komax

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Annual Report

THE WAY TO MAKE IT

Brief profile

The Komax Group is a global technology company that focuses on markets in the automation sector. As a leading manufacturer of innovative and high-quality solutions for the wire processing industry, for the production of modules for the photovoltaics market and for systems for the manufacture of self-medication solutions, Komax helps its customers implement economical and safe manufacturing processes, especially in the automotive supply, solar panel and pharmaceutical sectors.

Wire business unit

With its comprehensive product range, Komax Wire offers automated, intelligent solutions for all modern wire processing applications. In addition to both standard and customer-specific systems, we offer an extensive range of quality assurance modules and networking solutions for safe and efficient production. Moreover, with our sophisticated service offering, we continue to support our customers after their systems have been commissioned, thereby ensuring high availability and low impairment for their investment.

Solar business unit

Komax Solar focuses on process automation systems for the production of solar modules. These include stringers, which solder individual solar cells into what are known as strings; lay-up systems, which form individual strings into a matrix, and laminators, which take care of the final stage of sealing the fragile matrices.

Medtech business unit

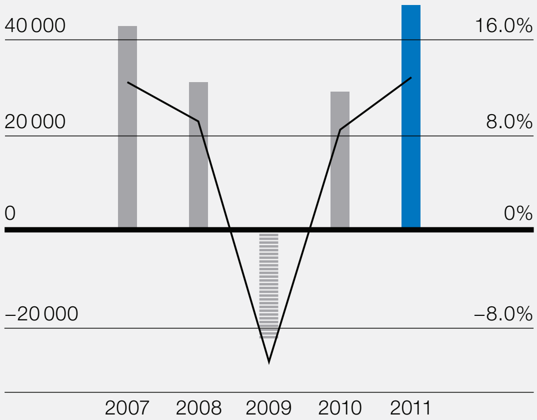
Komax Medtech develops sophisticated, customer-specific machine systems for the automatic assembly of mass-produced medical devices, such as inhalers, insulin delivery and injection systems. Komax Medtech also provides solutions for the efficient mass production of cartridges for inkjet printers.

Key figures

in TCHF	2011	2010	+/– in %
Order intake	380 432	357 002	6.6
Revenues[1]	371 424	340 172	9.2
Gross profit	200 837	178 559	12.5
in % of revenues	54.1	52.5	
EBITD	54 906	36 443	50.7
in % of revenues	14.8	10.7	
Operating profit (EBIT)	47 536	29 110	63.3
in % of revenues	12.8	8.6	
Group profit after taxes (EAT)	39 280	17 780	120.9
in % of revenues	10.6	5.2	
Cash flow from operating activities	10 055	24 546	–59.0
Investments in non-current assets	13 536	5 890	129.8
Free cash flow	–61	19 500	–100.3
Research and development	23 526	20 511	14.7
in % of revenues	6.3	6.0	
Basic earnings per share in CHF	11.68	5.31	120.0
Number of employees 31.12.	1 140	1 023	11.4
Total assets	361 448	318 698	13.4
Non-current assets	112 454	107 162	4.9
Current assets	248 994	211 536	17.7
Intangible assets	34 339	29 965	14.6
Net cash	5 604	12 026	–53.4
Shareholders' equity[2]	246 994	212 523	16.2
in % of total assets	68.3	66.7	

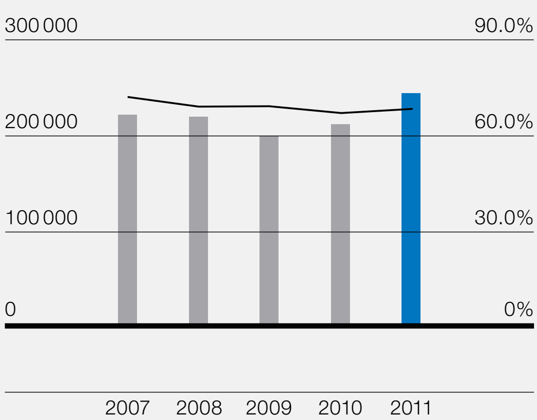
1) Revenues: net sales + other operating income.
2) Equity attributable to equity holders of the parent company.

Operating profit (EBIT)
in TCHF



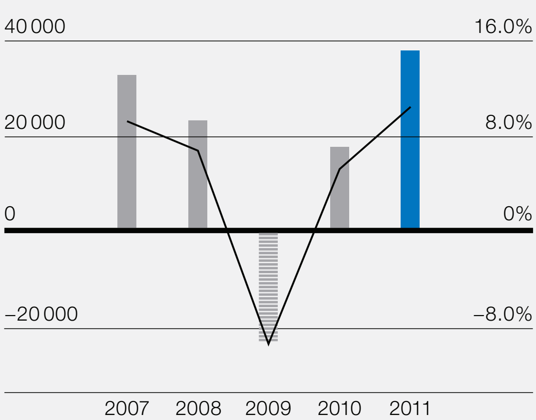
EBIT
EBIT in % of revenues[1)]

Shareholders' equity and equity ratio
in TCHF



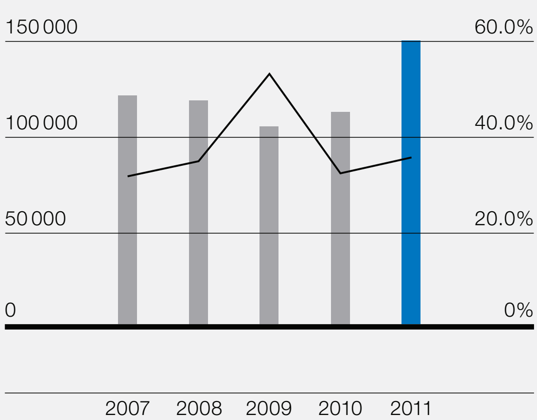
Shareholders' equity[2)]
Equity in % of total assets

Group profit after taxes (EAT)
in TCHF



EAT
EAT in % of revenues[1)]

Net working capital (NWC)
in TCHF



NWC[3)]
NWC in % of revenues[1)]

1) Revenues: net sales + other operating income.

2) Equity attributable to equity holders of the parent company.

3) Net working capital: receivables + inventories ./. current liabilities.

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Extremely successful 2011

Dear Shareholders,

The year 2011 was an extraordinarily successful one for the Komax Group. We surpassed the previous year's already very good results once more and achieved new records in revenues as well as operating profit and Group profit after taxes. Revenues rose 9.2% to CHF 371.4 million. In local currencies the increase was higher still at 16.1%. Operating profit (EBIT) came to CHF 47.5 million. The previous year's EBIT margin saw a further increase of 4.2 percentage points to 12.8%, despite the –1.1 percentage point impact of currency effects. Group profit after taxes (EAT) rose 120.9% to CHF 39.3 million. Earnings per share also increased accordingly reaching CHF 11.68. Operating cash flow rose to CHF 54.9 million (+50.7%).

The Komax Group continued to stand on a very firm financial foundation in 2011. Shareholders' equity was CHF 247.0 million (2010: CHF 212.5 million), for an equity ratio of 68.3%. Net cash amounted to CHF 5.6 million.

Successful business units

Komax Wire saw further gains in demand for automation solutions in the year under review, especially on the part of customers in the automotive industry. The household appliance market was stable. In control cabinet production, a continuing move toward greater automation led to steady growth. In solar cables, by contrast, demand cooled noticeably during the year under review, due mainly to a cyclical contraction in the photovoltaic industry. Overall, the Wire business unit's net sales grew 12.0% to CHF 217.8 million, while EBIT was a strong CHF 57.1 million (+19.3%).

Although Komax Solar was affected by the challenges facing the photovoltaic industry, especially in the second half of the year, its net sales grew 11.8% in the year under review to CHF 70.8 million. Since the business unit invoices primarily in US dollars, local-currency growth was even higher. Following healthy operating income in the first half, deteriorating circumstances culminated in whole-year EBIT of CHF –3.4 million, a 42% improvement over the prior year.

Komax Medtech's main sales markets were vigorous for lengthy periods in 2011. Demand for self-medication devices and for inkjet printer cartridge assembly equipment was robust. Komax Medtech aimed for profitability over growth and increasingly focused on projects involving repeat business. Net sales reached CHF 83.8 million (2010: CHF 82.7 million). Following the previous year's operating loss, the business unit achieved a respectable EBIT of CHF 3.8 million for the year under review. The EBIT margin of 4.6% is within striking distance of the mid-term target of 5%.

Strengthening market position and organization

Komax strengthened its market position and enhanced its organizational efficiency once more in financial year 2011. The marketing and distribution structure of the different business units underwent expansion, especially in Asia. In addition, we further optimized operating processes in each of the business units. Komax Wire entered into closer collaboration with Germany's SLE quality engineering, in which it acquired a 30% stake. This is allowing Komax Wire to expand its product range by adding solutions for the increasingly important infotainment and quality control application areas. Komax Jinchen, a joint venture with a Chinese partner in which Komax holds a majority interest, commenced operations in May. The venture adds laminators to Komax Solar's product range and enables it to meet the needs of the Chinese market in particular.

Innovation

In all business units Komax systematically invested in innovations to optimize the existing product range or in new developments. In the 2011 financial year, the Group spent CHF 23.5 million on research and development and employed 134 people in R&D.

A word of thanks

It is thanks to our customers and business partners that we were able to achieve impressive results in 2011. We are grateful for your trust and for the constructive partnership we enjoy with you. We will spare no effort to continue offering innovative solutions for your needs in future. Our employees, whose enormous motivation, great dedication and skill once again provided the foundation of the Komax Group's success in the past year, deserve our very special thanks. And finally we thank you, our valued shareholders, for your trust and unwavering loyalty to our company.

Higher dividend proposed

At the General Meeting, the Board of Directors will propose an increase in the distribution from the capital contribution reserves from CHF 2.00 to CHF 4.00 per share. This reflects confidence in future business performance and the strength of the company. The dividend yield on the date of the Board resolution was an attractive 4.8%. For natural persons in Switzerland who hold shares as part of their personal assets, this distribution from the capital contribution reserves will be tax-free.

Outlook

Macroeconomic uncertainties continue to dominate economic developments and thus to impinge on the activities of our three business units. Visibility is poor and it is still generally difficult to predict how the situation will unfold.

Komax Wire, Komax Solar and Komax Medtech provide solutions and services for structural growth markets. Hence, the long-term prospects remain favorable. Moreover, Komax remains cautiously optimistic about 2012. From our current perspective, we expect that the Group will also achieve a sound result this year.

Leo Steiner
Chairman of the Board of Directors

Beat Kälin
Chief Executive Officer

Customer proximity all around the world

Komax has production plants in Switzerland, the United States, China, Malaysia and France and offers sales and service support in around 60 countries through its subsidiaries and independent agents.

This carefully cultivated proximity to its markets and customers allows Komax to identify needs and trends at an early stage. With its many years of experience in the development of automation solutions, Komax is in a position to rapidly transform these insights into user-friendly solutions that it provides to customers all round the world. At the same time, its global distribution and service network guarantees fast response times.

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Business model and strategy

The Komax Group is a global technology company focusing on automation solutions. The Group's core competency is mechatronics, the interdisciplinary interaction of precision engineering, electronics and information technology.

In operational terms, the business is split into three segments (business units). These operate as autonomous brands in a number of different markets and fields of application:

- Komax Wire offers a comprehensive range of automated, intelligent solutions for all modern wire processing applications.
- Komax Solar focuses on the core processes making up the back end of solar module production.
- Komax Medtech develops sophisticated, customer-specific machine systems for the automatic assembly of mass-produced medical devices.

Komax Wire is the Group's strongest business unit in terms of revenues. The wire processing industry is where Komax has its roots. This business has been built up and continuously developed over the last 35 years or so since the Group was founded.

The Komax Solar and Komax Medtech business lines largely came into the Group around ten years ago as a result of acquisitions. Since then, the Group has streamlined its then very broad offering, moving towards the business model it has today.

Growth-oriented strategy

Komax pursues a strategy based on internal growth that is profitable in the long term supplemented by selective acquisitions. The company is keen to create value for all its stakeholders and endeavours to combine successful long-term business activity and commercial growth with environmentally-aware and socially responsible conduct. Group strategy is implemented by way of individually defined strategic measures at business unit level. The individual business units' main strategic areas of focus are outlined on pages 18, 24 and 30 of the Annual Report.

Selective acquisitions

Komax's main focus is on organic growth. However, potential acquisition candidates and any opportunities that arise are carefully examined. Komax is interested in companies with the potential to help the Group and its business units achieve their strategic goals.

Global production, local distribution and service network

Komax has nine production sites worldwide, located in Switzerland, the United States, China, Malaysia and France. The Group also offers sales and service support in around 60 countries through subsidiaries and independent agents. It can therefore provide an efficient and competent service to its customers, most of whom operate globally, at all times. Komax has been steadily expanding its presence in the emerging economies in line with the steep rise in demand from these markets.

This carefully cultivated proximity to its markets and customers allows Komax to identify needs and trends at an early stage. With its many years of experience in the development of automation solutions, Komax is in a position to rapidly transform these insights into user-friendly solutions that it provides to customers all round the world. At the same time, its global distribution and service network guarantees fast response times.

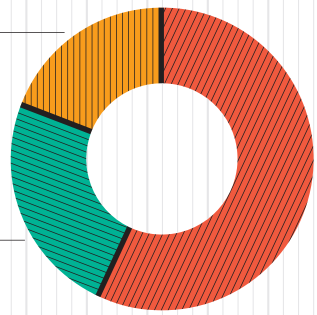
Growth and EBIT margin targets

Progress can only be achieved if measurable goals have been defined. Thus, in March 2011, Komax defined a set of transparent, medium-term sales growth and EBIT margin targets for each of its business units.

Komax Wire substantially surpassed its targets for 2010 and 2011 with margins of 24.6% and 26.2%, respectively. On the one hand, this was due to continuous improvements in its operating performance. On the other, the business unit was able to capitalize on lean structures that had not yet been restored to full strength after the 2009 financial crisis. In the medium term, planned initiatives such as further strengthening the unit's market position, forays into new areas of activity, and investments in innovative capacity will bring EBIT margins into the target range.

Net sales

by segment



Net sales by region

in TCHF	**2011**	2010	+/– in %
Switzerland	16267	15254	6.6
Europe (incl. Africa)	172653	139821	23.5
North/South America	74583	71609	4.2
Asia	106526	112391	–5.2
Total	**370029**	**339075**	**9.1**

Revenue growth target

in %	Target	**2011**	2010
Komax Wire	~3–5%	12%	112%
Komax Solar	~20%	12%	38%
Komax Medtech	—[1)]	1%	10%

1) The Medtech business unit is in the systems business, i.e. it mainly manufactures complex, customer-specific systems. In this business, targeted selection of the projects to be acquired is more important than sales growth per se. For that reason, no sales growth target has been defined for this unit for the time being.

EBIT margin target

in %	Target	**2011**	2010
Komax Wire	~20%	26.2%	24.6%
Komax Solar	~8%	–4.9	–9.4%
Komax Medtech	~5%	4.6%	–5.4%

As yet, Komax Solar has not been able to achieve its EBIT margin target of around 8%. Although measures introduced in 2010 generated a substantial improvement in the margin and a positive operating result in the first half of 2011, high levels of excess capacity and increasing declines in solar module prices plunged the solar industry into crisis from the middle of the year onwards. Komax Solar was also hit by this development, and this ultimately resulted in a negative EBIT figure for the year as a whole.

Attractive markets

The markets served by Komax have structural growth characteristics, and their need for automation solutions will continue to grow.

By contrast, Komax Medtech has now achieved turnaround. The strategy of concentrating increasingly on projects providing repeat business has paid off. After a loss in 2010, the EBIT margin rose to 4.6% in 2011 and is thus within its medium-term target range.

The divergent business models used by the three business units call for different degrees of capital commitment. The EBIT margins required to generate value for the Group thus differ from one business unit to another.

Markets and customers

Komax Wire generates around 80% of its sales through customers in the automotive industry. This is attributable to the fact that this industry is the most advanced in terms of automation. The large, standardized volumes of wires it needs to process and the stringent requirements in place with regard to finish quality make automated solutions the favoured option for this sector.

The automotive industry is experiencing structural growth. IHS Global Insight anticipates that the number of vehicles produced and sold worldwide will grow by an average of 5% a year between 2011 and 2018.

However, the demand for automation solutions for processing the wires and wire harnesses installed in vehicles is not determined solely by the number of cars produced and sold. The many technical innovations in the automotive sector are at least as important. The trend towards miniaturization has created a need for thinner wires and smaller housings. Moreover, additional wire connectors are also required due to ever more extensive vehicle equipment, in particular with respect to functionality and safety, and for optimized or new drive systems. These factors encourage investments in automation solutions above and beyond those driven by volume growth.

The other markets served by Komax Wire, such as control cabinet manufacturing, household appliances, other electronic devices and components, and solar cables, today account for around 20% of the unit's sales and are thus still relatively insignificant when taken individually. However, in view of the announced intention to increase penetration in these markets, they have the potential higher than proportional growth in the longer term.

Komax Wire is very well positioned in the market for wire processing machines, with a global market share of around 40%. Komax Wire's customer base includes all the globally active wire processing companies and it is well represented in the fragmented market for small-business customers.

Komax Solar operates in the field of renewable energies. Today renewables, and in particular solar energy, have attained worldwide recognition as a safe and reliable energy source. It is anticipated that growth in renewables' market share will outpace that of other sectors in future as the global demand for energy increases. Given a moderate growth scenario, EPIA, the European Photovoltaic Industry Association, expects solar installations to grow from 39 gigawatts in 2010 to around 131 gigawatts in 2015. This corresponds to average annual growth of more than 20%. Komax Solar is thus operating in an interesting growth market. Recently, falling prices have brought the costs of solar energy closer to grid parity, thus increasing its attractiveness still further.

In the last two years, solar module production has shifted to Asia, and especially China. Today, China's share of global manufacturing volumes stands at around 80%, making it the key market for equipment suppliers.

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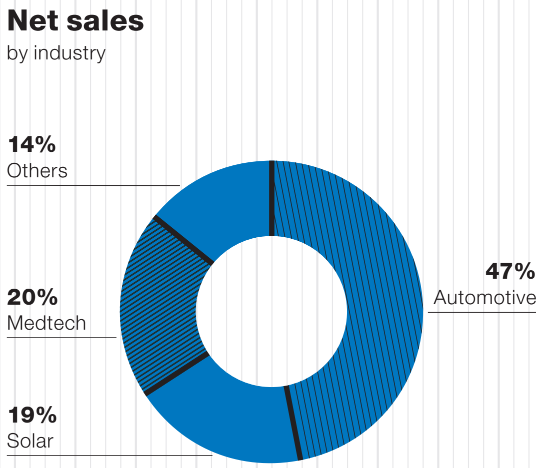
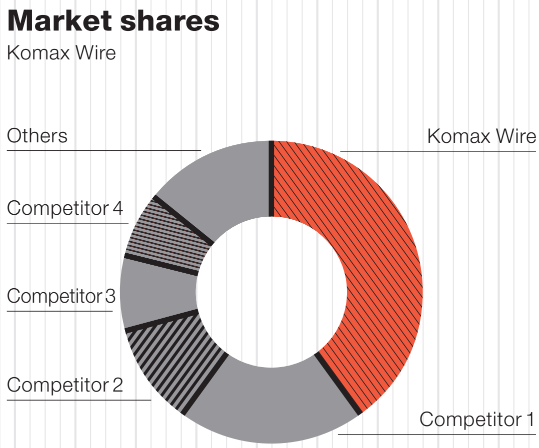
The Solar business unit is very well represented in China and is focusing its market cultivation efforts on the so-called tier 1 manufacturers. Komax Solar is one of the top three suppliers of stringers worldwide.

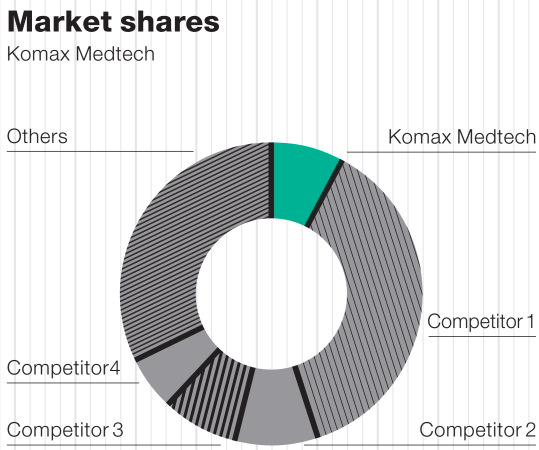
The majority of **Komax Medtech's** customers operate in the pharmaceuticals industry. Final demand for medical devices is enjoying a long-term growth trend. This is due partly to general demographic developments, and partly to the increasing trend towards self-medication. Demand for automation solutions for the production of self-medication devices is linked to the investment behaviour of the pharmaceuticals industry.

As a rule, new projects are awarded as part of invitations to tender. In the majority of cases, these are for solutions that are custom developed for a specific customer or product.

Success in this business is very heavily dependent on the careful selection of projects and the establishment of a balanced project portfolio. A well-structured project portfolio is founded upon a substantial proportion of projects providing repeat business, plus some new projects with the potential for repeat business. Over the course of last year, Komax Medtech improved its portfolio management and is now among the leading manufacturers in its sector.







Board of Directors

Leo Steiner (1943)

Non-executive, independent member of the Board of Directors since 1997, Chairman of the Board of Directors since 2007, elected until 2012, Swiss national, resident in Steinhausen, member of the Board of Directors of listed company Kardex AG, Zurich.

Leo Steiner holds a degree in engineering from ETH Zurich. Before joining Komax, he worked at Hayek Engineering & Management Consulting, Zurich, Landis & Gyr, Zug, and Sulzer Escher-Wyss, Zurich. From 1992 to 2007, he was CEO of the Komax Group. In the last three years, Leo Steiner has not been a member of Group Management or had any material business relationships with the Komax Group.

Max Koch (1949)

Non-executive, independent member of the Board of Directors since 1997, elected until 2014, Swiss national, resident in Meggen.

Max Koch holds a degree in electrical engineering from ETH Zurich. After founding Komax in 1975, he headed the company until 1991 as CEO, and was Chairman of the Board of Directors until 1997.
In the last three years, Max Koch has not been a member of Group Management or had any material business relationships with the Komax Group.

Melk M. Lehner (1947)

Non-executive, independent member of the Board of Directors since 1997, elected until 2013, Swiss national, resident in Zumikon, Chairman of the Board of Directors of Sihl Manegg Immobilien AG, Zurich, member of the Board of Directors of Landert Maschinen AG, Bülach.

Melk M. Lehner holds a degree in mechanical engineering from ETH Zurich. He has held various management positions at Mettler-Toledo AG in Greifensee and Saurer AG in Arbon. In the last three years, Melk M. Lehner has not been a member of Group Management or had any material business relationships with the Komax Group.

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Daniel Hirschi (1956)

Non-executive, independent member of the Board of Directors since 2005, elected until 2014, Swiss national, resident in Biel, Chairman of the Board of Directors of listed company Schaffner Holding AG, Luterbach, member of the Board of Directors of listed company Gavazzi Holding AG, Steinhausen and the privately owned company Benninger AG, Uzwil.

Daniel Hirschi holds a degree in engineering. From 1983 to 2005, he was Head of the Switches business area at Saia-Burgess in Murten, and later Head of the Automotive Division. From 2001 he was CEO, and from 2003 member of the Board of Directors. From 2006 to 2009, Daniel Hirschi was CEO and member of the Board of Directors of Benninger AG in Uzwil, he has been a member of the Board of Directors since March 2009. In the last three years, Daniel Hirschi has not been a member of Group Management or had any material business relationships with the Komax Group.

Hans Caspar von der Crone (1957)

Non-executive, independent member of the Board of Directors since 1997, elected until 2012, Swiss national, resident in Zurich, member of the Board of Directors of Heineken Beverages Switzerland AG, Chur, and Heineken Re AG, Zug, a Swiss subsidiary of the Heineken Group.

Hans Caspar von der Crone is an attorney at law. Following his studies, he lectured at the University of Zurich and was an employee and later a partner at law firm Homburger Rechtsanwälte, Zurich. Since 1997, he has been a Professor of Private, Commercial and Corporate Law at the University of Zurich. He is also a partner at law firm von der Crone Rechtsanwälte AG, Zurich. In the last three years, Hans Caspar von der Crone has not been a member of Group Management or had any material business relationships with the Komax Group.

Executive Committee

Beat Kälin (1957)

Chief Executive Officer since 2007, at Komax since 2006, Swiss national, resident in Birmensdorf, member of the Board of Directors of listed company Huber + Suhner AG, Pfäffikon.

Beat Kälin holds a doctorate in engineering from ETH Zurich and an MBA from INSEAD. Until 1999, he held various management positions in the Elektrowatt Group, from 1999 to 2004, he was a member of the Group Executive Board of SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen, and from 2004 to 2006 a member of the Board of Management responsible for the Packaging Technology Division at Robert Bosch GmbH, Stuttgart.

Andreas Wolfisberg (1958)

Chief Financial Officer since 1996, at Komax since 1991, Swiss national, resident in Adligenswil.

Andreas Wolfisberg is a Swiss Certified Expert in Accounting and Controlling. Before joining Komax, he worked at Moos Stahl AG in Lucerne.

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Matijas Meyer (1970)

Head Business Unit Wire since 2010, at Komax since 2007, Swiss national, resident in Root.

Matijas Meyer holds a degree in engineering from ETH Zurich and an MBA from Cranfield University (UK). Prior to his current position, he was Head of the site in Rousset (France). Before joining Komax, he worked at Tornos SA in Moutier and Unaxis/ESEC in Cham.

Walter Nehls (1957)

Head Business Unit Solar and at Komax since 2008, German national, resident in Udligenswil.

Walter Nehls holds a bachelor degree from the University of Applied Sciences and Arts Northwestern Switzerland and an MBA from Lucerne University of Applied Sciences and Arts. Before joining Komax, he worked at ESEC SA in Cham, Schindler AG in Ebikon, Forbo/Siegling in Hannover (Germany) and Mania Technologie AG in Weilrod (Germany).

Serge Peguiron (1961)

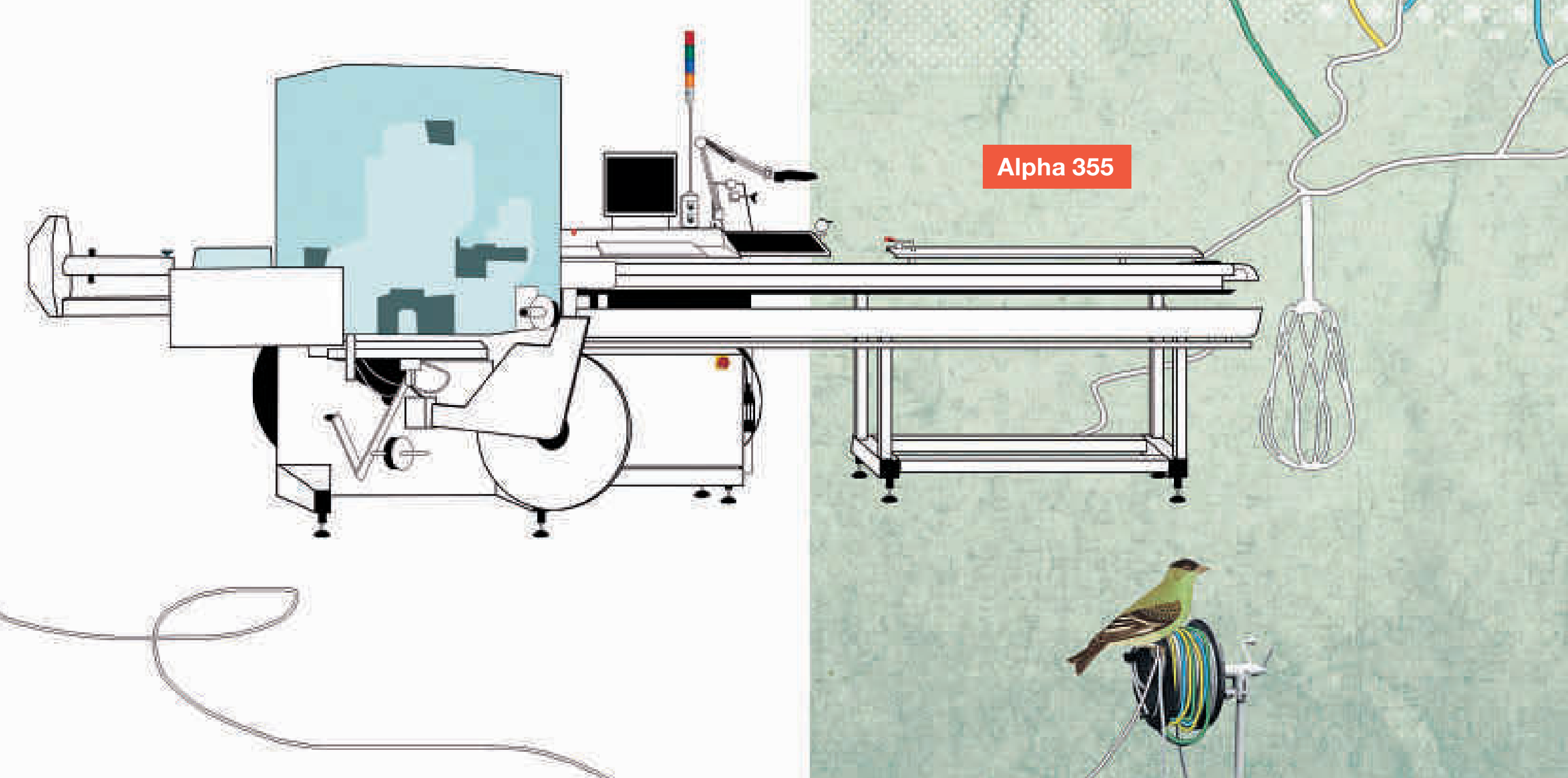
Head Business Unit Medtech and at Komax since 2005, Swiss national, resident in Neuchâtel.

Serge Peguiron holds a degree in engineering from ETH Zurich. Before joining Komax, he worked at Ismeca in La Chaux-de-Fonds, Valtronic in Les Charbonnières and Kudelski in Cheseaux.

Wire business unit

Getting there safely

Komax Wire's wire processing systems help countless millions of people get about efficiently and safely, all round the world, all round the clock. The machines are able to process cables with wire diameters of just 0.02 mm^2 fully automatically. Integrated inspections verify the quality of the contacts processed by the systems.




Moskau
Paris
New York
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London
Hamburg

Further rise in revenues

2011 saw further growth in demand for automation solutions, particularly in the automotive supply industry. Komax Wire benefited from a global presence and strong market position to achieve another extraordinarily successful financial year. Net sales grew 12.0% to CHF 217.8 million, while EBIT was a strong CHF 57.1 million (+19.3%).

Komax Wire specializes in automated intelligent solutions for all modern wire processing applications. The emphasis is on processes such as measuring, cutting, stripping and fitting contacts and connector housings to cables. In addition to both standard and customer-specific systems, it offers an extensive range of quality assurance modules and networking solutions for reliable and efficient production. Once equipment has been commissioned, Komax Wire provides customer support through a differentiated range of services to ensure that systems retain their value and performance capacity.

Komax Wire has two production sites in Switzerland and one in Shanghai. Its Dierikon location is the world's largest manufacturing facility for wire processing machinery. Subsidiaries in Germany, France, Portugal, Morocco, the United States, Brazil, India, Singapore, and China, along with agents in numerous other countries, provide global sales and service.

Komax Wire's systems are primarily used in the automotive supplier industry, which accounts for roughly 80% of net sales. The large volume of wiring used by this industry coupled with its traditionally high quality demands favour automated production processes. Komax Wire's machines are also used in manufacturing household appliances and consumer electronics, producing solar panel cabling and building control cabinets.

With an estimated market share of 40%, Komax Wire is the world leader in the niche markets it serves.

Market trends and business performance

Untroubled by worsening economic conditions, worldwide automotive markets saw a 6% expansion to 65.4 million units in 2011. Outside western Europe and Japan, all major markets witnessed positive growth. China and India grew 8% and 6% respectively, while the American market expanded by 10%. Demand in Brazil and Russia increased by 3% and 39%. By contrast, France, Italy, the UK and Spain reported significant contractions. Operating near capacity limits, parts of the automotive industry and its suppliers worldwide undertook investments in additional equipment.

The market for household appliances held steady in 2011 while growth continued in electrical cabinet manufacturing. The trend toward greater automation in electrical cabinet manufacturing continued. In solar cables, by contrast, demand cooled noticeably during the year under review in the wake of a cyclical contraction of the photovoltaic industry.

Under these favourable overall circumstances, Komax Wire operated successfully once again. Expectations voiced early in the year that demand could stagnate at a high level after the previous year's strong growth proved unfounded. Order intake, net sales and EBIT all saw marked increases.

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The book-to-bill ratio at the end of the year was 1.07. Net sales grew 12.0% to CHF 217.8 million, distributed over a broad spectrum of customers and products. In Europe, the ongoing automation of wire harness production, driven by the car makers, boosted demand for wire processing machines. Demand in North Africa was unexpectedly strong despite political unrest there. North America benefited from strong growth in the automotive market. However, sales in South America and Asia fell as a result of a base effect caused by major customers in both regions investing heavily in renewals in 2010.

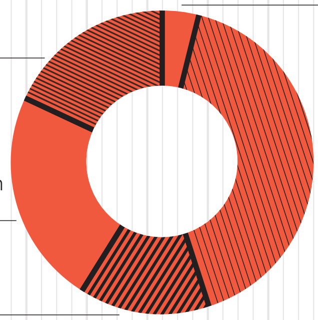
Komax Wire's ten largest customers generated roughly one-third of net sales in 2011. The company has had relationships with these key accounts for many years now. Such partnerships provide a context for candid dialogue and opportunities to obtain direct customer satisfaction feedback with a minimum time lag.

EBIT for the 2011 financial year was a robust CHF 57.1 million (+19.3%). The strength of the Swiss franc had relatively little impact on the business unit's result since a fairly high portion of value added is purchased and paid for in foreign currencies.

Key figures

in TCHF	**2011**	2010	+/– in %
Order intake	232 319	211 083	10.1
Net sales	217 792	194 455	12.0
Operating profit (EBIT)	57 073	47 840	19.3
in %			
EBIT margin	26.2 %	24.6 %	
As at 31.12.			
Headcount	541	478	13.2

Net sales
by region



Operations

Capacity utilization was very high throughout the year at all locations. At the Dierikon site, additional temporary staff was hired to fill gaps during peak periods. Flexible worktime models and the availability of a large pool of external workers with temporary employment contracts proved advantageous, lending greater flexibility to the production process.

Numerous measures at each location brought further improvements in organizational efficiency during the year under review. Production capacity in Switzerland was consolidated at two locations, Dierikon and Rotkreuz; the activities in Stans were transferred to Rotkreuz. The move was accompanied by a reorganization of certain operational processes to improve internal logistics, in some cases significantly reducing throughput times on certain assembly lines. A move to a new, more spacious location in Shanghai also set the stage for further optimization of operating processes and future growth.

Marketing and distribution

The Wire business unit exhibited at some 20 trade shows around the world in 2011. Since November the unit has presented itself autonomously under the name of Komax Wire, a brand that stands for innovation, efficiency and reliability. The global organization with its dense distribution and service network ensures customer and market proximity and guarantees quick response times.

As part of its efforts to provide customers with comprehensive solutions for all aspects of wire processing, Komax Wire entered into closer collaboration with SLE quality engineering, Grafenau, acquiring a 30% minority interest. SLE has extensive expertise in the production of semi-automatic equipment for processing coaxial cables and four-wire lines, in micrograph laboratories and in crimp force monitoring systems. Komax Wire presented the first fruits of this collaboration at Productronica in Munich, the most important trade show for the wire processing industry. A number of SLE-developed quality assurance tools are also now part of Komax Wire's product range.

In addition, Komax Wire developed a high-performance production planning system in collaboration with DiIT AG of Krailing near Munich. The system is designed to meet the needs of small to mid-sized wire harness producers. The new software system is distributed by both Komax Wire and DiIT. Even with only a few machines, the benefits of networking the machines and optimizing process control soon become apparent in higher quality, fewer rejects, higher machine utilization and improved transparency and traceability.

The Gamma 263 crimp-to-crimp machine that was launched in the second half of the year proved a hit. The launch exemplifies Komax Wire's ability to bring innovations quickly to market. Compared to other machine types, the Gamma 263 is highly focused in its functionality. Its reduced complexity makes it possible to sell the machine at favourable terms.

Success through innovation

Komax Wire spent 2011 around 7% of net sales on research and development.

Measures set in motion the previous year to develop further application areas outside the automotive sector have begun to bear promising fruit.

Innovation

Market-oriented innovation is a key aspect of Komax Wire's philosophy and a cornerstone of the business unit's success. Each year up to 10% of net sales is reinvested in research and development. The unit cultivates a lively exchange with Swiss educational institutions and industry professional communities.

New product and application development, together with basic research, accounts for over half of R&D spendings. A further 20% goes into platform development. The remainder consists of investments in product maintenance and safeguarding delivery capacity.

Komax Wire spent some 7% of net sales on research and development in 2011, and employed 100 people worldwide in this area.

Trends

The electrical systems in today's premium passenger cars are made up of as many as 1500 cables, with a total length of four kilometres and around 2800 crimp contacts. While 90% of wire harness production is still done by hand, many of these processes can be automated. The implications for the growth potential of Komax Wire's business are clear. Steadily rising labour costs in ostensibly low-wage countries will further favour investments in automation solutions.

Fuel efficiency, weight reduction, cost pressure, efficiency improvements and ever-greater functionality along with rising quality expectations are the challenges facing the automotive industry. Consequently, an ever-increasing number of smaller-diameter cables have to be packed into tight spaces in modern vehicles. This leads to miniaturization, but vehicles are also using larger-diameter cabling due to the replacement of copper wire with aluminium and new drive train designs involving shielded high-voltage wiring. The need for secure transmission of steadily growing amounts of data will also entail the increasing use of twisted wire.

Manual processes are becoming less capable of meeting these demands. Intelligent automation solutions in the form of standard machines or customer-specific applications, by contrast, are capable of mastering many of these challenges efficiently and economically while maintaining the highest quality standards.

Strategy

In striving to continually improve the organization's efficiency and enhance its competitiveness, Komax Wire pursues four strategic priorities.

First, it pursues further development of existing business along the value chain. This includes semi-automated and fully automated solutions with integrated quality assurance for such applications as airbag wire production, high-voltage cables and twisted and shielded cables for data transmission. Solutions for increasing availability and testing the productivity of installed systems are as much a part of this thrust as new intelligent software interfaces and expanded quality testing capabilities. The second strategic priority concerns innovation. Here, Komax Wire focuses on developing new solutions for the demands of the automotive industry and on further optimizing its product portfolio with a clear product platform strategy. Under the third strategic

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Groundbreaking competencies in the value chain

Komax Wire systems

Measuring/Cutting
Stripping
Crimping
Twisting
Connector insertion

Harness
subassembly

Cables
Contacts
Housings

Cutting
Preprocessing

Final assembly

Testing

Warehouse
Shipping

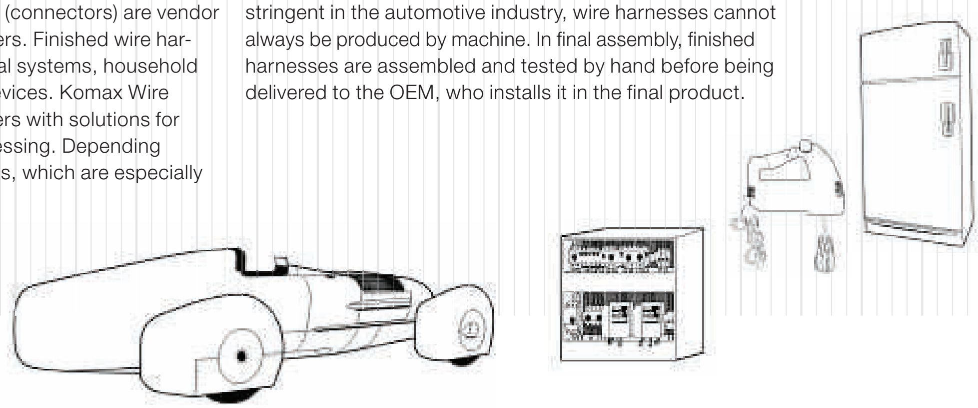
Installation
Assembly

Component
manufacturer

Wire harness manufacturer

Original Equipment
Manufacturer (OEM)

Wires, contact parts and housings (connectors) are vendor parts for wire harness manufacturers. Finished wire harnesses are used in vehicle electrical systems, household appliances and other electronic devices. Komax Wire supplies wire harness manufacturers with solutions for automated and efficient wire processing. Depending on complexity and safety standards, which are especially stringent in the automotive industry, wire harnesses cannot always be produced by machine. In final assembly, finished harnesses are assembled and tested by hand before being delivered to the OEM, who installs it in the final product.



priority, Komax Wire will further improve its position in the Asian markets. The fourth strategic priority involves enhancing capabilities as a solutions provider, opening up new fields of application outside motor vehicles and expanding the customer-oriented aftersales business.

Outlook

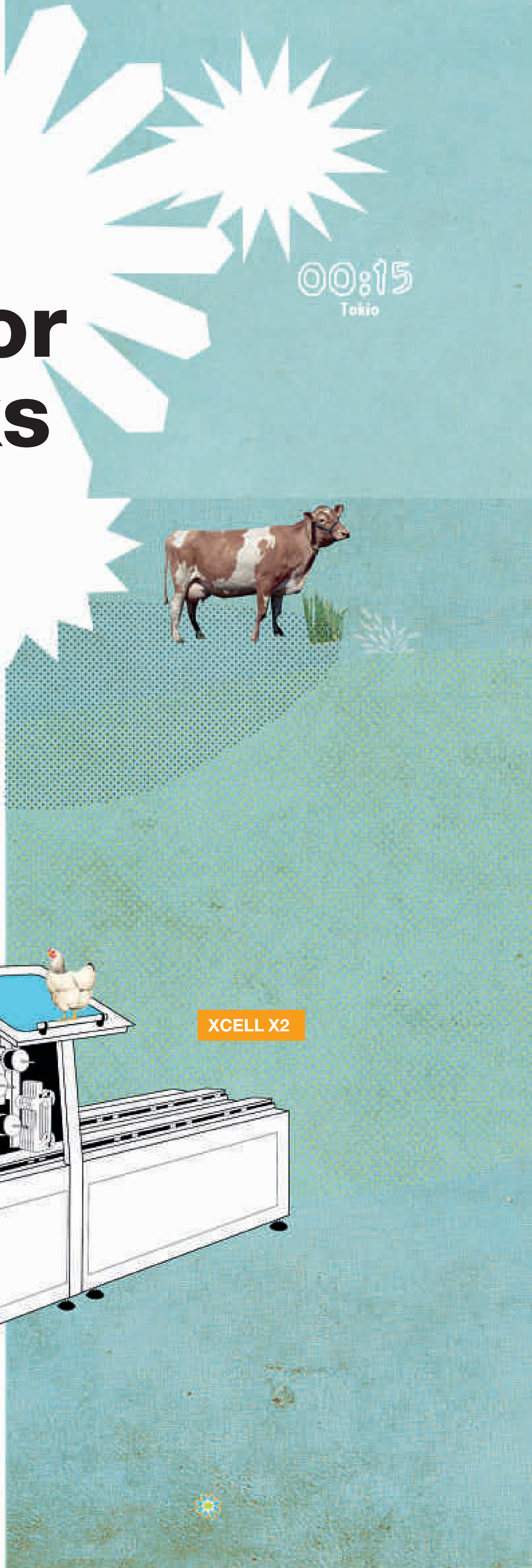
The ever more extensive equipment installed in vehicles, new vehicle models and drive concepts, higher production volumes and the increasing automation of operating processes in all the application areas served by Komax Wire will continue to underpin the industry's investment in automation solutions for the production of wire harnesses.

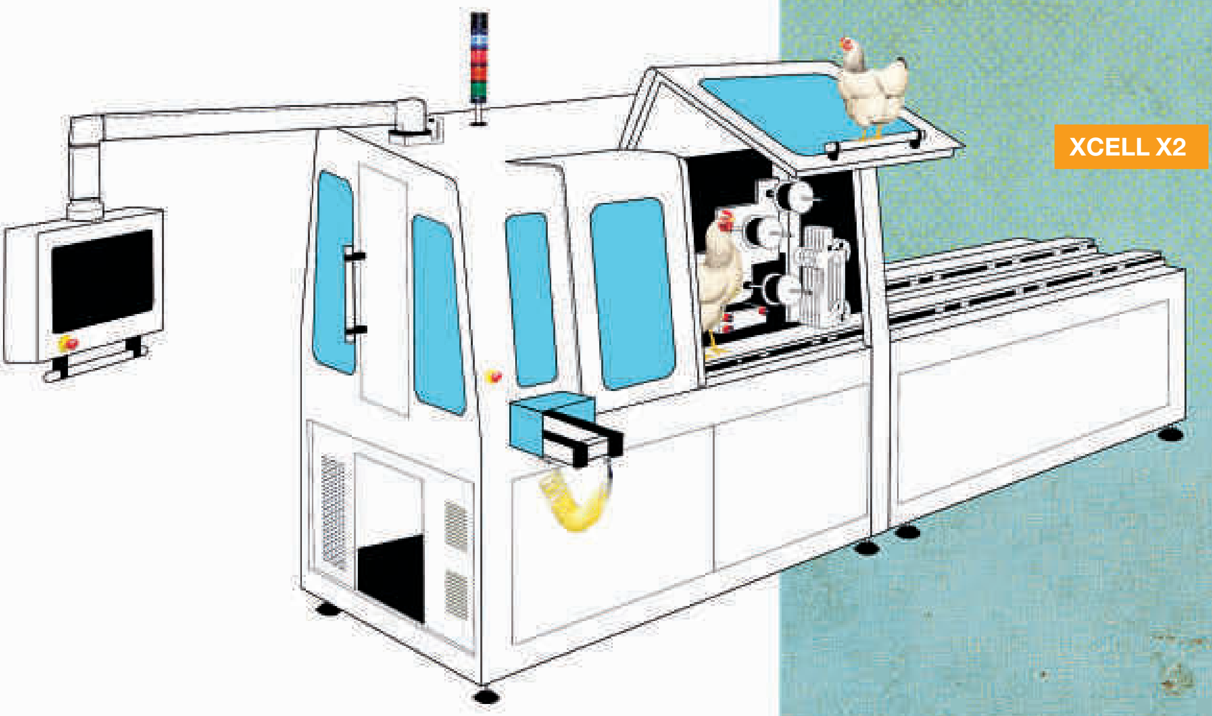
Visibility in this area still only extends to around two to three months into the future. Taking into account all the information available, we expect Komax Wire’s net sales for the first half of 2012 to be in the area of the previous year's figure.

Solar business unit

Electricity for bright sparks

Komax Solar produces machines that process solar cells into solar modules. Above all, solar module manufacturers the world over appreciate the Komax machines’ efficient and stable processes. The real winners, though, are the people who get exceptionally green electricity thanks to Komax Solar.



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Kairo
08.00
Rabat
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New York
06:15
Recife
22:15

Asia driving growth

After a good first half, conditions in the solar market worsened appreciably in the course of the year. The ensuing difficult market was not without impact on Komax Solar's result. EBIT for the 2011 financial year came to CHF –3.4 million. Net sales grew 11.8% to CHF 70.8 million.

Efficient and reliable production processes combined with low reject rates are essential for the photovoltaic industry to establish itself as an alternative to conventional electric power sources. With innovative technologies, Komax Solar offers solutions to help achieve this goal. Komax Solar deliberately focuses on the automation of a few core solar module production processes. This includes stringers, which solder individual solar cells into what are known as strings; lay-up systems, which form individual strings into a matrix; and laminators, which take care of the final stage of sealing the solar modules.

Solar energy on the rise

Measured by installed capacity, photovoltaics are already the world's third most important source of renewable energy.

Komax Solar has production facilities in the United States, China and France. In addition, there are service and distribution locations in India, Singapore, China, Portugal and Switzerland.

Komax Solar is among the leading manufacturers in the markets it serves, particularly in stringers.

Market trends and business performance

2011 was a challenging year for the photovoltaic industry. Two characteristic features of the sector proved truer than ever. First, the solar business remains a growth market. Despite uncertainties about government support programmes in core markets such as Germany and Italy, installed capacity saw growth of 28 gigawatts (+70%) to 67 gigawatts. After hydro and wind power, solar energy is the third most important renewable energy in terms of globally installed capacity. Second, the market is cyclical. Surplus capacity phases are rapidly succeeded by shortages and vice versa.

Significant excess capacity during the past year led to a sharp drop in solar module prices. Module manufacturers' inventories rose as they found themselves unable to sell products on the same terms as before. Under these conditions, the market for equipment suppliers increasingly began to cool in turn after a strong first quarter. Still, a high volume of orders in hand helped shore up capacity utilization in the second half of the year. Solar module producers, however, began to sustain losses in the third quarter, and initial consolidation set in. This in turn increased the risks faced by equipment suppliers of postponed or cancelled orders and delinquent payments from customers.

Despite the relatively weak second half, net sales grew 11.8% to CHF 70.8 million in 2011. Since Komax Solar invoices primarily in US dollars, local-currency growth was even higher. Equipment for the crystalline segment accounted for the bulk of net sales, together with income from installation of turnkey production lines. The key region of Asia was the biggest contributor to this growth.

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Low capacity utilization in the second half had an unfavourable impact on the business unit's profitability. Moreover, certain Komax Solar customers were affected by the difficult market environment, leading to allowances and write-offs against customer receivables. These two factors resulted in a loss at EBIT level in the second half of the year, while full-year EBIT came to CHF –3.4 million (+42.0%).

While some solar module manufacturers are at risk of insolvency and may drop out of the market, the leading manufacturers are preparing for the next upswing and investing in the development of higher-efficiency modules. Many of these new approaches require different cell interconnection technologies. As one of the leading producers of this type of equipment, Komax Solar is in a strong starting position. The induction soldering process developed by Komax Solar and implemented in the XCELL X2 stringer has gained a firm foothold in the market and become a benchmark.

Operations

Komax Solar's core activities are now concentrated in York, PA, in the United States. This allows the organization to quickly and flexibly develop solutions for solar module production using new or modified technologies. The plant has upgraded its structure and processes and received ISO 9001 accreditation in 2011.

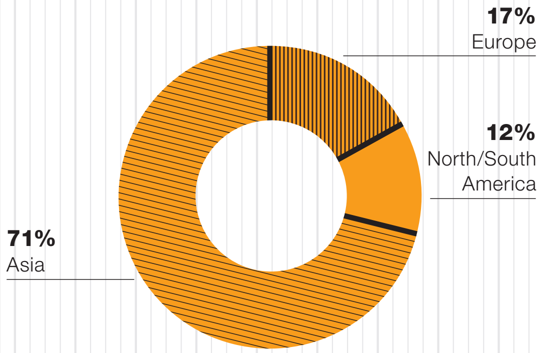
The newly founded Komax Jinchen commenced operations in May 2011. The company was founded in conjunction with a Chinese partner, with Komax holding the majority stake. Komax Jinchen develops and produces laminators for solar modules.

Key figures

in TCHF	**2011**	2010	+/– in %
Order intake	63742	72092	–11.6
Net sales	70791	63306	11.8
Operating profit (EBIT)	–3439	–5932	42.0
in %			
EBIT margin	–4.9%	–9.4%	
As at 31.12.			
Headcount	285	227	25.6

Net sales

by region



Marketing and distribution

Komax Solar exhibited at five trade shows worldwide in 2011, including SNEC in Shanghai early in the year. SNEC is the world's largest solar trade fair, attracting some 180000 visitors. Komax Solar also exhibited for the first time at a fair in India, a market that is now starting to develop.

The service and distribution organization in China was strengthened in response to growing volumes and market share. In April, new business premises were occupied in Shanghai. Komax Solar now has its own showroom, a training centre and a well-equipped regional spare parts warehouse in Shanghai.

All signs indicate that Komax Solar's global market share increased in the 2011 financial year. The solar industry sold some 70 to 80% of all equipment to China in 2011. With far over 100 installed stringers, Komax Solar holds a leading position in this key market.

Innovation

New competitors, mostly from Asia, are entering the markets that Komax Solar serves, often with products copied from the leading manufacturers. For example, Komax's first-generation induction soldering process is now being copied by competitors. Komax Solar is maintaining its lead through ongoing investment in research and development. The company continues to improve the process; current stringers now use the fourth generation of the technology.

The XCELL X2plus stringer, an advanced version of the successful XCELL X2 model, was brought to market in 2011. The XCELL X2plus features higher productivity with the same output quality, especially as regards cell breakage rates.

Komax Solar spent some 7% of net sales on research and development in 2011, and employed 31 people worldwide in R&D.

Trends and strategy

Global warming, continuously growing demand for energy and the need to secure global energy supplies remain the growth drivers in the solar industry.

Competitive position strengthened

Komax Solar was able to further increase its market share in the 2011 financial year.

The nuclear accident in Fukushima had no major short-term effect on the solar industry, but it did trigger a discussion of the true costs of conventional energy sources in many countries. Some countries resolved to give up nuclear energy as a result, while others engaged in vigorous debate on the subject. Moreover, an awareness of the need to upgrade power grids to absorb more electricity from renewable sources is beginning to develop. The rapid decline in the prices of photovoltaic products is also bringing solar power nearer to grid parity faster than anticipated. It now appears likely that the major markets will reach grid parity sooner than previously expected.

While the short-term outlook for the solar industry is clouded, Komax Solar's focus on the back end of solar module production and its leading market position are a firm foundation from which to defend its position. With a strong position in the main market of China and ongoing innovation, Komax Solar is well-situated for the next upswing.

Outlook

There is no doubt that solar will remain an attractive market in the longer term. However, 2012 will be a very difficult year for the entire industry. When the market will pick up again is unclear. Most analysts do not expect the next upturn before mid-2012, and possibly not until the end of the year. What is certain, on the other hand, is that the Chinese market will continue to play a leading role going forward.

Komax Solar will position itself in line with the prevailing conditions and prepare for the anticipated recovery. And with its well-established presence in the Chinese market, it is in an excellent position. According to our present knowledge, we anticipate a substantial deterioration in net sales and an operational loss in 2012.

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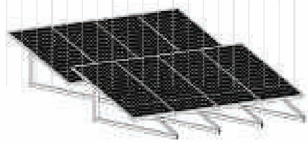
Groundbreaking competencies in the value chain

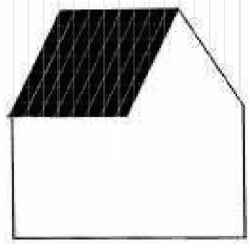
Komax Solar systems

- Stringers
- Lay-up systems
- Bussing systems
- Laminators
- Test equipment

Silicon crystal or ingot ▸ **Wafer production** ▸ **Solar cell production** ▸ **Solar module production** ▸ **Installation** ▸ **Electricity**

Monocrystalline or polycrystalline silicon ingots are produced from quartz sand. These ingots are then sliced into micron-thin wafers. Next, the wafers are chemically treated and coated to make solar cells. The cells are then grouped, connected together and installed in frames to form solar modules. This stage of manufacturing consists of many steps. Komax Solar produces machines to carry out these processes. Once the solar modules have been installed on rooftops or in solar farms, they generate electric power.





Medtech business unit

Quality of life, please!

Komax Medtech is helping to drive forward the trend towards self-medication. Global leaders in the pharmaceuticals industry rely on assembly systems from Komax Medtech because they combine precision with quality and speed of machining.


21 43
HONG KONG
14 43
FRANKFURT
08 43
NEW YORK
05 43
SAN FRANCISCO

Turnaround achieved

Komax Medtech achieved a turnaround in a challenging economic environment in financial year 2011. Structural optimization measures and a stronger focus on projects involving repeat business contributed substantially. Net sales came to CHF 83.8 million. After the previous year's operating loss, EBIT in financial year 2011 was CHF 3.8 million (2010: –4.4 million).

Komax Medtech develops sophisticated, customer-specific machine systems for the automatic assembly of mass-produced medical products, such as inhalers and insulin delivery and injection systems. The business unit also produces systems for the efficient mass production of inkjet printer cartridges. Komax Medtech's systems are mainly used in the pharmaceutical industry. Purchase prices range from a few hundred thousand to several million Swiss francs, depending on complexity.

Marked increased profitability

After last year's loss, this year's EBIT margin has come close to its medium-term target of 5%.

Komax Medtech uses standardized processes and documented process steps to ensure consistent compliance with the exceptionally high standards that apply to medical projects. Various processes are certified accordingly.

Komax Medtech has production facilities at two locations in Switzerland, in the United States and in Malaysia. Komax Systems LCF SA in La Chaux-de-Fonds, Switzerland is the largest location in terms of employee headcount and is the business unit's centre of excellence.

Market trends and business performance

Technological advances in applications and the steadily growing number of usable substances have led to a steady rise in demand for devices for self-medication of drugs. Demand for machine systems to produce these devices has grown in parallel. Interest in new inkjet printer cartridge assembly equipment has also been lively. Komax Medtech's main sales markets in Britain, Ireland, Scandinavia, the United States and Asia were vigorous for lengthy periods in 2011.

Net sales reached CHF 83.8 million. During financial year 2011 Komax Medtech built several systems designed to assemble inhalation therapy integrating dose counter mechanism, for both dry powder and pressurize metered dose inhalers. One special challenge in these projects was incorporating innovative dosage metering mechanisms into the applications. During the second half of the year Komax Medtech also delivered a fully integrated assembly line for diabetes treatment using the active ingredient GLP-1. In addition, the unit implemented numerous projects for medical applications as well as inkjet printer cartridge assembly systems.

Following the previous year's operating loss, Komax Medtech achieved a respectable EBIT of CHF 3.8 million for the year under review. The EBIT margin of 4.6% was near the mid-term target of 5%. Several factors contributed to this encouraging result, particularly structural and organizational adjustments to enhance the business unit's performance and the successful generation of repeat business.

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Operations

Komax Medtech modified its production structures during financial year 2011. Assembly automation for medical applications was consolidated in La Chaux-de-Fonds. Rotkreuz will concentrate on medical equipment for laboratory automation. These efficiency-enhancing measures were the business unit's response to a challenging economic environment and currency-related competitive disadvantages.

Komax Systems Rockford, Illinois (USA) operated near full capacity all year. The site in Penang (MY) received organizational and staff reinforcements during the year under review. The additional engineering capacity made it possible to deliver the first locally designed and manufactured equipment for assembling catheters and safety syringes.

Marketing and distribution

Komax Medtech expanded its service team in 2011 and now provides customers with support 24 hours a day, seven days a week. The unit exhibited at five trade shows worldwide during the year under review.

Innovation

In collaboration with customers, Komax Medtech optimized the KSPilot platform for efficient manufacture of pre-production batches. Special attention was given to the technology's adaptability and scalability. This second generation of KSPilot was launched in mid-2011. The product can be used to simulate mass production conditions at the pre-production stage, a feature that significantly reduces risks as a project advances. Komax Medtech now has four platforms covering a broad range of development stages in the manufacture of medical products and satisfying a wide spectrum of varied customer needs.

In addition, Komax Medtech developed several key processes for assembling innovative medical devices in 2011. Notable examples include a process for high-speed assembly of the indexing spool for a dose counter of a pressurized metered dose inhaler and a contactless occlusion test for the smallest gage needle applied in drug delivery systems. These needles are used to deliver insulin and are bent into a U shape so they can be installed in more manageably sized delivery systems. Conventional standard test procedures that involve touching the object during testing are unsuitable because they can damage the sensitive needles.

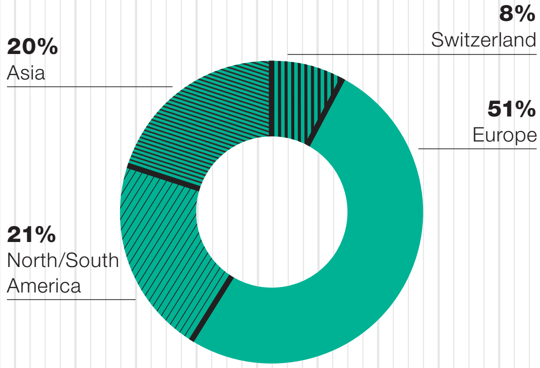
Komax Medtech primarily invested in project-specific customer solutions and platforms in 2011.

Key figures

in TCHF	2011	2010	+/– in %
Order intake	84371	73827	14.3
Net sales	83778	82691	1.3
Operating profit (EBIT)	3840	–4434	186.6
in %			
EBIT margin	4.6%	–5.4%	
As at 31.12.			
Headcount	302	307	–1.6

Net sales

by region



Growth market for self-medication

Thanks to its expertise and proximity to its markets, Komax Medtech is set to further improve its competitive position.

Trends and strategy

The trend towards self-medication is set to continue. Efforts to lower healthcare costs in the industrialized countries and to provide access to safe and cost-efficient treatment methods to broader segments of the population in developing countries will bolster demand for corresponding delivery applications. Moreover, a growing number of people are contracting diabetes, particularly in emerging countries. The number of sufferers worldwide is expected to rise from 330 million today to 550 million in 2030, which will further increase demand for insulin dispensing devices. In this connection, GLP-1 diabetes therapy offers promising market potential for self-medication devices.

Legal safety requirements meant to protect patients and healthcare workers against needle puncture injuries are becoming ever stricter. In response, the pharmaceutical industry is constantly developing new delivery systems to enhance device safety when administering medicines and improve patients' quality of life.

For Komax Medtech, the growing market segment of self-medication systems is a strategic focus. The business unit will exploit its expertise and closeness to the market to expand its position. In addition, Komax Medtech will continue to apply its expertise in high-volume niche applications built on an existing technological base.

Outlook

Komax Medtech is finding that some customers are delaying investment decisions due to the ongoing uncertainties regarding developments in the world economy. Then again, a large number of customers have already announced projects that they plan to invest in as of the second half of 2012. Several of these projects are likely to generate repeat business. Komax Medtech is looking to build on the success of the previous year and achieve another positive operating result in 2012.

Groundbreaking competencies in the value chain

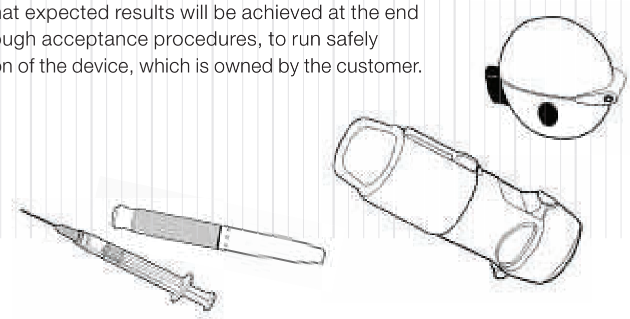
Komax
Medtech systems

Pre-assembly | Final assembly | Test | Packaging | Final product

Raw material for device assembly | Drug

Device development | Drug development

Medical devices are products used to help diagnose or treat disease. Many of these devices contain active substances or medicines that are administered to patients with certain conditions or disease symptoms. Before a new medicine that is combined with a medical device can be launched, it has to undergo preclinical and clinical studies and gain approval from the competent regulatory authority. Komax Medtech plays an important role in this process: the business unit plans and builds assembly systems that put together the individual components of such medical products (raw materials, plastic parts for the devices, pre-filled medicines) in several steps on a semi-automated or fully automated basis. Komax Medtech then tests and packages the fully assembled final product (device plus medicine) and prepares it for shipping. When Komax Medtech delivers equipment to customers, a full qualification/testing package is performed documenting with evidence that expected results will be achieved at the end of the thorough acceptance procedures, to run safely the validation of the device, which is owned by the customer.



Sustainability and social responsibility

The Komax Group is committed to upholding its responsibilities towards its different stakeholder groups. This commitment is expressed through the products and services it provides on the one hand and through the objectives and approach the company adopts on the other. Komax regards sustainability and social responsibility as integral parts of its corporate strategy.

People and the environment

Komax is keen to continuously build on its commitment to sustainability and social responsibility.

The basic tenets underlying Komax's business practices are set out in its guiding principles. The Komax Group exercises responsibility towards people and the environment, and is keen to continuously develop its expertise in matters relating to sustainability and social responsibility.

Group-wide code of conduct

The way Komax is perceived by customers and suppliers, other business partners, shareholders and the general public, and the respect for and confidence in the company that these groups feel is dependent to a significant degree on the conduct of Komax's employees. In 2009 Komax therefore introduced a code of conduct which applies to all Group employees. The code of conduct defines general ethical rules of behaviour and guidelines on how to act towards the Group's business partners and competitors. All employees are given training on the code of conduct when they join the company.

Product sustainability

The systems developed by Komax are characterized by their exceptionally high quality. The Group's global service network ensures that the systems are professionally maintained. This has a positive impact on their performance, value retention and life span as well as saving resources. Thanks to their modular construction, the systems can usually be adapted to new technological developments or changing needs.

The Wire business unit supplies solutions for wire processing applications, in particular for the automotive supply industry. These solutions are also used to process wiring for new vehicle concepts such as electric and hybrid vehicles. By making it possible to machine-process ever smaller wire cross sections, Komax is helping to reduce vehicle weight and, as a result, fuel consumption.

By providing solutions for solar module manufacturing, the Solar business unit's activities in the renewable energies field are actively helping to provide an environmentally friendly and reliable energy supply for the future.

The Medtech business unit, which makes systems for self-medication applications manufacturing, is indirectly helping to reduce healthcare costs, improve access to medicines and thereby increase people's quality of life.

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Sustainability in production

Since the Komax Group's business focuses mainly on the production of machines and systems, it generates relatively low emissions in comparison to other industries. These are further reduced by our use of state-of-the-art production facilities. Over 50% of the production equipment at our Dierikon site has been newly acquired over the last five years.

Wherever possible, Komax uses renewable energies such as solar or hydroelectric power. In recent years, one of the Group's sources of electricity has been RegioMix green power from small utilities in Central Switzerland. Komax's commitment to the environment is also underscored by its own photovoltaic power plant on the roof of its production building in Rotkreuz. Furthermore, Komax actively encourages its employees to use public transport.

Waste materials from production activities, such as swarf and operating materials waste, are separated out and disposed of or recycled appropriately. Waste volumes are being continuously reduced within as part of optimization programmes. Komax's products do not contain any ecologically harmful components. The company favours suppliers which demonstrate an environmentally aware approach and whose products conform to sustainability criteria.

In 2011, a committee was formed to systematically develop the company's commitment to sustainability. Among other things, the committee is charged with preparing the Dierikon site for ISO 14001 certification. Packages of measures for improving our environmental performance have been developed in a number of key thematic areas. Accompanying initiatives are also being implemented with a view to further raising employee awareness of environmental matters. With a workforce of around 350, Dierikon is the Group's largest production site. Once it has secured the relevant certification, there are plans to apply the concept at other sites as well.

In 2011, the La Chaux-de-Fonds site received an award from Energo for having cut its energy consumption by 10% compared to the previous year. Energo is a Swiss non-profit organization financed by cantons, cities, municipalities and private sector entities. It works in partnership with EnergieSchweiz to promote the federal government programme for a "20% reduction in CO_2 by 2020".

Key figures[1)]

	2011	2010
Electric power consumption in MWh	6701	6906
Electric power consumption per head in MWh	7.4	7.8
Water consumption (potable and industrial water) in m^3	8086	10461
Water consumption (potable and industrial water) per head in m^3	8.9	11.8

1) Covering the Komax production sites in Dierikon (CH), Rotkreuz (CH), La Chaux-de-Fonds (CH), Rousset (F), York (USA), Rockford (USA), Penang (MY) and Shanghai (RC).

Employees by business unit

	2011	2010
Komax Wire	541	478
Komax Solar	285	227
Komax Medtech	302	307
Corporate	12	11
Total	**1140**	**1023**

Employees by area of acitvity

	2011	2010
Production	482	403
Research and Development	134	107
Engineering	149	156
Marketing and Sales	273	263
Administration	102	94
Total	**1140**	**1023**

Employees by region

	2011	2010
Switzerland	569	557
Europe	65	64
Africa	12	9
North/South America	266	233
Asia	228	160
Total	**1140**	**1023**

Contribution to regional development

Komax has been firmly rooted in the Canton of Lucerne since 1975, and is one of the canton's biggest employers. Most of its other operating facilities worldwide have been based at the same site since their establishment, and this has generated a strong sense of identification with the local area. This sense of identification is expressed in various ways, notably considering local suppliers wherever economically possible and reasonable.

Attractive employer

As at end-2011, Komax employed 1140 staff worldwide, 11% more than in the previous year. This increase is due to the continued recovery in the relevant markets, the partial restoration of structures which had been dismantled in 2009, the strengthening of our position in China including the first-time consolidation of Komax Jinchen. Personnel expenses in the year under review amounted to CHF 103.6 million.

Staff development is an important topic at Komax. The Group organizes regular training for its employees and also provides financial support for individual training activities. Komax also encourages international exchanges to allow its staff to gain new experiences and career perspectives. Furthermore, Komax also invests in tomorrow's workforce. In 2011, 58 apprentices were undergoing training in seven professions at the Group's Swiss sites.

Komax Wire once again conducted an employee survey at the Swiss sites in 2011. The results of this survey yielded a valuable foundation for the development and implementation of improvement measures. Employee satisfaction is systematically measured and evaluated in the course of annual performance review meetings.

Komax satisfies all legal requirements governing working conditions in the countries it operates in. Reported absences due to accidents in 2011 were mainly the result of accidents suffered by employees while engaging in leisure activities. Moreover, Komax actively encourages employees at site level to pursue a healthy lifestyle through initiatives such as sport and exercise offerings.

Equal opportunities and fair compensation

Komax ensures that both genders receive equal treatment and are paid in line with market norms.

The companies of the Komax Group ensure that their employees enjoy equal opportunities, equal treatment and fair employment conditions, receive pay that is in line with the market, and benefits that are in line with national and industry standards. Participation in the pay comparison survey conducted by industry association Swissmem showed that pay at both of the Wire business unit's Swiss production sites is in line with market averages and that men and women receive equal pay. The proportion of women in the Group's global workforce stood at 12% in 2011. Komax is not alone in having a relatively low proportion of women in its workforce. This is due to the relatively large number of technical careers in the mechanical and electrical engineering industry.

The Group's staff turnover rate in 2011 was gratifyingly low, at below 9%. Komax has a very good reputation as an attractive employer. Among other things, this is highlighted by the fact that we were able to fill vacancies quickly in 2011, even in the tight market for management and skilled staff.

Corporate Governance

1 Corporate structure and shareholders

Corporate structure

The corporate structure is set out on pages 106 and 107 of the Annual Report.

Komax Holding AG, the holding company of the Komax Group, has its headquarters in Dierikon (CH). Details on the place of listing, market capitalization, securities number and ISIN number are set out on page 44 ("Information for investors").

Significant shareholders

Shareholder/shareholder group	Number of shares 31 Dec. 2011	% as at 31 Dec. 2011[1]
Max Koch, Meggen, Switzerland	231 401[2]	6.80
Leo Steiner, Steinhausen, Switzerland	116 650[3]	3.43
Sarasin Investmentfonds AG, Basel, Switzerland	102 510[4]	3.01

1) The calculation is based on the 3 400 880 registered shares listed in the Commercial Register as at 31 December 2011.

2) Plus stock options from the employee share incentive scheme (0.12%):
0.03% 1000 call options, CHF 145.06, duration 1.1.2008 – 31.12.2012
0.03% 1000 call options, CHF 42.78, duration 1.1.2009 – 31.12.2013
0.03% 1000 call options, CHF 75.68, duration 1.1.2010 – 31.12.2014
0.03% 1000 call options, CHF 94.25, duration 1.1.2011 – 31.12.2015
All stock options are subject to a three-year lock-in period and a two-year exercise period, exchange ratio 1:1, effective fulfilment.

3) Plus stock options from the employee share incentive scheme (0.34%):
0.15% 5000 call options, CHF 145.06, duration 1.1.2008 – 31.12.2012
0.06% 2000 call options, CHF 42.78, duration 1.1.2009 – 31.12.2013
0.06% 2000 call options, CHF 75.68, duration 1.1.2010 – 31.12.2014
0.07% 2500 call options, CHF 94.25, duration 1.1.2011 – 31.12.2015
All stock options are subject to a three-year lock-in period and a two-year exercise period, exchange ratio 1:1, effective fulfilment.

4) Reported figure as of 5 May 2010.

All shareholdings that have been reported to Komax and the Disclosure Office of SIX Swiss Exchange as per art. 20 of the Federal Act on Stock Exchanges and Securities Trading (SESTA) and the provisions of the Stock Exchange Ordinance of the Swiss Financial Market Supervisory Authority (FINMA) and published on SIX Swiss Exchange AG's electronic publication platform can be viewed at www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Cross-shareholdings

There are no cross-shareholdings.

2 Capital structure

Capital

in CHF

Ordinary capital	340 088.00
Conditional capital	44 912.00
Authorized capital	0.00

Further details are provided in the sections below.

Authorized and conditional capital in particular

For information on conditional capital, please refer to the individual financial statements of Komax Holding AG, 101, and art. 3.2 of the Articles of Association.

The General Meeting of 13 May 2009 approved the creation of conditional capital to a maximum of CHF 46 248.00 to cover the exercising of option or subscription rights issued as part of the Executive and Employee Participation Program of Komax Holding AG. The subscription and advance subscription rights of shareholders in the company are excluded. 13 360 options were converted into shares with a par value of CHF 0.10 in 2010. In 2011, no options were exercised. Conditional capital therefore amounted to CHF 44 912.00 as at 31 December 2011.

The Komax Group had no authorized capital as at 31 December 2011.

Capital changes

Details of capital changes in 2011 and 2010 can be found on page 56 of the Financial Report. The corresponding information for 2009 can be found on page 52 of the 2010 Annual Report.

Shares, participation certificates and profit-sharing certificates

As at 31 December 2011, Komax Holding AG has a share capital of CHF 340 088.00 distributed over 3 400 880 registered shares, with a par value of CHF 0.10 each. Each registered share entitles its holder to one vote at the General Meeting. Voting rights may only be exercised if the shareholder is listed in the share register as a "voting shareholder" (see also "Restrictions on transferability of shares and nominee registrations"). Registered shares are fully entitled to receive dividends.

Komax Holding AG has not issued any participation certificates or profit-sharing certificates.

Restrictions on transferability of shares and nominee registrations

The Komax Holding AG share register is divided into the categories of "non-voting shareholders" and "voting shareholders". Non-voting shareholders may exercise all property rights, but not the right to vote or rights associated with that of voting. Voting shareholders may exercise all rights associated with the share.

Registration of an acquirer of shares as a "voting shareholder" may be refused under Komax Holding AG's Articles of Association if, as a result of such recognition, the acquirer would directly or indirectly hold more than 5% of the total number of shares recorded in the Commercial Register. Legal entities and groups with joint legal status which are connected through capital, voting rights, management or in some other manner, along with all natural persons, legal entities and groups with joint legal status which act in concert by virtue of agreement, syndicate or in some other manner, are regarded as a single acquirer for the purposes of this provision. This limitation also applies in the case of the acquisition of registered shares through the exercising of subscription rights, option rights or conversion rights. This restriction does not apply to the acquisition of shares through inheritance, division of an estate or joint marital property. The Board of Directors may grant exceptions to the 5% limitation for good cause.

Komax Holding AG's Articles of Association also empower the Board of Directors to refuse entry in the share register if the acquirer does not expressly declare, at the request of the Board, that the shares were acquired in their own name and for their own account. Nominees are listed in the share register as "non-voting shareholders".

Convertible bonds and options

Komax Holding AG has no outstanding convertible bonds. See pages 42 and 91 of the Financial Report for information on employee share options.

3 Board of Directors

The Board of Directors has five members. No member of the Board of Directors was a member of the Executive Committee in the three years prior to the reporting period, nor do any members of the Board of Directors have any material business relationship with any of the Group companies.

Members of the Board of Directors

	Appointed	Term expires	Committees
Leo Steiner, President	1997	2012	AC, RC (Chairman)
Melk M. Lehner	1997	2013	AC
Max Koch	1997	2014	RC
Hans Caspar von der Crone	1997	2012	AC (Chairman)
Daniel Hirschi	2005	2014	RC

AC: Audit Committee
RC: Remuneration/Nomination Committee

There are no cross-involvements among the Board of Directors.

Biographies of the individual Board Members are provided on pages 10 and 11.

Election and term of office

The Board of Directors of Komax Holding AG consists mainly of independent, non-executive members and is elected by the General Meeting. Under the Articles of Association it consists of three to seven members. Each member is elected individually. The maximum term of office is three years; each member's term of office is determined at the time of election. Individual terms are staggered so that roughly one-third of all Board members, but no more than three, are elected each year. Members may be re-elected. The term of office is not restricted.

The terms of office of both Leo Steiner and Hans Caspar von der Crone will expire in 2012. The Board of Directors is proposing that both members be re-elected for a further period of office of three years. Furthermore, the Board of Directors is proposing that Kurt Haerri be appointed to the Board of Directors at the General Meeting on 3 May 2012.

Internal organization

The Board of Directors consists of the Chairman and the other members of the Board. The Board of Directors organizes itself and elects its Chairman from among its ranks. If the Chairman is prevented from exercising his duties through illness or prolonged absence, the Board of Directors will appoint a Deputy. The Chairman – or if he is unable to attend, the Deputy Chairman – is responsible for chairing the meetings. The Board of Directors additionally appoints a Secretary, who does not need to be a member of the Board of Directors.

The Board of Directors meets as often as business requires, but no less than four times per year. Meetings are called by the Chairman of the Board. Each member of the Board of Directors may demand that a meeting be called by the Chairman to discuss a particular topic.

The Board of Directors is deemed to have a quorum if an absolute majority of its members are present. The resolutions of the Board of Directors are adopted by an absolute majority of votes present, subject to a minimum of three. In the event of a tie, the Chairman casts the deciding vote. All resolutions are minuted. In cases of urgency, a meeting of the Board of Directors may be held by telephone or other appropriate medium. Resolutions by circular letter are permissible provided no Board Member calls for verbal discussion. All members were present at the four meetings of the Board of Directors that took place in 2011. On average, these meetings lasted around six hours. However, these average times pertain to the actual duration of the meetings themselves, and do not take into account the extensive preparatory and follow-up work done by the individual members.

The Board of Directors has formed two Committees from among its ranks:

- Audit Comittee

The Audit Committee presently consists of Hans Caspar von der Crone (Chairman), Melk M. Lehner and Leo Steiner. The Committee meets at least twice a year. In 2011 the Committee met twice, with all members being present on both occasions. On average, these meetings lasted three hours. These average times do not include the extensive preparatory and follow-up work done by the individual members. The tasks of the Audit Committee include the overall supervision of the external and internal auditors, as well as financial reporting. The Audit Committee sets out the scope and schedule of the audit to be carried out by the two auditing bodies and also coordinates their work. Both the external and internal auditors report on their audit work, and the Audit Committee monitors implementation of the audit findings. Furthermore, the Audit Committee also evaluates the reliability of the internal control system and of the risk management, and acquires a picture of the extent to which statutory and internal regulations are being adhered to (compliance). The CEO and the CFO both attend meetings of the Audit Committee. On occasions the external auditor is invited to attend. The CFO represents the internal audit unit. Both bodies have access to the minutes of the meetings of the Board of Directors and the Executive Committee. The detailed tasks of the Audit Committee are set out in the Organizational Regulations for the Audit Committee.

- Remuneration/Nomination Comittee

The Remuneration Committee presently consists of Leo Steiner (Chairman), Max Koch and Daniel Hirschi. Meetings of the Remuneration/Nomination Committee take place as required and may be called by any member. In 2011, the Committee met twice, with all members being present on both occasions. On average, these meetings lasted three hours. These average times do not include the extensive preparatory and follow-up work done by the individual members. The tasks of the Remuneration/Nomination Committee include discussion of basic HR questions, determining the compensation regulations and models for Group Management, and drawing up proposals for the amount of the compensation paid the CEO and members of the Board of Directors. The tasks of the Remuneration/Nomination Committee are set out in detail in the Organizational Regulations of Komax Holding AG.

Definition of areas of responsibility

Under art. 716a par. 1 of the Swiss Code of Obligations, the Board of Directors must fulfil the following non-transferable and inalienable duties:

- Overall management of the company and issuance of the necessary directives;
- Establishing the company's organizational framework;
- Determining the principles of accounting, financial controlling and financial planning, insofar as this is necessary for the management of the company;
- Appointing and removing the persons entrusted with managing and/or representing the company;
- Ultimate supervision of the persons entrusted with managing the company, specifically with respect to prevailing legislation, the Articles of Association, regulations and directives;
- Producing the Annual Report, making preparations for the General Meeting and executing the resolutions passed by the General Meeting;
- Informing the courts in the event of excessive indebtedness.

The tasks, obligations and powers of the Board of Directors, its Chairman, and the above-mentioned Committees are set out in detail in the Organizational Regulations of Komax Holding AG. These regulations also define the rights, obligations and competencies of the CEO and the Executive Committee. The Organizational Regulations are reviewed on a regular basis and amended where necessary. The most recent amendment was undertaken in August 2011.

To the extent permitted by law and by the Articles of Association, the Board of Directors has delegated operational management of the company to the CEO of the Komax Group. The Executive Committee is made up of the CEO and four further members. The members of the Executive Committee are appointed by the Board of Directors at the proposal of the Remuneration/Nomination Committee.

Information and control instruments vis-à-vis the Executive Committee

The CEO informs the Board of Directors at each meeting about the course of business, the Group's most important transactions and the status of the tasks delegated to the Executive Committee. The key data generated by the management information system (MIS) is discussed at length at meetings of the Board of Directors with the CEO and CFO. Moreover, the Board of Directors is also provided with full details of the current course of business and the financial situation of the Group between each meeting on a monthly basis. In addition, the Chairman of the Board of Directors and the CEO are in regular contact to discuss important questions of company policy.

The risks associated with the Group's commercial activities are systematically identified, analysed, monitored and managed through an institutionalized risk management function. These risks are amalgamated into groups according to their nature, namely general external risks, business risks, financial risks, risks arising in connection with corporate governance, and IT risks. The Executive Committee is responsible for the operational side of risk management, whereby specially appointed process owners are assigned responsibility for the management of key individual risks. These individuals take specific measures and monitor their implementation. Every year, the Executive Committee informs the Audit Committee of the risks that have been identified and the measures taken as part of risk management activities.

The MIS of the Komax Group is organized as follows: each subsidiary's key balance sheet and profit and loss figures are compiled and consolidated once a month. The subsidiaries' balance sheets, income statements, cash flow statements and various indicators are compiled and consolidated on a quarterly, half-yearly and yearly basis. A comparison is then made with the previous year and the budget. The budget forecast is checked for attainability against the quarterly statements for each individual company and on a consolidated basis.

Using key controls, the internal control system (ICS) ensures proper and efficient management, safeguards assets, prevents and identifies offences and errors, and ensures accurate and complete accounting records as well as timely preparation of reliable financial information. A report setting out the results of these investigations and the corresponding measures taken is submitted to the Audit Committee.

The internal audit function evaluates the effectiveness of the ICS as well as of management and monitoring processes. It also supports the Executive Committee in the risk management process. Internal audit duties are performed by the Finance & Accounting unit of Komax AG, Dierikon. This unit scrutinizes the individual operating units of the Group and the various business areas of the parent entity at regular intervals, and on the basis of an annually updated audit plan. The internal auditors report the results of their investigations to the Audit Committee. The Audit Committee reviews and approves the scope of the audit, the audit plan, and the corresponding responsibilities. It also decides on any measures to be implemented as a result of internal audit findings.

4 Executive Committee

The Executive Committee of the Group comprises the CEO, the business unit heads who report directly to him, and the Chief Financial Officer (CFO).

	Function exercised since
Dr Beat Kälin, CEO	2007
Andreas Wolfisberg, CFO	1996
Matijas Meyer, Head Business Unit Wire	2010
Walter Nehls, Head Business Unit Solar	2008
Serge Peguiron, Head Business Unit Medtech	2005

Biographies of the individual members of the Executive Committee are provided on pages 12 and 13.

5 Compensations, shareholdings and loans

Content and method of determining the compensation and the participation programmes

The compensation of the Board of Directors is fixed (there is no variable salary component). The Board of Directors determines the amount of the fixed compensation to which its members are entitled at its own discretion and commensurate with their involvement and degree of responsibility. The compensation consists of a component paid in cash and a proportion provided in the form of options. Additional compensation may be granted for extraordinary efforts above and beyond normal Board activities.

The salary and bonus of the CEO are determined by the Board of Directors on the basis of the proposal submitted by the Remuneration Committee. The overall compensation of the members of the Executive Committee is decided by the Remuneration Committee (see also the general marks on the Remuneration Committee on page 38).

The members of the Executive Committee receive performance-based compensation. The target salary (100%) consists of a fixed component (65 to 70%), a remuneration component which depends on the company's result in comparison to the annual plan, and an individual performance component. The remuneration component that depends on the company's result is calculated on the basis of key corporate figures (sales, EBIT, EAT, RONCE). The individual performance component is based on the attainment of previously agreed objectives. Here there is a 50/50 split between operating objectives and individual objectives. The variable salary component achievable by a member of the Executive Committee may not exceed the set target by more than 70%. In the 2011 financial year, the variable compensation component for members of the Executive Committee amounted to between 25 and 85% of the fixed salary component.

The compensation models for other members of management within the Komax Group also contain a performance-related component.

In addition to their salary, members of the the Executive Committee, middle management as well as other staff of the Komax Group (a total of some 150 employees) may – in accordance with the company's share option guidelines – receive share options as determined by the Remuneration Committee. These options have a duration of five years and are subject to a three-year lock-in period. The exercise price of the options corresponds to the lower of the following two values: the average price of the fourth quarter of the preceding year, and the average price in March of the year the option was issued. The individual allocation of options is at the discretion of the Board of Directors and the Executive Committee.

Compensation for acting members of governing bodies

In the 2011 financial year, the following levels of (gross) compensation were paid to active members of governing bodies:

- to members of the Board of Directors: CHF 743 680
- to members of the Executive Committee: CHF 2 964 856

Details of the compensation paid to the Board of Directors and the Executive Committee can be found on pages 95 and 103 of the Financial Report.

The above amounts include the allocation of options from the 2011 programme with an exercise price of CHF 94.25 and a taxable value of CHF 21.72. These options have a duration of five years (lock-in period of three years followed by an exercise period of two years).

Details of the shares and options held by the Board of Directors and the Executive Committee can be found on page 104 of the Financial Report.

Illustration of compensation development

The basis for determining compensation for the Board of Directors and the Executive Committee was unchanged from the previous year. The increase in compensation is mainly due to changes in the composition of the Executive Committee and to the higher taxable value of options allocated in the 2011 financial year.

Additional fees and remunerations

In the year under review, no invoices were submitted to the Komax Group by members of the Board of Directors for additional services.

Share allotments

No shares were allotted either to members of the Board of Directors or to employees in the year under review.

Agreements regarding severance payments

No agreements regarding severance payments exist with members of the Board of Directors or with members of the Executive Committee.

Compensation for former members of governing bodies

No compensation was paid to former members of governing bodies in the 2011 financial year.

Loans granted by governing bodies

Komax Group companies have not granted any guarantees, loans, advances or credits to members of the Board of Directors or the Executive Committee or parties closely linked to such persons as at 31 December 2011.

No members of the Board of Directors or the Executive Committee or persons closely linked to them take or have taken part in Komax Group business outside their normal duties.

6 Shareholder participation rights

Voting rights and representation restrictions

Shareholders registered in the Komax Holding AG share register are entitled to vote; each share is entitled to one vote. No single shareholder may directly or indirectly exercise the votes of more than 5% of the total number of shares recorded in the Commercial Register for his own registered shares and shares voted by proxy. Legal entities and groups with joint legal status which are connected through capital, voting rights, management or in some other manner, along with all natural persons, legal entities and groups with joint legal status which act in concert by virtue of agreement, syndicate or in some other manner, are regarded as one person for the purposes of this provision. The Board of Directors may grant exceptions to this rule for good cause. This voting rights limitation does not apply to proxy holders of deposited shares, representatives of governing bodies or independent representatives pursuant to CO art. 689c and 689d.

This voting rights limitation does not apply to shareholders who were registered as holding registered shares amounting to more than 5% of votes for all shares at the time that the provision of the Articles of Association regarding limitation of voting rights was passed.

Shareholders may be represented at the General Meeting on the basis of a written power of attorney by other shareholders, a proxy holder of deposited shares, a representative of a governing body, or an independent proxy pursuant to CO art. 689c and 689d.

The voting rights limitation may only be rescinded by a resolution of the General Meeting, which requires a majority of votes cast.

Statutory quorums

In addition to the resolutions specified in CO Art. 704, under the Articles of Association of Komax Holding AG, a two-thirds majority of votes cast and an absolute majority by value of shares voted is required to dismiss members of the Board of Directors.

Convocation of the General Meeting / agenda

The convocation of the General Meeting is governed by applicable law. Shareholders representing at least 1% of the share capital can request that items be placed on the agenda for discussion by submitting the proposed motions in writing within the deadline published by the company.

Entries in the share register

In principle, any shareholder can be entered in the Komax Holding AG share register. Any person acquiring shares is listed as a "shareholder with voting rights" up to a maximum of 5% of the total number of shares published in the Commercial Register. Any person owning more than 5% of the published shares will be entered as a "non-voting shareholder" for the portion in excess of 5% (Komax Holding AG Articles of Association, Art. 6.4 et. seq.). This restriction does not apply to the acquisition of shares through inheritance, division of an estate or joint marital property. The Board of Directors may grant exceptions for good cause.

The Board of Directors can refuse entry in the share register if the acquirer does not expressly declare, at the request of the Board, that the shares were acquired in their own name and for their own account. After hearing the affected party, the company may delete entries in the share register if such entries occurred in consequence of false statements by the acquirer. The acquirer must be informed of the deletion immediately.

Nominees are listed in the share register as "non-voting shareholders".

Invitation to the General Meeting of 3 May 2012

All shareholders registered in the Komax Holding AG share register as per 2 May 2012 are entitled to vote in respect of the number of shares registered in their name at the General Meeting of 3 May 2012. Shareholders registered on 14 March 2012 will receive an invitation indicating the proposals of the Board of Directors and a reservation and entry ticket coupon. Shareholders who acquire shares later and whose registration application is received by the Komax Holding AG share register no later than 2 May 2012 will receive the invitation at that time, or ballot materials will be waiting for them at the front desk of the General Meeting. Shareholders who dispose of their shares before the General Meeting are not entitled to vote. In the event of a partial sale or purchase of additional shares, the entry ticket received should be exchanged at the front desk on the date of the General Meeting.

7 Changes of control and defence measures

Duty to make an offer

Upon reaching or exceeding a threshold of 33 ⅓%, a shareholder must submit an offer to all shareholders for the purchase of their shares (Art. 32, Federal Act on Stock Exchanges and Securities Trading). The Articles of Association do not include "opting out" or "opting up" rules.

Clauses on change of control

At the Komax Group, change-of-control clauses are not included in employment contracts.

Options

The members of the Board of Directors, Executive Committee, and middle management are entitled to exercise their options in part or in full, without regard to the time limits, in the following cases:

- if Komax Holding AG or its subsidiaries sell(s) all assets relevant to the business;
- if one or more persons or companies merge(s) and conclude(s) a legally binding agreement for the purpose of acquiring shares in Komax Holding AG, as a result of which they hold more than 50% of the voting rights (including any previous shareholdings);
- if another case of legal or economic disposal or liquidation of Komax Holding AG occurs;
- if Komax Holding AG is no longer traded on the stock exchange and no publicly traded shares of the company are available.

8 Auditors

Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Basel, has been the statutory auditor of Komax Holding AG and the Komax Group's consolidated financial statements since 1994. Pursuant to the provisions of the Swiss Code of Obligations, the lead auditor is replaced after a maximum term of seven years. The lead auditor has been responsible for the audit mandate since 2010.

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Auditing and additional fees

PricewaterhouseCoopers invoiced the Komax Group CHF 519 273 in the 2011 financial year for services in connection with auditing the annual statements of Komax Holding AG and the Group companies as well as the consolidated statements of the Komax Group.

In addition, the auditing company invoiced a fee amounting to a total of CHF 68 289 during 2011 financial year. This breaks down into a fee of CHF 27 794 for tax advisory work, and CHF 40 495 for legal advice.

Supervisory and control instruments pertaining to the auditors

The Audit Committee is responsible for evaluating the external auditors, who submit an audit report to the Board of Directors. At least one consultation is held each year between the external auditors and the Audit Committee, at which the material findings for each company (management letters) and the consolidated financial statements covered by the audit report are discussed in detail. The auditors also explain the audits conducted (audit and review) for each company along with recent changes in IFRS (International Financial Reporting Standards) and their impact on the Komax Group's consolidated annual statements.

The services provided by the statutory auditors are evaluated by the Audit Committee on the basis of the quality of reporting and the audit reports, the implementation of the audit plan and the level of cooperation with the internal audit team. The independence of the auditors is verified by comparing the fee for additional services charged by the external auditors with the audit fee, taking into account the scope of these additional services.

The external auditors are selected by tender. The selection process is repeated annually. Every year the mandate of the auditors has to be confirmed. In addition to the minimum statutory requirements, the selection criteria applied are professional qualifications, industry experience and value for money.

Further details on the Audit Committee can be found under section 3.

9 Information policy

Komax is committed to providing swift, transparent and simultaneous information for all stakeholders. The CEO, CFO, and the Head of Investor Relations and Corporate Communications are available as contact partners for information purposes.

The consolidated financial statements are compiled in conformity with IFRS standards. Komax Holding AG publishes comprehensive financial results twice a year, for the first half and for the full year. In addition to the financial results, shareholders and financial markets are also regularly kept informed of significant changes and developments. Komax Holding AG publishes facts relevant to its share price in conformity with the disclosure policies of SIX Swiss Exchange. The Listing Rules can be found at www.six-exchange-regulation.com (Admission).

The official publication for company notices is the "Swiss Official Gazette of Commerce" ("Schweizerisches Handelsamtsblatt").

Information on share price trends, annual and half-year reports, the minutes of the most recent General Meeting, press releases and Komax Holding AG's Articles of Association are available at www.komaxgroup.com. Press conferences and presentations for analysts are held at least once a year.

Contact

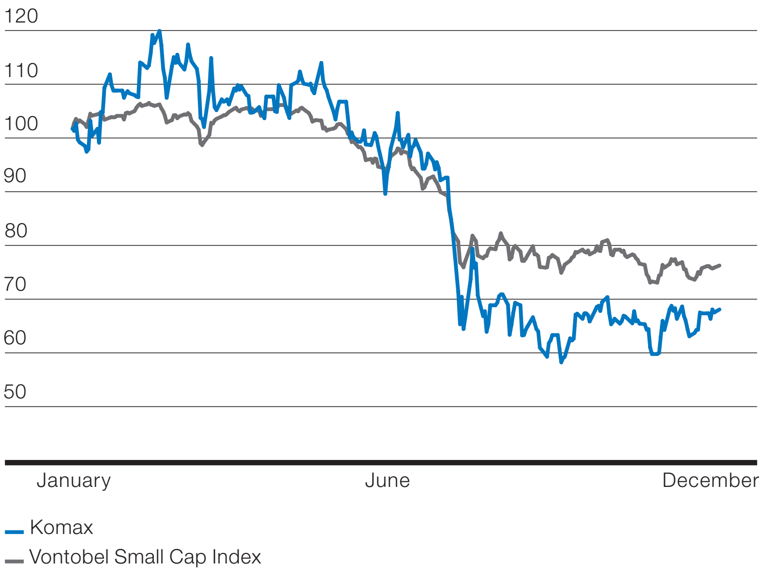
Komax Holding AG
Marco Knuchel
Industriestrasse 6
CH-6036 Dierikon
Phone +41 41 455 06 16
marco.knuchel@komaxgroup.com

Information for investors

2011 was not an auspicious year for equity investors in most industrial enterprises, especially among small and mid-caps. Although operating performance was quite good in many cases, the response from skittish financial markets was often cool. In the wake of growing concerns about the economy, equity portfolios became more defensive, especially during the second half of the year, and cyclical shares lost considerable value as a result.

Share price development

in CHF



Komax shares were not spared this trend. The strong Swiss franc and the company's close involvement with the automotive and solar industries led many investors to pare back their exposure.

The year-end share price on 30 December 2011 was CHF 68.75 (2010: CHF 102.00), a decline of 33%.

Listing

Komax is listed on SIX Swiss Exchange. Market capitalization at the end of 2011 was CHF 233.8 million.

ISIN	CH001070215
Security number	1070215
Bloomberg code	KOMN SW
Thomson Reuters code	KOMN.S

Geographical distribution of shareholdings

Switzerland	70%
Other countries	7%
Shares pending registration of transfer	23%

The majority of shares not held in Switzerland are held in the United Kingdom, Germany, Sweden and Luxembourg.

Significant shareholders

Information on significant shareholders can be found on page 36 of this report.

Breakdown of shareholders by number of registered shares held

1–100	1 763
101–1 000	1 844
1 001–10 000	266
10 001–50 000	25
> 50 000	5

Free float

The free float as defined by SIX Swiss Exchange stands at 93%.

Dividends

At the General Meeting, the Board of Directors will propose an increase in the distribution from the capital contribution reserves from CHF 2.00 to CHF 4.00 per share. This reflects confidence in future business performance and the strength of the company. The dividend yield on the date of the Board resolution was an attractive 4.8%. For natural persons in Switzerland who hold shares as part of their personal assets, this distribution from the capital contribution reserves will be tax-free.

Information on the Komax registered share

Further information on the Komax registered share can be found on the internet at: www.komaxgroup.com

Disclosure of shareholdings

Under art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act), whosoever directly, indirectly or in concert with third parties acquires or disposes of shares, for his own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3% of the voting rights, whether or not such rights may be exercised, shall notify the company and the stock exchanges on which the equity securities in question are listed.

Financial calendar

Annual General Meeting	3 May 2012
Dividend payment	10 May 2012
Half-year results 2012	21 August 2012
First information on the year 2012	15 January 2013
Annual media conference/analysts' presentation 2012	19 March 2013
Annual General Meeting	3 May 2013

Key data Komax registered share

		2011	2010	2009	2008	2007
Share capital as at 31.12.	in TCHF	340	340	339	339	336
Number of shares as at 31.12.	No.	3 400 880	3 400 880	3 387 520	3 387 520	3 359 063
Average number of shares	No.	3 375 217	3 349 278	3 319 791	3 323 199	3 288 479
Par value per share	CHF	0.10	0.10	0.10	0.10	0.10
Basic earnings (+)/loss (–) per share	CHF	11.68	5.31	–5.97	6.99	9.86
EBITD per share	CHF	16.14	10.72	–4.28	11.54	15.27
EBIT per share	CHF	13.98	8.56	–6.69	9.18	12.88
Shareholders' equity per share	CHF	72.63	62.49	59.01	65.56	66.83
Dividend per share	CHF	4.00 1)	2.00	0.00	2.00	6.50
High	CHF	120.00	103.00	80.00	175.00	217.20
Low	CHF	59.00	73.10	36.05	48.95	152.00
Closing price as at 31.12.	CHF	68.75	102.00	72.00	53.90	181.00
Average daily trade volume	No.	8 383	6 173	6 341	8 932	12 247
P/E (price-earnings ratio) as at 31.12.		5.9	19.5	–12.1	7.7	18.6
Dividend yield as at 31.12.	%	5.82 1)	1.96	0.00	3.71	3.59

1) Proposal of the Board of Directors of Komax Holding AG: distribution of CHF 4.00 per registered share from capital contribution reserves.

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Financial Report

Consolidated Financial Statements

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Comments on the consolidated financial statements

Income statement

Order intake
Orders totalled CHF 380.4 million in 2011, compared with CHF 357.0 million in 2010. This represents an increase of 6.6%. It was above all Europe and the US which contributed to the increase in the order intake. The order book stood at CHF 80.4 million as at 31 December 2011, compared to CHF 86.7 million at the end of 2010.

Revenues (net sales and other operating income)
Komax generated revenues of CHF 371.4 million in the 2011 financial year, which represents an increase in sales of 9.2% compared to 2010. The following is a breakdown of net sales by currency in 2011 (percentages in brackets are for the previous year):

- CHF 33% (33%)
- EUR 20% (17%)
- USD 36% (40%)
- Other foreign currencies 11% (10%)

The percentage proportion of revenues in CHF remained unchanged in the year under review. Nonetheless, the consolidated currency impact in 2011 was much greater than in the previous year, as a direct consequence of the weak dollar and euro. Towards the end of this year, these two key currencies for Komax regained some of their strength. The foreign currency impact at net sales level was –6.9% in 2011 compared to –2.7% in the previous year.

Gross sales in the EU rose by 7.0% to CHF 117.0 million in the year under review. In Europe as a whole they amounted to CHF 159.6 million, or 43.0% of gross sales. In other words, the proportion of sales accounted for by Europe once again increased sharply. In the Africa region, gross sales came in at CHF 31.0 million, an increase of more than 58% on the previous year. In addition, gross sales in North America rose slightly, with the total 2011 volume for this region coming in at CHF 56.2 million. There was a slight decrease in volumes in the Asia and South America regions (around 3% in each case). Despite a slight decline, the share of revenues accounted for by Asia amounted to 28.5 percentage points, which remains significantly above the average for the last five years.

Gross profit
The gross profit margin (gross profit as a percentage of revenues) amounted to 54.1% in the year under review, 1.6 percentage points higher than the previous year's margin of 52.5%. The improvement in gross profit as a proportion of revenues was a result of margin improvements in both standard business and systems production. The higher gross profit margin was achieved at gross profit level despite the negative currency impact of –3.3 percentage points. Progress in project management and inventory management made a very significant contribution to the improved margin, as did changes in the product mix.

Operating expenses
Personnel expenses declined to 27.9% as a proportion of revenues, a decrease of 2.1 percentage points. This was attributable to the significant rise in sales, lower expenses at subsidiary companies abroad thanks to currency impacts, and the optimization of processes in all key business areas. The Komax Group was able to increase revenues per employee by 3.0% to TCHF 343 and net value added by 10.2% to TCHF 140 per employee. As at 31 December 2011, the Komax Group employed 1 140 staff, compared to 1 023 at the end of 2010. Headcount increased in all important regions in the year under review. Switzerland accounted

for 50% of the workforce, followed by North America at 22%. Asia accounted for a further 20%, of which the majority were based in Malaysia and China. In terms of individual areas, 42% of Komax staff were employed in production/procurement in 2011, while 24% worked in marketing/sales (including customer service). Engineering accounted for 13% and research and development for a further 12%. Employees in the engineering area are primarily active in project business, whereas employees in research and development work in the innovation area of standard business. The remaining 9% were engaged in administration, including management and IT.

The “other operating expenses” item also includes costs from changes to provisions and value adjustments amounting to CHF 2.4 million.

Research and development expenditure

R&D expenditure amounted to CHF 23.5 million in 2011, compared to CHF 20.5 million in 2010. R&D expenditure therefore amounted to 6.3% of revenues. In the income statement, the “other operating expenses” item contains third-party development services amounting to CHF 3.2 million. The remaining CHF 20.3 million primarily comprise own work capitalized on the part of our development staff. The increase in research and development expenditure compared to the previous year was the result of higher expenses in all segments of the Komax Group. As at 31 December 2011, the Komax Group employed a total of 134 staff in R&D – the vast majority of them in Switzerland.

Operating profit (EBIT)

The Komax Group generated operating profit of CHF 47.5 million in the year under review. Given the negative development of exchange rates, the currency impact of –1.1 percentage points in the 2011 financial year was kept within reasonable limits. At operating profit level, the Komax Group achieved the best result in its history in 2011.

The higher operating profit can be attributed to the increase in sales, higher margins in all main business areas and markets, and improved processes. Further details on the segment reporting can be found on pages 88 to 90.

Financial result

The financial result amounted to CHF –1.4 million, of which CHF –1.5 million related to interest expenditure. Net interest expenses in the previous year amounted to CHF –2.2 million. The reduction in interest costs was due to lower interest rates on the syndicated loan. Other financial income of CHF 0.1 million mainly comprised realized and unrealized exchange rate results in both EUR and USD. Both currencies were still trading at a low level against the CHF as at the balance sheet date. Due to the minimal change compared with 31 December 2010, the difference resulting from valuation adjustments on foreign currencies is only marginal. Furthermore, a small gain was accrued on current hedges.

Group result

In the 2011 financial year, earnings before taxes (EBT) came in at CHF 46.1 million (12.4% of revenues), as against CHF 24.6 million in the previous year. The tax rate for the year under review came to 14.8% (2010: 27.7%). The significant fall in the tax rate was primarily attributable to tax credits from the US for development services provided in the last five years in particular. If the US tax credit and the non-capitalized tax loss carry-forwards from previous years are excluded from the calculation, the tax rate would have amounted to 20.2% in the year under review. Furthermore, the Komax Group benefited from a decline in tax rates at important Group locations. Over the next few years, we are expecting tax rates to be below the long-term average.

Earnings after tax (EAT) reached CHF 39.3 million in 2011, and basic earnings per share amounted to CHF 11.68 compared to CHF 5.31 in the previous year.

Balance sheet

Assets

As at 31 December 2011, current assets had risen by 17.7% to CHF 249.0 million, of which cash and cash equivalents amounted to CHF 52.1 million. As at the balance sheet date, the Komax Group can once again report a net cash position (CHF 5.6 million for the 2011 financial year compared to CHF 12.0 million in 2010). The overall increase in current assets was the result of a sharp rise in sales. The very pleasing development of business over the last few months of the year under review resulted in a strong increase in the level of trade receivables. The same development also lay behind the increase in inventories. The trade receivables of CHF 127.3 million also include underfinanced projects of CHF 34.6 million net valued according to the POC method. These were CHF 2.6 million lower at the balance sheet date than at 31 December 2010. Overdue receivables are also reported in the notes to the consolidated annual financial statements. As at 31 December 2011, these amounted to CHF 34.1 million, of which just under 20% were overdue by more than 120 days. At the end of 2010, overdue receivables amounted to CHF 22.2 million. The main reason for higher value adjustments in the area of receivables was the difficult commercial and financial environment, particularly in the photovoltaics area.

Liabilities

Current liabilities amounted to CHF 62.9 million as at 31 December 2011. This amount also includes overfinanced projects amounting to CHF 8.9 million net valued according to the POC method. At the end of 2010, the equivalent amount was CHF 9.7 million net.

In addition, provisions for warranties and individual risks amounting to CHF 3.3 million (previous year: CHF 3.4 million) are also booked under current liabilities. The slight decline in provisions is attributable to the positive development in warranties in standard business in 2011. In addition, provisions of CHF 2.5 million were created in the year under review, while CHF 2.3 million of provisions were used. The figure for the reversal of provisions that are no longer required was negligible (CHF 0.3 million).

Non-current liabilities include deferred tax liabilities and bank loans. As at 31 December 2011, the latter were CHF 4.2 million higher than the previous year and amounted to CHF 46.6 million. The Komax Group continues to have access to a syndicated loan facility amounting to CHF 100 million, as well as other local lines of credit amounting to a maximum of CHF 10 million.

The Group's shareholders' equity amounted to CHF 247.0 million as at 31 December 2011 (68.3% of the total assets), compared to CHF 212.5 million as at 31 December 2010. Compared to the previous year, the impact of currency translation differences was negligible at CHF 0.3 million (previous year: CHF 9.9 million).

Cash flow statement

Cash flow from operating activities

Cash flow from operating activities totalled CHF 48.0 million before the change in net current assets (2010: CHF 35.7 million), and CHF 10.1 million after the change in net current assets and provisions (2010: CHF 24.5 million). The positive cash flow is attributable to the strong increase in earnings after taxes. By contrast, there was a strong increase in receivables and inventories compared to the previous year's balance sheet date.

Cash flow from investing activities

The cash outflow from investing activities amounted to CHF 13.5 million gross, which represents an increase of CHF 7.6 million on the previous year. In addition to the acquisition of a minority stake in SLE quality engineering GmbH & Co. KG in Germany (Wire segment) at a cost of CHF 2.2 million, the key gross investments in 2011 can be assigned to the following categories:

Machines/tools	CHF 2.8 million
Infrastructure/offices	CHF 1.3 million
Buildings/land	CHF 0.8 million
IT	CHF 1.9 million
Technology	CHF 4.5 million

After taking account of disposals, net investments came to CHF 10.1 million in 2011 compared to CHF 5.0 million the previous year. Free cash flow, i.e. cash flow from operating activities after deduction of net investments, amounted to CHF –0.1 million, which represents a decline of CHF 19.6 million compared to the previous year.

Cash flow from financing activities

Bank loans amounting to CHF 4.0 million net were taken out in 2011. Furthermore, the Group benefited from an inflow of CHF 0.4 million net from the sale and acquisition of treasury shares, as well as an inflow of CHF 1.1 million from the purchase of non-controlling interests in Group companies. The dividend distribution out of reserves from capital contributions amounted to CHF 6.8 million in 2011. No dividend was paid in 2010 as a result of the poor result for the 2009 financial year.

Consolidated balance sheet

in TCHF	Notes	31.12.2011	31.12.2010
Assets			
Cash and cash equivalents	5	52 142	54 349
Securities	6	33	51
Trade receivables	7	127 272	99 609
Other receivables and accrued income/prepaid expenses	8	13 922	12 407
Inventories	9	55 625	45 120
Total current assets		**248 994**	**211 536**
Deferred tax assets	10	6 874	3 826
Other non-current receivables	11	161	285
Prepaid pension assets	12	969	1 812
Investments in associates	13	2 085	0
Property, plant and equipment	14	68 026	71 274
Intangible assets	15	34 339	29 965
Total non-current assets		**112 454**	**107 162**
Total assets		**361 448**	**318 698**
Liabilities and shareholders' equity			
Trade payables	17	20 812	16 773
Other payables and accrued expenses/deferred income	18	33 660	36 600
Current income tax liabilities		5 108	2 457
Provisions	19	3 280	3 430
Total current liabilities		**62 860**	**59 260**
Financial loans	20	46 571	42 374
Deferred tax liabilities	10	3 982	4 541
Total non-current liabilities		**50 553**	**46 915**
Total liabilities		**113 413**	**106 175**
Share capital	21	340	340
Treasury shares		–3 086	–3 543
Capital surplus (premium)		51 405	58 158
Other reserves		198 335	157 568
Equity attributable to equity holders of the parent company		**246 994**	**212 523**
Non-controlling interest		1 041	0
Total shareholders' equity		**248 035**	**212 523**
Total liabilities and shareholders' equity		**361 448**	**318 698**

The notes on pages 57 to 95 are an integral component of these consolidated financial statements.

Consolidated income statement

in TCHF	Notes	**2011**	2010
Net sales	22	**370 029**	**339 075**
Other operating income	23	1 395	1 097
Cost of materials		170 587	161 613
Personnel expenses	24	103 632	102 165
Rental expenses		4 109	3 625
Maintenance and repair expenses		5 796	5 103
Representation and advertising expenses		11 270	11 097
Depreciation	14/15	7 370	7 333
Other operating expenses	26	21 124	19 250
Operating expenses		**323 888**	**310 186**
Operating profit before interest, taxes and extraordinary charges		**47 536**	**29 986**
Extraordinary restructuring charges	27	0	–876
Operating profit before interest and taxes		**47 536**	**29 110**
Financial income	28	7 418	5 159
Financial expenses	28	–8 861	–9 680
Group profit before taxes		**46 093**	**24 589**
Taxes	29	6 813	6 809
Group profit after taxes		**39 280**	**17 780**
Of which attributable to:			
– Equity holders of the parent company		39 413	17 780
– Non-controlling interest		–133	0
		39 280	**17 780**
Attributable to equity holders of the parent company			
Basic earnings per share (in CHF)	30	11.68	5.31
Diluted earnings per share (in CHF)	30	11.48	5.23

The notes on pages 57 to 95 are an integral component of these consolidated financial statements.

Consolidated statement of comprehensive income

in TCHF	2011	2010
Group profit after taxes	**39280**	**17780**
Currency translation differences from foreign subsidiaries	–102	–9870
Currency translation differences from investments in associates	–115	0
Other comprehensive income after taxes	**–217**	**–9870**
Comprehensive income after taxes	**39063**	**7910**
Of which attributable to:		
– Equity holders of the parent company	39104	7910
– Non-controlling interest	–41	0
	39063	**7910**

The notes on pages 57 to 95 are an integral component of these consolidated financial statements.

Consolidated cash flow statement

in TCHF	Notes	**2011**	2010
Cash flow from operating activities			
Group profit after taxes		39280	17780
Adjustment for non-cash items			
– Taxes	29	6813	6809
– Depreciation and impairment of property, plant and equipment	14	5705	6140
– Depreciation and impairment of intangible assets	15	1665	1193
– Profit (–)/loss (+) from sale of non-current assets		–631	–397
– Expense for share-based payments		1730	1755
– Employee benefits		843	446
– Net financial result	28	1443	4521
– Other non-cash items		45	0
Interest received and other financial income		1228	1954
Interest paid and other financial expenses		–1982	–2481
Taxes paid		–8093	–2014
Cash flow before change in net current assets and provisions		**48046**	**35706**
Increase (+)/decrease (–) in provisions		–131	776
Increase (–)/decrease (+) in trade receivables		–27815	–26631
Increase (–)/decrease (+) in inventories		–10116	–1513
Increase (+)/decrease (–) in trade payables		4224	2532
Increase (–)/decrease (+) in other net current assets		–4153	13676
Total cash flow from operating activities		**10055**	**24546**
Cash flow from investing activities			
Investments in property, plant and equipment	14	–5268	–4150
Sale of property, plant and equipment		3420	844
Investments in intangible assets	15	–6040	–1740
Investments in associates		–2228	0
Total cash flow from investing activities		**–10116**	**–5046**
Cash flow from financing activities			
Increase in financial liabilities	20	4000	0
Decrease in financial liabilities	20	–158	–2186
Purchase of treasury shares		–693	–407
Sale of treasury shares		1083	2213
Capital increase (share-based payments)		0	1306
Purchase of non-controlling interests in Group companies		1082	0
Distribution out of reserves from capital contributions		–6753	0
Total cash flow from financing activities		**–1439**	**926**
Effect of currency translations on cash and cash equivalents		–707	–4281
Increase (+)/decrease (–) in funds		**–2207**	**16145**
Cash and cash equivalents at 1 January		54349	38204
Cash and cash equivalents at 31 December	5	52142	54349

The notes on pages 57 to 95 are an integral component of these consolidated financial statements.

Consolidated statement of shareholders' equity

2011 in TCHF	Share capital	Treasury shares	Premium	Currency differences	Retained earnings	Non-control-ling interest	Total share-holders' equity
	Attributable to equity holders of the parent company			Other reserves			
Balance on 1 January 2011	**340**	**–3543**	**58158**	**–23220**	**180788**	**0**	**212523**
Other comprehensive income				–309		92	–217
Group profit after taxes					39413	–133	39280
Comprehensive income after taxes	**0**	**0**	**0**	**–309**	**39413**	**–41**	**39063**
Distribution out of reserves from capital contributions			–6753				–6753
Transactions in treasury shares		457			–67		390
Share-based payments					1730		1730
Purchase of non-controlling interest in Group companies						1082	1082
Balance on 31 December 2011	**340**	**–3086**	**51405**	**–23529**	**221864**	**1041**	**248035**

2010 in TCHF	Share capital	Treasury shares	Premium	Currency differences	Retained earnings	Non-control-ling interest	Total share-holders' equity
	Attributable to equity holders of the parent company			Other reserves			
Balance on 1 January 2010	**339**	**–6188**	**56853**	**–13350**	**162245**	**0**	**199899**
Other comprehensive income after taxes				–9870			–9870
Group profit after taxes					17780		17780
Comprehensive income after taxes	**0**	**0**	**0**	**–9870**	**17780**	**0**	**7910**
Capital increase from exercise of options	1		1305				1306
Transactions in treasury shares		2645			–839		1806
Share-based payments					1602		1602
Balance on 31 December 2010	**340**	**–3543**	**58158**	**–23220**	**180788**	**0**	**212523**

The notes on pages 57 to 95 are an integral component of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

The Komax Group is active in the manufacture of machines and as at 31 December 2011 employed 1 140 people worldwide (2010: 1 023 employees). The parent company, Komax Holding AG, is domiciled in Dierikon, Canton Lucerne (Switzerland). The Komax Group's business activities are focused on the development, production and sale of high-quality capital goods for precision engineering, electronics and information technology in the areas of wire-processing and automated production and assembly. The focus here is on highly automated production systems for the automotive, household appliances, electronics, telecommunication, solar energy and medical technology sectors. The Komax Group sells to the world market. Komax has a network of 16 operating subsidiaries and around 40 independent agencies to ensure on-the-spot sales and service support.

The present consolidated financial statements were adopted by the Board of Directors of Komax Holding AG on 6 March 2012 and released for publication. Their approval by the Annual General Meeting, scheduled for 3 May 2012, is pending.

2 Summary of significant accounting policies

The significant recognition and measurement policies used in compiling the consolidated financial statements are presented in the paragraphs below. Unless otherwise stated, the methods described are always applied to the periods reviewed.

2.1 Accounting policies

The consolidated financial statements of the Komax Group are based on the individual financial statements of the Group companies, compiled in accordance with uniform standards, as at 31 December 2011. The Group's accounting is based on historical purchase or production cost. Exceptions to this rule relate to the marking to market of financial assets available for sale, and the valuation of financial assets and liabilities at agreed fair value with effect on the Income Statement (including derivative financial instruments). The consolidated financial statements are structured in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and comply with Swiss law and the Listing Rules of the SIX Swiss Exchange.

2.1.1 New standards and interpretations and amendments to published standards adopted by the Group

Komax adopted the following new standards and amendments to existing standards in accordance with the requirements for the financial year commencing 1 January 2011.

– IAS 1, "Presentation of Financial Statements" (applicable from 1 January 2011). The amendment clarifies the disclosure requirement in the statement of shareholders' equity with respect to other income. This amendment has already been applied by Komax and therefore has no impact on the presentation of the consolidated financial statements.

– IAS 24, "Related Party Disclosures" (applicable from 1 January 2011). This standard replaces the previous IAS 24, which came into force in 2003, and simplifies the definition of related party. However, the amendments have only affected the disclosures in the Notes to the financial statements.

– IAS 34, "Interim Financial Reporting" (applicable from 1 January 2011). The amendment attaches more importance to the reporting of significant changes and transactions that have taken place since publication of the last full-year financial statements. The new provisions were taken into account by Komax accordingly in the 2011 half-year financial statements.

– IFRS 3, “Business Combinations” (applicable from 1 July 2010). The changes to the accounting standard relate to the valuation of non-controlling interests in acquired companies, conditional purchase price payments and transactions with share-based payments. The changes currently have no impact on the consolidated financial statements of Komax, but will be applied accordingly to future business combinations.

The following new standards and supplements to existing standards and interpretations, which enter into force in financial years beginning either on or after 1 January 2011, currently have no repercussions for the consolidated financial statements of the Komax Group:

– IAS 32, “Financial Instruments: Presentation” (applicable from 1 February 2010). classification of rights issues.
– IFRIC 13, “Customer Loyalty Programmes” (applicable from 1 January 2011).
– IFRIC 14, “Prepayments of a Minimum Funding Requirement” (applicable from 1 January 2011).
– IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments” (applicable from 1 July 2010).

2.1.2 New standards and interpretations and amendments to published standards that are not yet obligatory and are not being applied by the Group at an early stage

– IAS 1, “Presentation of Financial Statements” (applicable from 1 July 2012). The amendment relates to the disclosure of the statement of comprehensive income. No material changes are anticipated for the consolidated financial statements of Komax.

– IFRS 7, “Financial Instruments: Disclosures” (applicable from 1 July 2011). The adjustment clarifies the disclosure obligations for any transfers of financial assets. This change has no impact on Komax at the current time.

– IFRS 9, “Financial Instruments” (applicable from 1 January 2015). This standard introduces new requirements in relation to the classification and measurement of financial instruments. The impact on the financial statements of the Komax Group cannot yet be fully ascertained; from the current standpoint, however, no material changes or influences are anticipated.

– IFRS 10, “Consolidated Financial Statements” (applicable from 1 January 2013). The standard replaces the previous standard IAS 27, “Consolidated and Separate Financial Statements” as well as the interpretation SIC 12, “Consolidation – Special Purpose Entities”, and introduces changes in the assessment of how subsidiary companies are controlled. This may have an impact on a company’s scope of consolidation. No material changes are expected for the consolidated financial statements of Komax.

– IFRS 11, “Joint Arrangements” (applicable from 1 January 2013). The new standard replaces the following guidelines that have hitherto applied for questions of accounting for joint ventures: IAS 31, “Interests in Joint Ventures” and SIC 13, “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. It sets out the conditions under which an investor is deemed to control a joint venture and must add it to the scope of consolidation, as well as what information must be disclosed. No material changes are expected for the consolidated financial statements of Komax.

– IFRS 12, “Disclosure of Interests in Other Entities” (applicable from 1 January 2013). The standard sets out the information that must be disclosed in order to assess the existence of an interest in other entities as well as the associated risks and repercussions for a company’s asset, financing and income situation. Above all, this is likely to lead to additional disclosures or to amendments to the presentation of the consolidated financial statements.

– IFRS 13, “Fair Value Measurement” (applicable from 1 January 2013). The standard defines what is meant by fair value, how market values should be measured, and what information should be reported. It is applied when another IFRS considers that a fair value measurement is required. From today’s perspective, no material changes or impact on the consolidated financial statements of Komax are expected.

– IAS 19, "Employee Benefits" (applicable from 1 January 2013). In this revised standard, the corridor approach (i.e. the immediate recognition of gains or losses in earnings) is no longer permissible: instead, the actuarial gains or losses have to be recognized at the point they arise in other comprehensive income. The annual costs of defined benefit plans now include the net interest expense or income as per the net position of the plan while taking into account the discount rate for defined benefit obligations. Furthermore, both the disclosure regulations and the definition of benefits arising from the termination of employment contracts have been adjusted. As a result of the revised standard, the Komax Group expects greater volatility in pension plan assets and employee benefit liabilities, as well as in consolidated shareholders' equity.

2.2 Scope of consolidation

2.2.1 Subsidiaries

The consolidated financial statements incorporate the individual financial statements of Komax Holding AG, Dierikon, and its subsidiaries. The individual consolidated subsidiaries are listed on pages 106 and 107. Subsidiaries are fully consolidated if Komax Holding AG exercises control over their financial and business policies. As a rule, this is the case if Komax Holding AG directly or indirectly holds over 50% of the subsidiary's voting capital. Subsidiaries are included in the consolidated financial statements (fully consolidated) from the date when the Group assumes control. They are deconsolidated from the date when control ends.

Acquired subsidiaries are accounted for according to the acquisition method. Acquisition costs are equal to the fair value of the assets assumed, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly assignable to acquisitions will be directly booked to the income statement. Assets, liabilities and contingent liabilities identified during a merger are recognized at fair value on first consolidation, regardless of the extent of minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (negative goodwill), the difference is recognized directly in the income statement.

Intragroup transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated.

2.2.2 Changes in the scope of consolidation

Komax has signed a joint venture agreement with Yingkou Jinchen Machinery Co. Ltd., Yingkou City (Liaoning Province, China), as a result of which it has acquired a 51% of the share capital of CNY 16.0 million in Komax Jinchen Solar Equipment (Yingkou) Co. Ltd. The formation originated through a cash contribution from both parties. The Komax share amounted to CHF 1.1 million. The new subsidiary commenced its operating activity in the first half of 2011.

The above-mentioned formation aside, there were no changes in the scope of consolidation either in the 2011 reporting year or in the previous year period.

2.2.3 Transactions with non-controlling interests

Komax treats transactions with non-controlling interests as equity capital transactions with the owners. When non-controlling interests are acquired, the difference between the equivalent value paid per share and the corresponding acquired interest in the carrying value of the net assets of the subsidiary company is recognized in shareholders' equity. Any profit from the sale of non-controlling interests is likewise booked under shareholders' equity.

2.2.4 Shares in joint ventures and associates

Ownership interests of between 20% and 50% and joint ventures over which Komax Holding AG exercises significant influence are accounted for according to the equity method and initially recognized at acquisition cost. Cumulative changes in the value of such holdings after acquisition are reported in the income statement and charged against the carrying value of the holding. If a cumulative loss equals or exceeds the value of the Group's interest in an associate, no further losses are recorded unless the Group has assumed obligations for the associate or made payments on its behalf. Unrealized profits from transactions between Group companies and associates are eliminated in proportion to the Group's interest in the affiliate.

Interests of less than 20% are treated as held for trading and measured at fair value. They are reported within "Securities".

In the first half of 2011, Komax acquired 30% of SLE quality engineering GmbH & Co. KG and 30% of SLE quality engineering Verwaltungs GmbH for a combined total of CHF 2.2 million. Further details on the associated companies are provided on page 81. No investments in associated companies were held in the corresponding prior year period.

Komax held no investments below 20% and no interests in joint ventures at either 31 December 2011 or 31 December 2010.

2.3 Segment reporting

Komax's reportable segments are based on the Group's strategic business areas, in which products using different technologies are manufactured and sold on the basis of independent marketing strategies. The internal organizational structure is fully geared towards the individual business areas, each of which comes under the responsibility of a separate head.

The Executive Committee of the Komax Group is designated as the chief operating decision-maker. The Board receives financial information on the individual segments on a regular basis, enabling it to assess their profitability and decide the operational allocation of resources to the various areas.

The financial data of the operating segments is established according to the same accounting principles set out here. Transfer prices between the operating segments are set on an "arm's length" basis. The Executive Committee assesses the profitability of the segments on the basis of their earnings before interest and taxes (EBIT). Information on the assets and liabilities of the individual segments is not reported to the chief operating decision-maker, which is why such information is also not disclosed in external reporting.

In accordance with internal reporting to the chief operating decision-maker, the Group has been disclosing information for its three business segments of Wire, Solar and Medtech from the 2009 financial year onwards. The Wire segment essentially comprises the development, production, distribution and maintenance of wire processing machines and systems used primarily for wire production in the automotive and electronics industries. The Solar segment develops and produces machinery and customer-specific process solutions for the manufacturing of photovoltaic modules. The Medtech segment includes the design and production of assembly systems for the pharmaceutical industry (Medtech) as well as the manufacturing of assembly lines for inkjet cartridges (Inkjet). The development and manufacturing of systems for the assembly of mechanical and electronic components in the automotive and electronics sector (Mechanical and Electronic Systems Assembly) is also assigned to this segment.

2.4 Currency conversion

2.4.1 Functional currency and reporting currency

Items included in the financial statements of each entity are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in Swiss francs, which is the functional currency of the parent company, Komax Holding AG.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency at the rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when taken to shareholders' equity as a qualifying cash flow hedge.

2.4.3 Group companies

The earnings and balance sheet figures of foreign business units with a functional currency other than the Swiss franc are translated to Swiss francs as follows:

a) Assets and liabilities are translated at the exchange rate on the balance sheet date for each such date.
b) Revenues and expenses are translated at the weighted average exchange rate for each income statement.
c) All exchange rate gains and losses are reported on a separate line within the other reserves under shareholders' equity.

Exchange rate differences arising from the translation of net investments in foreign business units are recognized under comprehensive income. When a foreign company is sold, these exchange rate differences are reported in income as part of the gain or loss from the sale.

Goodwill and fair value adjustments occurring during the acquisition of a foreign company are treated as assets and liabilities of the unit and translated at the exchange rate on the balance sheet date.

The most important year-end and average exchange rates were as follows:

Currency	**Year-end rate 31.12.2011**	**Average rate 2011**	Year-end rate 31.12.2010	Average rate 2010
USD	0.950	0.900	0.950	1.060
EUR	1.230	1.250	1.260	1.420
BRL	0.511	0.545	0.572	0.614
CNY	0.151	0.139	0.144	0.159
MYR	0.300	0.295	0.307	0.332

2.5 Property, plant and equipment

Property, plant and equipment are accounted for at historical acquisition or production cost less accumulated depreciation. Depreciation is linear over the expected service lifetime. The specific depreciation periods for various asset categories are:

Asset category	Years
Machinery	7–10
Tools	7
Measuring, testing and controlling devices	5
Operating installations	10
Warehouse installations	10–14
Vehicles	5–8
Office furnishings and office machines	5–10
Information technology	3–5
Factory buildings	33
Office buildings	40
Land	no depreciation

Maintenance, repair and minor renovation costs are charged directly to the income statement as expenses when incurred. Renovation work that increases the value and extends the service life of a tangible asset is capitalized if it is likely to generate future economic benefits for the Group, and the costs associated with the asset value can be reliably measured.

Property, plant and equipment which have been eliminated from the business or sold are cleared from the property, plant and equipment account at their acquisition cost and with the associated accumulated depreciation. Any profits or losses resulting from the disposal of property, plant and equipment are recognized in the income statement. Financing costs for property, plant and equipment under construction are capitalized.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill represents the excess of the cost of acquisition of a company over the fair value of the Group's share of the net assets of the acquired company at the date of acquisition. Goodwill created through acquisition of a company is reported under intangible assets. Goodwill carried on the balance sheet is subjected to a semiannual impairment test and measured at the original acquisition cost less cumulative impairments. Impairments may not be reversed.

For purposes of the impairment test, goodwill is broken down across cash-generating units (CGUs). The value is distributed over those CGUs or groups of CGUs that are expected to benefit from the merger that gave rise to the goodwill.

2.6.2 Patents

Patents are recognized at historical acquisition cost less cumulative amortization.

2.6.3 Software

Purchased software licenses are capitalized at acquisition or production cost plus costs incurred in readying them for use. The total acquisition cost is amortized on a linear basis over three to five years. Costs associated with the development or maintenance of software are recorded as expenses at the time they are incurred.

2.6.4 Research and development expenditure

Research and development costs are capitalized and written off on a straight-line basis over their useful life, provided the criteria for capitalization are met. No such expenses were capitalized in the year under review or in the previous year, as the tangible future benefits of these expenses cannot be accurately estimated.

2.6.5 Technology

Acquired technology assets are recognized if they bring the company measurable benefits over a period of several years. They are valued at acquisition cost minus linear depreciation. Acquisition costs are written down in a linear way over a period of seven to ten years.

2.7 Impairment of non-monetary assets

Assets with an indeterminate service lifetime are not amortized according to plan but subjected to an annual impairment test. Assets subject to planned amortization are also tested for impairment if events or changes in circumstances create a presumption that the carrying value can potentially no longer be realized. An impairment is recorded in the amount by which the asset's carrying value exceeds its realizable value. The realizable value is the greater of the asset's fair value less disposal costs and its use value. In determining impairments, assets are grouped according to the smallest separately identifiable cash-generating units.

2.8 Financial assets

Financial assets are classified into the following categories: recognized at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which a given financial asset was acquired. The financial assets recognized in the consolidated balance sheet are assigned to the following categories:

in TCHF	**31.12.2011**	31.12.2010
Securities	33	51
Total held for trading	**33**	**51**
Cash and cash equivalents	52142	54349
Trade receivables	127272	99609
Other receivables	9821	9789
Other non-current receivables	161	285
Total loans and receivables	**189396**	**164032**

The financial liabilities are allocated to the following categories:

in TCHF	**31.12.2011**	31.12.2010
Derivative financial instruments	305	342
Total held for trading	**305**	**342**
Financial liabilities (current and non-current)	46571	42374
Trade payables	20812	16773
Other payables	7346	6472
Total at amortized cost	**74729**	**65619**

2.8.1 Financial assets at fair value through profit or loss

This category comprises two subcategories: assets classified as “Held for trading” from the beginning, and those classified as “At fair value through profit or loss” from the beginning. A financial asset is assigned to this category if it was purchased in principle with the intent of short-term resale or designated as such by management. Derivatives also belong to this category if they are not qualified as hedges. Assets in this category are reported as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

The “Securities” item reported separately in the balance sheet of the Komax Group is classified as “Financial assets held for trading”. Securities comprise capital market investments acquired for short-term resale. Securities purchases are recorded at their market price on the date of purchase and subsequently measured at fair value. Realized and unrealized gains and losses from changes in fair value are recognized directly in income.

2.8.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or calculable payments that are not listed on an active market. They are regarded as current assets if they mature within 12 months of the balance sheet date. If the period to maturity exceeds 12 months, they are carried as non-current assets. Short-term loans and receivables are reported in the consolidated balance sheet under “Cash and cash equivalents”, “Trade receivables” and “Other receivables and accrued income/prepaid expenses”, whereas long-term receivables are reported under “Other long-term receivables”.

2.8.3 Financial investments held to maturity

Financial investments held to maturity are non-derivative financial assets with fixed or calculable payments and a fixed maturity that the entity wishes and is able to hold to the maturity date. The Komax Group consolidated balance sheet does not include any financial assets in this category.

2.8.4 Financial assets available for sale

Financial assets available for sale are non-derivative assets that were either assigned to this category or not assigned to any of those described above. They are carried as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date. Komax does not hold any financial assets in this category.

Purchases and sales of financial assets are posted at the settlement date, i.e. on the date when the asset is transferred. Financial assets in the “At fair value through profit or loss” category are carried at fair value, both at acquisition and after they are recognized for the first time. Associated transaction costs and gains and losses from financial assets are reported on the income statement for the corresponding period. Loans and receivables are carried at historical purchase price using the effective interest rate method.

Fair values of listed investments are based on current offer prices. For assets without an active market, Komax applies suitable valuation measures to determine the fair value. These include reference to recent “arm’s-length” transactions, current market prices of other similar assets, discounted cash flow procedures and option price models based as far as possible on market data and as little as possible on company-specific data.

At each balance sheet date, a determination is made as to whether objective indications exist of impairment of a financial asset or group of assets. Any impairments are charged to income in the corresponding period.

2.9 Derivative financial instruments and hedging activities

Derivative financial instruments are initially measured at fair value as at the date when the contract is concluded. Subsequent measurement is likewise at fair value as at each balance sheet date. The method used to measure gains and losses depends on whether the derivative financial instrument was designated as a hedging instrument and, if so, on the type of item hedged. Derivative financial instruments may be designated as:

a) hedges of fair value of a balance sheet asset or liability or off-balance-sheet fixed obligation (fair value hedge);
b) hedges against risks of payment flow fluctuations associated with a balance sheet asset or liability or an anticipated and highly probable future transaction (cash flow hedge); or
c) hedges of a net investment in a foreign business operation (net investment hedge).

Since the Komax Group uses derivative financial instruments only to hedge against existing foreign exchange and interest rate risks, such instruments do not qualify for hedge accounting. Foreign currency surpluses are hedged in accordance with financial planning (economic hedges), so that changes in fair value are charged directly to income as realized and unrealized gains or losses for the relevant period. Only standardized instruments (currency forward and option contracts, interest rate and currency swaps) are used for hedging. Financing and hedging instruments are utilized in accordance with uniform rules throughout the Group.

2.10 Inventories

Inventories are measured at the lower of purchase or production cost and net sales price. Purchase or production costs are determined using the weighted average method. Internally produced finished and semi-finished goods are measured at production cost in accordance with the state of completion. Production costs of finished and unfinished products include costs for product design, raw materials, direct personnel costs, other direct costs and overhead costs allocated to production (based on normal operating capacity). Purchase and production costs do not include costs of debt capital since products do not qualify as assets in the sense of IAS 23, “Borrowing Costs”, and any costs of debt capital cannot therefore be directly attributed to products. The net sales price is the estimated proceeds of sale attainable in the normal course of business, less the necessary variable selling costs.

2.11 Trade receivables

Trade accounts receivable are recorded at the original billed amount less provisions for bad debt. Bad debt provisions are formed if there are objective indications that not all the Group’s accounts receivable will be settled. Indications that an amount may not be recoverable include signs that the customer may be in serious financial difficulties or if bankruptcy or financial reorganization appears probable. The allowance is stated separately and comprises the difference between the carrying amount of the receivable and the recoverable amount. The amount of the allowance is charged to the income statement. An impairment loss is posted if the receivable is no longer recoverable. Non-current receivables are discounted to account for current value if the effects are material.

2.12 Manufacturing contracts

Manufacturing contracts in the automated assembly and production business units, involving the customer-specific manufacture of systems, are valued according to the percentage-of-completion method (POC). On the balance sheet these are reported either under “Trade receivables” or “Other payables and accrued expenses/deferred income”, depending on the degree to which they are underfinanced or overfinanced. The percentage of completion is calculated according to the cost-to-cost method (costs incurred in relation to overall estimated costs of the contract). Anticipated project losses are fully expensed in the income statement. Any costs of debt capital are capitalized provided debt capital is raised for the purpose of financing the project and provided its costs can be directly attributed to a manufacturing contract.

2.13 Cash and cash equivalents

Cash and cash equivalents includes banknotes, sight deposits and other current, highly liquid financial assets with an original maturity of no greater than three months. Utilized current account overdrafts are shown on the balance sheet as payables to credit institutions under current financial liabilities.

2.14 Shareholders' equity

Ordinary shares are classified as equity. No preferred shares have been issued to date.

Costs directly attributable to the issue of new shares are disclosed in equity as a net deduction from the proceeds.

Treasury shares are recognized at the average weighted cost of acquisition, including the transaction costs assignable to them, and offset against equity. When treasury shares are purchased or sold, the consideration paid or received will be offset against equity.

2.15 Dividend payment

Dividend distribution to the shareholders of Komax Holding AG is recognized as a liability in the consolidated financial statements in the period in which the dividend distribution is approved by the company's shareholders.

2.16 Trade payables

Trade payables are valued initially at fair value, which is normally the amount originally invoiced, and subsequently measured at amortized cost.

2.17 Financial liabilities

Financial liabilities are initially recognized at fair value after deducting any transaction costs. In subsequent periods they are measured at historical purchase price. Any differences between the amount paid out and the amount due is reported in income over the duration of the liability.

Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone settlement of the debt until al least 12 months after the balance sheet date.

2.18 Deferred taxes

All the consolidated companies of the Komax Group are independently subject to tax, except for the companies in the USA that are affiliated to Komax Holding Corp. (Komax Systems Rockford Inc., Komax Solar Inc. and Komax Corp.). In the case of the other companies, it is not possible to offset the taxable profit of one consolidated company with the loss of another consolidated company. This should be remembered when comparing earnings with the tax burden.

Deferred and future tax expenses are calculated on the basis of the comprehensive liability method. This method is based on the tax rates and tax regulations applicable on the balance sheet date or which have in essence been enacted and are expected to apply at the time the deferred tax claim is realized or the deferred tax liability is settled. Deferred and future taxes are calculated on the basis of the temporary differences in value between the individual balance sheets and balance sheets for tax purposes. Such differences primarily exist in the case of non-current assets, inventories and some provisions. Deferred tax assets are recognized in the amount corresponding to the probability that the Group companies in question will generate sufficient future taxable income to absorb the relevant positive differences in the tax assets.

Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference cannot be determined by the Group and it is consequently probable that the temporary difference will not reverse in the foreseeable future.

2.19 Payments to employees

2.19.1 Employee benefits

Employee pension and retirement benefits are based on the regulations and prevailing circumstances in those countries in which Komax is represented. In Switzerland, pension and retirement benefits are based on the defined benefit model in conformity with IAS 19, “Employee Benefits”. The consequences of compliance with IAS 19 for retirement benefits are detailed in Note 12. In the other countries, pension and retirement benefits are provided under defined contribution schemes.

The provision for defined benefit plans stated in the balance sheet represents the present value of the defined benefit obligation (DBO) on the balance sheet date less the fair value of plan assets, adjusted for cumulative, non-recognized actuarial gains and losses. The DBO is calculated annually by an independent actuary according to the projected unit credit method.

Past service costs are recognized immediately in income, unless the changes in the pension plan depend on the employee remaining with the company for a predefined period (until the vesting period). In such event, the past service costs are amortized on a straight-line basis over the vesting period.

Actuarial gains and losses, which are based on experience adjustments and changes in actuarial assumptions, are recognized in the income statement over the employee’s expected remaining period of service through the corridor approach.

In the case of defined-contribution plans, the Group funds public or private retirement plans on the basis of statutory or contractual obligations or voluntary contributions. The Group has no payment obligations beyond the payment of contributions. Contributions are recognized in personnel expenses as they become due. Prepayments of contributions are recognized as assets to the extent that a right to repayment or a reduction in future payments exists.

2.19.2 Share-based compensation

The Komax Group has initiated a share-based compensation plan involving grants of its own shares by way of a capital increase. The fair value of the employee services received for the options is included in personnel expenses. The total amount of the expenses to be charged for employee options issued after 7 November 2002 and still locked in is amortized over the vesting period and recognized in expenses. At each balance sheet date, the number of options expected to become exercisable and on which the reportable current value is based is estimated. The effects of any potentially relevant changes in initial estimates are taken into account in the income statement and by a corresponding charge to shareholders’ equity during the remaining time to the vesting date. Payments received upon exercise of the options are credited to subscribed capital (at par) and to capital reserves after deducting directly attributable transaction costs.

2.19.3 Other payments after termination of employment

There are no liabilities for payments to pensioners after termination of employment.

2.19.4 Payments triggered by termination of employment

In some countries, in which the Komax Group operates its own companies, there are local regulations for payment triggered by termination of employment. Komax complied with these legal requirements. The corresponding expenses are booked under personnel expenses.

2.19.5 Profit sharing and bonus plans

For bonus payments and profit sharing, a liability is recognized based on an appraisal procedure involving Group profit after certain adjustments and the beneficiary's individual targets. A provision is recorded in the consolidated financial statements in cases where a contractual liability exists. The expense is recognized in income under personnel expense.

2.20 Provisions

Provisions are recorded if the Group has a current legal or constructive obligation arising from a past event and it is probable that settling this obligation will impact the asset base, and if the amount of the provision can be reliably estimated.

Provisions for warranties are based on past payments, sales revenues in previous years and current contracts. Komax normally gives a one-year warranty on machines and systems.

The other provisions relate to various obligations and liabilities associated with past events, the performance of which will in all probability result in an outflow of funds.

2.21 Revenue recognition

The Komax Group's consolidated income statement is compiled using the nature of expense method. Net sales comprise the fair value of considerations received or receivable for the sale of goods and services in the course of ordinary business activities after deducting VAT, returns, discounts and price reductions, and eliminating intragroup sales. Revenues are recognized as described below.

2.21.1 Sale of goods

Revenue from the sale of goods is recognized when risk and rewards of ownership have been transferred to the buyer. All expenses connected with sales are recognized on an accrual basis.

2.21.2 Sale of services

Revenue from the sale of services is recognized in accordance with progress on the service according to the ratio of completed to still outstanding service to be performed during the financial year in which the services are rendered.

2.21.3 Revenue recognition using the POC method

In the automated assembly and production field, revenue is recognized according to the POC method. The Komax Group calculates the percentage of completion according to the ratio of production costs already incurred to forecast total production costs.

2.21.4 Interest and dividend income

Interest income is accrued using the effective interest rate method. Dividend income is recognized at the date when the right to receive the payment originates.

2.22 Leases

A lease under which a significant portion of the risks and rewards of ownership remain with the lessor is regarded as an operating lease. Payments under operating leases (less any incentives provided by the lessor) are charged to income on a linear basis over the duration of the lease agreement.

The Komax Group does not assume liabilities from financial lease contracts.

Contractual relationships in which Komax acts as lessor are reported as financial leases if all risks and rewards associated with ownership are essentially transferred to the lessee. At the beginning of the lease, lease payments are recognized in the balance sheet in the amount of the net investment value arising from the lease. Revenue is recorded in the same way as the direct sale of goods. Financial income is spread over the term of the lease.

Assets that are the subject of operating leases are reported in the balance sheet in accordance with their properties and are written down at the normal rates for similar assets. Lease income is recognized in the income statement on a linear basis over the term of the lease. Komax did not possess any significant assets that were the subject of operating leases in either the 2011 reporting year or the previous year.

2.23 Government grants

Government grants are recognized if it is likely that the payments will be received and Komax can fulfil the conditions attached to such subsidies. These are recognized in “Other operating income”, regardless of when payment is received and on a pro-rata basis in the period in which the associated costs are incurred, and charged to the income statement as an expense. Grants relating to an asset are deducted from the carrying amount.

2.24 Restatement of previous years’ figures

To ensure that figures are comparable, prior-year figures are restated if it becomes necessary when new provisions of the International Financial Reporting Standards (IFRS) are applied or existing standards are amended, or when changes are made in the presentation and structure of the financial statements during the reporting period.

In the 2011 financial year, no changes were made that had a significant impact on the amounts stated in the balance sheet, income statement or cash flow statement of the Komax Group.

3 Financial risk management

The Komax Group is exposed to various financial risks, for example currency, credit, liquidity and interest rate risks, through its business activities. The Group's overall risk management strategy is focused on the unpredictability of developments in the financial markets and is intended to minimize the potential negative impact on the Group's financial position. The Group uses derivative financial instruments to protect itself against interest rate, currency and credit risks. The risks are monitored and reported. Risk management is conducted by the finance department of Komax Holding AG in conformity with the guidelines issued by the Board of Directors. These guidelines set out procedures for the use of derivatives as well as dealing with foreign-currency, interest rate and credit risks. The guidelines are binding for all subsidiaries of the Komax Group.

In addition, Komax conducts extensive annual analyses of financial risks as part of its risk management. The principal financial risks form an integral part of the internal control system (ICS) and are therefore subject to systematic, periodic review. Further, in consultation with a bank, the Komax Group prepares an extensive report each quarter on currency, interest, country and customer risks, using the value-at-risk method. Due to the increased volatility in foreign currencies, the Group continually improved and extended its risk management, particularly in relation to foreign exchange and country risks.

3.1 Currency risk

The Komax Group operates internationally and is therefore exposed to a variety of foreign-exchange risks. Foreign currency risks arise from future cash flows, assets and liabilities recognized in the balance sheet and investment in foreign companies.

Foreign currency items are assessed centrally by Group Treasury as part of the rolling financial planning process. Corporate guidelines specify that at least one third of foreign currency profits must be hedged through forward rate contracts. Up to 100% of the amount must be hedged if the current exchange rate is below the budgeted rate and the exchange rate for the foreign currency is expected to drop further relative to the functional currency.

Komax is mainly exposed to currency risks relating to the US dollar and the euro. Assuming that the euro had been 10% weaker against the Swiss franc on 31 December 2011 and that all other parameters had been largely unchanged, the EBIT margin would have been 0.2 percentage points (2010: 0.2 percentage points) lower. Conversely, if this exchange rate had been 10% higher, the margin would have risen by the same amount. Assuming that the US dollar had been 10% weaker against the Swiss franc on 31 December 2011 and that all other parameters had been largely unchanged, the EBIT margin would have been 1.0 percentage points (2010: 1.2 percentage points) lower. Conversely, if this exchange rate had been 10% higher, the margin would have risen by the same amount. The main reasons for these changes would have been currency gains and losses on receivables, payables and other current receivables and liabilities.

The Komax Group generated around 20% of sales in euros. The largest customer grouping in the eurozone area is based in Germany, followed at some distance by Komax customers in France, Italy and Austria, respectively. Sales in the other eurozone countries are relatively insignificant. As a result of the ongoing debt crisis, the Komax Group has further tightened its credit policy and adjusted its processes accordingly. The Group is not currently exposed to any exceptional default risks as a result of the difficult ongoing situation in certain eurozone countries.

3.2 Credit risk

Credit risks may exist with regard to bank account balances, derivative financial instruments and receivables from customers. Banks must have a minimum credit rating of "A" before the Komax Group will enter into a material business relationship with them. Moreover, all risks pertaining to cash and cash equivalents are further minimized by using a variety of banks rather than one single bank.

There is no significant concentration of potential credit risks within the Group. There are binding policies to ensure that sales to customers are made only if the customer has shown reasonable payment performance in the past. Moreover, outstanding receivables are monitored at the corporate level on a monthly basis. Contracts for derivative financial instruments and financial transactions are only entered into with banks of the highest financial solidity. The Group also has a business policy that limits credit risk associated with individual financial institutions through use of multiple banks.

Management does not anticipate any significant losses on the receivables outstanding as at 31 December 2011 that have not already been taken into account in the value adjustments as per Note 7.

The following table shows the receivables and credit limits of the main counterparties as of the reporting date:

in TCHF			**31.12.2011**		31.12.2010
Counterparty	Rating	Credit limit	Amount held	Credit limit	Amount held
Deutsche Bank[1]	A+	12357	11621	12437	6215
Credit Suisse[1]	A	20000	10333	20000	12143
UBS[1]	A	20000	10321	20000	12261
Customer A	Group 2	n/a	5326	n/a	2391
Customer B	Group 2	n/a	4973	n/a	2225
Customer C	Group 2	n/a	3006	n/a	1644

1) Creditor as part of the CHF 100.0 million syndicated loan agreement under the stewardship of Credit Suisse (participating banks: Basler Kantonalbank, Credit Suisse, Deutsche Bank, Luzerner Kantonalbank, UBS, and Zürcher Kantonalbank).

Komax assigns its customers to the following groups:

Group 1: New customer (business relationship established within the past 12 months)
Group 2: Existing customer (business relationship established more than 12 months ago) with no history of overdue payments
Group 3: Existing customer (business relationship established more than 12 months ago) with some overdue payments in the past but no defaults

3.3 Capital risk

In the management of its capital, the Komax Group pays special attention to ensuring that the Group is able to continue to operate, that shareholders receive an appropriate return for their risks and that financial ratios are optimized, taking the cost of capital into account. To achieve these targets, Komax may adjust its dividend payment, issue new shares, or sell assets in order to scale back its debt.

Komax monitors its capital structure principally through the gearing factor and net debt. The latter is calculated from the total outstanding interest-bearing debts of the Group, including liabilities from finance leasing, minus cash and cash equivalents. The gearing factor is calculated by dividing net debt at the balance sheet date by the operating profit before interest, taxes, depreciation and amortization (EBITDA) over the last 12 months (rolling). This resulted in a net cash position (previous year: net cash) at the end of the reporting year, as cash and cash equivalents and securities exceeded existing financial liabilities as at 31 December 2011.

The Group's financial liabilities are subject to externally regulated capital requirements (covenants). These essentially provided for a maximum gearing factor of 2.5 as at 31 December 2011. In addition, the self-financing ratio (i.e. the Group's reported equity plus subordinated loans minus goodwill divided by total assets less goodwill) may not fall below 50% at any balance sheet date.

The Komax Group has complied with all capital requirements since the contract signing date as well as at 31 December 2011.

3.4 Liquidity risk

Prudent liquidity risk management involves maintaining sufficient reserves of cash and cash equivalents and liquid securities as well as financing capacity through an adequate volume of approved lines of credit. The amount of cash required for operations is reviewed annually and monitored on a monthly basis by the finance department. Given the business environment in which Komax operates, it is also essential for the Group to maintain the necessary flexibility in financing by maintaining sufficient unused lines of credit.

The table below provides a breakdown of the Komax Group's primary and derivative financial liabilities by maturity, based on the remaining maturity from the reporting date until the contractually agreed payment date. The table shows carrying amounts as the impact of discounting is negligible.

in TCHF	**0–30 days**	**31–60 days**	**61–90 days**	**91–120 days**	**121 days –1 year**	**1–5 years**	**Total**
31.12.2011							
Financial liabilities (current and non-current)[1]	0	0	0	0	0	46 571	**46 571**
Trade payables	16 163	2 658	1 922	43	26	0	**20 812**
Other payables	4 342	882	1 072	947	103	0	**7 346**
Derivative financial instruments	0	19	0	0	168	56	**243**
31.12.2010							
Financial liabilities (current and non-current)[1]	0	0	0	0	0	42 374	**42 374**
Trade payables	11 190	3 226	719	589	1 049	0	**16 773**
Other payables	4 038	543	1 351	291	249	0	**6 472**
Derivative financial instruments	0	17	0	0	149	249	**415**

1) The cash outflow from future interest payments amounts to CHF 0.777 million for outstanding financial liabilities as at 31 December 2011 and CHF 2.027 million for outstanding financial liabilities as at 31 December 2010.

3.5 Interest rate risk

Neither at 31 December 2011 nor at the previous year's balance sheet date did the Komax Group possess any assets that were subject to any material rate of interest.

The Group's financial risk policy is to finance long-term investments with long-term liabilities, which gives rise to an interest rate risk. Where there is a significant interest rate risk, the related cash flow risks are hedged through interest rate swaps. With respect to the syndicated loan, which as at 31 December 2011 had been utilized to the amount of CHF 44.0 million (31 December 2010: CHF 40.0 million), an interest rate swap with a notional principal amount of CHF 20.0 million was concluded for the entire contract period of around three years which fixes the LIBOR rate at a level of 1.165% p.a. Furthermore, the interest margin is dependent on the level of indebtedness of the Group. As lending amounts are in each case drawn on in tranches with a term of one to three months, the Komax Group is only subject to short-term fluctuations in LIBOR. The overall risk with respect to changes in the market rate of interest is low. Moreover, there was a net cash position of CHF 5.6 million as at 31 December 2011 (31 December 2010: net cash of CHF 12.0 million). For these reasons, no sensitivity analysis of interest rate risk was undertaken.

3.6 Determination of fair value

The fair value of financial assets that are traded on an active market is calculated as the number of securities held, multiplied by the closing price on the reporting date.

The fair value of financial assets that are not traded on an active market is determined with the aid of a variety of valuation methods.

4 Key recognition and measurement assumptions

4.1 Key assumptions and sources of uncertainty in relation to estimates

Preparation of the consolidated financial statements in conformity with IFRS requires the Board of Directors and Group Management to make estimates and assumptions, whereby such estimates and assumptions have an effect on the accounting principles applied and are reflected in the amounts stated under assets, liabilities, income and expenses. Their estimates and assumptions are based on past experience and on various other factors deemed applicable in the current situation. These form the basis for reporting those assets and liabilities that cannot be measured directly from other sources. The actual values may differ from these estimates.

Estimates and assumptions are reviewed on at least a quarterly basis. Changes in estimates are required when the circumstances on which the estimates are based have altered, or when new or additional information is available. These changes are recognized in the reporting period in which the estimate was adjusted.

The most important assumptions about future developments and most important sources of uncertainty in relation to estimates that could necessitate significant adjustments to reported assets and liabilities over the coming 12 months are shown below.

4.2 Recognition of revenue according to POC method

Automated assembly and production contracts are measured according to the POC method, provided the assessment meets the requirements of IAS 11. Although projects are assessed monthly and in good faith in accordance with comprehensive project management guidelines, subsequent corrections may be required. These corrections are made in the following period and may have a positive or negative impact on revenue in this period.

4.3 Impairment of non-current assets

Property, plant and equipment, goodwill and intangible assets are tested for impairment at least twice each year. To determine whether impairment exists, estimates are made of the expected future cash flows arising from use. Actual cash flows may differ from the discounted future cash flows based on these estimates. Factors such as changes in the planned use of property, plant and equipment, restructuring, reorganization and closure of facilities, changes in the market situation, technical deficiencies in relation to machinery and systems, or sub-projected sales of machines, spare parts and systems, may shorten useful life or result in an impairment.

4.4 Employee benefits

Employees of the Group in Switzerland are insured under defined benefit retirement schemes in conformity with IAS 19. Calculations of the reported credits and liabilities in relation to these schemes are based on dynamic actuarial calculations as well as the expected return on the assets of the retirement plans. The present value of the liabilities relating to the defined benefit schemes is particularly dependent on assumptions such as the discount rate used to calculate the present value of future pension liabilities, future rises in salary and increases in other compensation paid to employees. The Group's independent actuaries additionally use statistical data such as the likelihood of departure and mortality rate of insured individuals. The actuaries' assumptions may differ substantially from actual events due to changes in market conditions and the economic environment, higher or lower rates of departure, longer or shorter life expectancy of insured individuals as well as other estimated factors. These differences may have an influence on the assets and liabilities stated in relation to employee benefits in future reporting periods.

4.5 Provisions

In relation to machines and systems already delivered, Komax calculates the necessary warranty provisions on the balance sheet date on the basis of analysis and estimates in conformity with IAS 37. The actual costs may differ from the provisions stated. Any differences may affect the provision carried for warranty events in future reporting periods and therefore the reported result for the period.

4.6 Current and deferred income taxes

In determining the assets and liabilities from current and deferred income taxes, estimates must be made on the basis of existing tax laws and ordinances. Numerous internal and external factors may have favourable and unfavourable effects on the assets and liabilities from income taxes. These factors include changes in tax laws and ordinances, as well as the way they are interpreted, in addition to changes in tax rates and the total amount of taxable income for the particular location. Any changes may affect the assets and liabilities from current and deferred income taxes carried in future reporting periods.

5 Cash and cash equivalents

The cash and cash equivalents amounting to CHF 52.1 million (2010: CHF 54.3 million) include demand deposits and call money. The composition of the call money and the applicable interest rates can be found in the table below.

		31.12.2011		31.12.2010
Currency	Interest rate	TCHF	Interest rate	TCHF
EUR	1.20%	65	1.20%	838
EUR	0.70%	1 169	0.50%	1 386
SGD	0.05%	108	1.70%	109
Total		**1 342**		**2 333**

6 Securities

in TCHF	**31.12.2011**	31.12.2010
Shares	33	51
Total	**33**	**51**

The Komax Group uses forex forward and option contracts as well as interest rate and currency swaps to hedge currency and interest rate risks on cash and cash equivalents. As at 31 December 2011, an interest rate swap with a notional principal amount of CHF 20.0 million and a negative fair value of CHF 0.31 million (31 December 2010: CHF 20.0 milion with a negative fair value of CHF 0.34 million) was outstanding.

The following volumes were transacted in the corresponding financial year:

2011: EUR 0.8 million, USD 12.8 million
2010: EUR 4.8 million, USD 14.5 million

Negative fair values are included in the "Other payables and accrued expenses/deferred income" item, positive fair values under "Other receivables and accrued income/prepaid expenses".

7 Trade receivables

in TCHF	**31.12.2011**	31.12.2010
Trade receivables	96 762	63 937
less provision for impairment	–4 061	–1 537
Accruals for systems[1]	130 243	134 115
less prepayments for systems	–95 672	–96 906
Receivables arising from POC	**34 571**	**37 209**
Total	**127 272**	**99 609**

1) For manufacturing contracts of systems, the inventory includes all costs associated with the systems as well as the production costs. The order costs comprise all costs attributable to the contract from the date the order is received until the balance sheet date. The order proceeds per manufacturing contract are recorded as at 31 December according to the POC.

The carrying value of trade receivables corresponds to the fair value of the goods and services in question. The total amount of costs incurred and profits disclosed (less disclosed losses) on manufacturing contracts amounted to CHF 170.7 million as at 31 December 2011 (2010: CHF 168.0 million). Overfinanced projects totalling CHF 40.5 million (2010: CHF 33.9 million) are included in the “Other payables and accrued expenses/deferred income” item (see Note 18), while underfinanced projects in the amount of CHF 130.2 million (2010: CHF 134.1 million) are stated under “Trade receivables”. Net sales for 2011 include sales on manufacturing contracts which remained outstanding on the balance sheet date and amounted to CHF 113.0 million (2010: CHF 114.7 million), equivalent to 30.5% of net sales for 2011 (2010: 33.8%). CHF 90.6 million (2010: CHF 100.5 million) of this represents costs incurred and CHF 22.4 million (2010: CHF 14.1 million) recognized contribution margins.

Overdue trade receivables that had not been written down amounted to CHF 34.1 million on 31 December 2011 (31 December 2010: CHF 22.2 million). Their maturity structure is set out in the following table:

in TCHF	Number of days					
	0–30	**31–60**	**61–90**	**91–120**	**>120**	**Total**
as at 31.12.2011	10 031	6 565	8 357	2 390	6 748	**34 091**
as at 31.12.2010	8 136	3 547	5 557	1 453	3 556	**22 249**

No collateral has been received as security for overdue trade receivables for which no valuation allowance has been made.

Valuation allowances totalling CHF 4.1 million were recognized for trade receivables as at 31 December 2011 (31 December 2010: CHF 1.5 million). The table shows the change versus the previous year:

in TCHF	**2011**	2010
Total 1 January	**1 537**	**676**
Allowances for doubtful accounts	2 645	1 392
Depreciation of irrecoverable receivables	–114	–118
Unused amounts reversed	–108	–258
Currency differences	101	–155
Total 31 December	**4 061**	**1 537**

Trade receivables are classified into the three main currencies used by the Group, with a fourth group for all other currencies.

in TCHF	31.12.2011	31.12.2010
CHF	34 102	16 611
EUR	12 140	11 987
USD	33 754	25 462
Other currencies	16 766	9 877
Total trade receivables (gross)	**96 762**	**63 937**

8 Other receivables and accrued income/prepaid expenses

in TCHF	31.12.2011	31.12.2010
Other receivables	6 850	4 900
Prepayments to suppliers	2 971	4 889
Accruals	4 101	2 618
Total	**13 922**	**12 407**

Other receivables mainly comprise tax credits due from state authorities (tax authorities). The accruals include amongst others prepayments for insurance benefits and credits for maintenance and servicing work not yet carried out.

9 Inventories

in TCHF	31.12.2011	31.12.2010
Manufacturing components and spare parts	24 332	21 332
Semi-finished goods/work in process	8 433	5 557
Finished goods	22 860	18 231
Total	**55 625**	**45 120**

The inventories are not pledged to third parties.

The change in write-downs of inventories is as follows:

in TCHF	2011	2010
Total 1 January	**7 428**	**7 784**
Write-downs charged to income statement	5 813	2 320
Used to write off obsolete inventories	–2 247	–1 593
Unused amounts reversed	–1 013	–719
Currency differences	–78	–364
Total 31 December	**9 903**	**7 428**

The expenditure recognized in the income statement in connection with the value adjustments of inventories amounts to CHF 4.8 million (2010: CHF 1.6 million).

10 Deferred taxes

10.1 Statement of carrying values

in TCHF	**31.12.2011**	31.12.2010
Property, plant and equipment/intangible assets	620	358
Trade receivables and inventories[1)]	4877	2219
Provisions	647	391
Tax-loss carryforwards	1359	2289
Tax credits	2300	0
Other items	924	1003
Total deferred tax assets (gross)	**10727**	**6260**
Offset against deferred tax liabilities	–3853	–2434
Balance sheet deferred tax assets	**6874**	**3826**
Property, plant and equipment/intangible assets	4605	4235
Trade receivables and inventories	2128	1289
Provisions	659	715
Other items	443	736
Total deferred tax liabilities (gross)	**7835**	**6975**
Offset against deferred tax assets	–3853	–2434
Balance sheet deferred tax liabilities	**3982**	**4541**
Net deferred tax assets (+)/tax liabilities (–)	**2892**	**–715**

1) Including unrealized intragroup profits.

10.2 Statement of changes

in TCHF	**2011**	2010
Net total as at 1 January	**–715**	**3096**
Deferred tax income (+)/tax expense (–)	3513	–3087
Currency translation differences	94	–724
Net total as at 31 December	**2892**	**–715**

The total of the temporary differences relating to investments in affiliated companies for which no deferred taxes have been reported came to CHF 18.3 million as at 31 December 2011 (2010: CHF 18.3 million). All changes in deferred taxes are included in the income statement for the corresponding periods. As at 31 December 2011 deferred tax assets of CHF 3.0 million (2010: CHF 1.6 million) in connection with tax-loss carryforwards of CHF 9.3 million (2010: CHF 4.8 million) were not capitalized. Thereof CHF 0.9 million will expire between 1–5 years and CHF 8.4 million in more than 5 years.

11 Other non-current receivables

in TCHF	31.12.2011	31.12.2010
Present value of minimum lease payments	54	162
Rent deposit and other non-current receivables	107	123
Total	**161**	**285**

Komax has lease agreements with various customers for the financing of machine purchases. The leasing period is normally between 36 and 60 months. The agreements are subject to termination, with the lessee being required to bear the cost of termination. All agreements envisage the purchase of the leased asset at the end of the term, either as a fixed agreement or in the form of a purchase option. It is the duty of the lessee to ensure that the leased asset is properly insured.

Non-current receivables from financing leases are recognized in the “Other non-current receivables” item, current receivables from financing leases in the “Trade receivables” item. Details can be found in the table below:

in TCHF	31.12.2011	31.12.2010
Gross investment in the lease	**180**	**1 244**
less unguaranteed residual value in favour of lessor	0	0
less unearned finance income	–18	–58
Present value of minimum lease payments	**162**	**1 186**

in TCHF			31.12.2011
	0–1 year	1–5 years	Total
Gross investment in the lease	124	56	**180**
Present value of minimum lease payments	108	54	**162**

in TCHF			31.12.2010
	0–1 year	1–5 years	Total
Gross investment in the lease	1 063	181	**1 244**
Present value of minimum lease payments	1 024	162	**1 186**

As at 31 December 2011, just as on the previous year’s balance sheet date, no value adjustments needed to be recognized for irrecoverable minimum lease payments.

12 Employee benefits (IAS 19)

in TCHF	**2011**	2010
Current service cost	8363	7943
Interest cost	3026	3432
Amortization of service cost not yet recorded	269	269
Total employee benefits expenditure of the Komax Group	**11658**	**11644**
Expected return on plan assets	3886	4085
Employee contributions	2573	2622
Total employee benefits income of the Komax Group	**6459**	**6707**
Employee benefits result of the Komax Group[1]	**–5199**	**–4937**
Employer contributions	4355	4491
Prepayments to the employee benefits plan during the financial year	**–844**	**–446**

1) The employee benefits expenditure of CHF 5.199 million (2010: CHF 4.937 million) is recognized in the income statement under personnel expenses.

Komax maintains retirement benefit plans for its employees in Switzerland and abroad. In conformity with IFRS, the retirement benefit plans in Switzerland are defined benefit schemes. For the principal defined benefit pension schemes, the net expenditure for employee benefits is shown above. Benefits in accordance with IAS 19 are recognized in the balance sheet of the Komax Group under "Prepaid pension assets" and in the consolidated income statement under "Personnel expenses".

The changes in prepayments recorded in the consolidated balance sheet with respect to the defined benefit schemes were as follows:

in TCHF	**2011**	2010
Total 1 January	**1812**	**2258**
Employee benefits costs of the Komax Group	–5199	–4937
Employer contributions	4355	4491
Total 31 December	**969**	**1812**

Defined benefit obligations developed as follows:

in TCHF	**2011**	2010
Total 1 January	**110032**	**105584**
Current service cost	8363	7943
Interest cost	3026	3432
Payments made to and by beneficiaries (net)	–6348	0
Impact of curtailment	0	–10081
Actuarial gains (–)/losses (+)	–3099	3154
Total 31 December	**111974**	**110032**

The present value of plan assets developed as follows:

in TCHF	2011	2010
Total 1 January	**103 628**	**102 123**
Expected return on plan assets	3 886	4 085
Employee contributions	2 573	2 622
Employer contributions	4 355	4 491
Payments made to and by beneficiaries (net)	–6 348	0
Impact of curtailment	0	–10 081
Actuarial gains (+)/losses (–)	–7 673	388
Total 31 December	**100 421**	**103 628**

Available assets break down as follows:

%	31.12.2011	31.12.2010
Assets held in shares	31.9	35.7
Assets held in bonds	25.1	23.5
Assets held in real estate	32.1	30.3
Other assets	10.9	10.5
Total	**100.0**	**100.0**

The available assets of the retirement benefit scheme of Komax AG do not include shares of Komax Holding AG or real estate properties used by the Group. The expected return on assets is based on the investment policy of the Board of Trustees. Expected returns on fixed-interest investments are based on the effective gross interest rates at the balance sheet date. Expected returns from equity securities reflect the effective returns empirically determined as obtainable in the long term on the respective markets.

The following table contains information concerning the current state of overfunding or underfunding of the retirement benefit schemes operated in Switzerland and the figures in the consolidated balance sheet:

in TCHF	31.12.2011	31.12.2010
Fair value of plan assets	100 421	103 628
Present value of funded obligations	–111 974	–110 032
Overfunding (+)/underfunding (–)	**–11 553**	**–6 404**
Unrecognized actuarial gains (–)/losses (+)	10 862	6 287
Unrecognized past service cost	1 660	1 929
Recognized as assets in the consolidated balance sheet	**969**	**1 812**

The effective return on plan assets in the 2011 reporting year was CHF –3.787 million (2010: CHF 3.164 million). Employer contributions for the 2012 business year are expected to amount to CHF 4.355 million.

The following table shows the degree of cover (funding) of defined benefit obligations, the effect of differences in the expected and the effective return on plan assets, and the actuarial adjustments to benefit obligations in the past five years:

in TCHF	**31.12.2011**	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Fair value of plan assets	100421	103628	102123	95266	114341
Present value of funded obligations	–111974	–110032	–105584	–105297	–100957
Overfunding (+)/underfunding (–)	**–11553**	**–6404**	**–3461**	**–10031**	**13384**
Difference between expected and effective return on plan assets	–7673	388	5206	–25153	–3068
Actuarial adjustments to benefit obligations	4552	2341	3335	–354	–938

The retirement benefit liabilities are valued using assumptions based on the following economic and demographic parameters (weighted average):

%	**2011**	2010
Discount rate	2.75	2.75
Estimated wage growth rate	1.00	1.00
Increase in current pensions (expectancy of future benefits)	0.00	0.25
Expected return on plan assets	3.75	3.75

Average life expectancy on reaching retirement at age 65:

Years	**2011**	2010
Men	18.9	17.9
Women	21.4	21.0

Defined-contribution retirement schemes
No costs for defined-contribution plans of foreign subsidaries had to be recognized in the income statement under personnel expenses, neither in the 2011 business year nor in the previous year. The liabilities arising from these retirement benefit plans amounted to CHF 0.11 million as at 31 December 2011 (31 December 2010: CHF 0.14 million). They are recognized in the balance sheet under “Other payables and accrued expenses/deferred income”.

13 Investments in associates

In the first half of 2011, Komax acquired 30% of SLE quality engineering GmbH & Co. KG and 30% of SLE quality engineering Verwaltungs GmbH for a combined total of CHF 2.2 million. The investment value in the associated company is calculated via the equity method. The valuation of investments as at 31 December 2011 was based on the unaudited financial statements. Any changes in these statements will be taken into account in the following period. The investment value of CHF 2.1 million reported as at 31 December 2011 (previous year: CHF 0) is equivalent to the proportion of equity held. There are no contingent liabilities. The proportion of profit is negligible and included in the “Other operating expenses” under “Other expenditure”.

14 Property, plant and equipment

14.1 Property, plant and equipment 2011

Changes in gross values in TCHF Asset category	**Costs 1.1.2011**	**Currency differences**	**Reclassifi-cations**	**Additions**	**Disposals**	**Costs 31.12.2011**
Movables						
Machinery	15588	–13	205	1743	–2077	15446
Tools/operating equipment	5775	63	–2	1261	–1253	5844
Warehouse equipment	1956	–15	0	0	–177	1764
Vehicles	2145	–18	0	717	–416	2428
Office furnishings	7099	1	323	366	–232	7557
Information technology	6100	–15	0	374	–1831	4628
Prepayments for movables	526	0	–526	14	0	14
Total movables	**39189**	**3**	**0**	**4475**	**–5986**	**37681**
Real estate						
Buildings	74776	–97	46	793	–4068	71450
Land	11656	–31	0	0	0	11625
Prepayments for real estate	46	0	–46	0	0	0
Total real estate	**86478**	**–128**	**0**	**793**	**–4068**	**83075**
Total	**125667**	**–125**	**0**	**5268**	**–10054**	**120756**

Changes in depreciation in TCHF Asset category	**Accumulated depreciation 1.1.2011**	**Currency differences**	**Reclassifi-cations**	**Accumulated depreciation on disposals**	**Depreciation 2011**	**Accumulated depreciation 31.12.2011**	**Net value property, plant & equipment 31.12.2011**
Movables							
Machinery	9749	–16	0	–2004	1244	8973	6473
Tools/operating equipment	3832	–6	0	–863	569	3532	2312
Warehouse equipment	1176	–4	0	–176	101	1097	667
Vehicles	1404	–9	0	–406	360	1349	1079
Office furnishings	3501	–11	0	–223	666	3933	3624
Information technology	5168	–17	0	–1831	450	3770	858
Prepayments for movables	0	0	0	0	0	0	14
Total movables	**24830**	**–63**	**0**	**–5503**	**3390**	**22654**	**15027**
Real estate							
Buildings	29563	–40	0	–1762	2315	30076	41374
Land	0	0	0	0	0	0	11625
Prepayments for real estate	0	0	0	0	0	0	0
Total real estate	**29563**	**–40**	**0**	**–1762**	**2315**	**30076**	**52999**
Total	**54393**	**–103**	**0**	**–7265**	**5705**	**52730**	**68026**

No impairments had to be booked on property, plant and equipment during the 2011 reporting year. As at 31 December 2011, no contractual obligations were existing in respect of the acquisition of property, plant and equipment. Future liabilities arising from operating lease agreements amount to: Due 2012: CHF 2.5 million. Due 2013–2016: CHF 6.8 million.

14.2 Property, plant and equipment 2010

Changes in gross values in TCHF Asset category	**Costs 1.1.2010**	**Currency differences**	**Reclassifi-cations**	**Additions**	**Disposals**	**Costs 31.12.2010**
Movables						
Machinery	17058	–292	–16	1362	–2524	15588
Tools/operating equipment	6128	–135	–19	313	–512	5775
Warehouse equipment	2006	–52	26	0	–24	1956
Vehicles	2363	–234	0	462	–446	2145
Office furnishings	7246	–312	9	430	–274	7099
Information technology	6392	–177	0	541	–656	6100
Prepayments for movables	0	0	0	526	0	526
Total movables	**41193**	**–1202**	**0**	**3634**	**–4436**	**39189**
Real estate						
Buildings	76236	–1796	0	470	–134	74776
Land	11992	–336	0	0	0	11656
Prepayments for real estate	0	0	0	46	0	46
Total real estate	**88228**	**–2132**	**0**	**516**	**–134**	**86478**
Total	**129421**	**–3334**	**0**	**4150**	**–4570**	**125667**

Changes in depreciation in TCHF Asset category	**Accumulated depreciation 1.1.2010**	**Currency differences**	**Reclassifi-cations**	**Accumulated depreciation on disposals**	**Depreciation 2010**	**Accumulated depreciation 31.12.2010**	**Net value property, plant & equipment 31.12.2010**
Movables							
Machinery	10993	–240	–6	–2397	1399	9749	5839
Tools/operating equipment	3604	–118	–21	–281	648	3832	1943
Warehouse equipment	1079	–21	24	–23	117	1176	780
Vehicles	1613	–132	0	–405	328	1404	741
Office furnishings	3335	–237	3	–271	671	3501	3598
Information technology	5434	–152	0	–654	540	5168	932
Prepayments for movables	0	0	0	0	0	0	526
Total movables	**26058**	**–900**	**0**	**–4031**	**3703**	**24830**	**14359**
Real estate							
Buildings	27871	–614	0	–131	2437	29563	45213
Land	0	0	0	0	0	0	11656
Prepayments for real estate	0	0	0	0	0	0	46
Total real estate	**27871**	**–614**	**0**	**–131**	**2437**	**29563**	**56915**
Total	**53929**	**–1514**	**0**	**–4162**	**6140**	**54393**	**71274**

No impairments had to be booked on property, plant and equipment during the 2010 reporting year. As at 31 December 2010, no contractual obligations were existing in respect of the acquisition of property, plant and equipment. Future liabilities arising from operating lease agreements amount to: Due 2011: CHF 2.2 million. Due 2012–2015: CHF 5.6 million.

15 Intangible assets

15.1 Intangible assets 2011

Changes in gross values in TCHF Asset category	**Costs 1.1.2011**	**Currency differences**	**Reclassifi-cations**	**Additions**	**Disposals**	**Costs 31.12.2011**
Intangible assets						
Software	10918	–13	16	1169	–602	11488
Patents	4147	0	0	0	0	4147
Goodwill	26126	0	0	0	0	26126
Technology	0	0	0	4523	0	4523
Prepayments	16	0	–16	348	0	348
Total	**41207**	**–13**	**0**	**6040**	**–602**	**46632**

Changes in depreciation in TCHF Asset category	**Accumulated depreciation 1.1.2011**	**Currency differences**	**Reclassifi-cations**	**Accumulated depreciation on disposals**	**Depreciation 2011**	**Accumulated depreciation 31.12.2011**	**Net value intangible assets 31.12.2011**
Intangible assets							
Software	7130	–12	0	–602	1225	7741	3747
Patents	4112	0	0	0	9	4121	26
Goodwill	0	0	0	0	0	0	26126
Technology	0	0	0	0	431	431	4092
Prepayments	0	0	0	0	0	0	348
Total	**11242**	**–12**	**0**	**–602**	**1665**	**12293**	**34339**

Goodwill impairment test

Goodwill acquired through previous acquisitions is allocated to the cash generating units at operating segment level. The allocation is determined by the strategic intention behind the acquisition of each entity.

Cash-Generating Unit (CGU) in TCHF	**Segment**	**31.12.2011**	31.12.2010
Wire	Wire	10330	10330
Solar	Solar	3765	3765
Medtech (MTS)	Medtech	10076	10076
Inkjet (INJ)	Medtech	1955	1955
Total		**26126**	**26126**

The recoverable amount of a CGU is obtained from the calculation of its value in use. These calculations are based on projected cash flows derived from the five-year plan issued by the Board of Directors. Assumptions for the calculation of value in use were as follows:

2011	**Wire**	**Solar**	**MTS**	**INJ**
Gross profit margin	58.5%	44.0%	50.7%	35.6%
Average growth rate	0.5%	16.4%	3.7%	–9.0%
Discount rate (pre-tax)	6.7%	6.8%	6.2%	6.5%

2010	Wire	Solar	MTS	INJ
Gross profit margin	58.1%	48.0%	51.3%	36.1%
Average growth rate	2.4%	21.2%	7.0%	–16.6%
Discount rate (pre-tax)	9.0%	10.3%	8.5%	9.2%

Management has determined the budgeted gross profit margin based on past developments and expectations regarding the future development of the market. The discount rates applied are interest rates before taxes and reflect the specific risks of the operating segments in question.

The impairment test performed showed that the value of the goodwill was sustainable and revealed no signs of any impairment.

15.2 Intangible assets 2010

Changes in gross values in TCHF Asset category	**Costs 1.1.2010**	**Currency differences**	**Reclassifications**	**Additions**	**Disposals**	**Costs 31.12.2010**
Intangible assets						
Software	10 895	–254	0	1 724	–1 447	10 918
Patents	4 153	–6	0	0	0	4 147
Goodwill	26 949	–823	0	0	0	26 126
Costs of incorporation	4	–1	0	0	–3	0
Prepayments	0	0	0	16	0	16
Total	**42 001**	**–1 084**	**0**	**1 740**	**–1 450**	**41 207**

Changes in depreciation in TCHF Asset category	**Accumulated depreciation 1.1.2010**	**Currency differences**	**Reclassifications**	**Accumulated depreciation on disposals**	**Depreciation 2010**	**Accumulated depreciation 31.12.2010**	**Net value intangible assets 31.12.2010**
Intangible assets							
Software	7 583	–228	0	–1 408	1 183	7 130	3 788
Patents	4 106	–4	0	0	10	4 112	35
Goodwill	0	0	0	0	0	0	26 126
Costs of incorporation	4	–1	0	–3	0	0	0
Prepayments	0	0	0	0	0	0	16
Total	**11 693**	**–233**	**0**	**–1 411**	**1 193**	**11 242**	**29 965**

16 Ownership restrictions for own liabilities

Assets pledged to secure own liabilities:

in TCHF	**31.12.2011**	31.12.2010
Book value real estate	47 733	51 373
Lien on real estate	52 965	55 450
Utilization (indemnification syndicated loan)	46 963	43 132

Real estate consists of land and buildings in Switzerland and North America.

17 Trade payables

The carrying amounts of trade payables are allocated to the currencies shown in the table. The carrying amounts reflect their fair value.

in TCHF	**31.12.2011**	31.12.2010
CHF	8735	5757
EUR	4222	3671
USD	4209	4066
Other currencies	3646	3279
Total trade payables	**20812**	**16773**

18 Other payables and accrued expenses/deferred income

in TCHF	**31.12.2011**	31.12.2010
Other payables	7346	6472
Liabilities related to defined contribution plans	265	388
Prepayments by customers	2211	7233
Accrual for personnel expenses	8607	7472
Commission payments to representatives	1909	982
Invoices not yet received	1741	2015
Other accruals	2654	2357
Accrued expenses/deferred income	**17122**	**20059**
Prepayments on systems[1)]	49406	43625
less accruals/deferrals in respect of systems	–40479	–33944
Liabilities arising from POC	**8927**	**9681**
Total	**33660**	**36600**

1) See also Note 7.

Other payables mainly comprise amounts due to state authorities (tax authorities). Their carrying amounts are allocated to the currencies shown in the table:

in TCHF	**31.12.2011**	31.12.2010
CHF	4776	4365
EUR	421	443
USD	127	122
Other currencies	2022	1542
Total other payables	**7346**	**6472**

19 Provisions

in TCHF Warranty provisions	2011	2010
Total 1 January	**3430**	**2740**
Additional provisions	2490	3056
Amounts utilized during the year	–2304	–2067
Unused amounts reversed	–327	–157
Currency differences	–9	–142
Total 31 December	**3280**	**3430**

Warranty provisions include material and personnel costs in relation to warranty work. Provisions for warranty are reviewed and adjusted annually.

20 Financial loans

	Currency	2011 Interest	31.12.2011 in TCHF	2010 Interest	31.12.2010 in TCHF
Credit Suisse, Zurich[1)]	CHF	2.06%	20000	3.69%	20000
Credit Suisse, Zurich[1) 2)]	CHF	0.89%	18606	2.50%	19243
Credit Suisse, Zurich[1)]	CHF	0.88%	5000	0.00%	0
M&T Bank, York (PA)	USD	3.75%	2965	3.75%	3131
Total			**46571**		**42374**

1) Utilized credit facilities as part of the CHF 100.0 million syndicated loan agreement under the stewardship of Credit Suisse (participating banks: Basler Kantonalbank, Credit Suisse, Deutsche Bank, Luzerner Kantonalbank, UBS, and Zürcher Kantonalbank).
2) Utilized credit line amounting to CHF 19.0 million as at 31 December 2011 (previous year: CHF 20.0 million) less transaction costs of CHF 0.4 million (previous year: CHF 0.8 million).

As at 31 December 2011, the Komax Group had unutilized credit lines of CHF 56.5 million (previous year: CHF 58.2 million). The average interest on financial loans was 2.08% in 2011, compared with 3.19% in the previous year. The fair value of non-current financial loans corresponds to their carrying value.

21 Share capital

As at 31 December 2011, the share capital amounted to CHF 340 088. This comprised 3 400 880 fully paid-up registered shares, each with a par value of CHF 0.10. There were no changes to the share capital compared to the previous year (2010: increase by CHF 1 336).

As at 31 December 2011, the Group held 27 483 treasury shares (2010: 30 800).

22 Segment reporting

22.1 Information by segment

2011 in TCHF	**Wire**	**Solar**	**Medtech**	**Corporate[1]**	**Group**
Net sales from external customers	216482	70343	82914	290	370029
Net sales from other segments	1310	448	864	–2622	0
Total net sales	**217792**	**70791**	**83778**	**–2332**	**370029**
EBIT	**57073**	**–3439**	**3840**	**–9938**	**47536**
Investment in non-current assets	5517	5139	591	2289	13536
Sale of non-current assets	2979	1	440	0	3420
Depreciation	4454	1388	1483	45	7370

2010 in TCHF	**Wire**	**Solar**	**Medtech**	**Corporate[1]**	**Group**
Net sales from external customers	193488	63093	82403	91	339075
Net sales from other segments	967	213	288	–1468	0
Total net sales	**194455**	**63306**	**82691**	**–1377**	**339075**
EBIT	**47840**	**–5932**	**–4434**	**–8364**	**29110**
Investment in non-current assets	4978	145	767	0	5890
Sale of non-current assets	589	186	61	8	844
Depreciation	4303	1567	1412	51	7333

1) Including elimination of intersegment revenues.

Costs allocated to Corporate include expenses arising in conjunction with the Komax Group’s option plan, expenses and income arising from bookings for defined benefit pension schemes according to IAS 19, the salaries of Group management, compensation for the Board of Directors, as well as the costs of Komax Holding AG.

The table shows the reconciliation of the total of the reportable segments' EBIT to the Group profit/loss after taxes:

in TCHF	2011	2010
EBIT	**47 536**	**29 110**
Financial income	7 418	5 159
Financial expenses	–8 861	–9 680
Group profit before taxes	**46 093**	**24 589**
Taxes	6 813	6 809
Group profit after taxes	**39 280**	**17 780**

Net sales from external customers were generated in the following five operating segments:

in TCHF	2011	2010
Wire[1]	216 772	193 579
Solar	70 343	63 093
Medtech (MTS)	54 680	38 016
Inkjet (INJ)	22 468	37 170
Mechanical and Electronic Systems Assembly (MES/EES)	5 766	7 217
Total	**370 029**	**339 075**

1) Including Corporate sales.

22.2 Information by geographical area

Net sales by location of purchasing party	**2011** in TCHF	%	2010 in TCHF	%	Change %
Switzerland	16 267	4.4	15 254	4.5	6.6
Europe[1]	172 653	46.6	139 821	41.2	23.5
North and South America	74 583	20.2	71 609	21.1	4.2
Asia/Pacific	106 526	28.8	112 391	33.2	–5.2
Total	**370 029**	**100.0**	**339 075**	**100.0**	**9.1**

Net sales by location of service provider	**2011** in TCHF	%	2010 in TCHF	%	Change %
Switzerland	159 847	43.2	134 980	39.8	18.4
Europe[1]	45 045	12.2	35 630	10.5	26.4
North and South America	110 691	29.9	102 864	30.3	7.6
Asia/Pacific	54 446	14.7	65 601	19.4	–17.0
Total	**370 029**	**100.0**	**339 075**	**100.0**	**9.1**

Non-current assets by location of service provider[2]	**2011** in TCHF	%	2010 in TCHF	%	Change %
Switzerland	80 971	77.4	78 246	77.1	3.5
Europe[1]	3 918	3.7	4 146	4.1	–5.5
North and South America	17 018	16.3	17 265	17.0	–1.4
Asia/Pacific	2 704	2.6	1 867	1.8	44.8
Total	**104 611**	**100.0**	**101 524**	**100.0**	**3.0**

1) Including Africa.
2) Without deferred tax assets and prepaid pension assets.

Domiciled in Switzerland, the Komax Group is active in three other geographical areas where it is represented with its own companies. The commercial revenues of the Group are predominantly generated in Europe, North and South America and the Asia/Pacific region. Net sales are assigned on the basis of the country in which the customer is based (location of service recipient). In addition, reporting is also undertaken on the basis of the country in which the sales company has its headquarters (location of service provider). Assets are listed as per the headquarters of the company to which they belong. The Europe region also includes the sales generated and assets located in Africa (particularly South Africa and Morocco).

22.3 Significant customers

Neither in the 2011 reporting year nor in the previous year did the Komax Group generate sales amounting to 10% or more of Group turnover with any individual customer.

23 Other operating income

in TCHF	**2011**	2010
Own work capitalized	479	485
Government grants	285	215
Gains from the disposal of property, plant and equipment	631	397
Total other operating income	**1 395**	**1 097**

24 Information on personnel

24.1 Personnel expenses

in TCHF	**2011**	2010
Wages and salaries	82 442	82 270
Share-based payments	1 730	1 755
Social security and pension contributions	16 857	16 106
Other personnel costs (training and development)	2 603	2 034
Total personnel expenses	**103 632**	**102 165**

Personnel expenses include all performance-related compensation for the past business year. Further details on employee benefits are given in Note 12.

24.2 Share option plan of the Komax Group

The executive share ownership scheme for directors and management of the Komax Group includes a share option plan. The option plan was introduced in 1998 and is designed to give executives and selected employees added interest in shareholder value and enable them to share in the company's success. The stock option plan takes the form of share-based compensation settled in equity instruments by means of a capital increase (equity-settled plan). The number of options allocated depends on the individual performance of the entitled employee. The options granted entitle holders to subscribe one Komax Holding AG share per option and are valid for five years. They have a predetermined exercise price and are subject to a three-year lock-in period.

	2011 No.	**Weighted average exercise price** CHF	2010 No.	Weighted average exercise price CHF
Outstanding at beginning of year	315749	100.42	306690	107.02
Granted	88525	94.25	85975	73.65
Exercised	0	0.00	–13360	97.75
Forfeited	–3423	70.57	–3761	81.48
Expired	–73523	141.94	–59795	97.59
Outstanding at end of year	**327328**	**89.74**	**315749**	**100.42**

Of the 327328 outstanding options (2010: 315749), 80304 options were exercisable as at 31 December 2011 (2010: 73749). No options were exercised in the year under review (2010: 13360).

The following table summarizes information on options granted and not yet exercised as at 31 December 2011:

Expiry date 31 December	Number	**Exercise price** CHF
2012	80304	145.06
2013	79741	42.78
2014	78908	75.68
2015	88375	94.25
Total	**327328**	

The fair value of the options granted in the 2011 financial year – as determined by the Enhanced American Model, an approach based on the binomial model concept – amounted to CHF 30.16 (2010: CHF 17.87). The key parameters for the valuation model are the share price of CHF 102.00 (2010: CHF 72.00) on the day granted, the exercise price listed above, the standard deviation for the expected share price return of 45.8% (2010: 42.8%), the option term of five years and the risk-free interest rate of 1.04% (2010: 1.38%). The anticipated dividend yield is 3.23% (2010: 2.43%). The volatility of 45.8% used in these calculations represents an arithmetic average of the historical volatility of Komax Holding AG for the last four years and that of a representative peer group.

24.3 Breakdown of employees by country and areas of activity

2011	CH[1]	EU[2]	Americas[3]	Asia[4]	Africa[5]	Total
Production	245	6	121	110	0	482
Research and development	102	10	13	9	0	134
Engineering	81	0	46	22	0	149
Marketing and sales	96	42	61	63	11	273
Administration[6]	45	7	25	24	1	102
Total headcount at 31 December 2011	**569**	**65**	**266**	**228**	**12**	**1 140**

2010	CH[1]	EU[2]	Americas[3]	Asia[4]	Africa[5]	Total
Production	220	7	105	71	0	403
Research and development	83	10	8	6	0	107
Engineering	98	1	40	17	0	156
Marketing and sales	109	38	57	51	8	263
Administration[6]	47	8	23	15	1	94
Total headcount at 31 December 2010	**557**	**64**	**233**	**160**	**9**	**1 023**

1) Komax AG, Dierikon (including operating facility in Rotkreuz), Komax Systems LCF SA, La Chaux-de-Fonds.
2) Komax companies in the EU: Germany, France, Portugal.
3) Komax companies in North and South America: USA, Brazil.
4) Komax companies in Asia: Singapore, China, Malaysia, India.
5) Komax companies in Africa: Morocco, South Africa.
6) Including management/IT.

24.4 Average number of employees

The average number of employees in 2011 was 1 081 compared with 1 022 in the previous year.

25 Development expenditure

The aggregate development expenditure for new and further development of Komax products contains personnel expenses, material costs and costs for third-party development contracts. They amount to CHF 23.5 million, equivalent to 6.3% of revenues, compared with CHF 20.5 million or 6.0% of revenues in the previous year.

26 Other operating expenses

Other operating expenses amount to CHF 21.1 million (2010: CHF 19.3 million) and comprise the following positions:

in TCHF	2011	2010
Expenditure on operating equipment and energy	4 611	4 231
Third party services for development expenses	3 170	3 937
Legal and consultancy expenses	3 419	2 202
Expenditure on administration and sales	2 121	2 068
Other expenditure	7 803	6 812
Total other operating expenses	**21 124**	**19 250**

27 Extraordinary restructuring charges

In the 2011 financial year no extraordinary restructuring charges occurred. The extraordinary restructuring charges of CHF 0.9 million from the year 2010 comprise additional personnel expenses arising from the release of staff necessitated by the poor market situation. Furthermore, these also include the costs resulting from social plans drawn up for the staff in question.

28 Financial result

in TCHF	**2011**	2010
Financial income		
Interest income	211	470
Income from securities	45	15
Exchange rate gains on foreign currencies	7162	4674
Total financial income	**7418**	**5159**
Financial expenses		
Interest expenses	1712	2645
Securities expenses	25	210
Exchange rate losses on foreign currencies	7124	6825
Total financial expenses	**8861**	**9680**
Total financial result	**–1443**	**–4521**

The financial income includes gains of CHF 0.10 million (2010: CHF 1.47 million) on financial assets held for trading. Exchange rate losses amounting to CHF –0.23 million (2010: CHF –0.37 million) resulting from financial liabilities held for trading are taken into account in the financial expenses. The positions include both book gains and losses and realized gains and losses.

29 Taxes

in TCHF	**2011**	2010
Current income taxes	10326	3722
Deferred tax income (–)/tax expenses (+)	–3513	3087
Total	**6813**	**6809**

Analysis of the tax rate

in TCHF	**2011**	%	2010	%
Group profit before taxes	46093		24589	
Expected tax expenses	**8716**	**18.9**	**6345**	**25.8**
Impact of non-capitalized tax-loss carryforwards	777	1.7	1334	5.4
Effect of changes in tax rate	–47	–0.1	–694	–2.8
Tax credits/charges from previous years	–3268	–7.1	–154	–0.6
Effect of non-deductible expenses	82	0.2	287	1.2
Effect of non-taxable income	–84	–0.2	–187	–0.8
Non-reclaimable withholding taxes	752	1.6	0	0.0
Others	–115	–0.2	–122	–0.5
Effective tax expenses	**6813**	**14.8**	**6809**	**27.7**

As the Group is internationally active, its income taxes are dependent on a number of different tax jurisdictions. The expected average Group tax rate is equivalent to the weighted average of tax rates of those countries in which the Group is active. Due to the composition of the taxable income of the Group, as well as changes in local tax rates, this Group tax rate varies from year to year.

30 Earnings per share (EPS)

in CHF	2011	2010
Group profit (attributable to equity holders of the parent company)	**39412969**	**17779467**
Weighted average number of outstanding shares	3375217	3349278
Basic earnings per share	**11.68**	**5.31**
Group profit (attributable to equity holders of the parent company)	**39412969**	**17779467**
Weighted average number of outstanding shares	3375217	3349278
Adjustment for dilutive effect of share options	56670	52106
Weighted average number of outstanding shares for calculating diluted earnings per share	3431887	3401384
Diluted earnings per share	**11.48**	**5.23**

Basic earnings per share are calculated by dividing the consolidated net earnings by the average number of shares outstanding during the fiscal year, excluding treasury shares. Diluted earnings per share are calculated by adding all option rights which would have had a dilutive effect to the average number of shares outstanding.

31 Contingent liabilities

Guarantees in favour of subsidiaries amounting to CHF 3.3 million (2010: CHF 5.7 million) are listed in the notes to the financial statements of Komax Holding AG. Apart from additional guarantees amounting to CHF 1.5 million (2010: CHF 1.6 million) in favour of third parties at subsidiaries, there were no other contingent liabilities towards third parties or Group companies.

32 Events after the balance sheet date

No material events occurred between the balance sheet date and the approval of the consolidated financial statements by the Board of Directors on 6 March 2012 which might adversely affect the information content of the 2011 consolidated financial statements or which would require disclosure.

33 Related-party transactions

Aside from a loan of CHF 0.37 million granted to an associate, there were no outstanding items with respect to related parties (2010: none). In the year under review, no transactions were entered into with members of management in key positions in connection with the sale and purchase of goods and services (2010: CHF 0.28 million). However, rental payments amounting to CHF 0.11 million (2010: CHF 0.13 million) were made in relation to a production facility. With the exception of the regular employer contributions to the pension fund, no transactions were effected with related parties (2010: none).

Compensation for the Executive Committee and Board of Directors

In fiscal 2011, the Group's Executive Committee comprised five (2010: five) members. In conformity with IFRS 2 for the statement of share-based payments, the total compensation for the Executive Committee, including the five (2010: five) directors, is as follows:

in TCHF	Executive Committee		Board of Directors		Total	Total
	2011	2010	**2011**	2010	**2011**	**2010**
Salaries and bonus payments[1)]	2530	2354	603	580	**3133**	**2934**
Share-based payments	603	349	196	107	**799**	**456**
Total	**3133**	**2703**	**799**	**687**	**3932**	**3390**

1) Including the post-employment benefits of CHF 0.19 million for the financial year 2011 (2010: CHF 0.16 million).

A detailed breakdown of the compensation paid to the Board of Directors and the Executive Committee is provided in the notes to the financial statements of Komax Holding AG on pages 103 and 104.

Report of the statutory auditor to the general meeting of Komax Holding AG Dierikon

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Komax Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of shareholders' equity and notes (pages 52 to 95), for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (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 as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation 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 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (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.

PricewaterhouseCoopers Ltd

Gerd Tritschler Audit expert Auditor in charge	Petra Schwick Audit expert

Basel, 9 March 2012

Comments on the financial statements of Komax Holding AG

Balance sheet

1 Assets

The Group's current loans increased by CHF 0.9 million in total. This increase is the result of newly granted loans to subsidiary companies.

In the year under review, a new company was founded in the form of Komax Jinchen Solar Equipment (Yingkou) Co. Ltd., China, in which Komax Holding AG has a 51% stake. In addition, a minority stake of 30% was acquired in both SLE quality engineering GmbH & Co KG and SLE quality engineering Verwaltungs GmbH in Germany. The participation in Komax France Sàrl., France, was increased by EUR 1.4 million.

The existing participation loans in Komax Holding Corp., USA, and Komax Corp., USA, were reclassified under non-current financial loans. In addition, further non-current loans were granted to Komax Solar Inc., USA, and Komax Systems Rockford Inc, USA.

2 Liabilities

The current account debt of Komax Holding AG towards Komax AG, Switzerland, was reduced to CHF 46.6 million in the 2011 financial year as a result of the offsetting against the dividend of Komax AG, Switzerland, for the 2010 financial year (CHF 21.0 million).

The agreement on a CHF 100.0 million credit facility signed in 2009 between Komax and a syndicate of banks led by Credit Suisse is valid until 31 January 2013. The agreement provides the Group with the necessary entrepreneurial flexibility, guarantees the financing of commercial operations, and ensures the continued implementation of corporate strategy. CHF 44.0 million of this credit line was being utilized as at 31 December 2011.

The "Loans Group" balance sheet item relates to a financial loan amounting to USD 4.0 million granted by Komax Corp., USA, and a loan of EUR 0.5 million granted by Komax France Sàrl., France.

In accordance with the prevailing capital contribution principle, capital contributions (share premiums) made after 31 December 1996 are disclosed in the separate equity item "Capital contribution reserves". Repayments to shareholders from this account are treated as equal to the repayment of nominal capital and are therefore not subject to withholding tax.

The self-financing ratio decreased by 0.6 percentage points from 68.3% in 2010 to 67.7% in 2011.

Reserves for treasury shares were reduced from their prior-year level of CHF 3.5 million to CHF 3.1 million as at 31 December 2011. These reserves are valued at the weighted average acquisition value of the treasury shares held.

Income statement

3 Revenues

The dividend income of Komax Holding AG came from Komax AG, Switzerland, (CHF 21.0 million), Komax Systems Malaysia Sdn. Bhd., Malaysia, (CHF 0.3 million), and Komax Management AG, Switzerland, (CHF 0.3 million).

Services to Group companies comprise revenues from holding fees and licences.

Financial income includes interest on loans granted to Group companies, exchange rate gains on short-term financial loans, and realized gains from sales of securities.

4 Expenditure

Administration expenses comprise compensation for the Board of Directors, patent and licensing costs, legal and advisory expenses, and other operating expenses.

Financial expenses contain interest on loans payable to third parties and Group companies as well as realized and unrealized exchange rate losses. As a result of the sharp decline in exchange rates, exchange rate losses were once again higher than in the previous year (by CHF 0.3 million), thereby increasing financial expenses by CHF 7.0 million (USD exchange rate losses) and CHF 0.8 million (EUR exchange rate losses). The valuation of treasury shares added CHF 1.1 million to financial expenses, whereas this valuation adjustment weighed on the financial result to the tune of CHF 0.4 million in 2010.

5 Taxes

The taxes of CHF 0.2 million relate to non-reclaimable withholding taxes.

Balance sheet

in TCHF	**31.12.2011**	31.12.2010
Assets		
Cash and cash equivalents	1 786	2 196
Treasury shares	1 889	3 142
Other receivables third parties	23	183
Other receivables Group	1 660	1 214
Other receivables associates	4	0
Financial loans Group	102 827	101 925
Financial loans associates	369	0
Accrued income/prepaid expenses	240	39
Total current assets	**108 798**	**108 699**
Investments in subsidiaries	126 195	123 240
Investments in associates	2 228	0
Participation loans Group	11 433	20 604
Financial loans Group	48 013	30 810
Total non-current assets	**187 869**	**174 654**
Total assets	**296 667**	**283 353**
Liabilities and shareholders' equity		
Other liabilities third parties	249	124
Other liabilities Group	46 550	47 069
Accrued expenses/deferred income	519	769
Provisions	3	1
Loans Group	4 415	1 900
Total current liabilities	**51 736**	**49 863**
Loans third parties	44 000	40 000
Total non-current liabilities	**44 000**	**40 000**
Total liabilities	**95 736**	**89 863**
Share capital	340	340
General statutory reserves	2 286	2 286
Reserves for treasury shares	3 086	3 543
Capital contribution reserves	32 207	38 960
Free reserves	148 816	152 338
Retained earnings	0	4 661
Profit/loss after taxes	14 196	–8 638
Total shareholders' equity	**200 931**	**193 490**
Total liabilities and shareholders' equity	**296 667**	**283 353**

Income statement

in TCHF	2011	2010
Dividend income	21 588	90
Services to Group companies	814	619
Financial income	4 828	3 649
Total income	**27 230**	**4 358**
Administrative expenses	1 895	2 300
Financial expenses	10 312	10 130
Other expenses	660	572
Total expenses	**12 867**	**13 002**
Profit/loss before taxes	**14 363**	**–8 644**
Taxes	167	–6
Profit/loss after taxes	**14 196**	**–8 638**

Notes to the 2011 financial statements

1 Contingent liabilities

in TCHF	31.12.2011	31.12.2010
Joint liability for Group taxation value-added tax	p. m.	p. m.
Guarantees (in favour of subsidiaries)		
in EUR	173	422
in USD	1054	1437
in CHF	2071	3835
Total	**3298**	**5694**

2 Conditional capital

As at 1 January 2011, the conditional capital consisted of 449120 registered shares, each with a par value of CHF 0.10, created for management and employee share ownership schemes. No options were converted into shares in the reporting year 2011 (2010: 13360 options). There was no increase in the conditional capital.

Change in conditional share capital in 2011	Number of conditional registered shares	Par value CHF	Conditional share capital CHF
Opening amount as at 1 January 2011	449120	0.10	44912
Reduction in conditional share capital as a result of exercise of options in 2011	0	–	0
Closing amount as at 31 December 2011	**449120**	**0.10**	**44912**

3 Treasury shares

Change in 2011	1.1.2011	Additions	Disposals	31.12.2011
Opening amount	30800			
Purchases (avg. CHF 102.92/share)		6683		
Sales (avg. CHF 108.50/share)			10000	
Closing amount				27483
Total	**30800**	**6683**	**10000**	**27483**

Change in 2010	1.1.2010	Additions	Disposals	31.12.2010
Opening amount	51797			
Purchases (avg. CHF 80.95/share)		4996		
Sales (avg. CHF 85.54/share)			25993	
Closing amount				30800
Total	**51797**	**4996**	**25993**	**30800**

4 Major shareholders

at 31 December 2011 **Shareholder/shareholder group**	No. of shares	Interest[1]
Max Koch, Meggen	231401	6.8%

at 31 December 2010 Shareholder/shareholder group	No. of shares	Interest[1]
Max Koch, Meggen	231401	6.8%
Nordea Investment Funds S.A., Luxembourg	181406	5.4%

1) Calculated on the basis of 3400880 shares that were registered as at the balance sheet date of 31 December 2011 (2010: 3387520).

5 Externally regulated capital requirements (covenants)

The Group's financial liabilities are subject to the following externally regulated capital requirements (covenants) as per the syndicated loan agreement:

- The gearing factor may not exceed 2.5 either at 31 December 2011 or thereafter at each quarter-end balance sheet date.
- The self-financing ratio (i.e. the Group's reported equity plus subordinated loans less goodwill divided by total assets less goodwill) may not fall below 50% at any balance sheet reference date.

The Komax Group has complied with all capital requirements since the contract signing date as well as at 31 December 2011. Within the scope of the syndicated loan agreement, Komax Holding AG guarantees for the liabilities of any member of the Komax Group.

6 Risk assessment

A detailed description of risk management can be found on pages 70 to 72 of Note 3 to the consolidated financial statements.

7 Remuneration of the Board of Directors and Executive Committee

The compensation paid to the members of the Board of Directors and Executive Committee includes, in particular, fees, wages, bonuses and the allocation of options in the context of the share-based compensation from the employee participation programme. The variable remuneration is dependent on the business result and the fulfilment of key individual tasks. All amounts are gross and include social security contributions payable by employees. Of the employer's contribution towards social security, pension fund contributions are shown.

The following benefits were paid out in the 2011 and 2010 financial years:

CHF		Gross value of salaries and fees during the financial year	Gross value of cash bonuses	Allocation number of options	Tax value of options[2]	BVG contributions	Total remuneration 2011	Total remuneration 2010
Board of Directors								
Leo Steiner	Chairman	227 500	0	2 500	54 300	0	281 800	215 660
Daniel Hirschi	Member	92 500	0	1 000	21 720	0	114 220	105 330
Max Koch	Member	92 500	0	1 000	21 720	0	114 220	105 330
Melk M. Lehner	Member	92 500	0	1 000	21 720	0	114 220	105 330
Hans Caspar von der Crone	Member	97 500	0	1 000	21 720	0	119 220	110 330
Total Board of Directors		**602 500**	**0**	**6 500**	**141 180**	**0**	**743 680**	**641 980**
Executive Committee								
Beat Kälin[1]	CEO	424 138	356 263	8 000	173 760	62 400	1 016 561	911 528
Total other members of Executive Committee		990 303	571 052	12 000	260 640	126 300	1 948 295	1 648 859
Total Executive Committee		**1 414 441**	**927 315**	**20 000**	**434 400**	**188 700**	**2 964 856**	**2 560 387**

1) Highest-compensated member of Executive Committee.
2) The options were valued on the basis of their tax value. This is CHF 21.72 for the 2011 options, which have an exercise price of CHF 94.25 and a duration of five years (three years to vest, two years to exercise).

8 Holdings of shares and options

Assets (in units)		31.12.2011 Shares	Options	31.12.2010 Shares	Options
Board of Directors					
Leo Steiner	Chairman	116 650	11 500	116 650	18 282
Daniel Hirschi	Member	200	4 000	200	4 000
Max Koch	Member	231 401	4 000	231 401	4 000
Melk M. Lehner	Member	11 000	4 000	11 000	4 360
Hans Caspar von der Crone	Member	9 300	4 000	9 300	4 000
Total Board of Directors		**368 551**	**27 500**	**368 551**	**34 642**
Executive Committee					
Beat Kälin	CEO	2 300	32 000	2 300	31 000
Andreas Wolfisberg	CFO	700	13 000	700	12 000
Walter Nehls	Head of BU Solar	400	10 000	400	7 000
Serge Peguiron	Head of BU Medtech	620	11 500	620	10 400
Matijas Meyer	Head of BU Wire	600	6 100	400	3 400
Total Executive Committee		**4 620**	**72 600**	**4 420**	**63 800**

No loans or credits were granted to members of the Board of Directors, members of the Executive Committee or related parties of these persons during the 2011 and 2010 financial years. There are no outstanding loans or credits to these persons.

There are no other items requiring disclosure under sections 663b, 663b^{bis} and 663c of the Swiss Code of Obligations.

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Corporate structure

Direct and indirect equity participation as at 31 December 2011

Komax Holding AG
Dierikon, Switzerland

Purpose: Holding of equity interests
Listed on: SIX
Swiss security ID code: 1070215
Share capital: CHF 340 088
Market capitalization:
CHF 233 810 500

100%
Komax Management AG
Dierikon, Switzerland

Founded: 1986
Purpose: Group services and management
Ordinary capital: CHF 100 000

100%
Komax AG[1)]
Dierikon, Switzerland

Founded: 1978
Purpose: R&D, engineering, production, marketing, sales
Ordinary capital: CHF 5 000 000

100%
Komax Systems LCF SA
La Chaux-de-Fonds, Switzerland

Acquired: 2005
Purpose: Engineering, production, marketing, sales
Ordinary capital: CHF 2 500 000

100%
Komax Shanghai Co. Ltd.
Shanghai, China

Founded: 2002
Purpose: R&D, production, sales
Ordinary capital: USD 200 000

100%
Komax Systems Malaysia Sdn. Bhd.
Penang, Malaysia

Founded: 2006
Purpose: Engineering, production, sales
Ordinary capital: MYR 3 000 000

100%
Komax France Sàrl.
Epinay-sur-Seine, France

Founded: 1992
Purpose: R&D, engineering, production, marketing, sales
Ordinary capital: EUR 1 500 000

100%
Komax Portuguesa S.A.
S. Domingos de Rana, Portugal

Founded: 1991
Purpose: Sales
Ordinary capital: EUR 1 500 000

100%
Komax Deutschland GmbH
Nuremberg, Germany

Founded: 1994
Purpose: Sales
Ordinary capital: EUR 400 000

1) Incl. operating facility Komax AG, Rotkreuz.
2) Subsidiaries of Komax Holding Corp.

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100%
Komax Singapore Pte. Ltd.
Singapore

Founded: 1994
Purpose: Sales
Ordinary capital: SGD 100 000

100%
Komax Comercial do Brasil Ltda.
São Paulo, Brazil

Founded: 1994
Purpose: Sales
Ordinary capital: BRL 200 000

100%
Komax Maroc Sàrl.
Mohammédia, Morocco

Founded: 2001
Purpose: Sales
Ordinary capital: MAD 100 000

100%
Komax Automation India Pvt. Ltd.
Gurgaon, India

Founded: 2008
Purpose: Sales
Ordinary capital: INR 10 000 000

100%
Komax SA Pty. Ltd.
Port Elizabeth, South Africa

Founded: 2001
Purpose: Sales
Ordinary capital: ZAR 200

51%
Komax Jinchen Solar Equipment (Yingkou) Co. Ltd.
Yingkou, China

Founded: 2011
Purpose: R&D, engineering, production
Ordinary capital: CNY 16 000 000

30%
SLE quality engineering GmbH & Co KG
Grafenau, Germany

Acquired: 2011
Purpose: R&D, engineering, production, marketing, sales
Ordinary capital: EUR 5 700 000

30%
SLE quality engineering Verwaltungs GmbH
Grafenau, Germany

Acquired: 2011
Purpose: Administration
Ordinary capital: EUR 25 000

100%
Komax Holding Corp.
Buffalo Grove, Illinois, USA

Founded: 1980
Purpose: Holding of equity interests
Ordinary capital: USD 8 160 000

100%
Komax Solar Inc.[2)]
York, Pennsylvania, USA

Acquired: 2000
Purpose: R&D, engineering, production, marketing, sales
Ordinary capital: USD 150

100%
Komax Systems Rockford Inc.[2)]
Rockford, Illinois, USA

Acquired: 2000
Purpose: Engineering, production, marketing, sales
Ordinary capital: USD 10 000

100%
Komax Corp.[2)]
Buffalo Grove, Illinois, USA

Founded: 1980
Purpose: Sales
Ordinary capital: USD 1 000 000

Proposal for the appropriation of profit

The Board of Directors proposes the following appropriation of profit and payout (which is not subject to withholding tax) from the capital contribution reserves:

in CHF	**31.12.2011**	31.12.2010
Balance carried forward from previous year	0	4661246
Profit/loss after taxes	14195845	–8637765
Reversal of free reserves	0	3976519
Transfer from capital contribution reserves	13603520	6801760
Total available for distribution	**27799365**	**6801760**
Payout from capital contribution reserves of CHF 4.00 per registered share (2010: CHF 2.00) which is not subject to withholding tax[1)]	13603520	6801760
Allocation to free reserves	14000000	0
Profit carried forward	195845	0
Total	**27799365**	**6801760**

1) The stated amount covers the requirement for the payout from capital reserves for all registered shares outstanding. Registered shares which will be issued after 1 January 2012 upon exercise of options are also entitled to the payout from capital reserves. Therefore, the stated amount may be subject to changes.

Report of the statutory auditor to the general meeting of Komax Holding AG Dierikon

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Komax Holding AG, which comprise the balance sheet, income statement and notes (pages 99 to 107), for the year ended 31 December 2011.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial state-ments 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.

PricewaterhouseCoopers Ltd

Gerd Tritschler	Petra Schwick
Audit expert	Audit expert
Auditor in charge	

Basel, 9 March 2012

Glossary

Mechatronics	The term mechatronics describes the synergistic interaction between the specialist disciplines of mechanical engineering, electrical engineering and computer engineering in the design and manufacture of industrial products and in process design.
Crimping	Crimping is a bonding technique whereby two components are joined together by plastic deformation. It thus constitutes an alternative to conventional bonding methods such as soldering or welding. Crimp connections are predominantly used in mass production settings with non-stop assembly of single strands.
Crimp force monitoring	Measurement and monitoring of crimping processes during wire connector crimping.
Micrograph laboratory	Micrographs are an important criterion for analysing the quality of crimp connections and ensuring traceability in production. Micrograph laboratories analyse and document the quality of crimp connections, using colour pictures.
Stripping	Process whereby a section of the insulating cover (or "insulation sleeve/sheath") of an electrical conductor (wire or flex) is removed up to a specific required length to allow the wire to be connected to another component.
Twisting	Process whereby wires are twisted against one another and wound together into a spiral. Twisted pairs are a low-cost way of preventing electromagnetic interference.
Solar cell	A solar cell, or photovoltaic cell, is an electronic component that converts short-wave radiation energy, usually sunlight, directly into electricity.
Solar module	A solar module, or photovoltaic module, converts sunlight directly into electricity. Its most important components are a number of solar cells.
Stringing	Process whereby individual solar cells are joined together in individual "strings" using soldering strips.

Wafer

Wafers are circular discs of less than 1mm in thickness. They are manufactured from mono- or polycrystalline (semiconductor) blanks (so-called ingots) and are usually used as a substrate (base plate) for electronic components.

Inhaler

Device used in the treatment of asthma, bronchitis and other chronic or acute respiratory diseases.

Pen

Injection device, for example for administering insulin, characterized by its ease of use.

Self-medication

Self-treatment with medicines.

Addresses

Headquarters
Komax Holding AG
CH-6036 Dierikon
Phone +41 41 455 04 55
Fax +41 41 450 42 66
info.din@komaxgroup.com

Angola
● Komax Portuguesa
PT-2785-034 S. Domingos de Rana
Phone +351 21 444 8480
Fax +351 21 444 8499
miguel.peres@komaxgroup.com

Argentina
○ El Proveedor S.R.L.
AR-Buenos Aires
Phone +54 11 476 136 07
Fax +54 11 476 136 07
nmatus@elproveedorsrl.com.ar

Australia
○ Suba Engineering Pty. Ltd.
AU-2200 Bankstown N.S.W.
Phone +61 297 900 900
Fax +61 297 083 040
subasyd@suba.com.au

Austria
○ Thonauer GmbH
AT-1230 Wien
Phone +43 1 804 28 710
Fax +43 1 804 28 7110
info@thonauer.at

Belarus
○ Asber
BY-220018 Minsk
Phone +375 17 258 1166
Fax +375 17 258 2550
info@asber.by

Belgium
○ Smans N.V.
BE-2300 Turnhout
Phone +32 1442 4401
Fax +32 1442 6072
info@smans.com

Botswana
○ Edge Africa Wire Processing Solutions
ZA-6055 Port Elizabeth
Phone +27 41 395 5800
Fax +27 41 365 0138
brian@edgea.co.za

Brazil
● Komax Comercial do Brasil Ltda.
BR-06440-110 Barueri/São Paulo
Phone +55 11 3028 1112
Fax +55 11 4689 1221
andre.pedroni@komaxgroup.com

Bulgaria
○ Tekuni Eood
BG-1415 Dragalevtsi
Phone +359 897 761 159
Fax +359 297 530 32
info@tekuni.biz

Canada
● Komax Corporation
US-Buffalo Grove, IL 60089-4507
Phone +1 847 537 6640
Fax +1 847 537 5751
info.buf@komaxgroup.com

China
●■ Komax Shanghai Co. Ltd.
CN-201100 Shanghai
Phone +86 21 2416 5668
Fax +86 21 2416 5669
andy.lau@komaxgroup.com

● Beijing Office
Phone +86 10 5162 7825
Fax +86 10 5278 6140

● Changchun Office
Phone +86 431 8455 2252
Fax +86 431 8455 2251

● Chendu Office
Phone +86 28 8738 24 85
Fax +86 28 8738 24 86

● Guangzhou Office
Phone +86 20 2886 0648
Fax +86 20 3878 0400

● Kontakt Shandong Office
Phone +86 631 5990 475
Fax +86 631 5990 465

■ Komax Jinchen Solar Equipment
(Yingkou) Co. Ltd.
CN-115000 Yingkou
Phone +86 417 3252 372
Fax +86 417 3252 402

Croatia
○ Mikom D.O.O.
HR-49247 Zlatar Bistrica Hrvatska
Phone +385 49 462 034
Fax +385 49 461 839
mikom@mikom.hr

Czech Republic
● Komax Deutschland GmbH
DE-90449 Nürnberg
Phone +49 911 32 49 50
Fax +49 911 32 49 550
matthias.klaus@komaxgroup.com

Denmark
○ Matech Systems ApS
DK-7190 Billund
Phone +45 75 33 89 49
Fax +45 75 33 89 46
info@matechsystems.dk

Egypt
○ Sigma Group Egypt
EG-11361 Kairo
Phone +202 2644 7245
Fax +202 2642 3604
info@sigma-g.com

El Salvador
● Komax Service Office
HN-San Pedro Sula
Cortes Honduras
Phone +1 9932 5200
guillermo.lopez@komaxgroup.com

Estonia
○ Gammeter OU
EE-76606 Keila
Phone +372 671 22 52
Fax +372 671 22 53
info@gammeter.ee

■ Production ● Sales and service ▲ Participation ○ Sales representative

Finland
Gammeter OY
FI-33101 Tampere
Phone +358 3380 2211
Fax +358 3380 2244
info@gammeter.fi

France
Komax France
FR-93806 Epinay-sur-Seine
Phone +33 14 940 1313
Fax +33 14 940 1329
denis.loizon@komaxgroup.com

Komax France
FR-13106 Rousset
Phone +33 44 229 1200
Fax +33 44 229 1212
info.ros@komaxgroup.com

Germany
Komax Deutschland GmbH
DE-90449 Nürnberg
Phone +49 911 32 49 50
Fax +49 911 32 49 550
matthias.klaus@komaxgroup.com

SLE quality engineering
GmbH & Co. KG
DE-94481 Grafenau
Phone +49 911 32 49 50
Fax +49 911 32 49 550

AAT Aston GmbH
DE-90257 Nürnberg
Phone +49 911 32 66 210
Fax +49 911 32 66 299
info@aston.de

Great Britain
KPE Ltd.
GB-Hants SO31 5QA
Phone +44 845 519 2418
Fax +44 238 045 4675
bthornton@kpeltd.co.uk

Honduras
Komax Service Office
HN-San Pedro Sula
Cortes Honduras
Phone +1 9932 5200
guillermo.lopez@komaxgroup.com

Hungary
Thonauer Kereskedelmi és Szerviz Kft.
HU-1113 Budapest
Phone +36 1372 7700
Fax +36 1372 7709
hungary@thonauer.net

India
Komax Automation India Pvt. Ltd.
IN-122016 Gurgaon
Phone +91 124 4599 100
Fax +91 124 4599 101
pradeep.kaura@komaxgroup.com

Indonesia
Komax Singapore Pte. Ltd.
SG-368357 Singapur
Phone +65 6285 9713
Fax +65 6285 9714
larry.wee@komaxgroup.com

Ireland
Kinetic Electronics Ltd.
IE-Co. Offaly
Phone +353 5793 21014
Fax +353 5793 21014
sean@kinetic.ie

Israel
Tamir Engineering &
Development Ltd.
IL-49170 Petach-Tiqva
Phone +972 3922 9422
Fax +972 3922 9411
tamireng@netvision.net.il

Italy
Cofilimacchine S.R.L.
IT-20853 Biassono
Phone +39 039 232 41 25
Fax +39 039 232 21 45
info@cofilimacchine.it

Japan
MCM Cosmic KK
JP-Tokyo 191-0062
Phone +81 42 582 7911
Fax +81 42 582 7922
info@mcmcosmic.co.jp

Korea
Hansung Tech Cc. Ltd.
KR-463-828 Kyunggi-Do
Phone +82 31 781 3971
Fax +82 31 781 3975
hiin@hansungtech.co.kr

Latvia
Gammeter OU
EE-76606 Keila
Phone +37 2671 2251
Fax +37 2671 2253
info@gammeter.ee

Luxembourg
Smans N.V.
BE-2300 Turnhout
Phone +32 1442 4401
Fax +32 1442 6072
info@smans.com

Malaysia
Komax KL
MY-58000 Kuala Lumpur
Phone +60 37981 2662
Fax +60 37987 8662
barron@pc.jaring.my

Komax Systems Malaysia Sdn. Bhd.
MY-11900 Penang
Phone +60 4627 2233
Fax +60 4627 2231
gerard.probst@komaxgroup.com

Mexico
Komax Corporation
US-El Paso, TX 79936
Phone +1 915 591 4551
Fax +1 915 591 5868
enrique.romero@komaxgroup.com

Montenegro
Mikom D.O.O.
HR-49247 Zlatar Bistrica Hrvatska
Phone +385 49 462 034
Fax +385 49 461 839
mikom@mikom.hr

Morocco
Komax Maroc
MA-20800 Mohammédia
Phone +212 5 2330 5285
Fax +212 5 2330 5173
fabien.molinier@komaxgroup.com

Netherlands
Smans N.V.
BE-2300 Turnhout
Phone +32 1442 4401
Fax +32 1442 6072
info@smans.com

New Zealand
Suba Engineering Ptv. Ltd.
AU-2200 Bankstown N.S.W.
Phone +61 297 900 900
Fax +61 297 083 040
subasyd@suba.com.au

Nicaragua
Komax Service Office
HN-San Pedro Sula
Cortes Honduras
Phone +1 9932 5200
guillermo.lopez@komaxgroup.com

Norway
Adcontact AB
SE-17207 Sundbyberg
Phone +46 8445 3600
Fax +46 8445 3610
info@adcontact.se

Philippines
Neuftech Philippines Inc.
PH-4027 Calamba Laguna
Phone +63 49 545 4056
Fax +63 49 545 4262
jdcntech@pldtdsl.net

Poland
JP International
PL-02-743 Warschau
Phone +48 22 843 3566
Fax +48 22 847 4888
jpint@jpint.it.pl

Evoltec
PL-02-676 Warschau
Phone +48 22 550 27 40-44
Fax +48 22 550 27 45
tomasz.pawlowski@evoltec.pl

Portugal
● Komax Portuguesa
PT-2785-034 S. Domingos de Rana
Phone +351 21 444 8480
Fax +351 21 444 8499
miguel.peres@komaxgroup.com

Romania
○ SC Thonauer Automatic S.R.L.
RO-024011 Bukarest
Phone +40 21335 1287
Fax +40 21336 9534
sales@thonauer.ro

Russia
○ Ostec
RU-121467 Moskau
Phone +7 495 788 4444
Fax +7 495 788 4442
igor.volkov@ostec-group.ru

○ Ostec
RU-195009 St. Petersburg
Phone +7 911 849 7986
Fax +7 495 788 4442
eugene.belov@ostec-group.ru

● Komax Moskau
RU-125190 Moskau
Phone +7 495 363 5532
Fax +7 495 363 5532
info.rus@komaxgroup.com

Serbia
○ Mikom D.O.O.
HR-49247 Zlatar Bistrica Hrvatska
Phone +385 49 462 034
Fax +385 49 461 839
mikom@mikom.hr

Singapore
● Komax Singapore Pte. Ltd.
SG-368357 Singapur
Phone +65 6285 9713
Fax +65 6285 9714
larry.wee@komaxgroup.com

Slovakia
○ Thonauer SPOL S.R.O.
SK-81339 Bratislava
Phone +421 2527 33664
Fax +421 2527 33665
info@thonauer.sk

Slovenia
○ Mikom-si D.O.O.
SI-3320 Velenje
Phone +386 3 8919 310
Fax +386 3 8919 311
mikom-si@siol.net

South Africa
○ Edge Africa Wire Processing Solutions
ZA-6055 Port Elizabeth
Phone +27 41 395 5800
Fax +27 41 365 0138
brian@edgea.co.za

Spain
○ Estanflux S.A.
ES-08023 Barcelona
Phone +34 9 3351 6151
Fax +34 9 3352 3845
comercial@estanflux.es
sat@estanflux.com

Sweden
○ Adcontact AB
SE-17207 Sundbyberg
Phone +46 8445 3600
Fax +46 8445 3610
info@adcontact.se

Switzerland
●■ Komax AG
CH-6036 Dierikon
Phone +41 41 455 04 55
Fax +41 41 450 42 66
info.din@komaxgroup.com

●■ Komax AG
CH-6343 Rotkreuz
Phone +41 41 799 45 00
Fax +41 41 799 45 01
info.rok@komaxgroup.com

●■ Komax Systems LCF SA
CH-2301 La Chaux-de-Fonds
Phone +41 32 924 71 11
Fax +41 32 924 71 15
info.lcf@komaxgroup.com

Taiwan
○ Chain Year Industr. Corp.
RC-221 Taipei Hsien
Phone +886 22 691 3568
Fax +886 22 691 3586
sales@chainyear.com.tw

Thailand
○ DKSH (Thailand) Ltd.
TH-10310 Bangkok
Phone +66 2652 7901-10
Fax +66 2652 9417-18
weilun.tsao@dksh.com

Tunesia
○ Reemi
TN-2000 Le Bardo
Phone +216 71 222 811
Fax +216 71 519 913
reemi@planet.tn

Turkey
○ Unitek Elektrik San. Ve Tic.
Ltd. Sti.
TR-34852 Maltepe – Istanbul
Phone +90 216 518 9440
Fax +90 216 518 9436
info@unitek-elektrik.com

Ukraine
○ Wireworks
UA-79015 Lviv
Phone +38 067 673 0314
Fax +38 032 245 1193
andriy.tytomyr@wireworksua.com

Uzbekistan
○ Ostec
RU-121467 Moskau
Phone +7 495 788 4444
Fax +7 495 788 4442
igor.volkov@ostec-group.ru

USA
● Komax Corporation
US-Buffalo Grove, IL 60089-4507
Phone +1 847 537 6640
Fax +1 847 537 5751
info.buf@komaxgroup.com

●■ Komax Systems Rockford Inc.
US-Rockford, IL 61109
Phone +1 815 229 3800
Fax +1 815 229 5491
bill.hoff@komaxgroup.com

●■ Komax Solar Inc.
US-York, PA 17402
Phone +1 717 755 6800
Fax +1 717 755 4300
brian.micciche@komaxsolar.com

Vietnam
○ Ho Chi Minh Office
DKSH Technology Co. Ltd.
VN-Ho Chi Minh City
Phone +84 38 125 806
Fax +84 38 125 807
ngoc.thihong.vu@dksh.com

Hanoi Office
○ DKSH Technology Co. Ltd.
VN-Hanoi
Phone +84 34 9424 725
Fax +84 34 9424 730
huu.viet.nguyen@dksh.com

All other countries
Komax AG
CH-6036 Dierikon
Phone +41 41 455 04 55
Fax +41 41 450 42 66
info.din@komaxgroup.com

■ Production ● Sales and service ▲ Participation ○ Sales representative

Five-year overview

in TCHF		**2011**	2010	2009	2008	2007
Revenues[1]		371 424	340 172	211 504	342 733	348 818
Gross profit		200 837	178 559	120 169	192 636	199 454
in % of revenues		54.1	52.5	56.8	56.2	57.2
EBITD		54 906	36 443	–14 504	39 091	51 296
in % of revenues		14.8	10.7	–6.9	11.4	14.7
Operating profit/loss (EBIT)		47 536	29 110	–22 672	31 119	43 259
in % of revenues		12.8	8.6	–10.7	9.1	12.4
Group profit/loss after taxes (EAT)		39 280	17 780	–19 835	23 226	32 674
in % of revenues		10.6	5.2	–9.4	6.8	9.4
Depreciation		7 370	7 333	8 168	7 972	8 037
Cash flow from operating activities		10 055	24 546	–8 196	29 268	23 770
Investments in non-current assets		13 536	5 890	14 414	8 744	6 720
Free cash flow		–61	19 500	–21 513	21 717	17 358
Research and development		23 526	20 511	20 101	25 248	21 547
in % of revenues		6.3	6.0	9.5	7.4	6.2
Total assets		361 448	318 698	290 855	322 086	310 946
Non-current assets		112 454	107 162	114 187	108 397	111 573
Current assets		248 994	211 536	176 668	213 689	199 373
Shareholders' equity[2]		246 994	212 523	199 899	222 098	224 491
in % of total assets		68.3	66.7	68.7	69.0	72.2
Share capital		340	340	339	339	336
Total liabilities		113 413	106 175	90 956	99 988	85 669
in % of total assets		31.4	33.3	31.3	31.0	27.6
Non-current financial loans		46 571	42 374	44 524	2 000	2 000
Current financial loans		0	0	0	24 680	13 507
Net cash (+)/net indebtedness (–)		5 604	12 026	–6 270	19 683	20 034
Headcount (at year-end)	No.	1 140	1 023	987	1 138	1 050
Revenues per employee[3]		343	333	209	309	343
Gross value added per employee[3]		147	135	87	137	159
Net value added per employee[3]		140	127	79	130	151
Shares[4]	No. 1 000	3 401	3 401	3 388	3 388	3 359
Par value	CHF	0.10	0.10	0.10	0.10	0.10
High	CHF	120.00	103.00	80.00	175.00	217.20
Low	CHF	59.00	73.10	36.05	48.95	152.00
Closing price on 31.12.	CHF	68.75	102.00	72.00	53.90	181.00

1) Revenues: net sales + other operating income.
2) Equity attributable to equity holders of the parent company.
3) Calculated on the basis of average headcount.
4) Changes resulting from the exercising of option rights.

Komax Holding AG
Investor Relations and
Corporate Communications
Marco Knuchel
Industriestrasse 6
CH-6036 Dierikon
Phone +41 41 455 06 16
marco.knuchel@komaxgroup.com

Financial calendar

Annual General Meeting	3 May 2012
Dividend payment	10 May 2012
Half-year results 2012	21 August 2012

First information on the year 2012	15 January 2013
Annual media conference/analysts' presentation 2012	19 March 2013
Annual General Meeting	3 May 2013

Forward-looking statements
The present Annual Report contains forward-looking statements in relation to Komax which are based on current assumptions and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated. Examples include: changes in the economic and legal environment, the outcome of legal disputes, exchange rate fluctuations, unexpected market behaviour on the part of our competitors, negative publicity and the departure of members of management. The forward-looking statements are pure assumptions, made on the basis of information that is currently available. This Annual Report is available in English and German. The original German version is binding.

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Komax Holding AG
Industriestrasse 6
CH-6036 Dierikon
Switzerland

Phone +41 41 455 04 55
www.komaxgroup.com