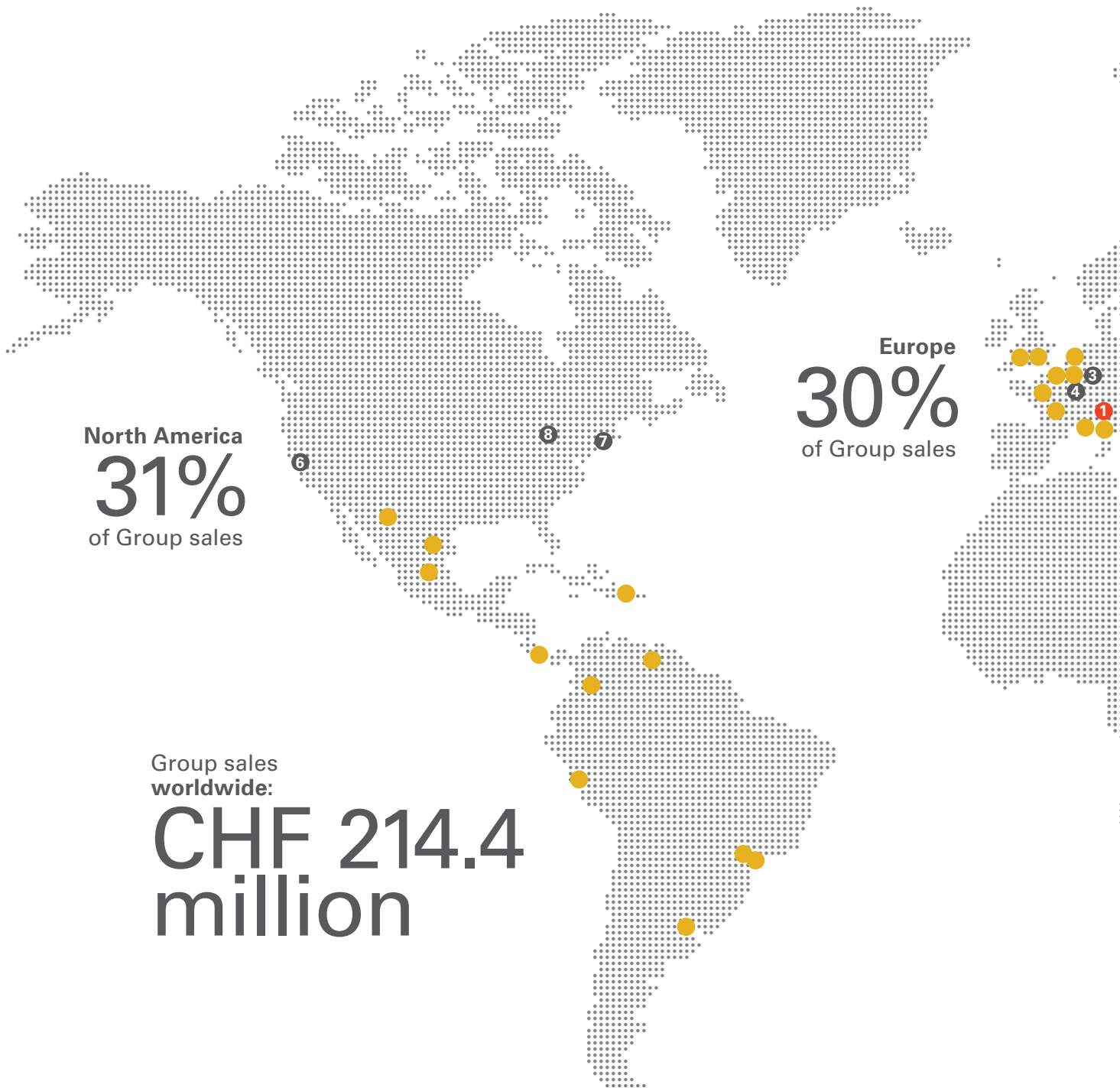
Annual Report

2012





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North America
31%
 of Group sales

Europe
30%
 of Group sales

Group sales
 worldwide:

CHF 214.4
 million

Worldwide Presence of the COMET Group

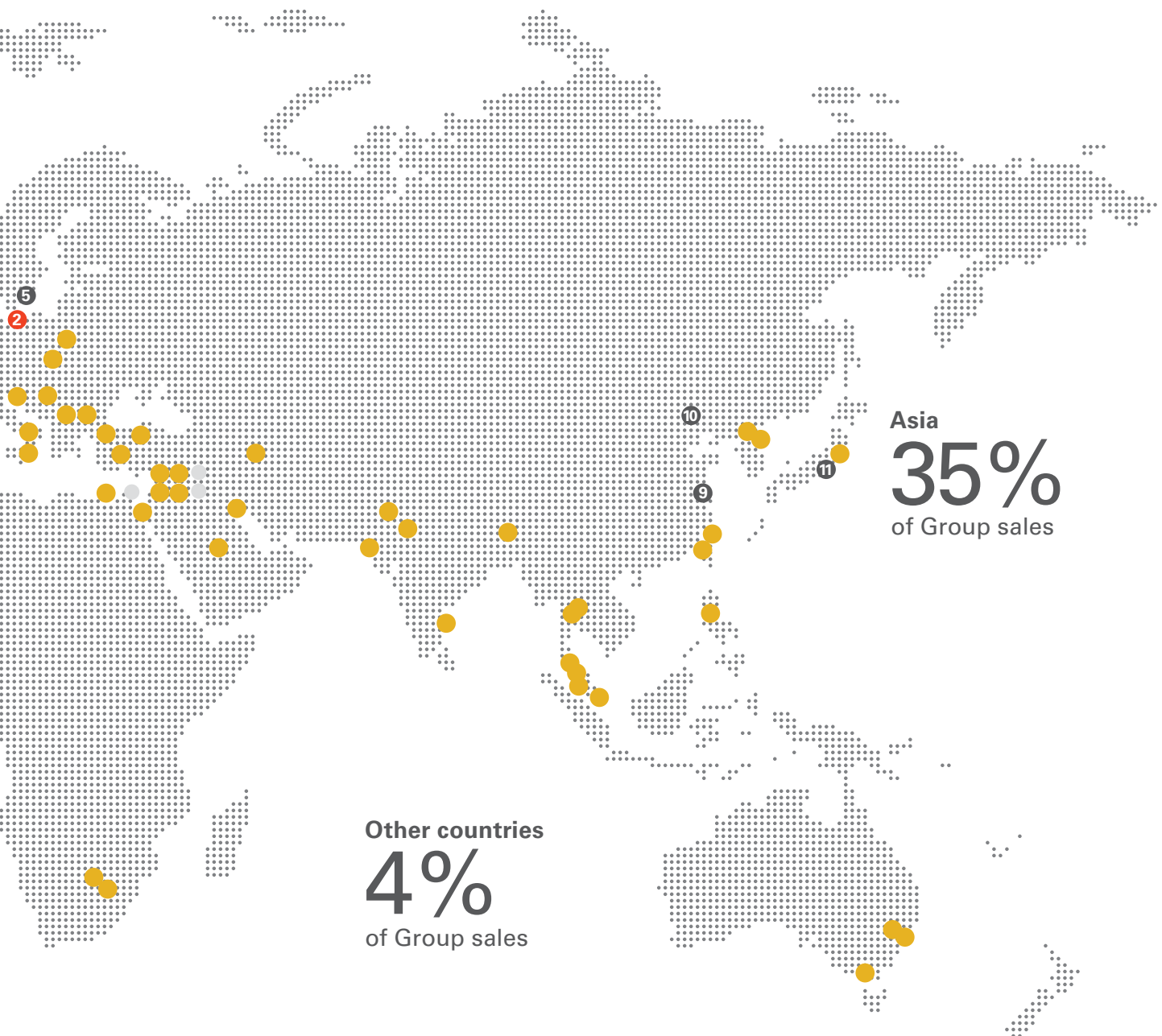
Headquarters
Subsidiaries
Sales and service locations

1
COMET AG
 Herrengasse 10
 P.O. Box 141
 3175 Flamatt
 Switzerland

2
YXLON International GmbH
 Essener Bogen 15
 22419 Hamburg
 Germany

3
YXLON International GmbH
 Am Walzwerk 41
 45527 Hattingen
 Germany

4
YXLON International GmbH
(Plasma Control Technologies)
 Münsterau 168
 52224 Stolberg-Vicht
 Germany



5
YXLON International A/S
Helgeshøj Alle 38
2630 Taastrup
Denmark

6
**COMET Technologies USA Inc.
(Plasma Control Technologies)**
2370 Bering Drive
San Jose, CA 95131
USA

7
**COMET Technologies USA Inc.
(Industrial X-Ray)**
76 Progress Drive
Stamford, CT 06902
USA

8
**COMET Technologies USA, Inc.
(X-Ray Systems)**
3400 Gilchrist Road
Akron, OH 44260-1221
USA

9
**COMET Electronics Co. Ltd. &
COMET Mechanical
Equipment Co. Ltd.**
1201 Guiqiao Road
Building 10, 1st floor
Jin Qiao Export
Processing Zone
Pudong, Shanghai 201206
P.R. China

10
**YXLON X-Ray Equipment
Trading Co. Ltd.**
C1809 WebTime Center
17 Zhongguancun
South Ave.
Beijing 100081
P.R. China

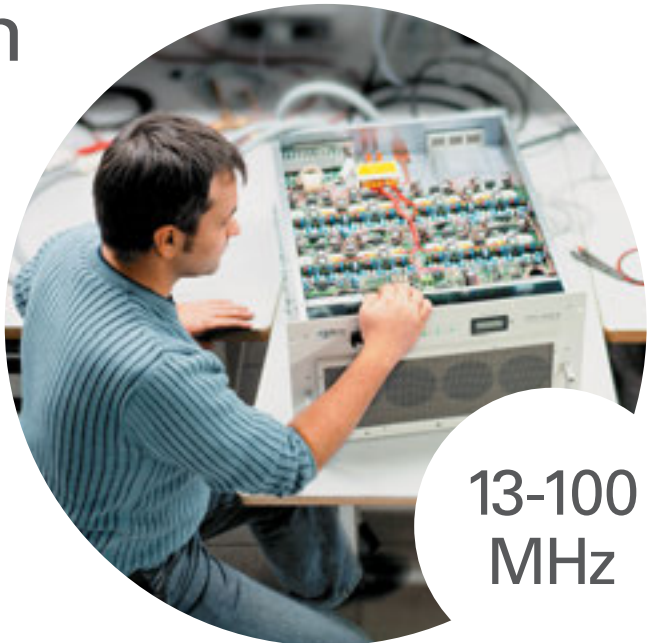
11
**YXLON International KK
New Stage Yokohama Bldg.,
1st floor**
1-1-32 Shinurashima-cho
Kanagawa-ku
Yokohama 221-0031
Japan



Tetra Pak introduces e-beam at ANUGA

COMET's e-beam technology was presented at ANUGA FoodTec 2012, marking the culmination of years of development and testing. Tetra Pak has thus committed itself to this ground-breaking sterilization technology, which will be integrated into the next generation of its high-speed packaging machines. In the field test, more than 50 million containers have now been sterilized with e-beam and sold.

**>50
million**



**13-100
MHz**



165

Getting kids excited about technology

Technology is a defining phenomenon of our time and shapes our future. Exploring, inventing and more – “explore-it” is a not-for-profit association that lets children aged nine and up engage with and experience technology. Sponsored by COMET, 165 kids from schools in Wünnewil-Flamatt and Überstorf, Switzerland, explored solar energy through solar kits to discover the forces that drive our world.

RF generators established under COMET brand

In 2012, the Group succeeded in establishing radio frequency generators (a business acquired in 2011) in the market under the COMET brand. The RF generators have frequency ranges between 13 and 100 megahertz. They round out COMET's product portfolio and its capabilities in radio frequency engineering – an important step toward developing complete RF power supply systems with perfectly coordinated components.

Highlights of 2012

An award-winning innovation achieves its breakthrough at the world's largest food fair. Profitability-boosting measures in the Systems business bear fruit. The RF generator business proves a well-advised addition to the Group's portfolio. Values mean stability in a fluid environment. Children explore solar energy with help from COMET.



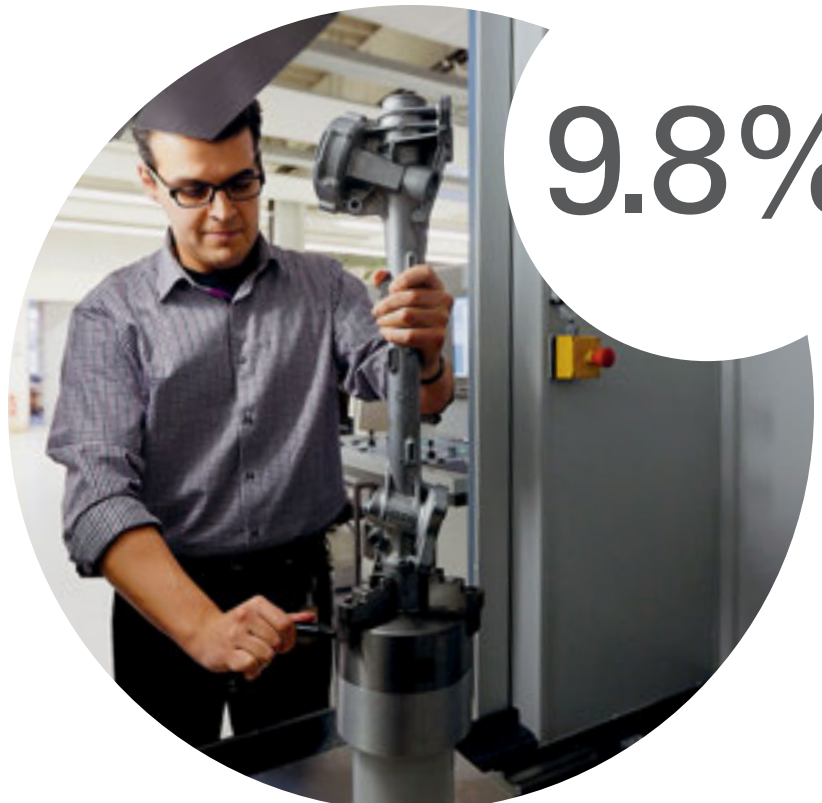
9

Values-based management

Corporate values strengthen competitiveness. Nine values are integral to how COMET thinks and works. Nine values that represent who we are and how we conduct our relationships with customers, business partners, suppliers and internally among COMET's staff. In workshops held in 2012 at our various locations worldwide, these values and principles continued to be taught and shared. This has further strengthened the foundation for our values-driven management.

Productivity improvements pay off

The EBITDA margin of the Systems division rose to 9.8% in 2012, an increase of 3.8 percentage points from the previous year. The expansion of the service business, the focus on high-margin products and applications and optimized processes paid dividends, leading to a significant improvement in gross margin to 38.8%.



9.8%

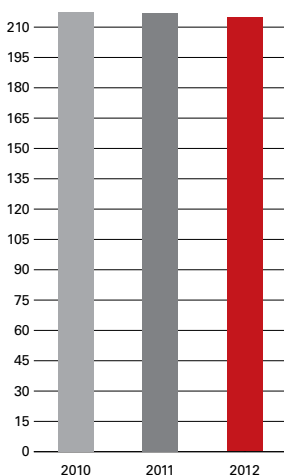
Quick Facts and Figures

COMETGROUP

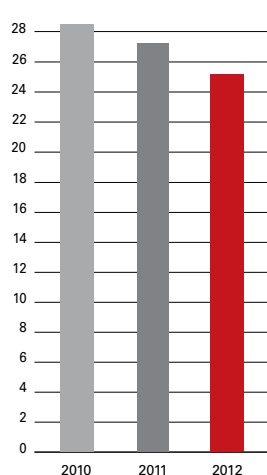
YXLON	COMET
Systems Division	Modules & Components Division
X-Ray Systems Portable X-Ray	Industrial X-Ray Plasma Control Technologies

Key Financials 2012

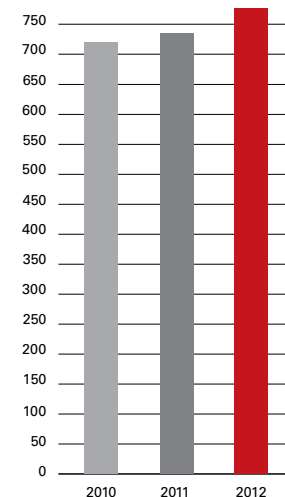
Group net sales
In CHF million



Group EBITDA
In CHF million



Group staff count
Number of employees (year-end)



COMET Registered Stock

Performance in CHF



COMET Group Key Consolidated Financial Results

In thousands of CHF	Fiscal year	2012	2011	2010	2009	2008
	Net sales	214,401	216,965	217,395	150,750	222,555
	Operating income/(loss)	12,761	14,667	16,239	(13,992)	11,031
	In % of net sales	6.0%	6.8%	7.5%	-9.3%	5.0%
	EBITA	17,848	20,102	21,543	(7,540)	17,251
	In % of net sales	8.3%	9.3%	9.9%	-5.0%	7.8%
	EBITDA	25,442	27,325	28,333	(432)	24,575
	In % of net sales	11.9%	12.6%	13.0%	-0.3%	11.0%
	Net income/(loss)	5,924	10,055	7,489	(12,730)	8,272
	In % of net sales	2.8%	4.6%	3.5%	-8.4%	3.7%
	Operating cash flow ¹	22,606	28,173	19,176	10,912	22,661
	In % of net sales	10.5%	13.0%	8.8%	7.2%	10.2%
	Total assets	203,012	208,423	214,805	229,603	249,932
	Shareholders' equity	117,786	119,298	111,735	112,372	126,726
	Equity ratio (% of total assets)	58.0%	57.2%	52.0%	48.9%	50.7%
	Number of employees (year-end)					
	Switzerland	301	297	330	259	276
	International	469	437	391	352	401
	Total	770	734	721	611	677

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

Information for Investors

Fiscal year		2012	2011	2010	2009	2008
Capital stock	CHF	7,663,120	7,625,160	7,574,800	7,574,800	7,508,320
Number of shares (Dec. 31)		766,312	762,516	757,480	757,480	750,832
Weighted average number of shares outstanding		753,768	760,406	757,401	755,149	749,087
Stock price (adjusted)						
High for the year (April 4, 2012)	CHF	225.00	236.50	208.40	151.50	244.50
Low for the year (Jan. 11, 2012)	CHF	138.80	122.50	130.00	75.00	81.00
Year-end (Dec. 31)	CHF	215.00	149.00	195.80	151.00	99.00
Earnings/(loss) per share	CHF	7.86	13.22	9.89	(16.86)	11.04
Distribution per share ¹	CHF	4.00	4.00	3.50	0.50	3.00
P/E ratio (at year-end price)		27	11	12	n. a.	9
Distribution yield (at year-end price)	%	1.9%	2.7%	1.8%	0.3%	3.0%
Equity per share ²	CHF	156.3	156.9	147.5	148.8	169.2
Market capitalization (Dec. 31)	CHF m	164.8	113.6	148.3	114.4	74.3

¹ 2012: Proposal by the Board of Directors for the year under review

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

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



“In fiscal 2012 we achieved important strategic milestones and kept key initiatives on track despite a difficult market environment.”

**Hans Hess,
Chairman of the Board**

To Our Shareholders

After a significantly stronger second half of the year, the COMET Group closed fiscal year 2012 with sales of CHF 214.4 million and an EBITDA margin of 11.9%, slightly below the prior-year values.

The COMET Group passed significant strategic milestones in the heightened profitability of the Systems business, the onward development of the e-beam technology and the integration of the RF generator activities; the Group's net sales of CHF 214.4 million represented a decrease of 1% year-over-year (2011: CHF 217.0 million). In local currencies, sales were down 3.4%. Both sales and profitability grew substantially in the latter half of the year after an (expected) slow start to 2012. However, continual demand growth in the market for non-destructive testing over the course of the year only partly made up for the downturn in the semiconductor market, which continued to the end of 2012 and was thus more prolonged than expected.

The Group kept up its strategic investment in R&D and marketing, which also contributed to the slight dip in EBITDA to CHF 25.4 million (2011: CHF 27.3 million). After net financial items and taxes, net income was CHF 5.9 million (2011: CHF 10.1 million) and earnings per share amounted to CHF 7.86 (2011: CHF 13.22). Free cash flow was CHF 16.0 million (2011: CHF 17.6 million). The equity ratio of 58.0% demonstrates the continuing soundness of the Group's balance sheet (2011: 57.2%).

Sales: X-ray business expanded in North America

In North America the Group grew by 13%, benefiting from the trend toward digital imaging in the aerospace industry. The Systems division impressed customers in this market segment

and grew sales by 2.8% to CHF 118.4 million (2011: CHF 115.2 million). In the Modules & Components division, Industrial X-Ray markedly increased its sales. The product area achieved design and market share wins with new high and low energy x-ray sources for non-destructive testing and in the security sector in North America and Asia. Plasma Control Technologies, on the other hand, struggled with weak demand in the semiconductor market from the second quarter. Overcapacity in the flat panel and solar markets led to investment halts and project postponements in Asia. Sales of the Modules & Components division eased by 4.0% to CHF 114.4 million (2011: CHF 119.1 million). Geographically the Group remains well-diversified, with 35% of sales posted in Asia, 31% in North America and 30% in Europe.

Profitability: Improvement in the Systems business

Profitability in the Systems division showed a favorable trend. The further development of the service business, the focus on higher-margin products and applications along with the continual refinement of internal processes all paid dividends. The considerably higher gross margin led to an EBITDA margin of 9.8% (2011: 6.0%). In the Modules & Components division, Industrial X-Ray remained highly profitable while the earnings of Plasma Control Technologies suffered. The division nonetheless continued its purposeful investment in R&D and marketing of complete RF power supply systems and e-beam solutions, leading to a moderate reduction in Modules & Components' EBITDA margin to 13.6% (2011: 17.8%).

Focusing growth on strengths

As part of the continuous strategic process, the focus of the Group's direction was adjusted with the Strategy 2015 (see page 14). This has set the stage for the accelerated development of new business segments from both existing technologies and recent additions such as e-beam. The commitment to e-beam demonstrated by Tetra Pak at the ANUGA Foodtec 2012 trade fair and the successful completion of its field test with the sale of more than 50 million beverage containers sterilized by e-beam underline this technology's long-term potential.

Outlook

For 2013, the Board of Directors and Executive Committee reaffirm sales growth to CHF 230-250 million, with an EBITDA margin of 12-14%. Management expects the current slight improvement in the semiconductor market to continue in the second half of the year. Sustained growth is also expected in the other segments. The Group's sales in the first half of 2013 will be comparable to the first six months of 2012, but sales in the second half will grow significantly year over year.

Distribution from paid-in capital

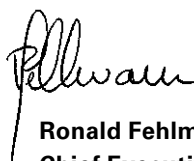
The Board of Directors will propose to shareholders at the next Annual Meeting to pay a distribution of CHF 4.00 per share from distributable paid-in capital (prior year: CHF 4.00 per share). This represents a payout of 51% of net income and reflects the Board's confidence in the Group's strategic focus.

A word of thanks

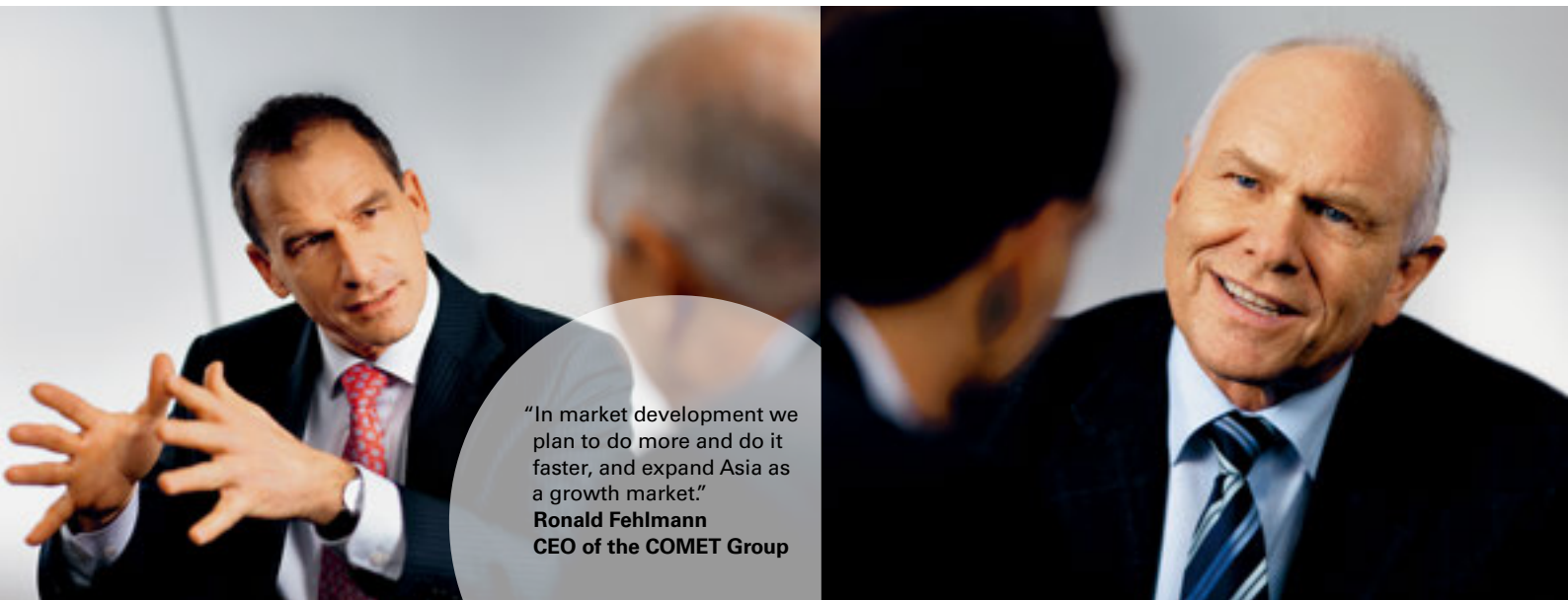
Speaking for the whole Board and Executive Committee, we thank COMET's shareholders for their long-term loyalty and trust. We also wholeheartedly thank all employees of the COMET Group for their dedicated and tireless efforts in the year past. Finally, our sincere gratitude goes to all our partners, customers and suppliers for their strong 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



“In market development we plan to do more and do it faster, and expand Asia as a growth market.”

Ronald Fehlmann
CEO of the COMET Group

Focused on growth

Under the slogan “Focusing Growth on Strengths”, the COMET Group is aiming for sales growth to CHF 300 million and an improvement in EBITDA margin to 15% in 2015. CEO Ronald Fehlmann and Board Chairman Hans Hess explain the new strategy.

Where will you take the COMET Group from here?

Hans Hess: We want to be the leading partner to our customers in all key markets and applications. And we are keen to be an attractive employer: with an international focus, tackling technological challenges worthy of top talent, and offering plenty of development potential. For our shareholders, we want to be an attractive small cap technology company with a diversified portfolio, clear growth strategy and compelling growth targets. We are helped in all this by a tight focus on our three core technologies: x-ray, radio frequency and e-beam.

What is the greatest strength which Strategy 2015 builds on?

Ronald Fehlmann: In a word: our people. Without their passion for technology and their professional excellence, we could hardly develop the high technology products that enable customers in numerous industries to make their processes better, more reliable, safer, more cost-effective and resource-saving. By following two commandments – generating value-added and being near the customer – we have built a strong, loyal customer base worldwide that we are carefully maintaining and further expanding.

What challenges do you see?

Hans Hess: By building on our strengths, we are aiming for vigorous growth with Strategy 2015. We see the current challenge in managing for the market movements in cyclical segments and for currency trends.

You are striving for substantial organic growth. How will you achieve it?

Ronald Fehlmann: One of our thrusts is to intensify the scaling and marketing of products and technologies. We will redouble our efforts to specifically market our technologies for new applications, expand sales channels and build up our service capabilities. We are also investing in our local presence, including in Asia.

What role do market trends play in all this?

Ronald Fehlmann: We see four global market trends, on which we are focusing our growth: Protecting the environment and saving precious resources; mobile communication; miniaturization; and the safety, reliability and efficiency of products and processes. To name an example, in recycling processes in the sorting of heavy metals, COMET x-ray technology can separate alloys into their constituents (such as copper and iron) with greater precision and thus more effectively return valuable materials to the production cycle.

Hans Hess: In all our businesses, we have innovative technologies that industry relies upon. Such as our radio frequency technology, used in the development of lower-cost memory chips. The novel e-beam technology from COMET lends itself to numerous applications in eco-friendly sterilization. With electronic parts becoming smaller and smaller, our computed tomography and 3D imaging processes play an important role in research and quality inspection. And of course, in the fabrication of these parts, our RF and vacuum technologies also figure prominently. Increasingly, it is in-line high speed x-ray systems with 3D imaging that assure product quality and the efficient use of materials in many existing and new markets. In portable x-ray devices, we also provide world-class solutions for pipeline inspection in the field.

You also intend to develop more new business activities?

Hans Hess: e-beam and RF generators have great potential for growth. In the years ahead we want to leverage the good base that our leading and innovative technologies represent in these areas and build a strong market position. For this purpose, we will make focused investments in these emerging businesses and give them a place in the organizational structure that allows them the necessary freedom for fast development and rapid market inroads.

A major pillar of your strategy is “operational excellence”. What do you understand by this term?

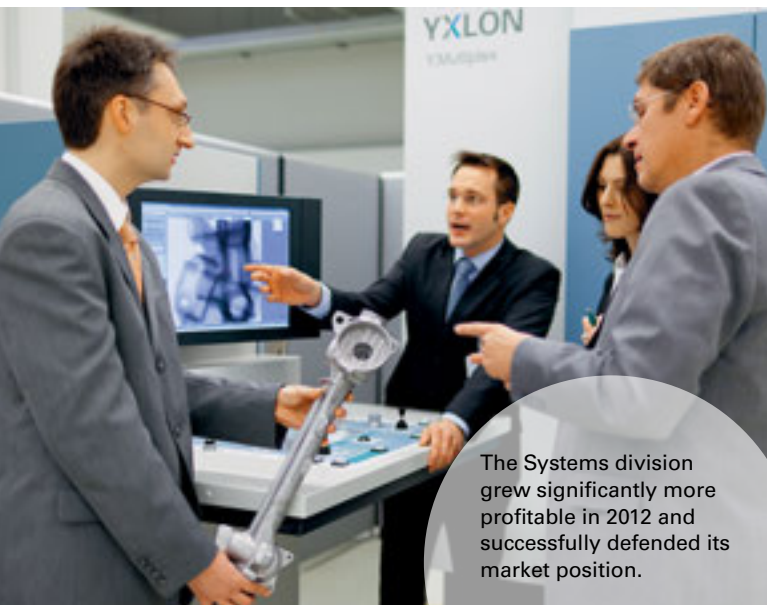
Ronald Fehlmann: Transparency, simplicity, effectiveness and avoiding waste – those are our goals. Some of the ways we are achieving this are clearly defined responsibilities, focus, and lean processes in management, production and administration.

Strategy 2015 at a glance

With its Strategy 2015, the Group is focusing on four strategic thrusts: innovative technologies, organic growth, acceleration of recently added business activities with high potential, and improvement of operational excellence.



**Focusing growth
on strengths**



The Systems division grew significantly more profitable in 2012 and successfully defended its market position.



Systems Division

The division further improved its results in 2012. Total net sales rose to CHF 118.4 million or by 2.8% compared with the prior year. The measures taken to boost earnings bore fruit.

The EBITDA margin of 9.8% was up by 3.8 percentage points. Operating earnings at EBITDA level grew to CHF 11.6 million (2011: CHF 6.9 million).

In fiscal year 2012, X-Ray Systems achieved notable growth in earnings: Both by focusing on high-margin applications and improving the margins on standard products, and through optimized processes in the manufacture of custom systems. This in combination with the further expansion of the service business led to a pronounced increase in gross margin. At EBITDA level, the division's earnings were CHF 11.6 million (2011: CHF 6.9 million). The EBITDA margin gained 3.8 percentage points, rising to 9.8% (2011: 6.0%). In terms of EBIT, a profit of CHF 7.1 million was recorded (prior year: CHF 2.1 million).

Market

While demand from the automotive market in Europe and Asia on balance showed macroeconomically driven weakness, a major order from a tire manufacturer boosted the US automotive business.

The continuing replacement of film with digital x-ray-based imaging in aircraft manufacturing led to significant orders in North America. YXLON won the globally operating aerospace customers over with its high-quality customized solutions and worldwide service offering,

thus significantly lifting its sales compared with the previous year. In the electronics sector, YXLON further expanded its market share, fueled by sales with electronics and mechatronics customers in the automotive and aircraft industries. The high-resolution FeinFocus systems allow the inspection of ever smaller, multifunctional printed circuit boards and chips. In the energy market segment, the Portable X-Ray business was able, through focused sales initiatives, to generate new orders (especially from the pipeline industry) and push up sales. Overall the Systems division maintained its strong position in the market, thanks to thorough trend analysis, intensified marketing and improved product features and upgrades.

Organization and products

With the handover of the operational leadership of X-Ray Systems to Stefan Moll at the beginning of May, steps were taken within the organization to invigorate the standard systems business and position it more clearly alongside the custom systems. In addition to the development of new equipment and software and the improvement of existing products, the service offering was further expanded, with the result that its share of Systems revenue rose

to 24.9%. The focus on high-margin products led to a reduction of activities in less profitable segments, such as large pipeline inspection systems.

The emphasis in marketing efforts for standard systems was placed on Y.Multiplex, an all-round system equipped with a variable-focal-spot radiation source and a computed tomography (CT) option for the automated inspection of larger components. With a new detector for tire production (Y.UScan 3), customers gain higher contrast and even greater detail recognition. Equipped with the latest electronics, the detector delivers unprecedented speeds and lets customers achieve higher productivity in manufacturing. Additional revenue was earned with software upgrades for the electronics market segment that produced a doubling of image resolution. More than 60% of x-ray systems were shipped with the CT option.

Outlook

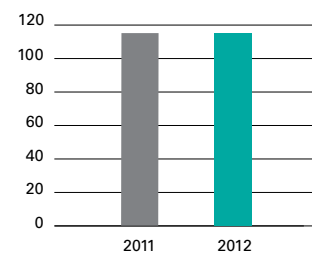
Among the division's key initiatives are the further improvement of profitability through a focus on high-margin segments and services, as well as growth in existing and new markets. The division is addressing the trends toward more and more complex components and the minimizing of materials consumption by expanding its offering in computed tomography and 3D imaging software.

In addition, YXLON seeks to consolidate its market position by enlarging its stature as a global service provider and developing new sales channels in attractive segments where it is not yet active. To further enhance operational excellence, the company is also unifying software platforms, standardizing products and implementing lean philosophy.

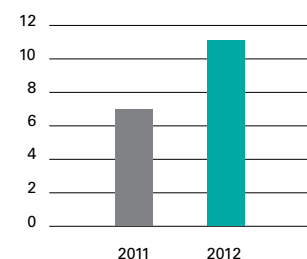
Short profile

Integrated solutions for non-destructive testing under the YXLON brand: This is the Systems division's core business, which extensively uses x-ray sources from COMET's Modules & Components division. With made-to-measure or standard, stationary or mobile systems, test pieces are examined using x-rays – an important contribution to safe products and efficient, defect-free production lines. Whether x-ray, CT or microfocus technology – all products come with comprehensive service and support over the entire life cycle. The division's customers are mainly in the automotive, electronics, aerospace and energy sectors. For more information, visit www.yxlon.com

Total net sales
In CHF million



EBITDA
In CHF million



Sales by region in 2012



Europe	33%
North America	16%
Asia	44%
Other countries	7%

Sales by market in 2012



Automotive	40%
Aerospace	11%
Energy	7%
Electronics	21%
Other markets	21%



Despite semiconductor market weakness, the Modules & Components division in 2012 followed through with planned investment in strategic areas.



Modules & Components Division

While Industrial X-Ray gained market share, at Plasma Control Technologies the weak demand in the semiconductor market weighed on results. The division as a whole had total net sales of CHF 114.4 million in the year (down 4%). As a result of lower volumes and consistent investment, operating earnings (EBITDA) eased to CHF 15.6 million (2011: CHF 21.2 million).

The two product areas of the division were on very different trajectories in 2012. Industrial X-Ray, after a very good first six months, enjoyed further growth in the second half of the year, with stepped-up marketing initiatives and new products bringing the sales increase for the full year to 9.3%. Plasma Control Technologies, amid the substantial downswing in demand from the semiconductor market beginning in the second quarter, saw full-year sales decline by 14% compared with 2011. From July 2012, Plasma Control Technologies met the sharp fall in demand by shortening work hours in the operations segment in Flamatt. Including intercompany sales to the Systems division, Modules & Components generated total net sales of CHF 114.4 million (prior year: CHF 119.1 million). Compared to the prior year, this represented a decrease of 4%.

To safeguard strategic potential for the future, the division followed through on capital expenditures for the development and marketing of new technologies and applications (notably e-beam, RF generators and 450mm wafers). Coupled with lower sales volumes, this led to a decline in EBITDA earnings to CHF 15.6 million (2011: CHF 21.2 million) and a reduction in EBIT to CHF 7.3 million (2011: CHF 13.4 million).

Markets

Industrial X-Ray defended its global technology leadership. The non-destructive testing and security markets were intensively targeted with new products (high energy and low energy technology), tailor-made solutions, and upgrades and adjustments to existing products. Moreover, new applications were tapped, among them the x-ray based sorting of metals in the recycling process. Industrial X-Ray's sales growth was driven by all regions, and particularly North America and Asia. Through greater marketing efforts, this highly profitable product area prevailed despite the strong franc.

The semiconductor market experienced an interim high in the first quarter: Investment by customers in Asia briefly spurred growth in sales at Plasma Control Technologies. From the second quarter, however, demand fell off drastically and, contrary to expectations, had not rallied by the end of the year. Excess capacity was the defining characteristic of the flat panel and solar markets as governments continued to defer their investment in sustainable energy. The flat panel market stagnated – technological novelties, such as 3D television, were unable to deliver enough impetus. In Europe, the development of the generator business

for medical applications (MRI) and industrial lasers was successfully continued.

Products and organization

After several years of development and testing, the eco-friendly e-beam technology developed by Industrial X-Ray was presented at the world's leading food technology fair, ANUGA FoodTec 2012, by COMET's strategic partner Tetra Pak (see page 8). More than 50 million containers have now been sterilized and sold in the course of field testing of the e-beam process.

In 2012, Plasma Control Technologies succeeded in establishing the Stolberg RF generators (acquired in 2011) in the market under the COMET brand and expanded sales of these products compared to the previous year.

R&D projects were at the heart of the ongoing further development of the Group's whole RF technology portfolio. With high-quality product solutions, design wins for coming projects were secured with key customers.

The application of lean philosophy was extended to the division's administration across product area boundaries, resulting in efficiency gains.

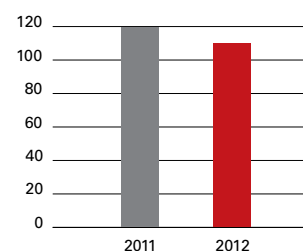
Outlook

The Modules & Components division has high potential for growth. New business activities such as e-beam and RF generators, where COMET has a large head start in technology, are to be expanded in the years ahead. Market-oriented organizational structures and processes are creating the conditions for methodical penetration of the growth markets. E-beam is managed as a separate unit from 2013, with the goal of assuring the rollout for Tetra Pak and entering new market segments. In developing its sales channels, the division is concentrating primarily on Asia.

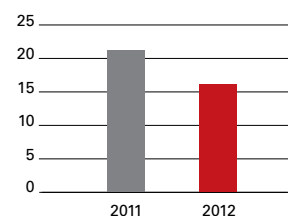
Short profile

The product offering of the Modules & Components division is based on x-ray, e-beam and radio frequency technology. Industrial X-Ray develops and manufactures metal ceramic x-ray sources for non-destructive testing and security inspection, and e-beam sources for the environmentally friendly sterilization of surfaces. Plasma Control Technologies – the vendor of vacuum capacitors, RF generators and matchboxes – develops and builds components for the extremely precise control of plasma processes required, for instance, in the production of memory chips, flat screens and solar panels. The division's high tech products are used in the semiconductor, solar, automotive, aerospace, pipeline and steel industries as well as in medical technology. For more information, visit www.comet-xray.com and www.comet-pct.com.

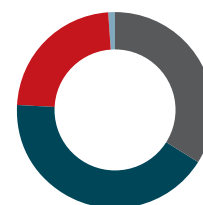
Total net sales
In CHF million



EBITDA
In CHF million

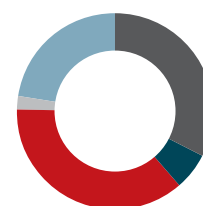


Sales by region
in 2012



■ Europe	34%
■ North America	42%
■ Asia	23%
■ Other countries	1%

Sales by market
in 2012



■ NDT	32%
■ Security	6%
■ Semiconductor	36%
■ Solar	1%
■ Other markets	25%

Trends and Technologies

Four global trends are especially relevant to the business of the COMET Group: concern for the environment; the mounting need for safe and reliable products and processes; miniaturization; and the increasingly mobile, networked world.

Protecting the Environment and Saving Resources

Minimizing the environmental impacts of manufacturing is a more pressing need now than ever. With COMET technologies, manufacturers reduce CO₂ emissions from sterilization processes by up to 40%.

A high tech business like the COMET Group is exposed to global economic and social currents. Identifying these influences helps lay the foundation for the Group's strategy: Drawing on existing strengths and technologies to develop applications that allow customers to design, build and bring products to market more rapidly, cost-effectively and with a smaller environmental footprint. COMET has pinpointed four global trends that directly or indirectly shape its business. Besides the concern for the environment, they include the growing demand for smart, mobile devices offering permanent Internet access. Going

hand in hand with this is the miniaturization of electronic components that at the same time must serve ever more functions. The fourth trend applies to all sectors of industry: Companies want to manufacture efficiently and at low cost while assuring product safety and reliability.

Environmental protection and resource conservation matter

A last swallow of milk, and the carton is empty. Over breakfast, few of us spend time thinking about this packaging, the seemingly simple protective shell. Its coated surfaces need to be sterile and absolutely clean. To achieve this,



producers of beverage packaging have thus far been using costly chemical sterilants.

An alternative based on the concept of dry, non-contact sterilization using electrons was only developed by COMET: The e-beam technology from COMET is compact and can be integrated in production equipment. It enables manufacturers to shorten throughput times and save on system operating costs while delivering significantly better environmental performance and greater user-friendliness. The amount of CO₂ emissions is cut by as much as 40% and energy consumption can be reduced by

up to 75%. These advantages speak directly to concerns of all manufacturing industries.

“We believed in our vision,” says Charles Flükiger, President of Industrial X-Ray and e-beam Technologies, “and tenaciously overcame obstacles and conventional wisdom to make e-beam commercially viable.”

After years of joint development and testing, Tetra Pak, the world's largest producer of drink cartons, used the ANUGA Foodtec 2012 food fair to showcase the advantages of COMET's e-beam technology. The COMET Group sees further opportunities for e-beam applications in indus-



Mobile communication

Smartphones and tablets are changing the face of society. With COMET's radio frequency technologies for the production of storage media and display panels, manufacturers are able to create smart mobile gadgets even more efficiently and inexpensively.

tries such as pharmaceuticals and printing. Development contracts were signed in 2012 in these market segments. Beyond facilitating green processes, COMET technologies are also instrumental in the manufacturing of green products. Thus, the market for solar cells and energy-saving lighting (LEDs) holds significant promise for the use of COMET's radio frequency products (generators, matchboxes and vacuum capacitors).

A networked mobile world of opportunity

Even while you are on the move in natural places, a smart-

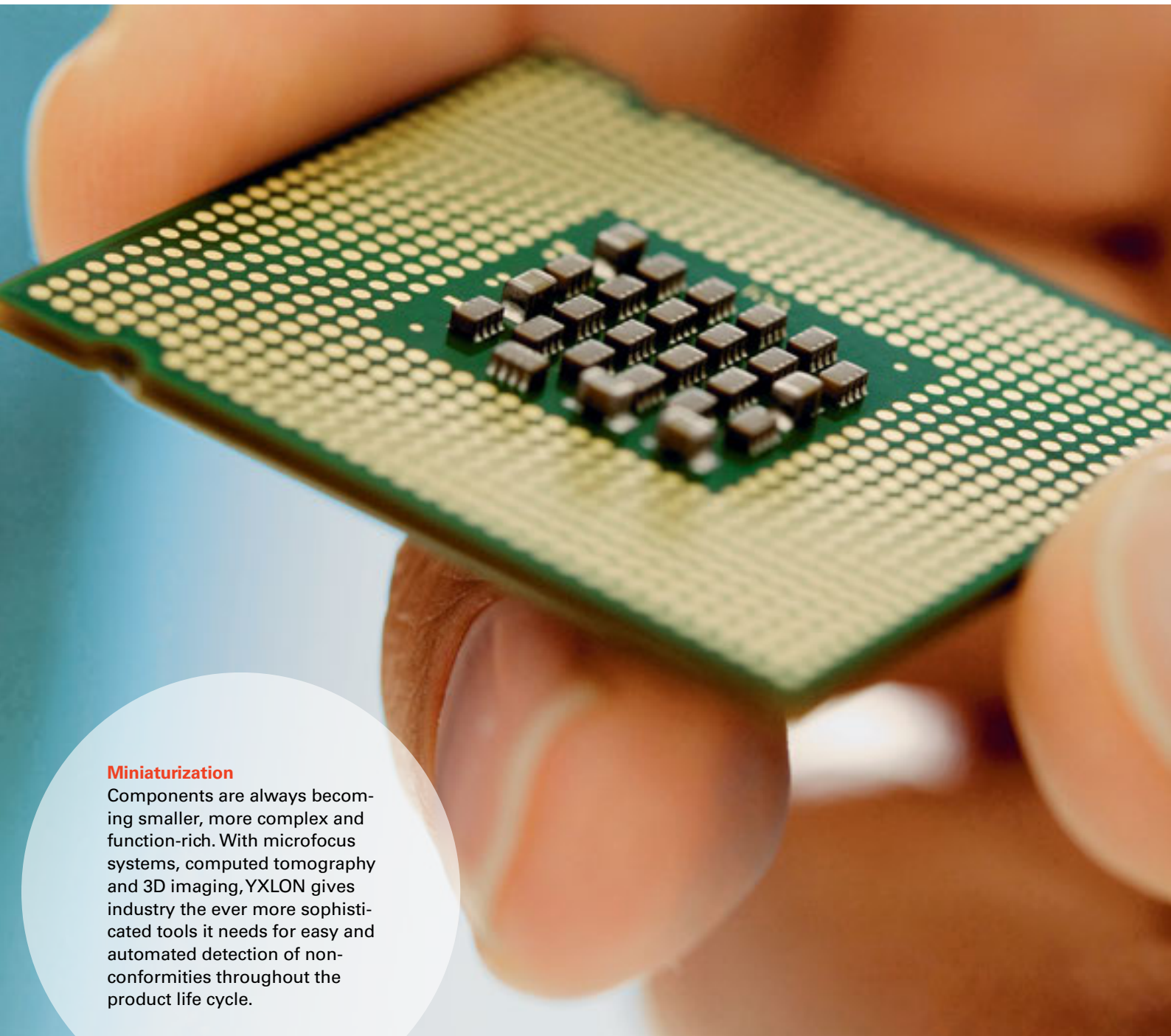
phone shows your location and puts relevant map content from the Internet at your fingertips. It stores memories of moments on or off the beaten path and makes it easy to share them with friends on social media platforms. This smart mobility – combined with greater functionality and thus higher demands on the capacity, compactness, speed and reliability of storage technologies – is central to the activities and products of Plasma Control Technologies (PCT). "Mobile devices are becoming ever more complex and powerful," says Michael Kammerer, President of this COMET business. "That means the nanostructures of the



storage media must also be made progressively smaller." The efficient fabrication of ever higher-performing memory chips demands sophisticated RF power products. With a coordinated product portfolio from RF generator to corresponding matchbox with integrated vacuum capacitors, COMET meets the specific needs of each customer. Offering knowledge and skills accumulated over decades of experience, the company acts as a close partner to customers in the development of new products and components. As Michael Kammerer puts it, "We deliver the technology that lets our customers turn their vision into reality."

Inspecting materials: Maximum confidence at any scale

Winning at the finish line: Defect-free high tech materials and equipment help drive peak performance in many sports, from Formula 1, to skiing, to bicycle racing. Sophisticated products need rigorous non-destructive testing, whether at a macro level such as for tires and carbon frames, or on a minute scale such as with today's ever-shrinking, more complex electronic components. Big-name customers swear by x-ray technology from COMET and YXLON. With it, products can be inspected effectively right during the production process and thus manufac-




Miniaturization

Components are always becoming smaller, more complex and function-rich. With microfocus systems, computed tomography and 3D imaging, YXLON gives industry the ever more sophisticated tools it needs for easy and automated detection of non-conformities throughout the product life cycle.

tured flawlessly. The Group's low and high power x-ray sources are instrumental in enabling the capabilities and innovations of system manufacturers. New areas of application are always being found. YXLON x-ray systems and imaging software offer outstanding, user-friendly solutions for faster, more exact inspection of parts ranging from extremely small to very large. "Thanks to ingenious 3D imaging, our customers can capture more information and analyze components with greater precision," explains Stefan Moll, President of the X-Ray Systems product area. Today, the CT option is still frequently only

an add-on to two-dimensional methods. Within ten years from now it will be the new de facto standard: "We are therefore investing in the continuing development of the CT software platform and are reinforcing our image chain expertise." YXLON microfocus technology is tailor-made for the trend toward miniaturization in the electronics industry. "Here too, we are stepping up our engagement."



Safe, reliable and efficient products and processes

Products must be defect-free. Manufacturing processes have to be highly reliable and efficient. X-ray and imaging technologies from COMET and YXLON give customers an edge in quality assurance, both during development and in the manufacturing process.

The bottom line: COMET technology leads to the finish line

Looking at all trends and all of COMET's businesses, "our know-how gives us an advantage over competitors – and delights our customers," observes Ronald Fehlmann, CEO of the COMET Group. To stay ahead as the market leader and to widen its lead, COMET has formulated a strategy of focused growth (see page 14). The specialists at the COMET Group analyze global trends to determine which new applications are emerging for the core technologies of x-ray, radio frequency and e-beam.

Proximity to customers is a critical success factor: In the USA, Asia and Europe, the Group has not just its own manufacturing facilities but also development, application and service centers. Closeness to customers and continual analysis of global economic and social trends allow COMET to create innovative solutions and to help customers maximize their technological advantage.

Innovative Solutions for Customers

The products and technologies from COMET deliver answers to global trends and challenges. Industrial customers in various sectors benefit from standard and custom solutions backed by worldwide service.



e-beam laboratory unit

2

e-beam source with emitter



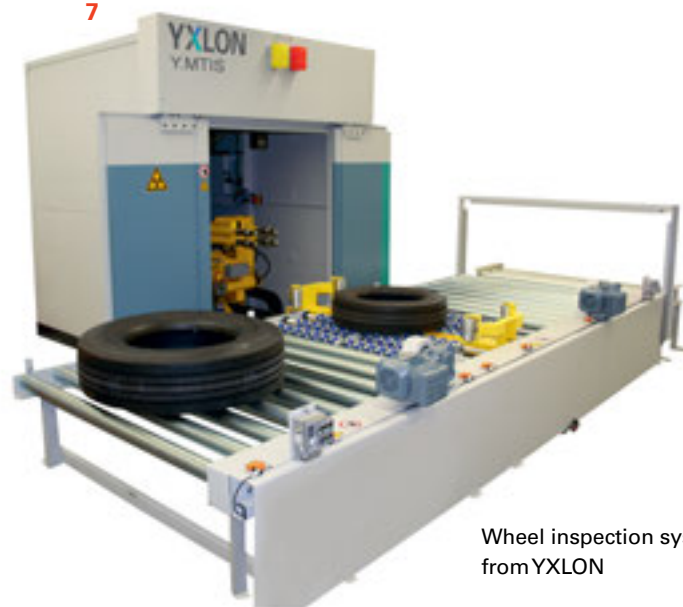
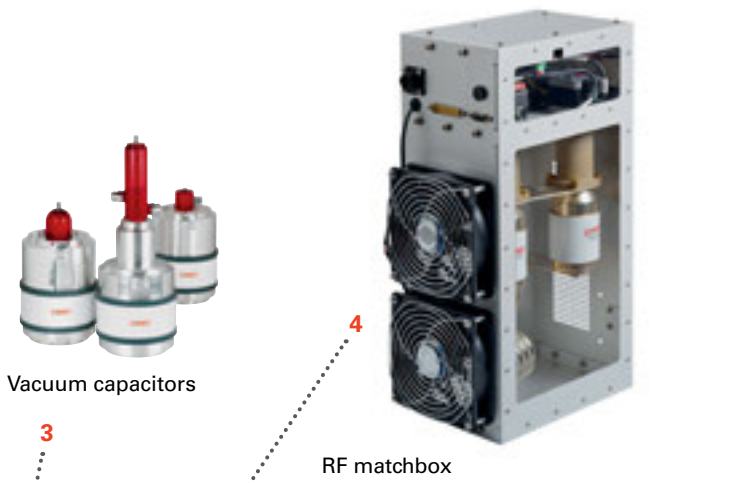
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9

Microfocus system






- 1_ With the compact **e-beam** source from COMET, surfaces can be sterilized efficiently and with a smaller environmental footprint. It is easily integrated in production lines.
- 2_ With **EBLab**, the e-beam laboratory test system, research and development departments can leverage the advantages of e-beam for new product development and process optimization.
- 3_ 4_ 5_ The power supply unit, consisting of **vacuum capacitor**, **matchbox** and **generator**, controls plasma processes for the coating and etching of silicon wafers and glass substrates, which form the basis for memory chips, solar cells, flat panels for televisions, and other building blocks of the digital lifestyle. As well, RF generators are important control components in industrial lasers.
- 6_ COMET offers x-ray system manufacturers a wide product range of premium **x-ray sources** from 75 to 600 kV and supports them with its innovations in non-destructive testing and security inspection.
- 7_ **YXLON x-ray systems and imaging software** give manufacturers easy and fully automated ways of inspecting the quality of objects such as tires or turbine blades. Tire makers are benefiting from the new detector, which delivers better images and permits higher productivity.
- 8_ **Mobile x-ray systems** provide the capacity for non-destructive testing in the field, such as pipeline weld inspection.
- 9_ **YXLON FeinFocus systems**, with smart 2D and 3D imaging approaches, satisfy the most diverse requirements in the examination of small parts such as memory chips in the electronics industry.


Financial Report

2012





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COMET Group

Consolidated Financial
Statements



Consolidated Balance SheetIn thousands
of CHF

ASSETS	Note	Dec. 31, 2012	%	Dec. 31, 2011	%
Cash and cash equivalents		16,740		19,992	
Trade and other receivables	4	39,236		33,647	
Other financial assets	5	300		0	
Tax receivables		10		0	
Inventories	6	35,419		35,394	
Net assets from manufacturing contracts	7	1,721		1,579	
Prepaid expenses		1,460		1,982	
Total current assets		94,886	46.7%	92,594	44.4%
Property, plant and equipment	8	55,192		57,963	
Intangible assets	9	48,533		53,605	
Financial assets	5	315		0	
Employee benefit plan assets	16	3,246		2,786	
Deferred tax assets	11	840		1,474	
Total non-current assets		108,126	53.3%	115,828	55.6%
Total assets		203,012	100.0%	208,423	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current debt	12	13,469		13,340	
Trade and other payables	13	19,006		19,044	
Other financial liabilities	5	0		860	
Tax payables		2,959		3,051	
Net liabilities from manufacturing contracts	7	425		144	
Accrued expenses	14	11,909		6,238	
Current provisions	15	3,893		4,122	
Total current liabilities		51,661	25.5%	46,799	22.5%
Long-term debt	12	29,150		38,800	
Non-current provisions	15	95		165	
Employee benefit plan liabilities	16	1,598		1,578	
Deferred tax liabilities	11	2,722		1,783	
Total non-current liabilities		33,565	16.5%	42,326	20.3%
Total liabilities		85,226	42.0%	89,125	42.8%
Capital stock	28	7,663		7,625	
Additional paid-in capital		59,930		62,180	
Treasury stock	28	(4,424)		0	
Retained earnings		74,627		68,415	
Foreign currency translation differences		(20,010)		(18,922)	
Total equity attributable to shareholders of COMET HOLDING AG		117,786	58.0%	119,298	57.2%
Total liabilities and shareholders' equity		203,012	100.0%	208,423	100.0%

Consolidated Statement of Income

In thousands of CHF	Note	2012	%	2011	%
Net sales	17	214,401		216,965	
Cost of sales		(131,119)	-61.2%	(136,568)	-62.9%
Gross profit		83,282	38.8%	80,397	37.1%
Other operating income	18	3,928	1.8%	3,009	1.4%
Development expenses	20	(26,815)	-12.5%	(22,518)	-10.4%
Marketing and selling expenses		(30,230)	-14.1%	(26,302)	-12.1%
General and administrative expenses		(17,404)	-8.0%	(19,919)	-9.2%
Operating income		12,761	6.0%	14,667	6.8%
Financing expenses	22	(12,204)	-5.7%	(18,136)	-8.4%
Financing income	22	9,866	4.6%	14,105	6.5%
Income before tax		10,423	4.9%	10,636	4.9%
Income tax	11	(4,499)	-2.1%	(581)	-0.3%
Net income		5,924	2.8%	10,055	4.6%
Earnings per share in CHF, diluted and basic	23	7.86		13.22	
Operating income		12,761	6.0%	14,667	6.8%
Amortization	21	5,087	2.4%	5,435	2.5%
EBITA		17,848	8.4%	20,102	9.3%
Depreciation	21	7,594	3.5%	7,223	3.3%
EBITDA		25,442	11.9%	27,325	12.6%

Consolidated Statement of Comprehensive Income

In thousands of CHF	2012	2011	Change	Change in %
Net income	5,924	10,055	-4,131	-41.1%
Other comprehensive income				
Foreign currency translation differences	(1,088)	(660)	-428	-
Total other comprehensive loss	(1,088)	(660)	-428	-
Total comprehensive income	4,836	9,395	-4,559	-48.5%

Consolidated Statement of Cash FlowsIn thousands
of CHF

	Note	2012	2011
Net income		5,924	10,055
Income tax		4,499	581
Depreciation and amortization	8/9	12,681	12,658
Interest expense/income, net	22	1,971	2,628
Share-based payments	29	1,111	698
(Gains)/losses on disposal of non-current assets		(24)	15
Other non-cash income/expense		(1,072)	1,474
Change in provisions	15	(260)	641
Change in other working capital		675	960
Interest received		20	24
Taxes paid		(2,919)	(1,561)
Net cash provided by operating activities		22,606	28,173
Acquisition of subsidiary, net of cash acquired	3	0	(3,430)
Consideration for prior-year acquisition of subsidiary	3	(930)	0
Purchases of property, plant and equipment	8	(5,170)	(6,324)
Purchases of intangible assets	9	(557)	(856)
Disposals of property, plant and equipment	8	36	62
Net cash used in investing activities		(6,621)	(10,548)
Free cash flow		15,985	17,625
Proceeds from new debt	12	1,000	0
Repayment of debt	12	(10,498)	(9,002)
Interest paid		(2,097)	(2,573)
Repurchases of treasury stock		(4,424)	0
Distribution to shareholders of COMET HOLDING AG		(3,035)	(2,651)
Net cash used in financing activities		(19,054)	(14,226)
Net (decrease)/increase in cash and cash equivalents		(3,069)	3,399
Foreign currency translation losses on cash and cash equivalents		(183)	(29)
Cash and cash equivalents at January 1		19,992	16,622
Net cash and cash equivalents at December 31		16,740	19,992

Consolidated Statement of Changes in Equity

In thousands of CHF	Equity attributable to shareholders of COMET HOLDING AG					
	Capital- stock	Additional paid-in capital	Retained earnings	Treasury stock	Foreign currency translation differences	Total shareholders' equity
December 31, 2010	7,575	63,745	58,677	0	(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	0	(18,922)	119,298
Net income			5,924			5,924
Other comprehensive (loss)					(1,088)	(1,088)
Total comprehensive income			5,924		(1,088)	4,836
Distribution to shareholders of COMET HOLDING AG		(3,035)				(3,035)
Repurchases of treasury stock				(4,424)		(4,424)
Increase in capital (for stock compensation for 2011)	38	785	(698)			125
Share-based payments			986			986
December 31, 2012	7,663	59,930	74,627	(4,424)	(20,010)	117,786

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 and radio 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 2012 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 of the International Accounting Standards Board (IASB) were applied. COMET did not early-adopt new standards and interpretations except as specifically stated below. The significant accounting policies applied are unchanged from the prior year except as set out below.

Changes in accounting policies

Revised and new accounting rules

With effect from January 1, 2012, COMET has applied the following new or revised IFRS/IAS for the first time:

- IAS 12 – Amendments – Income Taxes
- IFRS 7 – Amendments – Disclosures – Transfers of Financial Assets

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 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)	Jan. 1, 2014	Fiscal year 2014
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
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	(1)	Jan. 1, 2013	Fiscal year 2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IFRS 27)	(1)	Jan. 1, 2014	Fiscal year 2014
Annual Improvements to IFRSs: 2009-2011 Cycle (published May 17, 2012)	(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.

Expected restatement of 2012 results in the 2013 financial statements to reflect IAS 19 amendments

If the amendment had already been applied in fiscal year 2012, consolidated equity would have been CHF 2.4 million lower and net income would have been CHF 0.3 million lower. In the 2013 annual financial statements, all items related to the IAS 19 amendments will require restatement for 2012. The following is an overview of the result and impact of the anticipated future restatement of the 2012 data.

	Reported in 2012 (see note 16.1)	Expected to be reported in 2013 (2012 restated)	Difference
Present value of defined benefit obligations	(41,208)	(40,288)	+ 920
Fair value of plan assets	40,486	40,486	0
Surplus	(722)	198	+ 920
Unrecognized actuarial losses	3,314	0	-3,314
Amount unrecognized as a result of IAS 19.58(b)	(116)	(117)	-1
Net carrying amount recognized in the balance sheet	2,476	81	-2,395
Employee benefit plan assets	3,246	1,014	-2,232
Employee benefit plan liabilities	770	933	+ 163
Total expense recognized in the income statement for defined-benefit plans	1,170	1,462	+292

Estimates

The consolidated financial statements of COMET HOLDING AG, Flamatt, Switzerland contain assumptions and estimates which affect the reported financial position, results of operations and cash flows. These assumptions and estimates were made on the basis of management's best knowledge at the time of preparation of the accounts. Actual results could differ from the values presented.

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

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

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 using 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, 2012	Dec. 31, 2011	2012	2011
USA	USD	1	0.915	0.935	0.938	0.887
Europe	EUR	1	1.207	1.214	1.205	1.233
China	CNY	1	0.147	0.149	0.149	0.137
Japan	JPY	100	1.059	1.215	1.178	1.113
Denmark	DKK	1	0.162	0.163	0.162	0.166

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 in which they occur.
- Available-for-sale financial assets: These assets are recognized at fair value in the balance sheet. Value changes are recognized in other comprehensive income until the financial instrument is sold or is impaired. At that time the cumulative gain or loss recognized in comprehensive income is recorded in the income statement.
- Loans and receivables as well as held-to-maturity investments: These items are measured at amortized cost using the effective interest method.
- Other financial liabilities: With the exception of derivatives, 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.

Treasury stock

Shares of COMET HOLDING AG purchased by the Group are recognized at cost and presented as a deduction from shareholders' equity. The purchase and resale of treasury stock and the issue of stock are recognized directly in equity. Any differences between the carrying amount of stock and the proceeds of its resale are recognized in additional paid-in capital.

Trade and other receivables

Trade and other receivables are reported at their face value less any necessary write-downs. Such write-downs are based on uniform rules. On specific doubtful arrears, impairment charges are provided individually.

Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value represents the estimated normal sale price less the costs of completion, marketing, selling and distribution. Raw materials and purchased products are measured using the weighted-average method; internally produced goods are measured at target costs. Proportionate shares of production overheads are included in inventories.

Revenue recognition

Net sales represent the revenue from goods sold and services rendered to third parties, net of discounts and other price reductions. In the case of the sale of goods, revenue is recognized at the time that the risks and rewards of ownership of the products sold are transferred to the customer. Depending on the product and the agreed shipment terms (Incoterms), this occurs at the time of shipment or in some cases only at the time of customer acceptance of the shipment.

Revenue is recognized only if an economic benefit is likely to accrue to the Group and the amount of revenue can be reliably measured.

Interest income is recognized on a time-proportion basis using 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 custom systems in the Systems business are accounted for by the percentage of completion method. The degree of completion is determined on the basis of the stage of completion of the individual contract, and manufacturing contracts are recognized if their outcome can be estimated reliably.

Specifically, the stage of contract completion is determined by reference to the ratio of (i) costs incurred for work already performed to (ii) the estimated total contract costs. The revenue is recognized in proportion to the percentage of completion thus determined, with identifiable losses expensed immediately. Receivables are capitalized as a net asset, i.e., net of prepayments received, or as a net liability if prepayments received on a contract exceed the costs incurred.

Assets held for sale and associated liabilities

These are assets, and liabilities associated with such assets, that the Group intends to sell. They are individual balance sheet items or groups of such items. Instruments are reclassified to this category only when management has decided to sell them and it appears likely that the sale will occur within one year. Measurement is at the lower of past carrying amount or fair value less costs to sell. Assets in this category are no longer depreciated.

Income and expenses from discontinued operations are shown separately on the face of the income statement, both in the period under review and the comparative period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Borrowing costs related to qualifying assets form part of the historical cost.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Land values are not depreciated. Impairment charges are recognized as depreciation but presented separately. Maintenance costs are recognized as assets only if the maintenance extends the expected life of the asset, expands production capacity or otherwise increases asset values. The cost of maintenance and repair that does not increase asset values is charged directly to income.

The following estimated useful lives are applied in determining depreciation:

Buildings	20-40 years
Machinery and other equipment	6-10 years
Demonstration equipment	6-10 years
Furniture and leasehold improvements	5 years
Tools	3-5 years
Vehicles	5 years
Computer hardware	3 years

Intangible assets

The intangible assets recognized are goodwill, rights to trademarks and names, customer lists, technology, licenses, patents, and software.

Intangible assets are recognized at cost and amortized on a straight-line basis over their expected useful life. Goodwill and acquired rights to trademarks and names are not amortized but are tested annually for impairment (see section "Impairment of non-current assets" below).

The expense for amortization of intangible assets with finite useful lives is recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Group.

Development costs are capitalized if the criteria under IAS 38 for doing so are satisfied.

The following estimated useful lives are applied in determining amortization:

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

Provisions

Provisions are recognized only where COMET has a present obligation to a third party arising from a past event and the amount of the obligation can be estimated reliably. Possible losses resulting from future events are not recognized.

Provisions for potential restructuring costs are recognized if a detailed plan for the restructuring has been formulated, the costs can be determined reliably and an obligation to incur the costs has been established by contract or communication.

Employee benefits

The COMET Group maintains various employee benefit plans that differ according to the local circumstances of the individual Group companies. The benefit plans are financed by contributions to government pension plans, private sector insurance arrangements or separate legal entities in the form of foundations, or by the accumulation of reserves in the balance sheet of the 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 differential 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 using the projected unit credit method. The obligation is recalculated periodically and any actuarial gains or losses from the re-measurement are immediately taken to income.

Deferred taxes

Deferred taxes are accounted for by the liability method. Under this approach, the income tax effects of temporary differences between the financial statements and the corresponding tax bases are recorded as non-current liabilities or as other non-current assets. Deferred taxes are calculated at actual or expected local tax rates. Changes in deferred taxes are included in income tax expense in the income statement, except for deferred taxes in respect of items that are recognized outside profit or loss. These are likewise recognized outside profit or loss, according to the underlying accountable event – either in other comprehensive income or directly in equity.

Deferred tax liabilities are recognized on all taxable temporary differences except for goodwill.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

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

Dividends

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

Leases

Leases of property, plant and equipment that transfer substantially all risks and rewards of ownership to Group companies are classified as finance leases. For assets acquired under finance leases, the lower of the fair value of the asset and the net present value of future non-cancelable lease payments is recognized as a non-current asset. Assets held under finance leases are depreciated over the shorter of their estimated useful life and the term of the lease.

Service contracts (particularly outsourcing agreements) involving direct or indirect provisions on the use of specified assets are reviewed at inception as to whether the arrangements contain a lease under IFRS. Unrealized income from sale-and-leaseback transactions that represent finance leases is deferred and realized over the term of the lease. Payments under operating leases are recorded as operating expenditure and recognized on a straight-line basis in profit or loss over the periods to which they relate.

Impairment of non-current assets

The value of property, plant and equipment and other non-current assets, including intangibles, is reviewed whenever it appears possible, as a result of changed circumstances or events, that the assets' carrying amount represents an overvaluation. If the carrying amount exceeds the amount recoverable through use or sale of the asset, the carrying amount is reduced to this recoverable amount and the difference is recorded as an impairment charge in the income statement. The recoverable amount is the higher of fair value or value in use. Value in use is determined on the basis of discounted expected future cash flows.

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

3 ACQUISITIONS

The Group did not make any acquisitions in 2012.

For the acquisition in 2011 (see below), the measurement of the acquired assets and liabilities at the acquisition date (the purchase price allocation) was already performed definitively in fiscal year 2011. Consequently, in fiscal 2012 no adjustments were made to the 2011 purchase price allocation.

Acquisitions in 2011

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 80). 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 has everything it requires to become a one-stop provider of complete RF power supply systems with perfectly coordinated components and to make rapid inroads into this market.

In the COMET Group's organizational structure, the acquired company was assigned to the Plasma Control Technologies product area and thus forms part of the Modules & Components division.

On January 26, 2012, Stolberg HF-Technik AG was merged into YXLON International GmbH retroactively to January 1, 2012.

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 between assumptions of COMET and of 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 (PPA) – the measurement of the assets and liabilities at the acquisition date – was performed on a definitive basis in fiscal 2011. Consequently, no adjustments were made to the PPA in fiscal year 2012.

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)

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

²The 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 scheduled.

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 prior year includes the acquired company's sales (CHF 1,960 thousand) and net income (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 for 2011 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

	2012	2011
Trade receivables, gross	36,822	31,862
Provision for doubtful accounts	(856)	(917)
Trade receivables, net	35,966	30,945
Refundable sales taxes and value-added taxes	1,435	1,268
Prepayments to suppliers	641	549
Sundry receivables	1,194	885
Total trade and other receivables	39,236	33,647

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

	2012	2011
January 1	917	686
Used	(143)	(73)
Added	169	343
Released	(78)	(27)
Foreign currency translation differences	(9)	(11)
December 31	856	917

At the balance sheet date, full impairment was recognized and provided on CHF 518 thousand (prior year: CHF 586 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	2012	2011
Total trade receivables	35,966	30,945
Not past due, no impairment provided	24,132	19,895
Total past due, with impairment partly provided, net	11,834	11,050
1-30 days past due and impairment partly provided, net	7,354	7,181
30-60 days past due and impairment partly provided, net	2,568	1,513
More than 60 days past due and impairment partly provided, net	1,912	2,356

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**5.1 OTHER FINANCIAL ASSETS**

In thousands of CHF	2012	2011
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	300	0
Total financial assets at fair value through profit or loss	300	0

In thousands of CHF	2012	2011
Loans and receivables		
Other non-current financial assets	315	0
Total loans and receivables	315	0

In thousands of CHF	2012	2011
Total other financial assets	615	0
Total current	300	0
Total non-current	315	0

5.2 OTHER FINANCIAL LIABILITIES

In thousands of CHF	2012	2011
Other financial liabilities		
Derivatives used for foreign exchange hedging	0	767
Derivatives used for interest rate hedging	0	93
Total other financial liabilities	0	860

5.3 DERIVATIVE FINANCIAL INSTRUMENTS

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

In thousands of CHF	2012	2011
USD forward exchange contracts		
Contract amounts	9,402	10,697
Positive fair values	300	0
Negative fair values	0	767

The interest rate swap with a contract amount of EUR 4 million and an original maturity of July 1, 2013 was unwound early, in 2012.

The gains and losses are recognized as financing income or financing expense (see note 22). The contract amounts shown represent the notional principal amounts of the forward contracts.

Consistent with the nature of the Group's activities, the forward exchange contracts have maturities of less than one year. Most are due within six months.

6 INVENTORIES

In thousands of CHF	2012	2011
Raw materials and semi-finished products	24,196	23,764
Work in process	5,249	4,409
Finished goods	5,974	7,221
Total inventories	35,419	35,394

The inventory amounts reflect any necessary individual write-downs for items with a market value below manufacturing cost. The expense recognized for inventory write-downs was CHF 2.3 million (prior year: CHF 1.2 million).

7 MANUFACTURING CONTRACTS

7.1 NET ASSETS FROM MANUFACTURING CONTRACTS

In thousands of CHF	2012	2011
Net assets from manufacturing contracts		
Project costs incurred and profits recognized, net	1,906	1,762
Advances received on manufacturing contracts in progress	(185)	(183)
Net assets from manufacturing contracts	1,721	1,579

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

7.2 NET LIABILITIES FROM MANUFACTURING CONTRACTS

In thousands of CHF	2012	2011
Net liabilities from manufacturing contracts		
Project costs incurred and profits recognized, net	14	221
Advances received on manufacturing contracts in progress	(439)	(364)
Net liabilities from manufacturing contracts	(425)	(144)

8 PROPERTY, PLANT AND EQUIPMENT

Fiscal year 2012

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

Under other tangible assets, the additions included internally produced demonstration equipment in the Systems division of CHF 1,705 thousand, and the disposals included the reclassification of CHF 1,423 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 818 thousand.

Plant and equipment included facilities under construction in the amount of CHF 2,746 thousand.

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	53,037	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.

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

	2012	2011
Carrying amount of pledged real estate	33,391	35,021
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

9 INTANGIBLE ASSETS**Fiscal year 2012**

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

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

The categories "goodwill", "trademarks", "customer lists" and "technology" were capitalized in connection with business combinations. The residual useful life of the customer lists was between 2 and 11 years.

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. In other intangible assets in 2011, an amount of CHF 603 thousand was capitalized with respect to 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, 2012. 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 Industrial X-Ray product area (within the Modules & Components division) for the generator business acquired as part of the acquisition of YXLON.
- 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 impairment test is based on the value in use method. The recoverable amount was determined from the present value of the future cash flows (DCF valuation). The calculations are based on the Board-approved rolling forecast and on the amounts in the Board-approved rolling medium-term plan for 2013 to 2017. Using experience-based estimates, the amounts in the forecast and in the medium-term plan are based on growth projections for net sales, operating income and other parameters, taking into consideration the estimated market trends in the various regions. Cash flows beyond the forecast period are extrapolated using an assumed growth rate of 1.5%, which is less than the expected rate of market growth. The assumptions applied in determining value in use correspond to the expected long-term average growth rate of the 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)

	Systems division CGU		Industrial X-Ray CGU		Total	
	2012	2011	2012	2011	2012	2011
In thousands of CHF						
Goodwill	20,665	20,787	6,873	6,873	27,538	27,660
Trademarks (YXLON)	2,414	2,428	0	0	2,414	2,428
Total carrying amount	23,079	23,215	6,873	6,873	29,952	30,088

Assumptions used in the valuation model

	Systems division CGU		Industrial X-Ray CGU	
	2012	2011	2012	2011
Discount rate (WACC) before tax	12.8%	13.9%	12.4%	14.1%
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 12.4% (prior year: 14.1%). The cash flows from the year 2017 onward 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 88.5 million or 262% (prior year: by CHF 58.8 million or 169%). 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 12.8% (prior year: 13.9%). The cash flows from the year 2017 onward 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 85.9 million or 142% (prior year: by CHF 79.4 million or 127%). 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 2017):

- Growth assumptions: Sales revenue is projected by product group and region. Given the low base in 2012, the average annual rate of sales growth is assumed to be 7% (prior year: 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 purchasing prices of materials.
- Exchange rates: The movement in exchange rates between the Swiss franc and the euro and US dollar has an effect on company value. The forecasts are based on exchange rates prevailing at the time of forecast preparation.
- Discount rate (WACC): The capital costs were determined based on borrowing costs (before tax) as well as the long-term risk-free rate, a small-cap premium, and a market risk premium weighted by a COMET-specific beta factor.

In the event of a material change in the input values compared with the above forecast scenario, such as (i) a sustained decline of 22% (prior year: 28%) in sales or (ii) a sustained gross margin that is 9.8 percentage points lower (prior year: 9.2 percentage 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 31% (prior year: to 28.4%).

11 INCOME TAX

11.1 CURRENT AND DEFERRED INCOME TAX EXPENSE

In thousands of CHF	2012	2011
Current income tax expense in respect of the current year	2,951	2,523
Current income tax expense in respect of prior years	(60)	299
Deferred income tax expense/(benefit)	1,608	(2,241)
Total income tax expense	4,499	581

11.2 RECONCILIATION OF TAX EXPENSE

In thousands of CHF	2012	2011
Income before tax	10,423	10,636
Expected income tax at base tax rate of 28% (prior year: 28%)	2,919	2,978
Effect of tax rates other than base tax rate	(426)	(444)
Effect of tax exemption by canton of Fribourg	(1,118)	(1,872)
Effect of non-tax-deductible expenses	94	29
Effect of change in tax rate on deferred income tax	378	47
Effect of non-recognition of tax loss carryforwards	2,131	1,141
Impairment charge on deferred tax assets	0	0
Effect of recognition/use of previously unrecognized tax loss carryforwards	0	(1,611)
Effect of income tax from other periods	(60)	299
Other effects	581	14
Income tax reported in the income statement	4,499	581
Effective income tax rate in percent of income before tax	43.2%	5.5%

The government of the canton of Fribourg had granted COMET AG, Flamatt, a complete exemption from cantonal, municipal and church taxes. The tax exemption was effective for the period from 2003 to 2012 (the ten years from the Group's relocation to the canton of Fribourg). From 2013, a continuing tax reduction of between 30% and 50% will be in effect on cantonal and municipal taxes until the year 2022 at the latest. This continuing tax relief is tied to the maintenance of a certain level of activity of the Group's operations at the Flamatt location.

11.3 DEFERRED TAX ASSETS AND LIABILITIES

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

In thousands of CHF	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Inventories	1,117	0	1,202	84
Manufacturing contracts	137	498	20	607
Property, plant and equipment	204	0	380	64
Intangible assets	0	4,958	0	5,471
Employee benefit plan assets	24	552	24	218
Trade and other payables	0	122	134	330
Accrued expenses	184	0	146	63
Provisions	102	0	95	22
Employee benefit plan liabilities	381	0	374	0
Other	48	370	1,002	509
Tax loss carryforwards	2,421	0	3,682	0
Total	4,618	6,500	7,059	7,368
Netting of deferred tax assets and liabilities	(3,778)	(3,778)	(5,585)	(5,585)
Amounts recognized in the balance sheet	840	2,722	1,474	1,783

The deferred tax assets and liabilities were measured at local tax rates, ranging from 17% to 40%. No deferred tax liabilities were established for temporary differences of CHF 31.9 million (prior year: CHF 38.6 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	2012	2011
January 1	309	1,314
Origination and reversal of temporary differences	356	(2,098)
Recognition of deferred tax assets on loss carryforwards	0	(151)
Use of tax loss carryforwards	1,261	0
Acquisition of subsidiary	0	1,205
Foreign currency translation differences	(44)	39
December 31	1,882	309

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	2012		2011	
	Loss carryforward	Potential tax asset	Loss carryforward	Potential tax asset
Within one year	0	0	0	0
In two to five years	0	0	0	0
In more than five years	24,870	8,159	20,315	6,296
Total	24,870	8,159	20,315	6,296

12 CURRENT AND LONG-TERM DEBT

12.1 CURRENT DEBT

In thousands of CHF	2012	2011
Bank borrowings with original maturities of less than twelve months	3,782	3,642
Current obligations under finance leases	187	198
Current portion of long-term debt	9,500	9,500
Total current debt	13,469	13,340

At the end of the fiscal year under review the COMET Group had undrawn credit facilities of CHF 21.8 million (prior year: CHF 19.8 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, 2012.

In thousands of CHF	2012	2011
Repayment due in two to five years	23,227	28,265
Repayment due in more than five years	6,140	10,829
Subtotal	29,367	39,094
Future amortization of costs	(217)	(294)
Total long-term debt	29,150	38,800

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 mortgages and bank loans with original maturities of more than twelve months coming due in the subsequent year were reclassified to current debt.

12.3 FINANCE LEASE OBLIGATIONS

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

In thousands of CHF	2012	2011
Due within one year	187	198
Due in two to five years	747	743
Due in more than five years	140	329
Total payment obligations	1,074	1,270
Less interest component	(214)	(289)
Total finance lease obligations	860	981

13 TRADE AND OTHER PAYABLES

In thousands of CHF	2012	2011
Total trade payables	11,037	9,083
Sales tax and value-added tax	596	111
Sales commissions	2,120	2,721
Sundry payables	1,288	2,986
Trade and other payables before prepayments by customers	15,041	14,901
Prepayments by customers	3,965	4,143
Total trade and other payables	19,006	19,044

14 ACCRUED EXPENSES

In thousands of CHF	2012	2011
Accrued staff costs	6,612	3,409
Other accrued expenses	5,297	2,829
Total accrued expenses	11,909	6,238

Accrued staff costs consist mainly of the amount accrued for performance-based compensation, and employees' vacation and overtime credits. The item "other accrued expenses" consists largely of deliverables still to be supplied under projects already invoiced and recognized in sales, such as installation and other non-material elements of orders. The increase from the prior year resulted mostly from the presence of a much larger number of projects (especially in the Systems division) for which installation and similar deliverable elements had not yet been completed.

15 PROVISIONS**Fiscal year 2012**

In thousands of CHF	Warranties	Restructuring provisions	Other provisions	Total provisions
January 1, 2012	3,155	288	844	4,287
Added	1,671	0	106	1,777
Used	(1,435)	(286)	(33)	(1,753)
Released	0	0	(284)	(284)
Foreign currency translation differences	(31)	(2)	(5)	(38)
December 31, 2012	3,359	0	629	3,988
Of which:				
Current provisions	3,359	0	534	3,893
Non-current provisions	0	0	95	95

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

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 item "other provisions" relates largely to risks arising from the insolvency of a past logistics provider of YXLON's German operations. A third party that acted as a guarantor for customs duties and sales tax payables of the logistics provider is seeking legal recourse against YXLON, and there is also a risk that suppliers whom the logistics company failed to pay will enforce their insolvency claims directly against YXLON's German operations.

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

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 (weighted)

	2012	2011
Discount rate	1.88%	2.55%
Expected rate of return on plan assets	3.39%	3.39%
Expected compensation increase rate	0.85%	1.53%
Expected pension increase rate	0.10%	0.09%
Turnover rate	12.10%	12.10%

Movement in present value of obligations

In thousands of CHF	2012	2011
Present value of defined-benefit obligations at January 1	39,171	37,003
Interest cost	936	991
Current service cost	1,426	1,548
Employee contributions	1,551	1,317
(Contributions received) and benefits paid	(4,721)	(724)
Actuarial losses/(gains) on obligations	2,859	(894)
Foreign currency translation differences	(14)	(70)
Present value of obligations at December 31	41,208	39,171

Movement in plan assets		2012	2011
In thousands of CHF			
	Fair value of plan assets at January 1	39,532	37,939
	Expected return on plan assets	1,322	1,532
	Employer contributions	1,722	1,819
	Employee contributions	1,551	1,317
	Contributions received and (benefits paid)	(4,689)	(295)
	Actuarial gains/(losses) on plan assets	1,058	(2,732)
	Foreign currency translation differences	(10)	(48)
	Fair value of plan assets at December 31	40,486	39,532
	Actual return/(losses) on plan assets	2,381	(1,200)

Movement in amounts recognized in the balance sheet		2012	2011
In thousands of CHF			
	Present value of funded obligations	(41,208)	(39,171)
	Plan assets	40,486	39,532
	Plan (deficit)/surplus	(722)	361
	Unrecognized actuarial losses	3,314	1,655
	Amount unrecognized as a result of IAS 19.58(b)	(116)	(129)
	Net carrying amount to be recognized in the balance sheet	2,476	1,887
	Reported on the face of the balance sheet:		
	Employee benefit plan assets	3,246	2,786
	Employee benefit plan liabilities	(770)	(899)

Movement in pension costs recognized in the income statement		2012	2011
In thousands of CHF			
	Current service cost (employer)	1,426	1,548
	Interest cost	936	991
	Expected return on plan assets	(1,322)	(1,532)
	Actuarial losses recognized in the reporting period	143	577
	Effect of asset ceiling under IAS 19.58(b)	(13)	(326)
	Total expense recognized in the income statement	1,170	1,258
	Expected employer contributions for the subsequent year	1,670	1,850

Major categories of plan assets		2012	2011
In thousands of CHF			
	Equity instruments of the Group	0	0
	Equity instruments of other companies	10,374	9,726
	Debt instruments of the Group	15	777
	Debt instruments of other companies	19,288	19,945
	Real estate	4,307	4,299
	Other assets	6,502	4,785
	Total plan assets	40,486	39,532

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	2012	2011	2010	2009	2008
Present value of obligations	(41,208)	(39,171)	(37,003)	(33,969)	(39,621)
Plan assets	40,486	39,532	37,939	34,291	36,784
Surplus/(deficit)	(722)	361	936	322	(2,837)
Experience adjustment on defined-benefit obligations	(1,805)	6	(375)	2,170	2,168
Experience adjustment on plan assets	1,058	(2,732)	150	1,218	(2,471)

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 the fiscal year amounted to CHF 1,914 thousand (prior year: CHF 1,646 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	2012	2011
Provision at January 1	679	633
Current service cost	70	68
Interest cost	29	28
Benefits paid	(77)	(97)
Actuarial losses	129	56
Foreign currency translation differences	(2)	(9)
Provision at December 31	828	679

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 1,920 thousand (prior year: CHF 1,983 thousand) for current customer projects accounted for using the percentage of completion method.

18 OTHER OPERATING INCOME

In thousands of CHF	2012	2011
Customers' contributions to development projects	1,084	1,329
Gain from sale of non-current assets	24	0
Loss from sale of non-current assets	0	(13)
Negative goodwill recognized on acquisition of subsidiary	0	221
Miscellaneous income	2,820	1,472
Total other operating income	3,928	3,009

19 STAFF COSTS AND STAFF COUNT**19.1 STAFF COSTS**

In thousands of CHF	2012	2011
Wages and salaries	64,751	58,617
Employee benefits	10,265	9,161
Total staff costs	75,016	67,788

19.2 STAFF COUNT

	2012	2011
Number of employees (year-end)	770	734

The average staff count during the year, expressed in full-time equivalents, was 712 (prior year: 692).

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 AMORTIZATION AND DEPRECIATION

In thousands of CHF	2012	2011
Amortization	5,087	5,435
Depreciation	7,594	7,223
Total amortization and depreciation	12,681	12,658

22 FINANCING INCOME AND EXPENSES

In thousands of CHF	2012	2011
Interest expense	1,991	2,528
Unrealized losses on derivatives used for interest rate hedging	0	13
Unrealized losses on derivatives used for currency hedging	0	767
Foreign currency translation losses	10,213	14,828
Total financing expenses	12,204	18,136

In thousands of CHF	2012	2011
Interest income	20	24
Unrealized gains on derivatives used for currency hedging	300	0
Foreign currency translation gains	9,545	14,081
Total financing income	9,865	14,105

In thousands of CHF	2012	2011
Net interest expense	(1,971)	(2,517)
Net foreign currency translation losses	(368)	(1,514)

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

23 EARNINGS PER SHARE

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

	2012	2011
Weighted average number of shares outstanding	753,768	760,406
Net income in thousands of CHF	5,924	10,055
Net income per share in CHF, diluted and basic	7.86	13.22

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

24 OFF-BALANCE SHEET TRANSACTIONS

24.1 CONTINGENT LIABILITIES

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

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

In 2006 COMET sold a property in Switzerland that is listed in the register of contaminated sites. Although the experts involved do not expect the situation to change significantly in the short to medium term, the site will continue to be monitored for the next several years. If the ground water sampling under this monitoring does not produce significant new findings, all measures in relation to the site will be discontinued at the end of 2019 and the site will no longer require monitoring. At present a final assessment cannot yet be made of the matters at issue and of any resulting as yet unprovided additional costs. However, based on current knowledge, COMET believes that no significant costs are likely to result.

24.2 RESTRICTIONS OF TITLE

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

24.3 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		2012	2011
	Due within one year	2,840	2,568
	Due in two to five years	6,297	6,224
	Due in more than five years	2,133	2,104
	Total payment obligations	11,270	10,895

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

The expense recognized in the fiscal year for operating leases was CHF 3,548 thousand (prior year: CHF 3,229 thousand).

25 FINANCIAL INSTRUMENTS**25.1 CLASSES OF FINANCIAL INSTRUMENTS**

In thousands of CHF	Fiscal year 2012		Financial assets		Financial liabilities		Fair value
			Held for trading	Loans and receivables	Held for trading	At amortized cost	
	Cash and cash equivalents			16,740			16,740
	Trade and other receivables			37,160			37,160
	Derivatives		300				300
	Financial assets			315			315
	Current debt					13,469	13,659
	Trade and other payables					14,445	14,445
	Derivatives					0	0
	Long-term debt (fixed rate)					29,150	31,312
	Interest income/(expense)		0	20	0	(1,991)	
	Gain on derivatives		300	0	0	0	
	Change in provisions for doubtful accounts and in losses on trade receivables			(91)			
	Total net gain/(loss) recognized in the income statement		300	(71)	0	(1,991)	

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 are to be categorized as Level 2 instruments.

In thousands of CHF	Fiscal year 2011		Financial assets		Financial liabilities		
			Held for trading	Loans and receivables	Held for trading	At amortized cost	Fair value
	Cash and cash equivalents			19,992			19,992
	Trade and other receivables			31,830			31,830
	Derivatives		0				0
	Current debt					13,340	13,612
	Trade and other payables					14,790	14,790
	Derivatives				860		860
	Long-term debt (fixed rate)					38,800	40,962
	Interest income/(expense)	0	24		0	(2,528)	
	Net loss on derivatives	0	0		(780)	0	
	Change in provisions for doubtful accounts and in losses on trade receivables			(315)			
	Total net gain/(loss) recognized in the income statement	0	(291)		(780)	(2,528)	

25.2 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

26 MANAGEMENT OF FINANCIAL RISKS

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

26.1 CAPITAL MANAGEMENT

The primary goal of capital management is to manage equity capital in such a way as to ensure the Group's high creditworthiness and an equity ratio appropriate to the Group's risk profile, thus supporting its business activities. COMET manages the Group's capital structure to meet liquidity requirements and pursue growth and profitability targets, taking into account the economic environment and the financial results achieved and planned. On this basis, the Board of Directors proposes dividend payments or capital repayments to the shareholders or recommends increases in capital stock.

COMET monitors and evaluates its capital structure by 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	2012	2011
Current debt	13,469	13,340
+ Long-term debt	29,150	38,800
./. Cash and cash equivalents	16,740	19,992
Net debt	25,879	32,148
Shareholders' equity	117,786	119,298
Shareholders' equity plus net debt	143,665	151,446
Gearing ratio	18%	21%

In the long term the Group seeks to maintain a gearing ratio (defined above) of between 20% and 40%.

26.2 RISKS IN CONNECTION WITH FINANCIAL INSTRUMENTS

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

26.2.1 MARKET RISK

Market risk is the risk of changes in the price of financial assets, in currency exchange rates, interest rates and the price of exchange-traded commodities. As a manufacturer, COMET is inherently exposed to commodity price risks (for example, with respect to inputs such as energy, copper and ceramics), but these are not considered financial risks for the purposes of IFRS 7, as COMET procures commodities only for use in manufacturing, not for trading of commodity contracts. Consequently, these risks are not explicitly determined and are not separately disclosed in the consolidated financial statements.

Exchange rate risk

With its worldwide activities and strong focus on exports, COMET has particularly high exposure to exchange rate risks, as revenues and costs often do not arise in the same currency. The currency risk from operations is reduced by purchasing and selling in local currency where possible, an approach known as natural hedging. In addition, to protect against fluctuation in exchange rates, significant foreign currency orders in the 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 2012

	Increase in exchange rate	Effect on income before tax	Effect on equity
EUR/CHF	+5	+1,110	+2,917
USD/CHF	+5	-118	+710

Fiscal year 2011

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

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

Interest rate risk

COMET's debt financing exposes it to the risk of interest rate fluctuation. As the loans of the COMET Group largely carry fixed rates of interest, movements in market interest rates have no material short-term effect on the amounts of interest payable and hence on profitability. All loans are measured at amortized cost; therefore, in the year under review and the prior year, changes in market interest rates did not have a direct effect on the carrying amounts of the loans, nor therefore on income before tax or on equity.

The fair values of long-term debt based on the current interest rate situation are presented on an indicative basis in note 25.1.

26.2.2 CREDIT RISK

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

In thousands of CHF	2012		2011	
	Rating *	Balance	Rating *	Balance
Bank A	A	4,257	A	9,958
Bank B	AAA	260	AAA	178
Bank C	A	3,914	A	4,976
Other counterparties		8,309		4,863
Total bank deposits		16,740		19,975

* 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.

26.2.3 LIQUIDITY RISK

COMET defines liquidity risk as the risk that, at any time, it will not be able to meet its financial obligations fully as they become due. The foremost goal of financial management is the permanent assurance of the Group's solvency in order to prevent such a contingency. To this end, using liquidity planning, COMET always maintains sufficient liquid assets and credit lines to avoid shortages of liquidity. 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 2012

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

Fiscal year 2011

In thousands of CHF	Carrying amount	Payments due by period			
		Total	in 2012	2013–2016	After 2016
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	0	0
Derivatives (negative fair values)	860	860	860	0	0
Total	67,790	74,254	30,724	31,744	11,786

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.

27 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.

27.1 OPERATING SEGMENTS

Fiscal year 2012					
In thousands of CHF	Modules & Components division	Systems division	Elimination of intersegment sales	Corporate	Consolidated
Net sales					
External net sales	99,534	114,867	0	0	214,401
Intersegment sales	14,826	3,529	(18,355)	0	0
Total net sales	114,360	118,396	(18,355)	0	214,401
Earnings					
Segment operating income	7,329	7,128	(453)	0	14,004
Unallocated costs	0	0	0	(1,243)	(1,243)
Operating income/(loss) [EBIT]	7,329	7,128	(453)	(1,243)	12,761
Financing expenses					(12,204)
Financing income					9,866
Income before tax					10,423
Income tax					(4,499)
Net income					5,924
EBITDA¹	15,580	11,558	(453)	(1,243)	25,442
Assets and liabilities					
Segment assets	106,218	78,972	0	17,822	203,012
Segment liabilities	(14,385)	(23,942)	0	(46,898)	(85,225)
Net assets	91,834	55,030	0	(29,077)	117,786
Other segment information					
Capital expenditure	3,122	4,309	0	0	7,432
Depreciation and amortization	8,251	4,430	0	0	12,681
Change in provisions	(208)	(16)	0	(36)	(260)
Other non-cash expense/(income)	330	395	(453)	802	1,072
Number of employees at year-end	438	332		0	770

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

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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	0	0	216,965
Intersegment sales	14,989	2,325	(17,314)	0	0
Total net sales	119,071	115,208	(17,314)	0	216,965
Earnings					
Segment operating income	13,382	2,097	437	0	15,916
Unallocated costs	0	0		(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	0	22,478	208,423
Segment liabilities	(9,478)	(21,534)	0	(58,113)	(89,125)
Net assets	100,905	54,029	0	(35,636)	119,298
Other segment information					
Capital expenditure	5,333	2,838	0	0	8,171
Depreciation and amortization	7,866	4,792	0	0	12,658
Change in provisions	(311)	961	0	(10)	640
Other non-cash (income)/expense	(615)	(234)	(437)	2,643	1,357
Number of employees at year-end	420	314	0	0	734

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

27.2 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.

The presentation of net sales by region has changed from that used in the prior-year report, in that Germany, China and Japan are now shown separately. The presentation of the prior-year data has been adjusted accordingly.

Net sales by region		2012	2011
In thousands of CHF			
	Switzerland	2,786	3,224
	Germany	27,676	28,261
	Rest of Europe	33,670	35,232
	Total Europe	64,132	66,717
	Total USA	65,703	58,270
	China	40,241	44,985
	Japan	12,879	16,397
	Rest of Asia	21,486	20,782
	Total Asia	74,607	82,164
	Rest of world	9,959	9,814
	Total	214,401	216,965

The presentation of the geographic distribution of non-current assets has changed from that used in the prior-year report, in that Germany is now shown separately. The presentation of the prior-year data has been adjusted accordingly.

Non-current assets by region		2012	2011
In thousands of CHF			
	Switzerland	56,698	61,707
	Germany	38,718	40,613
	Rest of world	8,309	9,248
	Total	103,725	111,568

27.3 SALES WITH KEY ACCOUNTS

In the year under review, the Modules & Components division recorded sales of CHF 24.0 million with its largest customer, which represented 11.2% of Group sales (prior year: CHF 22.8 million/10.5%).

28 CAPITAL STRUCTURE AND SHAREHOLDERS**Capital stock**

The capital stock at January 1, 2012 was CHF 7,625,160, divided into 762,516 registered shares with a par value of CHF 10 per share. In fiscal year 2012 the capital stock was increased by 3,796 shares from the portion of authorized capital designated for equity-based compensation.

Including the increase of 3,796 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2012 thus had CHF 7,663,120 of capital stock, divided into 766,312 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. On August 14, 2012 the Board of Directors established that the capital increase from authorized capital for equity compensation was completed with due regard to the rules and regulations. The information on COMET HOLDING AG in the commercial register was updated to reflect the change in capital stock.

	2012		2011	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	762,516	7,625,160	757,480	7,574,800
Increase from authorized capital for employee, management and Board incentive plan	3,796	37,960	5,036	50,360
December 31	766,312	7,663,120	762,516	7,625,160

At the balance sheet date, COMET HOLDING AG held 22,000 shares of treasury stock (prior year: 0).

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 86,880 by issuing up to 8,688 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members of COMET HOLDING AG and/or to senior executive management in Switzerland and Germany. With respect to this portion of authorized capital, the other shareholders' preemptive 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 2011 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 3,796 shares of stock in May 2012 in payment of compensation due. The shares were offset against the compensation due at a price of CHF 127 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:

	2012		2011	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	12,484	124,840	17,520	175,200
Stock compensation under incentive plan	(3,796)	(37,960)	(5,036)	(50,360)
December 31	8,688	86,880	12,484	124,840

Authorized capital for other capital increases

At December 31, 2012, 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.

28.1 SIGNIFICANT SHAREHOLDERS

At December 31, 2012 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
UBS Fund Management (Switzerland) AG, Basel	5.10%
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%

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.

29 SHARE-BASED PAYMENTS

Board of Directors

The members of the Board of Directors receive compensation consisting of a fixed base retainer, a per-day fee for Board meetings, and an expense allowance. The entire base retainer and the expense allowance are paid only in cash. The entire per-day fee must be paid in 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 in the form of stock of COMET HOLDING AG. The stock is subject to a holding period of three years.

Members of the Executive Committee and 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 share price at which compensation due is converted to the number of shares to be granted to eligible recipients in Switzerland and Germany is the average closing price of the stock during the period from the stock's first trading day after the 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 986 thousand (prior year: CHF 698 thousand).

In May 2012, under the 2011 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior management were granted 3,796 shares. The shares were awarded at a price of CHF 127 per share. Ownership of the shares passes to the recipient at the grant date. The shares carry dividend rights immediately.

30 COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

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

In thousands of CHF	2012	2011*
Cash compensation, including short-term employee benefits	2,414	2,340
Contributions to post-employment benefit arrangements	256	303
Expense for share-based payments	658	621
Total compensation	3,328	3,264

* Prior-year data has been restated to reflect the difference between the ratio of stock to cash compensation previously recorded as accrued and the actual ratio observed, and any difference between the variable portion of compensation previously recorded as accrued at the year-end and the actual variable portion of compensation. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated in the prior-year financial statements. The actual aggregate compensation for the prior year was CHF 3 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 80.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced services in the amount of CHF 14,000 (prior year: CHF 34,300). 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 83; shareholdings are presented from page 87.

31 RISK ASSESSMENT

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. Based on the resulting information, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system that is designed for the early identification of risks and timely adoption of appropriate countermeasures. The organization and reporting related to the risk management system are described in the Corporate Governance report under the heading "Monitoring and control with respect to the Executive Committee" on page 104.

32 EVENTS AFTER THE BALANCE SHEET DATE

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

33 PROPOSED DISTRIBUTION TO SHAREHOLDERS

The Board of Directors will propose to the Annual General Meeting to pay a distribution of CHF 4.00 per share (prior year: CHF 4.00 per share) to shareholders from distributable paid-in capital. The total amount of the proposed distribution is CHF 3,065 thousand (prior year: CHF 3,050 thousand).

34 RELEASE OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors released these financial statements on March 1, 2013 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 18, 2013 for approval.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of COMET HOLDING AG, Flamatt

As statutory auditor, we have audited the consolidated financial statements of COMET HOLDING AG, which comprise the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity, and the notes (pages 31 to 75), for the year ended December 31, 2012.

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, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

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

Berne, March 1, 2013

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Tobias Peter
Licensed audit expert

COMET HOLDING AG

Separate Financial
Statements



Balance SheetIn thousands
of CHF

ASSETS	Dec. 31, 2012	%	Dec. 31, 2011	%
Cash and cash equivalents	304		531	
Treasury stock	4,424		0	
Receivables from non-Group entities	0		1	
Receivables from Group companies	55		18	
Prepaid expenses	3		2	
Total current assets	4,786	3.9%	552	0.5%
Loans to Group companies	55,258		49,011	
Investments in subsidiaries	61,350		59,850	
Rights to trademarks and names, FeinFocus	2,016		2,314	
Total non-current assets	118,624	96.1%	111,175	99.5%
Total assets	123,410	100.0%	111,727	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities to non-Group entities	63		145	
Liabilities to related parties	343		275	
Liabilities to Group companies	16,408		4,744	
Current portion of long-term debt	6,500		6,500	
Bank debt	7,246		13,749	
Accrued expenses	308		428	
Total liabilities	30,867	25.0%	25,841	23.1%
Capital stock	7,663		7,625	
Legal reserves				
General legal reserve	4,967		4,958	
Additional paid-in capital	49,910		52,161	
Reserve for treasury stock	4,424		0	
Capital stock and reserves	66,964		64,744	
Retained earnings	16,718		9,936	
Net income for the year	8,861		11,207	
Total retained earnings	25,579		21,142	
Total shareholders' equity	92,543	75.0%	85,886	76.9%
Total liabilities and shareholders' equity	123,410	100.0%	111,727	100.0%

Statement of IncomeIn thousands
of CHF

	2012	%	2011	%
Income from subsidiaries	10,989		13,000	
Financing income	1,161		1,410	
License fee income	384		372	
Total income	12,534	100.0%	14,782	100.0%
Financing expense	(1,024)		(1,339)	
Foreign currency translation losses	(775)		(909)	
Administrative expenses	(1,576)		(1,029)	
Amortization of rights to trademarks and names, FeinFocus	(299)		(299)	
Total expenses	(3,673)	29.3%	(3,575)	24.2%
Net income for the year	8,861	70.7%	11,207	75.8%

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, 2012 was CHF 164.8 million (SIX Swiss Exchange closing price per share: CHF 215.00). The separate financial statements of COMET HOLDING AG at and for the year ended December 31, 2012 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, 2012:

Company	Registered office	Currency	Capital stock	Equity interest in %	
				2012	2011
COMET HOLDING AG	Flamatt, Switzerland	CHF	7,663,120	100%	100%
COMET AG	Flamatt, Switzerland	CHF	2,000,000	100%	100%
COMET Electronics (Shanghai) Co. Ltd.	Shanghai, China	CNY	5,466,148	100%	100%
COMET Mechanical Equipment (Shanghai) Co. Ltd.	Shanghai, China	CNY	1,655,420	100%	100%
YXLON International GmbH*	Hamburg, Germany	EUR	110,000	100%	100%
YXLON International A/S	Taastrup, Denmark	DKK	601,000	100%	100%
COMET Technologies USA, Inc.	Stamford CT, 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%

* On January 26, 2012, Stolberg HF-Technik AG was merged with YXLON International GmbH retroactively to January 1, 2012.

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

2 CAPITAL STRUCTURE AND SHAREHOLDERS

Listed Group company: COMET HOLDING AG

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

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2012	CHF 215.00
Market capitalization at December 31, 2012	CHF 164.8 million

Assorted data on the stock of COMET HOLDING AG is provided on page 11 of the annual report.

Non-listed Group companies

COMET HOLDING AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are named in note 1 above.

Registered shareholders

At December 31, 2012, COMET HOLDING AG had 1,820 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 2,108). Of the total issued registered stock, 97.13% (prior year: 100%) represented free float. COMET HOLDING AG held 22,000 shares of treasury stock at December 31, 2012, representing 2.87% of voting rights (prior year: no treasury stock).

The structure of share ownership size classes among the shareholders of record at December 31, 2012 was as follows:

Number of shares	Number of shareholders
1 to 100	1,396
101 to 1,000	359
1,001 to 5,000	44
5,001 to 10,000	11
More than 10,000	10

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2012 these shares of unregistered owners amounted to 27% of the total (prior year: 18%).

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 FINMA Stock Exchange Ordinance.

At December 31, 2012 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
UBS Fund Management (Switzerland) AG, Basel	5.10%
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%

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 2012

In the fiscal year, three 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, 2012 was CHF 7,625,160, divided into 762,516 registered shares with a par value of CHF 10 per share. In fiscal year 2012 the capital stock was increased by 3,796 shares from the portion of authorized capital designated for equity-based compensation.

Including the increase of 3,796 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2012 thus had CHF 7,663,120 of capital stock, divided into 766,312 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2012 the Board of Directors established that the capital increase from authorized capital for equity compensation was completed with due regard to the rules and regulations. The information on COMET HOLDING AG in the commercial register was updated accordingly.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2012	762,516	7,625,160
Increase in capital from the portion of authorized capital designated for equity-based compensation	3,796	37,960
December 31, 2012	766,312	7,663,120

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 86,880 by issuing up to 8,688 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members of COMET HOLDING AG and/or to senior executive management in Switzerland and Germany. With respect to this portion of authorized capital, the other shareholders' preemptive 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 2011 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 3,796 shares in May 2012 in payment of CHF 482,092 of compensation due. The shares were offset against the compensation due at a price of CHF 127 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, 2012	12,484	124,840
Number of shares issued during the fiscal year	(3,796)	(37,960)
December 31, 2012	8,688	86,880

Authorized capital for other capital increases

At December 31, 2012, 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.

3 DISCLOSURE OF COMPENSATION

The following disclosures represent all compensation to members of the Board of Directors and of the Executive Committee and to 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 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
Footnote							
Base fees, net	(1)	76,000	31,784	9,500	31,784	31,784	180,852
Variable fees from incentive plan, net	(2)	0	0	4,750	0	0	4,750
Variable fees for special duties, net	(3)	30,875	0	0	0	0	30,875
Total cash compensation		106,875	31,784	14,250	31,784	31,784	216,477
Stock compensation	(4)	107,782	58,036	0	58,036	58,036	281,890
Contributions for old age and survivors insurance and unemployment insurance							
		0	7,078	1,150	6,808	6,992	22,028
Total expenses for long-term benefits	(5)	0	7,078	1,150	6,808	6,992	22,028
Total compensation		214,657	96,898	15,400	96,628	96,812	520,395

* Data in the table has been restated to reflect variances between amounts estimated for the prior year (2011) in the prior-year annual financial statements, and the actual amounts observed. These variances are the difference between the estimated ratio of stock to cash compensation previously recorded as accrued for the prior year and the actual ratio drawn, as well as any difference between the performance-based variable fees recorded as accrued at the year-end and the actual performance-based variable fees. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated for the prior year. The actual aggregate compensation for 2011 was CHF 25,700 more than the estimated amount reported in the 2011 annual financial statements.

Fiscal year 2012							
Name		Hans Hess	Hans Leonz Notter	Gian-Luca Bona	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman	Vice Chairman	Member since 4/18/2012	Member	Member	Total
Footnote							
Base fees, net	(1)	76,000	31,637	24,289	31,637	31,974	195,538
Variable fees from incentive plan, net	(2)	0	0	0	0	0	0
Variable fees for special duties, net	(3)	0	0	0	0	0	0
Total cash compensation		76,000	31,637	24,289	31,637	31,974	195,538
Stock compensation	(4)	83,516	55,948	52,021	55,948	61,983	309,416
Contributions for old age and survivors insurance and unemployment insurance							
		0	6,816	5,893	6,816	7,284	26,808
Total expenses for long-term benefits	(5)	0	6,816	5,893	6,816	7,284	26,808
Total compensation		159,516	94,401	82,203	94,401	101,242	531,762

Gian-Luca Bona was newly elected to the Board of Directors of COMET HOLDING AG at the Annual Shareholder Meeting on April 18, 2012.

- (1) Base fees are paid as compensation for Board responsibilities and consist of a fixed base retainer and expenses. Also included in this item is the amount necessary to cover payment of social security contributions in connection with stock compensation. The entire base retainer and the expense allowance are paid only in cash.
- (2) In the year under review, no variable compensation was paid in cash.
- (3) In the year under review, no additional compensation was paid for special duties.
- (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 for meetings, which must also be drawn entirely in the form of stock. The effective transfer of the stock occurs in May of the subsequent year. The share price at which compensation due is converted to the number of shares to be granted is 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 increase in compensation compared with the prior year is attributable to the Board's expansion with the arrival of Gian-Luca Bona as an additional Board member, and to the higher number of meetings. For 2012 the variable compensation amounted to 19% of the base retainer.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 14,000 for services rendered (prior year: CHF 34,300). 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 April 3, 2012, the Board of Directors of COMET HOLDING AG appointed Stefan Moll as the new President of X-Ray Systems and as a member of the Executive Committee of COMET HOLDING AG. He replaced Joseph Kosanetzky, who left the Executive Committee at the same date. 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, 7.0 persons served on the Executive Committee (prior year: 6.9 persons). The compensation of the ordinary members of the Executive Committee for which an expense was accrued is presented in the table below.

Name Position	Executive Committee total	Highest compensation Ronald Fehlmann (1) CEO since Jan. 1, 2011			
		2012	2011*		
Fiscal year	Footnote	2012	2011*	2012	2011*
Base salary, gross	(2)	1,758,341	1,770,453	430,001	430,001
Variable compensation, gross	(3)	225,369	137,021	53,750	67,804
Total cash compensation		1,983,710	1,907,474	483,751	497,805
Stock compensation	(4)	349,149	339,359	151,172	141,942
Benefits in kind	(5)	20,102	21,857	5,165	3,200
Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	(6)	422,237	453,316	120,007	121,906
Contributions for health and accident insurance	(7)	20,927	21,339	3,262	3,870
Total expenses for long-term benefits		443,164	474,655	123,268	125,776
Total compensation		2,796,125	2,743,344	763,357	768,723

* Data in the table has been restated to reflect variances between amounts estimated for the prior year (2011) in the prior-year annual financial statements, and the actual amounts observed. These variances are the difference between the ratio of stock to cash compensation previously recorded as accrued for the prior year and the actual ratio drawn, as well as any difference between the performance-based variable fees recorded as accrued at the year-end and the actual performance-based variable fees. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs estimated for the prior year in the prior-year annual financial statements. The actual aggregate compensation for 2011 was CHF 95,136 more than had been reported in the prior-year annual financial statements.

The amounts set out in the table above are not identical to the taxable income of the Executive Committee members, as the total compensation for the purposes of section 663 of the Code of Obligations includes employer social security contributions and (in the event of share compensation) 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 all or part of the year under review.
- (3) This item includes the performance-based compensation determined by the extent of achievement of the Group's net income target. This portion of the variable compensation is paid only in cash. This item also includes any other one-time cash compensation, such as length-of-service awards.

- (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 regardless 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 share price at which compensation due is converted to the number of shares to be granted is 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 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.

In the fiscal year, total variable compensation amounted to an average of 73% of base salaries.

After his exit from the Executive Committee of COMET HOLDING AG on April 30, 2012, the COMET Group retains the former head of X-Ray Systems as a technology consultant to the Board's Technology Committee. In this role, he provides services as an x-ray engineering expert. In the fiscal year, he was paid fees in the amount of CHF 333,511. His compensation in his previous capacity as a regular member of the Executive Committee until April 30, 2012 is included in the table above.

3.3 FORMER BOARD AND EXECUTIVE COMMITTEE MEMBERS (INCLUDING RELATED PARTIES)

In the year under review, no compensation was paid 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, 2012.

3.5 INTERIM MANAGEMENT CONTRACTS

There were no interim management contracts in the fiscal year.

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	
	2012	2011	May 3, 2013	May 6, 2014	April 17, 2015	2012	2011
Hans Hess Chairman of the Board	9,058	8,566	0	467	492	1.2%	1.1%
Hans Leonz Notter Vice Chairman and member of the Board	19,812	17,988	394	609	280	2.6%	2.4%
Gian-Luca Bona Member of the Board since April 18, 2012	0	0	0	0	0	0.0%	0.0%
Lucas A. Grolimund Member of the Board	431	151	0	52	280	0.1%	0.0%
Rolf Huber Member of the Board	1,924	1,644	413	433	280	0.3%	0.2%
Ronald Fehlmann Chief Executive Officer	700	150	0	0	550	0.1%	0.0%
Markus Portmann Chief Financial Officer	1,397	1,254	0	317	184	0.2%	0.2%
Joseph Kosanetzky President of X-Ray Systems until April 30, 2012	448	414	0	93	34	0.1%	0.1%
Stefan Moll President of X-Ray Systems from May 1, 2012	653	0	0	0	33	0.1%	0.0%
Michael Kammerer President of Plasma Control Technologies	296	264	0	147	149	0.0%	0.0%
Charles Flükiger President of Industrial X-Ray	270	314	0	162	108	0.0%	0.0%
Eric Dubuis Chief Information Officer	280	261	0	115	165	0.0%	0.0%
Jürg Keller Chief Human Resources Officer	130	0	0	0	130	0.0%	0.0%

Each 1,000 registered shares of COMET HOLDING AG of a par value of CHF 10 per share represented a total of 0.1305% of all voting power (prior year: 0.1311%). The Board of Directors and Executive Committee held a total of 4.6% of voting rights.

No material changes in ownership interests arose after the balance sheet date of December 31, 2012.

Options and conversion rights

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

Treasury stock

	2012	2011
Number of shares at January 1	0	0
Number of shares purchased in the year	22,000	507
Number of shares sold in the year	0	(507)
Number of shares at December 31	22,000	0
Average purchase price per share in CHF	201	191
Average sale price per share in CHF	0	198

COMET HOLDING AG held 22,000 shares of treasury stock at December 31, 2012, representing 2.87% of voting rights (prior year: no treasury stock).

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

	2012	2011
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 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" from page 104 of this annual report.

7 RELEASE OF THE SEPARATE FINANCIAL STATEMENTS FOR PUBLICATION

The Board of Directors released these financial statements on March 1, 2013 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 18, 2013 for approval.

Board of Directors' proposal for the appropriation of retained earnings

In the fiscal year, COMET HOLDING AG earned total income of CHF 12.5 million (prior year: CHF 14.8 million). The change relative to the prior year resulted from lower interest income on loans and lower dividend income from subsidiaries.

Total expenses in the fiscal year, at CHF 3.5 million, were in line with the year-earlier level of CHF 3.6 million. Financing expenses eased to CHF 1.0 million (prior year: CHF 1.3 million) thanks to lower interest expense as a result of repayment of bank debt in the fiscal year. Amid more stable currency relations, foreign currency translation losses, at CHF 0.8 million, were slightly less than in the prior year (CHF 0.9 million). Administrative expenses increased by CHF 0.5 million as a result of higher consulting fees and the non-recurrence of a 2011 book profit that had arisen from the first-time application of the capital contribution principle. Amortization of rights to trademarks and names related to FeinFocus was offset, as in the prior year, by passing the expenses through to the users of the rights.

The equity interest in YXLON International AS in Denmark was increased by CHF 1.5 million. The shareholders' equity of COMET HOLDING AG at the end of the fiscal year was CHF 92.5 million (prior year: CHF 85.9 million), representing an equity ratio of 75.0% (prior year: 76.9%).

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

In thousands of CHF	2012	2011
Earnings brought forward	21,142	9,936
Net income for the year	8,861	11,207
Total retained earnings	30,003	21,142
Transfer to reserve for treasury stock	(4,424)	0
Retained earnings available for distribution	25,579	21,142
Allocation to general legal reserve	0	0
Earnings carried forward	25,579	21,142

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

In thousands of CHF	2012	2011
Distributable paid-in capital brought forward	49,126	0
Transfer (to)/from general legal reserve	(9)	15,202
Transfer from additional paid-in capital	0	36,319
Additional paid-in capital from increase in capital stock*	793	640
Distributable paid-in capital reserve**	49,910	52,161
Repayment of CHF 4.00 per share from distributable paid-in capital for 2012 (2011: CHF 4.00 per share)	3,065	3,035
Earnings carried forward	46,845	49,126

* COMET has applied to the Swiss Federal Tax Administration for approval to designate CHF 793,364 of additional paid-in capital for tax-exempt repayment to shareholders; this additional paid-in capital is related to the 2012 capital increase from authorized capital for equity-based compensation. This approval and the similar approval of CHF 12,409 from the 2011 capital increase are still pending.

** The Swiss Federal Tax Administration has approved a total of CHF 49,104,283 of paid-in capital reserves for tax-exempt repayments to shareholders.

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

Report of the statutory auditor on the financial statements

To the General Meeting of COMET HOLDING AG, Flamatt

As statutory auditor, we have audited the financial statements of COMET HOLDING AG, which comprise the balance sheet, income statement and notes (pages 79 to 88), for the year ended December 31, 2012.

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, 2012, 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, 2013

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Tobias Peter
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 its organizational regulations.

The corporate governance report is based on the requirements of the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance (DCG) of October 29, 2008.

Group structure and ownership

STRUCTURE OF THE OPERATING ACTIVITIES OF THE COMET GROUP



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 68 of this annual report.

LISTED GROUP COMPANY: COMET HOLDING AG

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

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2012	CHF 215.00
Market capitalization at December 31, 2012	CHF 164.8 million

Assorted data on the stock of COMET HOLDING AG is provided on page 11 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 80.

REGISTERED SHAREHOLDERS

At December 31, 2012, COMET HOLDING AG had 1,820 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 2,108). Of the total issued registered stock, 97.13% (prior year: 100%) represented free float. COMET HOLDING AG held 22,000 shares of treasury stock at December 31, 2012, representing 2.87% of voting rights (prior year: no treasury stock).

The structure of share ownership size classes among the shareholders of record at December 31, 2012 was as follows:

Number of shares	Number of shareholders
1 to 100	1,396
101 to 1,000	359
1,001 to 5,000	44
5,001 to 10,000	11
More than 10,000	10

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2012 these shares of unregistered owners amounted to 27% of the total (prior year: 18%).

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, 2012 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
UBS Fund Management (Switzerland) AG, Basel	5.10%
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%

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 2012

In the fiscal year, three 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, 2012 was CHF 7,625,160, divided into 762,516 registered shares with a par value of CHF 10 per share. In fiscal year 2012 the capital stock was increased by 3,796 shares from the portion of authorized capital designated for equity-based compensation.

Including the increase of 3,796 shares from this portion of authorized capital, COMET HOLDING AG at December 31, 2012 thus had CHF 7,663,120 of capital stock, divided into 766,312 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on August 14, 2012 the Board of Directors established that the capital increase from authorized capital for equity compensation was completed with due regard to the rules and regulations. The information on COMET HOLDING AG in the commercial register was updated accordingly.

Registered stock, par value of CHF 10 per share	Number of shares	Par value in CHF
January 1, 2012	762,516	7,625,160
Increase in capital from the portion of authorized capital designated for equity-based compensation	3,796	37,960
December 31, 2012	766,312	7,663,120

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 86,880 by issuing up to 8,688 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to Board members of COMET HOLDING AG and/or to senior executive management in Switzerland and Germany. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights to employees is based on an incentive plan adopted by the Board of Directors. Grants of stock and of subscription rights to employees and/or Board members may be made at less than the market price.

Under the 2011 incentive plan, the members of the Board of Directors of COMET HOLDING AG and senior executive management in Switzerland and Germany were granted a total of 3,796 shares in May 2012 in payment of CHF 482,092 of compensation due. The shares were offset against the compensation due at a price of CHF 127 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, 2012	12,484	124,840
Number of shares issued during the fiscal year	(3,796)	(37,960)
December 31, 2012	8,688	86,880

AUTHORIZED CAPITAL FOR OTHER CAPITAL INCREASES

At December 31, 2012, 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 pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

CHANGES IN SHAREHOLDERS' EQUITY

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

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Treasury stock	Free reserve	Retained earnings	Total shareholders' equity
December 31, 2009	7,575	20,160	38,970	0	7,000	10,120	83,825
Net loss	0	0	0		0	(6,806)	(6,806)
Dividend payment	0	0	0		0	(379)	(379)
December 31, 2010	7,575	20,160	38,970	0	7,000	2,935	76,640
Transfer to distributable paid-in capital	0	(15,202)	15,202		0	0	0
Transfer from free reserve	0	0	0		(7,000)	7,000	0
Net income	0	0	0		0	11,207	11,207
Distribution from distributable paid-in capital	0	0	(2,651)		0	0	(2,651)
Increase in capital stock	50	0	640		0	0	690
December 31, 2011	7,625	4,958	52,161	0	0	21,142	85,886
Transfer to distributable paid-in capital	0	9	(9)		0	0	0
Net income						8,861	8,861
Distribution from distributable paid-in capital	0	0	(3,035)		0	0	(3,035)
Increase in capital stock	38	0	793		0	0	831
Repurchase of treasury stock	0	0	0	4,424	0	(4,424)	0
December 31, 2012	7,663	4,967	49,910	4,424	0	25,579	92,543

The corresponding information for the prior two fiscal years is found on page 94 of the Annual Report 2010 and page 98 of the Annual Report 2011. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 34 of this Annual Report 2012.

SHARES AND PARTICIPATION CERTIFICATES

The Company's capital stock at December 31, 2012 consisted of 766,312 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. With the exception of any treasury stock, every share carries dividend rights and represents one vote at the Shareholder Meeting, provided that the shareholder is recorded in the share register.

The Company has not issued any participation certificates.

DIVIDEND RIGHT CERTIFICATES

The Company has not issued any dividend right certificates.

RESTRICTIONS ON TRANSFERABILITY AND NOMINEE REGISTRATION

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

For the purposes of the legal relationship with the Company, shareholders or beneficial owners of shares are recognized as such only if they are registered in the share register. Purchasers of registered stock or of beneficial rights with respect to registered stock are upon their request recorded as voting shareholders in the share register by the Board of Directors if the purchasers state explicitly that they have acquired, and will hold, the stock or beneficial interest for their own account. Registration in the share register requires evidence of the acquisition of full legal title to the shares or evidence of the establishment of beneficial ownership. For the purpose of this condition, nominee shareholders (nominees) are deemed to be those persons who do not explicitly state in their registration application that they hold the shares for their own account. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies. Where legal entities or groups with joint legal status are connected by capital, voting rights, management or in some other manner, they are deemed to constitute a single nominee, as are all natural persons, legal entities or groups with joint legal status that by agreement, as a syndicate or in any other way act in a coordinated manner in circumventing the nominee rules.

The Company may, after hearing the affected party, void registrations in the share register with retroactive effect from the date of registration if they are based on false information given by the purchaser. The purchaser must be informed of this deletion immediately. The Board of Directors determines the details of the application of these provisions and makes the arrangements necessary to ensure compliance with them. In special cases, the Board may approve exceptions to the nominee rules. In the year under review, no applications for such special treatment were received.

CONVERTIBLE BONDS AND OPTIONS

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

MANAGEMENT TRANSACTIONS

The Listing Rules of SIX Swiss Exchange require the disclosure of management transactions in stock of the company and related financial instruments. The Board of Directors has issued a corresponding regulation in order to comply with these requirements. The parties whose transactions of this nature are reportable to the Company are the members of the Board of Directors and of the Executive Committee (the Executive Committee is the most senior level of executive management). In the fiscal year, 17 disclosures were filed. Published disclosures can be found on the website of SIX Swiss Exchange.



Gian-Luca Bona

Hans Leonz Notter

Hans Hess

Rolf Huber

Lucas Grolimund

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, 2012 the Board of Directors of COMET HOLDING AG had the following five members:

Name	Nationality	Position on the Board	Member since	Elected until
Hans Hess				
Dipl. Ing. ETH, MBA USC	Swiss	Chairman and non-executive member	2005	2013
Hans Leonz Notter				
Lawyer	Swiss	Vice Chairman and non-executive member	1989	2013
Lucas Grolimund				
Dipl. Ing. ETH, MBA INSEAD	Swiss	Non-executive member	2007	2013
Rolf Huber				
Dipl. Ing. ETH	Swiss	Non-executive member	2008	2013
Gian-Luca Bona				
Prof. Dr.	Swiss	Non-executive member	2012	2013

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

CHANGES IN BOARD MEMBERSHIP

Gian-Luca Bona was newly elected to the Board of Directors of COMET HOLDING AG at the Annual Shareholder Meeting on April 18, 2012.

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	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 Grolimund (born 1966, Swiss citizen)

Education	Dipl. Elektroingenieur master's degree in electrical engineering from Swiss Federal Institute of Technology (ETH), Zurich
	M.Sc. degree in electrical engineering from Stanford University, Palo Alto, CA
	MBA from INSEAD, Fontainebleau, France
Professional experience	1995 to 2000: McKinsey & Company, Zurich
	2000 to 2003: CFO of Gate Gourmet Group, Opfikon
	2003 to 2007: CEO of Schlatter Holding AG, Schlieren
	2007 to 2009: CEO of Cicor Technologies, Boudry
	Since 2009: Independent consultant

Rolf Huber (born 1965, Swiss citizen)

Education	Dipl. Ing. Agr. master's degree in agronomy from Swiss Federal Institute of Technology (ETH), Zurich
Professional experience	1993 to 1997: McKinsey & Company, Zurich
	1997 to 1998: Member of executive management of Coop Switzerland
	1998 to 2001: CFO of Hero AG and Hero Group
	Since 2001: Independent consultant, and partner at Ceres Capital AG

Gian-Luca Bona (born 1957, Swiss citizen)

Education	Dipl. Phys. master's degree and Dr. sc. nat. doctorate in physics from Swiss Federal Institute of Technology (ETH), Zurich
Professional experience	1987 to 2002: IBM Research Laboratory, Rüschlikon
	2002: IBM Watson Research Center, Yorktown Heights, NY
	2003 to 2004: Research Manager, Photonics Networks, IBM Research Laboratory, Rüschlikon
	2004 to 2008: Research Functional Manager, Science and Technology, IBM Almaden Research Center, San José, CA
	2008 to 2009: Director of Tape Storage Solutions, IBM, Tucson, AZ
	Since September 2009: CEO of Empa (the Swiss Materials Science & Technology Laboratory) and Professor of Photonics at the Swiss Federal Institutes of Technology (ETH and EPF), Zurich and Lausanne

EXECUTIVE MANAGEMENT FUNCTIONS

At the reporting date of December 31, 2012, none of the members of the Board of Directors had executive management responsibilities in the COMET Group. In the three years immediately prior to the year under review, none of the current Board members other than Hans Hess was a member of the Executive Committee of the COMET Group; Hans Hess was interim chief executive from February 1, 2010 to December 31, 2010.

RELATED PARTY TRANSACTIONS

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

ACTIVITIES AND INTERESTS OUTSIDE THE GROUP

The members of the Board of Directors had the following positions in executive and supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations (at December 31, 2012):

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 board, Kaba Holding AG, Rümlang
	President, Swissmem (the trade association of the Swiss mechanical and electrical engineering industries)
	Vice President, economiesuisse (the Swiss business federation)
Hans Leonz Notter	Member of the board, SIGERANCE AG, Köniz
	Chairman of the board, Fondation Leschot, Berne
	Member of the board, Fondation Theodora
	Member of the board, Fribourg Chamber of Commerce
Lucas Grolimund	Member of the board, Micronas Semiconductor Holding AG, Zurich
Rolf Huber	Member of the board, Hunziker AG Festwirtschaften, Willisau
Gian-Luca Bona	Member of the board, Technopark Zürich Foundation, chairman from 2013
	Chairman, Swiss Technopark Allianz
	Chairman, glaTec technology center, Dübendorf
	Member, Swiss Defense Commission
	Expert for Knowledge and Technology Transfer, Commission for Technology and Innovation (KTI)
	Member, Advisory Board, Swiss Cleantech Initiative
	Member, Steering Committee, Zurich Innovation Park
	Board member, Bundesanstalt für Materialien (BAM, German Federal Institute for Materials Research and Testing), Berlin
Member, International Advisory Board, National Institute for Material Science (NIMS), Tsukuba, Japan	

BOARD ELECTIONS AND TERMS

The Bylaws of COMET HOLDING AG stipulate that its Board of Directors must have at least three members; the actual number of members in the year under review satisfied this requirement. The Board members are elected by the Annual Shareholder Meeting for a one-year term ending on the day of the next Annual Shareholder Meeting. If elections are held during a term to replace or add Board members, the newly elected members serve for the remainder of the current term. Board members may be re-elected for consecutive terms. They are individually elected when standing for election or re-election. Board members retire from the Board no later than at the Annual Shareholder Meeting held in the year during which they reach the age of 70.

INTERNAL ORGANIZATIONAL STRUCTURE

The Board of Directors constitutes itself at its first meeting after election or re-election by the Shareholder Meeting. The Board appoints its Chairman, Vice Chairman, the members of the Board committees, and the Board Secretary. The Secretary need not be a member of the Board.

The Board meets at the invitation of the meeting's chairman as often as business requires, or when 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 an equality of votes, the chairman of the meeting has the casting vote. Resolutions on a motion may alternatively be reached in writing if no Board member objects to this method. Minutes must be kept of the deliberations and resolutions and be signed by the meeting chairman and the Board Secretary. The minutes are presented to the Board at its next meeting for approval.

Board committees

For fiscal year 2012 the Board of Directors of COMET HOLDING AG set the composition of the Board committees as follows:

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

The committees' principal function is to prepare decision support for the full Board in specialized subject areas. At the regular meetings or as required, the full Board is kept informed of the activities of the individual committees. The overall responsibility for the tasks assigned to the committees remains with the Board. The full Board decides on all agenda items. Every committee normally consists of at least two members of the Board. The members of the committees are elected from among the Board members for a term of one year. Every committee normally meets at least once per year or as often as business requires. Reports to the full Board are made orally or in writing as required.

Nomination & Compensation Committee

The Nomination & Compensation Committee prepares all relevant agenda items related to the nomination and compensation of Board members and Executive Committee members. The Committee has the following responsibilities in particular:

- Develop the guidelines for the compensation of the Board of Directors and Executive Committee members
- Evaluate the compensation strategy of the entire Group
- Review stock ownership plans and recommend adjustments when deemed appropriate
- Identify and recommend new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

The members of the Nomination & Compensation Committee meet at least twice per year. During the year under review the Committee held five meetings. The Committee may invite other Board members, Executive Committee members or specialists to its meetings as needed. Three of the Committee's meetings in the year under review were (partially or fully) attended by the CEO and the Chief Human Resources Officer.

Audit Committee

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

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

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

Technology Committee

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

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

The Committee meets as often as business requires. One meeting of the Technology Committee was held during the year. In 2012, the assessment of technology sector developments and the development measures taken by the Group were consistently discussed in the course of the Board's regular (i.e., ordinary) meetings with the divisions. Additionally, under the leadership of Gian-Luca Bona, a group-wide Science Day was held in the year.

Functioning of the full Board of Directors

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

The Board of Directors is regularly kept informed of the business performance 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 current business performance and forecast variances.

DIVISION OF AUTHORITY

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

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

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

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

Management information system

The monthly financial reporting by the Executive Committee on the current course of business and the notable transactions gives the full Board of Directors the information needed to properly discharge its responsibilities.

The standardized internal reporting of the COMET Group consists of the IFRS-based consolidated balance sheet, statement of income and cash flow statement, as well as detailed management reporting. Complementing the preparation of monthly consolidated financial statements and a comprehensive range of financial ratios and charts, the management reporting presents and comments upon 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 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, which are accompanied by detailed commentary and documented with charts, enable the Board to continually evaluate the financial effectiveness of the business strategy pursued and then take action accordingly.

Internal audit

Since 2006 the internal audit function is performed on a consulting basis by Robert Kruijswijk, who is based in Elgg, Switzerland. His compensation is determined by the amount of work performed. In the year under review, Robert Kruijswijk carried out several special audits at a number of locations. Key audit priorities were operating activities in Switzerland (processes in human resources), in the USA (global marketing for Plasma Control Technologies, and processes in IT, HR and finance), in Japan (basic inspection of all important business processes) and in Germany (sales process for custom equipment, and R&D). 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 an audit report for the Board, complete with a proposed action plan that addresses the findings. To initiate the implementation of the planned measures, the audit report is then discussed with the Executive Committee and the national lead personnel responsible (typically the local company presidents responsible for the relevant business) and/or the persons directly affected by the audit. The regular scheduled reporting is based on the audit priorities approved by the Board for the next three years. The nature of the coordination and cooperation between internal and external auditing, complete with the identification of the respective responsibilities, has been specified in writing and approved by the Board.

Risk management system

Risk management includes the annual evaluation of strategy by the Board and the assessment by the Executive Committee of insurance cover, of the general business risks and of the major balance sheet items. The approach to risk management is described in a risk strategy approved by the Board and is specified in a written risk management procedure for implementation by the Executive Committee. Under the direction of the CEO, the significant risks in the individual business areas and departments are identified in quarterly working group sessions, systematically described and categorized in a risk matrix, and, if required, assigned a new risk rating based on the probability of occurrence and the potential severity of loss. For the risks classified as important, action plans are formulated to minimize the probability and/or severity of loss. The Executive Committee normally meets twice per year to review the effectiveness of the actions taken and make regular updates to the description of existing risks in the risk portfolio to reflect new information, and to add new risks. As required, newly identified risks are added to the portfolio and action plans are formulated to manage them. In the year under review, the Executive Committee held two meetings on risk management, which were also attended by staff of the corporate quality department. Through separate reports, the Audit Committee at each of its meetings is kept advised of the current assessment of the Group's risks.

Internal control system

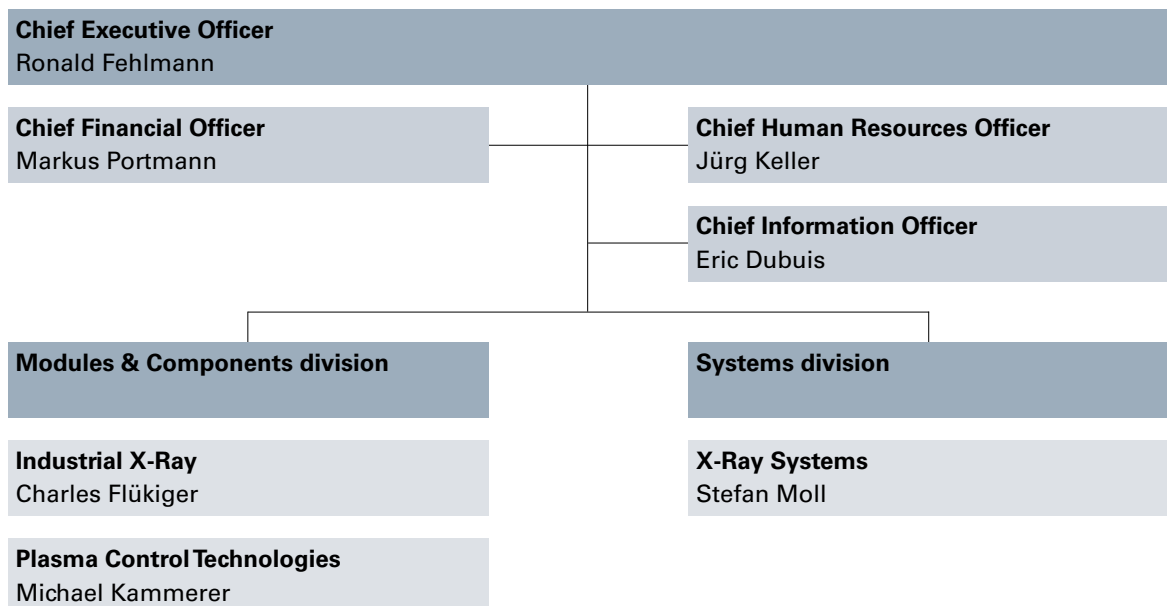
In the fiscal year, where required, the COMET Group further refined, expanded and documented the existing system of internal control (the "internal control system"). The internal control system has now been implemented at all levels of the enterprise and in all sizeable locations within and outside Switzerland, except in China. The significant risks and controls were adjusted to fit the objectives and quality requirements established by the Board of Directors. The staff members responsible for the internal control system have been designated Group-wide, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in the day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures that risks are detected at an early stage and that the necessary countermeasures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting. In the context of the year-end audit, the independent auditor audits the internal control system of the COMET Group in terms of risks in connection with financial reporting and provides a comprehensive report on the findings to the Board's Audit Committee.



Executive Committee

The Executive Committee – the Group's most senior executive management – is responsible for the operational management of the COMET Group within the powers delegated to it. As of December 31, 2012, the COMET Executive Committee had seven members, who are named below.

COMPOSITION OF THE EXECUTIVE COMMITTEE



CHANGES IN EXECUTIVE COMMITTEE MEMBERSHI

With effect from May 1, 2012, the Board of Directors of COMET HOLDING AG appointed Stefan Moll as the new Head of X-Ray Systems (based in Hamburg) and as a member of the COMET Group Executive Committee. He replaced Joseph Kosanetzky, who left the Executive Committee at the same date.

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, Xebeo Communications, Inc., NJ 2003 to 2005: Senior software engineer, Akadia AG, Thun

Charles Flükiger (born 1960, Swiss citizen), President of Industrial X-Ray Dec. 8, 1980

Education	Ingenieur FH in engineering from Berne University of Applied Sciences Betriebswirtschaftsingenieur FH/NDS degree in engineering, 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 1989: Member of Executive Committee

Michael Kammerer (born 1961, Swiss citizen), President of Plasma Control Technologies Jan. 1, 2008

Education	Eidg. dipl. Einkäufer degree in procurement, SVME MBA in strategy and procurement management (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

Stefan Moll (born 1968, German citizen), President of X-Ray Systems		May 1, 2012
Education	Dipl. Ing. master's degree in mechanical engineering, RWTH Aachen University, Germany	
Professional experience	1994 to 2001: Various leadership positions in R&D, Draeger AG Lübeck, Germany	
	2002 to 2011: Vice president for R&D, Braun Avitum AG, Germany	
	2011: Head of Development & Customized Systems, YXLON International	

Jürg Keller (born 1966, Swiss citizen), Chief Human Resources Officer		March 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, 2012, the members of the Executive Committee did not hold positions in executive or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations. Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

RELATED PARTY TRANSACTIONS

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

INTERIM MANAGEMENT CONTRACTS

No interim management contracts existed in the COMET Group.

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 from page 83 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 share price at which compensation due is converted to the number of shares to be granted 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.

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 variable compensation is zero (0% of the base retainer). If the target is achieved exactly, the variable compensation is 50% of the base retainer. If the upper end of the target range is reached or surpassed, the variable compensation amounts to its maximum possible level, which is 100% of the base retainer. For target achievement levels between these points, the variable compensation is interpolated on a straight-line basis. For 2012 the variable compensation amounted to 19% 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 targets were set.

Any variable compensation must be drawn entirely as stock of COMET HOLDING AG. The share price at which compensation due is converted to the number of shares to be granted 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.

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 duties

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

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 compensation**

The members of the Executive Committee receive a fixed base salary and a flat expense allowance. This compensation is paid in cash. One of the members of the Executive Committee is also entitled to a company car 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, in conjunction with the determination of COMET's corporate financial targets for the following year. 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 upon 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), EBITDA margin, or gross 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 share price at which compensation due is converted to the number of shares to be granted 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.

In the fiscal year, total variable compensation amounted to an average of 73% 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 2012 it was decided not to implement the plan.

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

Shareholders' participation rights

Shareholders' participation rights, such as with respect to voting, are set down in general terms in the Swiss Code of Obligations, and these legal provisions are supplemented by rules in the Bylaws of the Company. The Bylaws of COMET HOLDING AG can be viewed on the Company's website at www.comet.ch.

VOTING RIGHTS RESTRICTIONS AND PROXY VOTING

Shareholders may vote if their name appears in the Company's shareholder register as of ten days before the Shareholder Meeting. Each share that is registered carries one vote, subject to the provisions on nominee shareholders in section 5 of the Bylaws. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies. Upon presentation of a written proxy, shareholders may be represented at the Shareholder Meeting by another shareholder.

QUORUMS UNDER THE BYLAWS

Except as otherwise required by law, the Shareholder Meeting passes resolutions and conducts its voting by an absolute majority of the votes represented, excluding blank or invalid ballots. A second round of voting, if any, is decided by a relative majority.

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

CALLING OF THE SHAREHOLDER MEETING

The Shareholder Meeting is called by the Board of Directors or, if necessary, by the independent auditors. Notice of the Shareholder Meeting is sent 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 para. 3 of the Swiss Code of Obligations to place business on the Meeting agenda, and the actual shareholder proposal involved, must be submitted to the Board of Directors in writing no later than 45 days before the Shareholder Meeting in question.

REGISTRATION IN THE SHARE REGISTER

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

Changes in control and measures to prevent hostile takeovers**REQUIREMENT TO MAKE A PUBLIC PURCHASE OFFER FOR SHARES**

Under section 32 para. 1 of the Stock Exchange Act (BEHG), anyone acquiring 33⅓% or more of all voting rights must make a public tender offer. The Bylaws of COMET HOLDING AG contain neither an opting-up clause (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. Since fiscal year 2010, Bernadette Koch has been the lead audit partner responsible for the engagement. The independent auditors are appointed by the Shareholder Meeting for one fiscal year at a time.

AUDIT FEES

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

In thousands of CHF	2012	2011
Audit fees	302	274

Including the other auditing firms, the total audit fees in the year under review amounted to CHF 349,000 (prior year: CHF 350,000). 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 coverage of specifically identified risks.

OTHER FEES

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

In thousands of CHF	2012	2011
Audit-related consulting services	43	80
Tax consulting services	123	79
Other consulting services	0	0
Total consulting fees	166	159

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 external auditors, particular importance is attached to independence and documented experience.

Once per year, the Audit Committee and the lead audit partner discuss the planning of the annual financial statements audit, and once per year discuss the audit findings. The CEO, CFO and internal auditor take part in these meetings. After the audit of the annual financial statements, the results are reported on the basis of the comprehensive report to the Board of Directors and 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, 2012
Annual press conference	March 14, 2013
Publication of annual report	March 14, 2013
Annual Shareholder Meeting	April 18, 2013
End of first half of fiscal year	June 30, 2013
Publication of half-year report	August 22, 2013

PUBLICATION MEDIA

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

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

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

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

In COMET and YXLON, the COMET Group has two renowned, well-established brands that serve different markets. YXLON supplies end customers in the automotive, aerospace, electronics and energy sectors with integrated, customized x-ray systems for non-destructive testing. COMET produces premium quality, high technology components and modules such as x-ray sources, vacuum capacitors, RF matchboxes and RF generators for OEM manufacturers in the automotive, aerospace, semiconductor and solar industries as well as for security applications at airports and borders. Under the COMET brand the company also develops and markets highly compact, powerful e-beam sources, currently used especially in the non-contact sterilization of beverage containers.

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

COMETGROUP

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