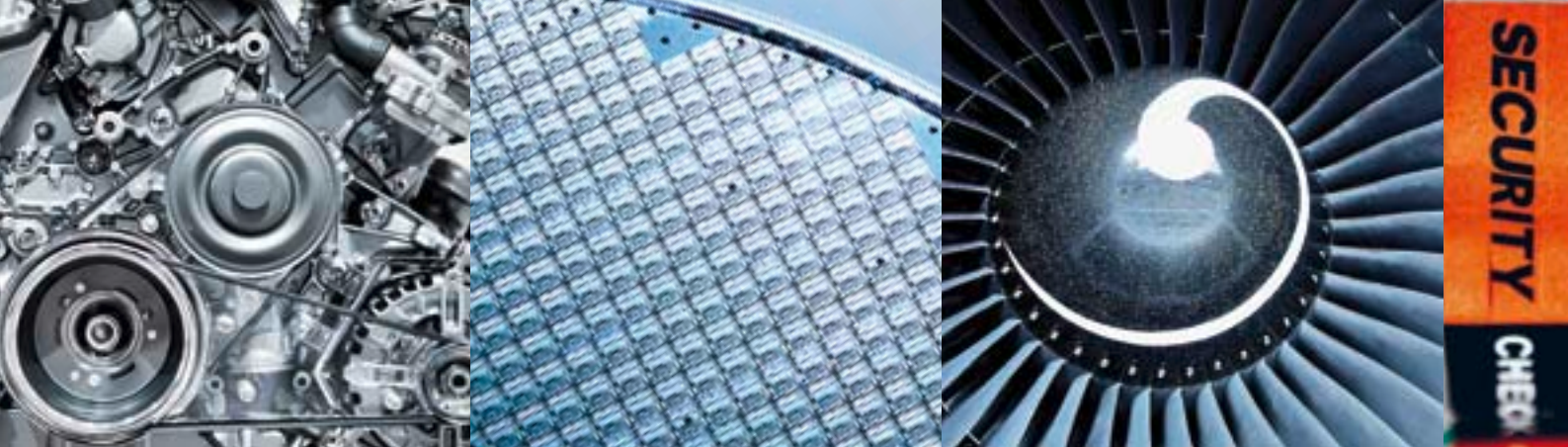
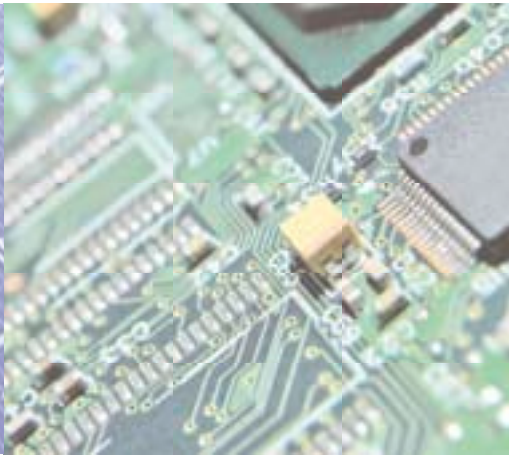
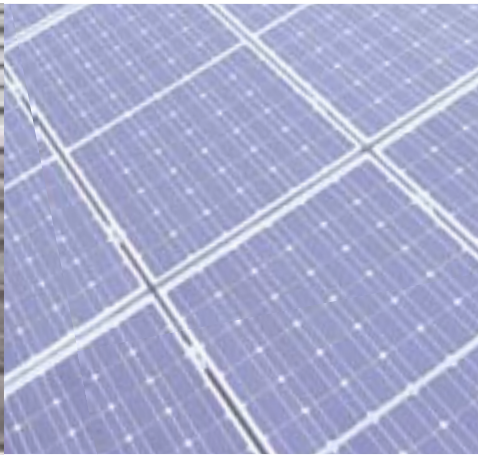


# Annual Report 2009



COMET HOLDING AG



## COMET Group

The COMET Group is one of the world's leading manufacturers of systems and components for the non-destructive testing, security, and semiconductor markets. Since acquiring the YXLON group, COMET has been the global market leader in non-destructive testing and examination using X-ray technology.

Based on the core competencies of vacuum technology, high voltage engineering and materials science, as well as the core products of X-ray tubes and vacuum capacitors, the COMET Group supplies a complete and highly flexible range of components, modules, systems and services from a single source.

COMET and YXLON in their complementary areas of activity have for decades been major vendors in the market for X-ray-based non-destructive testing. They operate as divisions within the COMET Group, which has updated its visual identity in 2010 with a logo that reflects the new organizational structure.

While COMET primarily manufactures high-tech components and modules, YXLON offers complete system solutions, including software and services. The major markets are the automotive, aerospace, pipeline and electronics industries, as well as security at airports and borders.

In addition, COMET's Vacuum Capacitors business develops and manufactures customized components and modules for systems used in semiconductor fabrication. End products, aside from memory chips, include flat panel displays and solar panels. Vacuum capacitors are also used for frequency stabilization in radio transmitters.

Today, the COMET Group is represented in all world markets, manufactures in Switzerland, Germany and Denmark, and maintains subsidiaries in the USA, China and Japan.

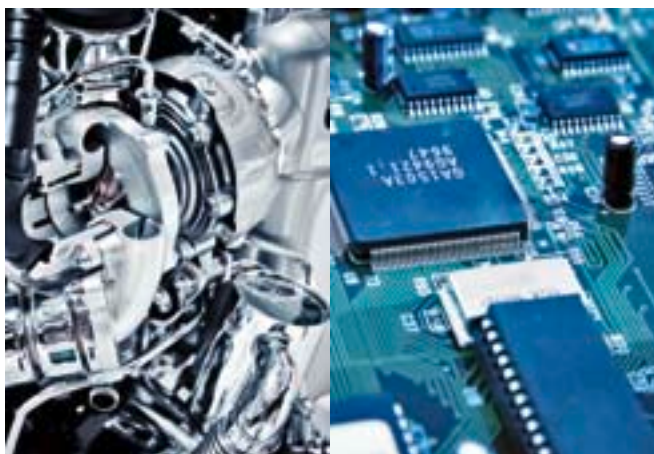
The business activities are reflected in divisions for OEM and end customer business. Employees' educational level is exceptionally high; nearly 90% are trained specialists, a third of whom hold degrees from universities or polytechnics. About 10% of sales is invested in research and development, ensuring a sustained high rate of innovation.

The COMET Group's culture is customer-oriented throughout. Commitment, respect and transparency characterize the company and its relations with stakeholders. Our aspiration to be best in class drives everything we do:

COMET – Technology with passion.

# Annual Report 2009

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### Modules & Components Division

Industrial X-Ray develops and manufactures metal/ceramic X-ray tubes, as well as the modules based on these tubes, for the non-destructive examination of materials and components in the automotive, aviation pipeline and steel industries, and also for the stationary and mobile inspection of baggage and cargo at airports and borders.

COMET is constantly working to improve and simplify X-ray technology and is a trusted engineering partner to well-known companies. COMET's innovative technology has become the basis for an unprecedented combination of performance and compactness that opens up for customers a new realm of possibilities in the development of their end systems.

The core competency of this product area is the development and production of high-performance vacuum capacitors. These are used in the semiconductor and solar industries and in radio transmitters for short, medium and long wave bands.

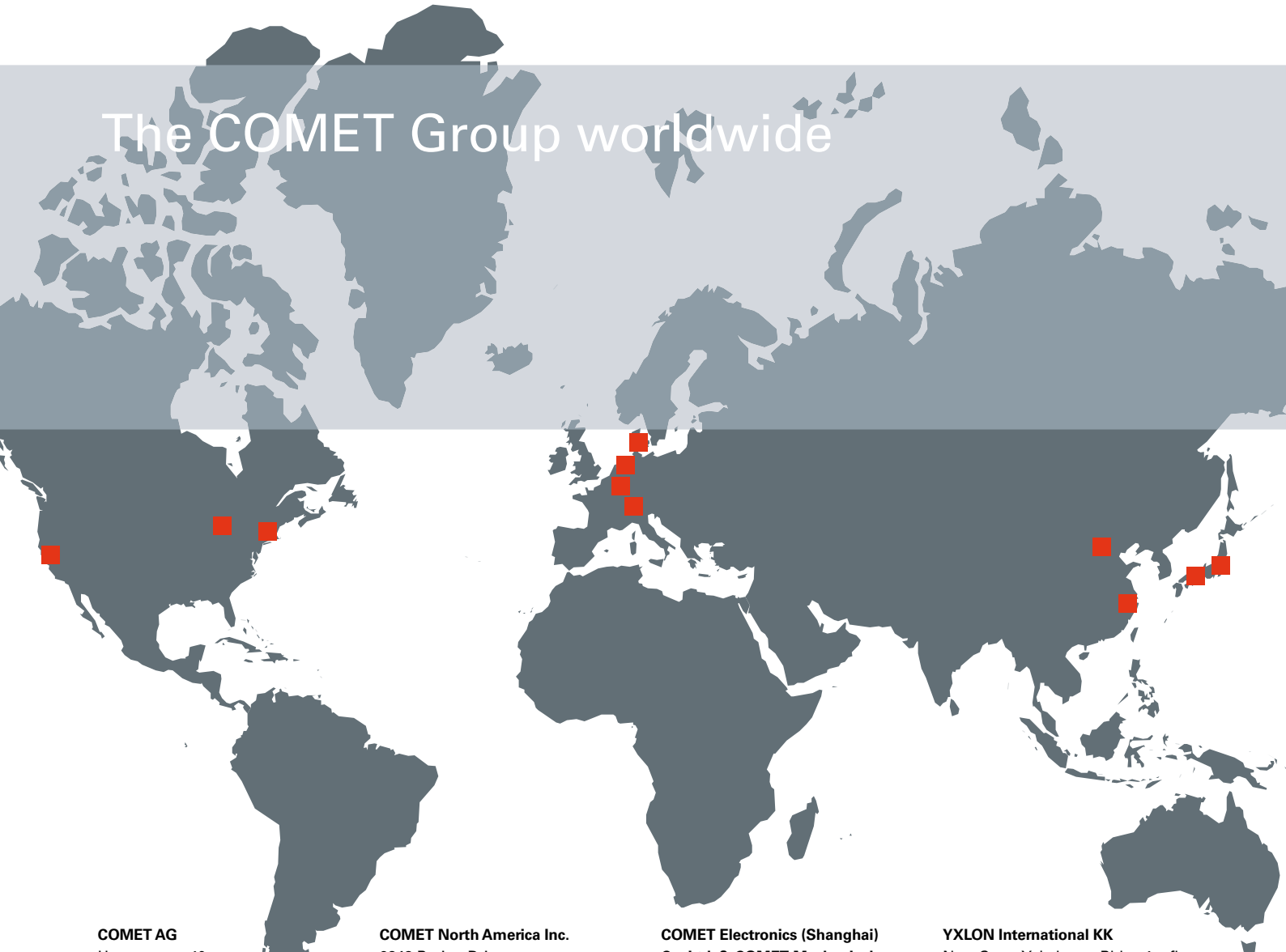
In semiconductor fabrication, adjustable vacuum capacitors play a crucial role in plasma processes for the coating and etching of silicon wafers and large area glass substrates used in the manufacture of storage chips, flat panel displays and solar panels. On a make-to-order basis, COMET develops entire RF modules for the control of plasma chambers in the radio frequency segment. In the broadcast product area, COMET also builds vacuum capacitors for ultra-stable transmission frequencies.

### Systems Division

Operating under the YXLON brand name, X-Ray Systems offers solutions for the ultimate in security, safety and quality. Its customers are largely in the automotive, electronics and aerospace industries but also include the energy sector.

The product portfolio spans the full range of X-ray technologies: microfocus, conventional X-ray, and computed tomography (CT). With CT, objects can be rendered and inspected in three dimensions. The division's offering extends from portable systems, through standardized modular solutions, all the way to complex, fully automated equipment tailored to customers' specific requirements. In addition, X-Ray Systems provides installation, training, maintenance and remote diagnostics – on a 24/7 basis if desired.

# The COMET Group worldwide



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

**YXLON International GmbH**  
Am Walzwerk 41  
45527 Hattingen  
Germany

**YXLON International GmbH**  
Essener Bogen 15  
22419 Hamburg  
Germany

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

**COMET North America Inc.**  
2343 Bering Drive  
San Jose, CA 95131-1125  
USA

**COMET North America Inc.**  
76 Progress Drive  
Stamford, CT 06902  
USA

**YXLON International Inc.**  
3400 Gilchrist Road  
Akron, OH 44260-1221  
USA

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

**YXLON X-Ray Equipment Trading  
Co. Ltd.**  
Beijing Rep. Office  
C1809 Web Times Center  
17 Zhongguancun South Ave.  
Haidian  
Beijing 100081  
China

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

**YXLON International KK**  
Osaka Branch  
Shin Osaka Miyuki Bldg., 2nd floor  
6-13, Nishinakagima 5-chome  
Yudogawa-ku  
Osaka, 532-0022  
Japan

**The COMET Group in Europe**

The two centers of the COMET Group's operations are Flamatt and Hamburg. The headquarters in Switzerland and YXLON's long-standing location in northern Germany are home to most of the Group's research, development, manufacturing and marketing activities.

**Page 16****The COMET Group in North America**

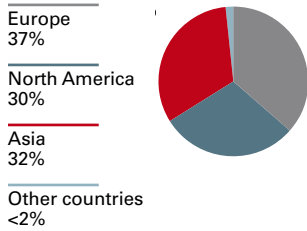
In the USA the COMET Group has three locations: Akron, OH, San Jose, CA and Stamford, CT. These offices focus on sales, service and marketing. In addition, San Jose is the site of the design and development center for RF modules.

**Page 18****The COMET Group in Asia**

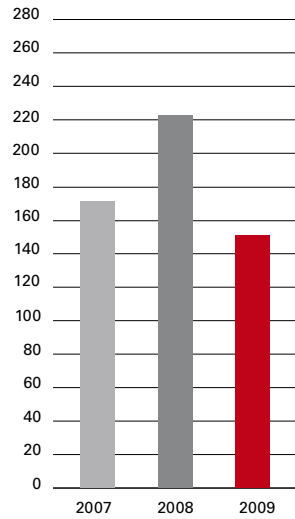
In Asia the COMET Group has a direct presence in four locations through its own companies: Shanghai, Beijing, Yokohama and Osaka. The main activities are sales, service and marketing. In Shanghai the COMET Group has also installed its own production facility for RF modules.

**Page 20**

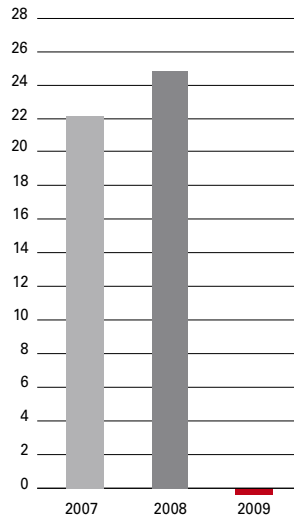
**Group sales by region in 2009**



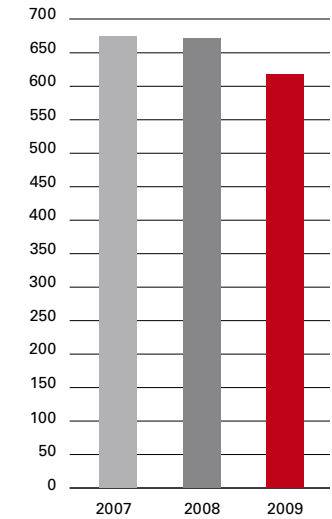
**Group net sales**  
In CHF million



**Group EBITDA**  
In CHF million



**Group staff count**  
Number of employees (year end)



**COMET Group**

**Systems Division**

X-Ray Systems

**Modules & Components Division**

Industrial X-Ray

Vacuum Capacitors

**COMET Group key consolidated financial results**

In thousands of CHF	Fiscal year	2009	2008	2007	2006	2005
	Net sales	150,750	222,555	171,124	96,214	90,836
	Operating income	(13,992)	11,031	9,476	3,109	9,215
	in % of net sales	(9.3%)	5.0%	5.5%	3.2%	10.1%
	EBITA	(7,540)	17,251	15,117	4,642	10,850
	in % of net sales	(5.0%)	7.8%	8.8%	4.8%	11.9%
	EBITDA	(432)	24,575	22,148	10,035	16,724
	in % of net sales	(0.3%)	11.0%	12.9%	10.4%	18.4%
	Net (loss)/income	(12,730)	8,272	5,740	2,449	7,388
	in % of net sales	(8.5%)	3.7%	3.4%	2.5%	8.1%
	Cash flow <sup>1</sup>	7,708	19,201	481	8,189	11,782
	in % of net sales	5.1%	8.6%	0.3%	8.5%	13.0%
	Total assets	229,603	249,932	273,108	137,082	135,701
	Shareholders' equity	112,372	126,726	128,976	86,094	84,629
	Equity ratio (% of total assets)	48.9%	50.7%	47.2%	62.8%	62.4%
	Number of employees (year-end)					
	Switzerland	259	276	273	277	238
	International	352	401	401	103	92
	Total	611	677	674	380	330

<sup>1</sup> Net cash provided by operating activities, as per consolidated statement of cash flows

**Information for investors**

Fiscal year		2009	2008	2007	2006	2005
Capital stock	CHF	7,574,800	7,508,320	7,466,580	6,000,000	6,000,000
Number of shares at December 31		757,480	750,832	746,658	600,000	600,000
Weighted average number of shares outstanding		755,149	749,087	669,885	600,000	588,593
Stock price (adjusted)						
High for the year (Dec. 30, 2009)	CHF	151.50	244.50	330.00	245.00	227.00
Low for the year (March 17, 2009)	CHF	75.00	81.00	211.50	167.00	152.00
Year-end (Dec. 31, 2009)	CHF	151.00	99.00	249.80	218.00	189.00
(Loss)/earnings per share	CHF	(16.86)	11.04	8.57	4.08	12.55
Dividend per share <sup>1</sup>	CHF	0.50	3.00	3.00	2.00	3.00
P/E ratio (at year-end price)		n.a.	9	31	53	15
Dividend yield (at year-end price)	%	0.3%	3.0%	1.2%	0.9%	1.6%
Equity per share <sup>2</sup>	CHF	148.8	169.5	192.5	143.5	143.8
Market capitalization (Dec. 31)	MCHF	114.4	74.3	186.5	130.8	113.4

<sup>1</sup> The dividend per share stated for the year under review represents the proposal by the Board of Directors

<sup>2</sup> Equity divided by the weighted average number of shares outstanding

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

## To our shareholders

The COMET Group was not immune to the global economic crisis in 2009. In the challenging environment, the Group's sales declined by 32.3% to CHF 150.8 million. However, at the EBITDA level COMET came very near break-even, with a deficit of only CHF 0.4 million.

In 2009 the COMET Group was not left unscathed by the economic crisis that followed the global financial turmoil. The semiconductor and solar markets already showed significant declines in orders during the fourth quarter of 2008, with orders reaching bottom in the first half of 2009 at unprecedented lows. In the markets for non-destructive testing and examination, and particularly in the automotive industry, there was also a substantial drop in investment, although this came after a lag and was less severe. In this environment the COMET Group's sales fell by 32.3% in 2009 to CHF 150.8 million. Despite the steep sales decline and restructuring expenses of CHF 7.0 million, the COMET Group came very close to reaching break-even at EBITDA level for the full year, with a deficit of just CHF 0.4 million. In the first half of 2009 the EBITDA loss had still been CHF 5.7 million.

### Cost base reduction and structural adjustments

COMET took swift, early measures to lighten the effects of the sales contraction on earnings and the cash position: In addition to practicing rigorous working capital management, the COMET Group's cost base was significantly reduced. Among other measures, this was achieved by adjusting staff numbers and, temporarily, by shortening work hours. At the same time, structural changes were made in the COMET Group with the goal of aligning the divisions even more squarely with their respective markets and also of achieving locational synergies. Thus, all business activities that had been located at the Garbsen site (Feinfocus) were now also integrated physically into the headquarters of the Systems division (YXLON) in Hamburg, with Feinfocus as a product line already previously having been brought into this division. Furthermore, the development

and production of X-ray generators was moved from the Systems division to the Modules & Components division at the Group headquarters in Flamatt, Switzerland. Next to lower costs, we also expect this adjustment to lead to a far stronger focus on the further development into an integrated X-ray source. Additionally, we implemented lasting efficiency improvements in the production processes and enhanced the innovation processes of the COMET Group. Likewise, the changeover to a standardized SAP platform will make an enduring contribution to the Group's transparent and efficient management.

### Modules & Components: Profitable despite lower sales

Within the Modules & Components division, the product areas differed in the duration and intensity of the effects which they experienced from the crisis in their particular markets. Although the division's sales for the full year (including the reassigned X-ray generator product line) declined by 29.4% (pro forma), sales in the second half of the year showed growth of 21.4% compared to the first six months thanks to the rallying semiconductor industry. Thus, the Modules & Components division still reached EBITDA of CHF 6.1 million, despite one-time restructuring costs of CHF 2.3 million. Moreover, the division benefited from the addition of the strategically important X-ray generator business with its appealing potential for expansion. The Vacuum Capacitors part of the division generates more than 80% of its sales in the semiconductor and solar markets and had to contend with a plunge of more than 60% in orders in the first half of 2009, as even our key customers in these industries suffered declines of up to 70% themselves during the first two quarters. Beginning in the fall of 2009, however, the Vacuum Capacitors business

**Hans Hess**  
**Chairman of the Board**  
**and Managing Director**



experienced continuous growth in new orders and more than doubled its sales compared to the first half of the year. In light of the solid order book at the start of 2010 and the broad upswing in the semiconductor industry, combined with wins of major new customers and projects, we are very optimistic for the performance of the Vacuum Capacitors activities for 2010 and the years beyond.

Similarly, sales on the Industrial X-Ray side of the division declined by 21.7% (pro forma) as a consequence of the weak business cycle in the markets for non-destructive testing. Among these, compared to the traditional industrial markets, the security market was much less affected by the world economic crisis. As already previously reported, we decided at the beginning of 2009 to end our involvement in the analytics market in the form of the so-called "minitubes" after it became clear that, owing to market changes, our growth and earnings objectives would no longer be achievable within an acceptable time frame.

#### **Systems: Negative bottom line**

The Systems division, which sells to end customers in the markets for non-destructive examination, such as automotive, energy, aerospace and electronics, was also subject to the downswing in the respective business and investment cycles and thus posted a revenue decline of 34.3% (pro forma) from the year before. A product line that proved quite resilient to the difficult environment was Feinfocus, which registered a smaller decrease in sales, thanks not least to the launch of a new system for the inspection of printed circuit boards and electronics modules. As service levels were maintained in the end customer business, the economy-driven sales erosion and the inventory reduction of demonstrator systems at lowered prices adversely af-

ected earnings (with an EBITDA-level loss of CHF 8.6 million). Within this total EBITDA, the closure of the facility in Garbsen alone represented a non-recurring restructuring expense of CHF 3.6 million.

#### **Balancing cost reduction and growth initiatives**

A key task for the Board of Directors and management in 2009 was to strike the right balance between sustainable cost reduction on the one hand and the improvement of structures and processes and continued support of growth initiatives on the other. Important efficiency improvement programs were the introduction of SAP in Europe, the lean production initiative in Flamatt (Modules & Components division) and the "SpeedRay" program in Hamburg (Systems division). The latter program involves the standardization of systems through structural and process changes, which we expect to drive improvements in delivery times, costs and innovation.

We also reached important goals in our growth initiatives. In the Vacuum Capacitors business, impressive interim milestones were achieved in the forward integration toward subsystems. Thus, we acquired substantial projects with customers in the semiconductor and solar industries that will contribute to sustained sales growth soon, from 2010 onward. In this sophisticated market with exceedingly high standards, COMET has successfully built a strong reputation and position that is a source of both motivation and pride to us. The projects around e-beam and high-voltage X-ray sources also continued to be pursued consistently in 2009. Even if new challenges were encountered in the commercialization of these technologies, we remain optimistic that we will be able to achieve the breakthrough for products of this nature in the foreseeable future. In the

Systems division, we intensified our endeavors in computed tomography and in the attractive market for the digitalization of X-ray technology in the aerospace industry.

#### **Change in top management**

At the beginning of 2010 there was a change in COMET's senior management. The Board of Directors and CEO Dr. Roland Zarske mutually agreed to separate, as a result of fundamental differences of opinion relating to personnel management. Until a new CEO assumes the position, the Board has delegated the executive management of the business to the Board Chairman, Hans Hess.

#### **Dividend**

Despite the significant loss recorded in the parent company and consolidated financial statements for 2009, the Board of Directors will propose to pay a dividend of CHF 0.50 per share. This also reflects the more positive outlook for the Group compared to the year completed.

#### **Outlook**

The Board and the Executive Committee are convinced that the COMET Group will emerge from the crisis stronger than before. 2010 will be a year of consolidating all initiatives launched in 2009. The COMET Group is structurally on solid footing for the future and is well-positioned for the market recovery. Buoyed by robust new orders, COMET appears to have made a good start into the year 2010.

We thank all employees of the COMET Group for their tireless dedication, their loyalty and support. Our thanks also go to our customers and business partners and to you, our shareholders, for your consistent confidence and trust in COMET.

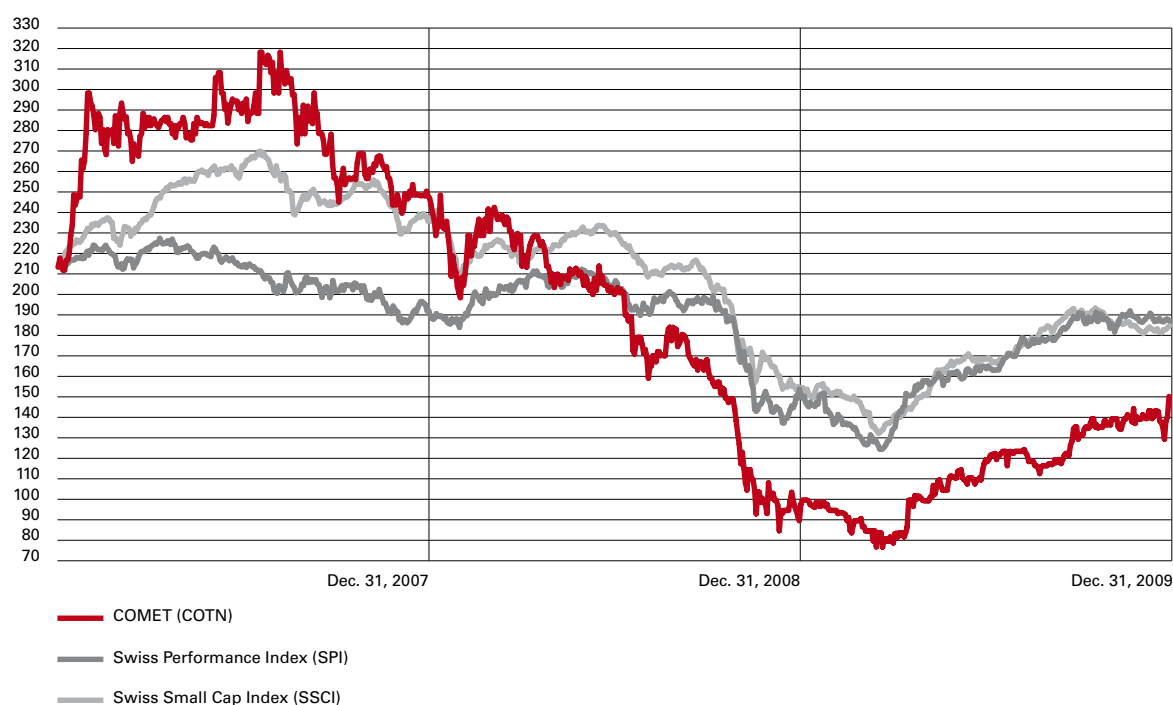
Flamatt, April 2010



**Hans Hess**  
Chairman of the Board and Managing Director

# COMET share price performance

## COMET registered stock Performance in CHF



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## Modules & Components Division

The Modules & Components division, consisting of the product areas of Industrial X-Ray and Vacuum Capacitors, contended with a number of challenges in 2009 as a consequence of the global economic downswing. The sharp slump in sales during the first six months was followed by a noticeable recovery toward the end of the year. The division's sales were CHF 78.6 million, representing a pro-forma decrease of 29.4%.

The recessionary world economy weighed on results for the year in the Modules & Components division. External sales were CHF 65.2 million, or 43.3% of the Group total. Including internal revenue with the Systems division, Modules & Components generated total sales of CHF 78.6 million. A comparison with the prior year (which because of the reassignment of the generator business to the Modules & Components division is only possible on a pro-forma basis (PF)) shows a decrease of 29.0% at constant exchange rates. While sales fell steeply in the first half of the year, the picture brightened greatly in the latter half amid the tangible improvement in the semiconductor market segment. The swift measures to bring down costs and raise efficiency moderated the effects of the economic crisis. For the year as a whole this resulted in an operating profit at EBIT level of CHF 0.5 million (prior year: CHF 10.6 million (PF)) and in EBITDA of CHF 6.1 million after special charges of CHF 2.3 million. Of the special charges, CHF 0.9 million related to the exit from the minutube activities and CHF 1.4 million represented the relocation of the generator business to Flamatt (prior year EBITDA: CHF 15.4 million (PF)).

### Market segments

In Industrial X-Ray, the difficult economic environment was felt most in the core markets of non-destructive testing and thickness gauging. Two market segments less affected were security and portable non-destructive testing, where Industrial X-Ray – helped by a new product line – achieved sales almost matching the previous year's level. Through consistent optimization of manufacturing processes, Industrial X-Ray was able to improve its profitability despite the adverse business setting. A particular highlight in Industrial X-Ray was its taking first place in the Swiss Technology Award 2009 for the sophisticated "e-beam" technology, for which the most mature application is currently the sterilization of beverage packaging.

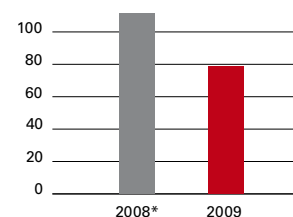
Vacuum Capacitors had a year of opposite extremes: After demand in the semiconductor and solar market reached the bottom of its plunge in the first half of the year, the situation improved dramatically in the second half. From the shortened work hours which had been instituted for up to 70% of employees in Vacuum Capacitors, the product area was able to return to a full regular schedule in the second half year. The slow period had also been used for process and structural improvements. This allowed Vacuum Capacitors to react nimbly to the rebound in demand, consistently ensuring its strong ability to deliver on schedule. In the second half of the year this part of the division thus more than doubled its sales compared with the first six months. In RF modules, despite a clear overall contraction in this industry, sales remained almost at the year-earlier level, translating into a significant market share win. In the generally shrinking broadcast market segment, the deepening of customer relationships in China also led to a substantial increase in market share.

### Outlook

The relocation of the generator activities from Hamburg to Switzerland has set the stage for the aggressive further development of the X-ray tube into an integrated X-ray source and thus for expanding the market share in X-ray generators. In the medium term, additional potential lies in the further development of the high voltage X-ray modules and the e-beam product line. In Vacuum Capacitors, the division expects a sustained recovery in the semiconductor market and, through its strategy of forward integration into RF modules, it will be able to grow significantly. Thanks to innovative products, major orders booked, lean processes and flexible structures, Vacuum Capacitors' revenue and earnings are poised to benefit disproportionately strongly from the anticipated upturn in the semiconductor and then in the solar market, both in revenue and earnings.

#### Net sales

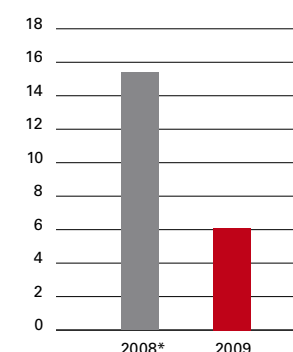
In CHF million



\* Pro forma

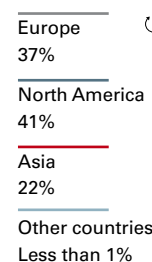
#### EBITDA

In CHF million

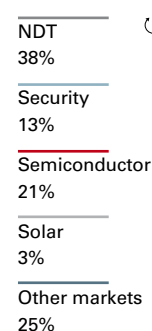


\* Pro forma

#### Sales by region in 2009



#### Sales by market in 2009



## Systems division

The worldwide economic and financial crisis left its mark on the year's results in the Systems division. Its sales of CHF 88.1 million represented a decrease of 34.3% on a pro-forma basis compared to the prior year.



A widespread investment freeze at customers, coupled with the unprecedented scenario where clients were at the same time slashing their spending on service and maintenance, led to a pronounced fall in Systems division revenue to CHF 88.1 million; this could not be made up for even by the order growth in the fourth quarter induced by the stimulus packages in Asia. In constant-currency terms, the division's sales declined by 32.4% on a pro-forma (PF) basis.

In response to the global economic crisis that was already looming at the end of 2008, the Systems division lowered its cost base and took the necessary restructuring measures. These included especially the move of the Feinfocus activities within Germany from Garbsen to Hamburg, which was completed at the end of October and promises future synergy gains in development, manufacturing and service. As well, responsibility for the X-ray generator product line passed from Systems to the Modules & Components division.

One-time restructuring costs of CHF 3.6 million associated with the closing of the Garbsen site, combined with the fixed costs associated with the end customer business and the intensified sale of demo systems toward the end of the year, all weighed on gross margin and thus on absolute earnings. At EBITDA level, X-Ray Systems thus recorded a loss of CHF 8.6 million, after the non-recurring special charges of CHF 3.6 million arising largely from the relocation of the Feinfocus operations from Garbsen to Hamburg (2008: EBITDA profit of CHF 6.9 million (PF)). The division posted an EBIT operating loss (including special charges) of CHF 12.9 million (2008: EBIT operating profit of CHF 1.5 million (PF)).

### Market segments

The poor economic situation worldwide was negative for customers' investment decisions in all market segments and thus weighed on the business performance of X-Ray Systems. This was particularly true of

standard systems, which were affected in the automotive and aerospace industries and in pipeline construction. The pipeline market segment had still performed well in 2008, but now sales in this area declined, too. There was also a contraction in sales with the electronics industry, although toward the end of the year the recovery trend here set in somewhat earlier than in the other segments and order volume rose significantly in the fourth quarter. Thanks to the launch of a new system for the inspection of printed circuit boards and electronics modules, the sales reduction was less strong in the Feinfocus product line.

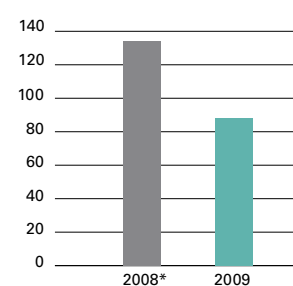
Positive exceptions to the general trend were specialized systems (where sales grew) and computed tomography systems (where sales held steady at the prior-year level).

### Outlook

The switch to filmless, digital X-ray in the aerospace segment was slightly delayed in 2009 by the investment halt. On the strength of innovative products, however, the Systems division will be in a very good starting position as soon as customers proceed with the relevant investment.

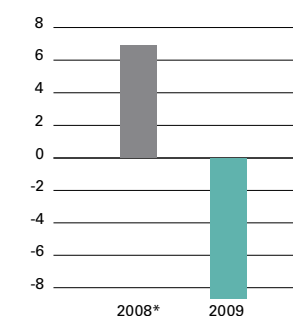
Further potential resides in the multi-industry technology of computed tomography (CT), which will grow more and more important in non-destructive testing and inspection, as components are becoming ever more complex and ever denser materials are used; as well, CT applications will also increasingly be used directly in manufacturing. With its highly promising CT methodologies, the Systems division is very well positioned in this sector and has the medium-term objective of significantly expanding its current market share of about 10%.

**Net sales**  
In CHF million



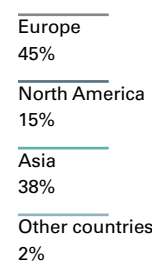
\* Pro forma

**EBITDA**  
In CHF million

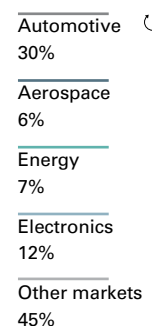


\* Pro forma

**Sales by region in 2009**



**Sales by market in 2009**



## COMET Group in Europe

The principal locations of the COMET Group are Flamatt – the Group's headquarters in Switzerland – and Hamburg in northern Germany. It is at these sites that most of the research and development is done and most of the products are built – in Flamatt for the Modules & Components division and in Hamburg for the Systems business.



Petra Kropp, Production & Procurement Industrial X-Ray, Flamatt, Switzerland

**1 Flamatt, Switzerland**  
COMET AG

**2 Hamburg, Germany**  
YXLON International GmbH

**3 Hattingen, Germany**  
YXLON International GmbH

**4 Taastrup, Denmark**  
YXLON International GmbH



In Europe the COMET Group has companies in four locations: Flamatt, Switzerland; Hamburg, Germany; Hattingen, Germany; and Copenhagen, Denmark. Located a few kilometers west of Berne, Flamatt is the registered office of COMET HOLDING AG and home to COMET AG with the Modules & Components division. Here the COMET-branded components and modules are developed, manufactured and marketed. Hamburg is the hub for the Systems business under the YXLON brand. All YXLON activities are directed from Hamburg. Both locations were strengthened further in 2009. In Switzerland, next to the X-ray tubes, cables, RF modules and vacuum capacitors, the Group now also develops, builds and markets the product line of X-ray generators. In northern Germany, the production and development of the Feinfocus product line was moved from Garbsen to Hamburg and integrated there. The COMET Group also has a direct presence in Taastrup near Copenhagen, Denmark, and in Hattingen, Germany: The facility in Denmark develops and builds mobile X-ray systems; that in Hattingen, computed-tomography systems for industrial applications.

#### **Well-developed distribution network and broad market coverage**

For European sales and service in the Systems business, the COMET Group relies mainly on a network of agents and distributors. Exceptions are the home market of Germany and adjoining countries, where X-Ray Systems uses its own sales and service team that deals directly with the end customers in non-destructive testing in the automotive and aerospace industries, the electronics sector, and the weld inspection segment of the energy industry. Within the module business, the Vacuum Capacitors product area

likewise delivers its sales and service activities with the assistance of distributors and agents, with most of whom the Group has been working for years or decades. The customers are active primarily in the semiconductor industry, the broadcasting sector and increasingly the solar industry. Key accounts in the semiconductor and solar markets are managed directly from Flamatt.

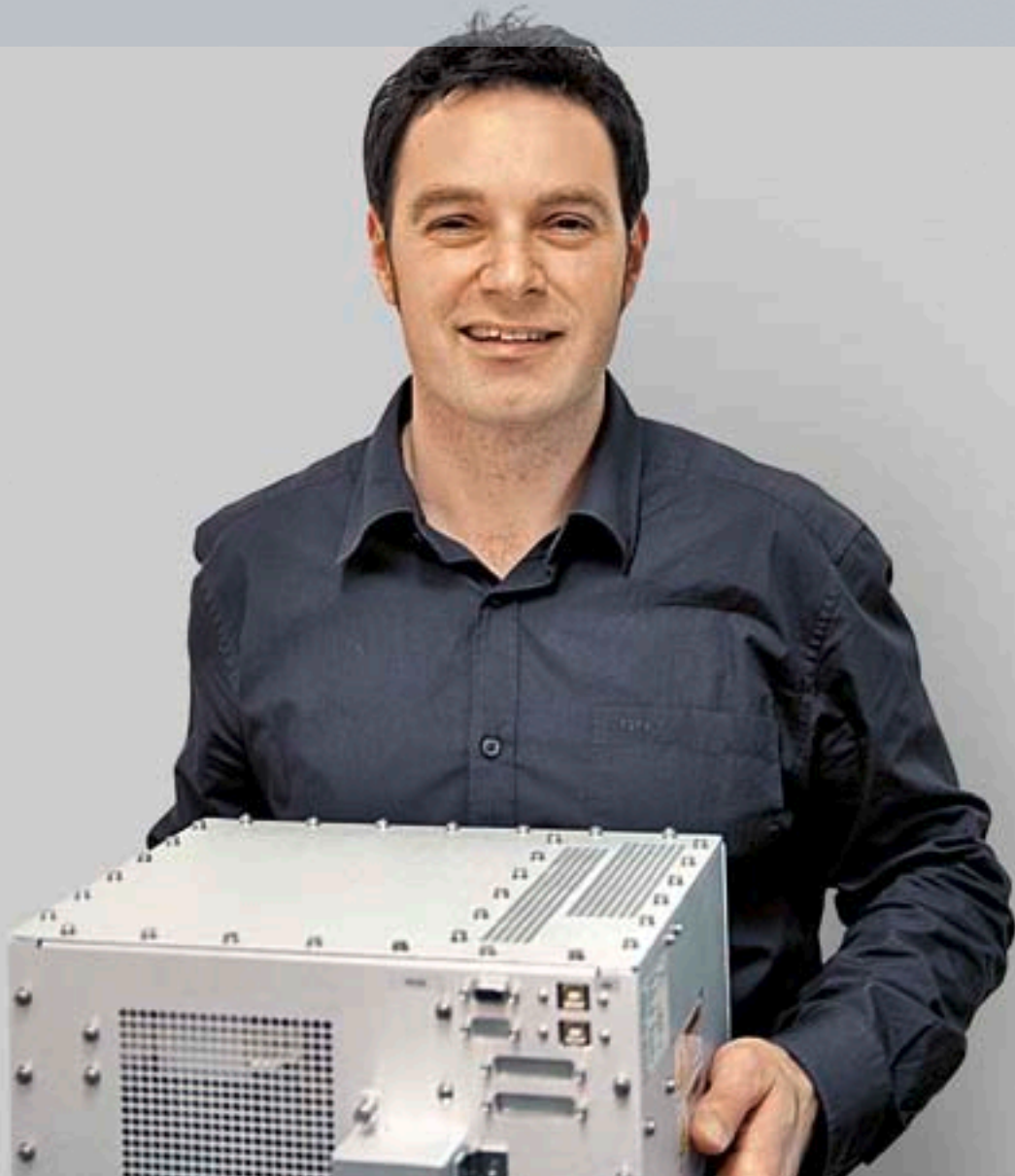
From the Flamatt headquarters, Industrial X-Ray as well directly looks after its European customers, which operate primarily in the market segments of non-destructive testing and examination (NDT), thickness measurement and security.

#### **Focus on research and development**

The COMET Group in Europe places a clear emphasis on research and development, thus cementing its status as a worldwide technology leader. In 2009, new vacuum capacitors were developed specifically for the solar market. In X-ray technology, the priorities center on achieving higher power and voltage combined with variable focal spot size. Based on these core competencies, COMET also develops new technologies – for example, the sophisticated e-beam technology that can be used to sterilize or otherwise treat surfaces in environmentally safer ways and at lower cost. X-Ray Systems is distinguished by its extensive software expertise and comprehensive knowledge of the applications for its technology. These competencies are harnessed to the development of systems that stand out not only for their reliability, but for superb image quality, rapid image capture and user-friendly operation. For instance, with its HDR imaging procedure (Highly Dynamic Radioscopy), YXLON has once again set a new worldwide benchmark for image quality.

## COMET Group in North America

The core activities of the three locations in North America – Akron, San Jose and Stamford – are sales, service and marketing, as well as the development of RF modules at the company's design and development center in San Jose.



Philipp Bosshard, Account Manager Vacuum Capacitors – RF Modules, San Jose, CA, USA

**1 Akron, OH, USA**  
**YXLON International Inc.**

**2 San Jose, CA, USA**  
**COMET North America Inc.**

**3 Stamford, CT, USA**  
**COMET North America Inc.**



The semiconductor, automotive and security sectors are the three most important and largest market segments of COMET North America. The geographic distribution of the Group's three sites in the United States reflects this particular clientele and a strong commitment to immediate customer service. COMET North America is managed from Akron, Ohio.

Within the Modules & Components division, the Vacuum Capacitors product area operates out of San Jose. That places it on its customers' doorstep, in the heart of the semiconductor industry in Silicon Valley, where the vacuum capacitors and RF modules are used in controlling plasma coating and etching processes. The nationwide activities of Industrial X-Ray, including the network of agents and distributors, are coordinated from Stamford. The key customers in the security market for X-ray tubes make, above all, scanners for checked baggage at airports, for cargo, and for mobile vehicle inspection.

The X-Ray Systems business, with the YXLON-branded products for non-destructive testing, is located in Akron, the center of the US tire industry. From there, the service team can provide optimal support to its customers in the automotive and aircraft industries. Since the acquisition of the YXLON group, the Akron team also services and markets the Feinfocus product line.

#### **Design and development center for RF modules**

The locations of the COMET Group in North America each boast a unique differentiating feature. In San Jose the Vacuum Capacitors product area installed a design and development center in 2006 that has successfully established itself in the market. There, in constant contact and close cooperation with customers, RF modules are developed

for the exact requirements of the individual partners. Most designs are conceived for the North American market, but increasingly the center also serves clients in Europe and Asia.

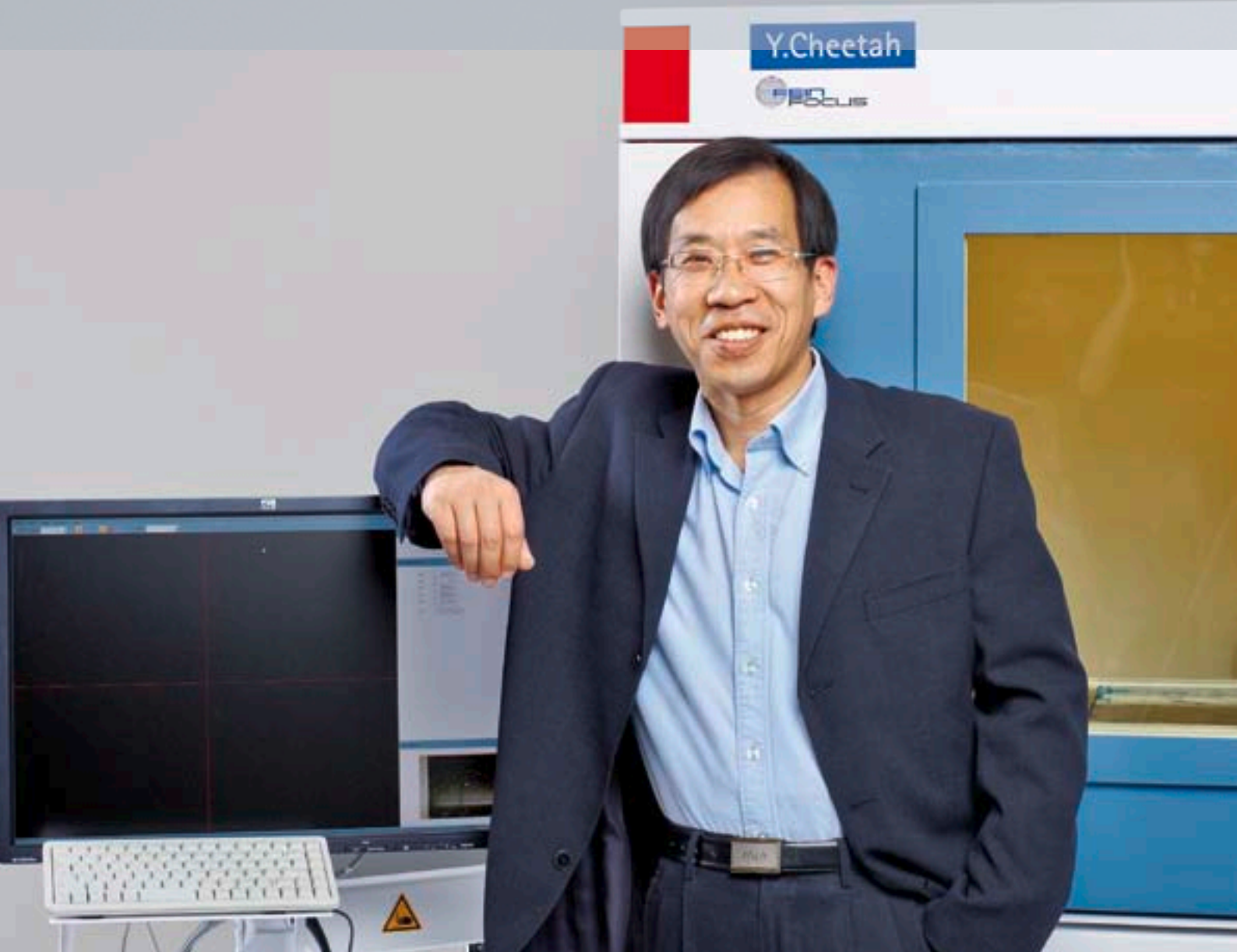
In Akron as in San Jose, application laboratories have been set up. These are used both for demonstration purposes and for testing individual products. In Stamford, Industrial X-Ray operates a repair and reload center for tubes and generators that, with its strong reputation and experience, provides an extraordinary breadth and depth of service support.

#### **Trend to digitalization and computed tomography (CT)**

Ever since the attacks of September 11, 2001, demand in the security industry for high-voltage tubes has been rising. The trend toward greater investment in security continues, requiring ever higher-performing X-ray tubes with even greater reliability under constant use. As a result of the growing installed base of X-ray tubes and modules in North America, the service business (parts and repair) is becoming progressively more important for Industrial X-Ray. With customized RF modules and specialized vacuum capacitors for the growing solar market (where they are used in thin-film deposition), Vacuum Capacitors is well-prepared for the demands of the future. The top themes for X-Ray Systems are, in aerospace, the trend toward replacing film with digital imaging in non-destructive examination, and, in many markets and industries, the expanding use of computed tomography in production lines. A key thrust pursued in the development of new markets and applications is the consistent improvement of software products for the fully automated inspection and measurement of industrial objects.

## COMET Group in Asia

In Asia, the COMET Group has a direct presence through its own companies in China and Japan, and its own production facility for RF modules in Shanghai. In China both divisions have their own locations, whereas in Japan only the Systems side has a subsidiary while the Modules & Components division works closely with a local distributor.



Michael Tang, Regional Sales Manager China, Feinfocus product line, YXLON Industrial X-ray, Shanghai, China

**1 Shanghai, China**

COMET Electronics (Shanghai) Co. Ltd.  
& COMET Mechanical Equipment (Shanghai) Co. Ltd.

**2 Beijing, China**

YXLON International X-Ray Limited

**3 Yokohama, Japan**

YXLON International KK

**4 Osaka, Japan**

YXLON International KK



At the end of the 1990s, the COMET Group acted on the growing importance of the Asian economic region. In 1999 the first modules and components of the Industrial X-Ray business were sold in Asia, later followed by vacuum capacitors. The market entry required intensive sales efforts. But with the high-quality, durable products, the after-sales service and a highly motivated and experienced team, COMET was able to win customers' confidence and break into this price-sensitive market.

**Two national markets, two systems**

In China's major manufacturing center of Shanghai, the Modules & Components division has sales and service teams for X-ray sources and vacuum capacitors, and also, since 2008, its own manufacturing plant for RF modules, thus benefiting from the closeness to customers and the favorable production environment.

The X-Ray Systems segment had entered the Chinese market while still under the management of the pre-acquisition YXLON group. The Systems arm too offered compelling products, fulfilled customer expectations of reliability and contributed to efficiency gains and quality improvements for customers. Today, the Systems division has two locations in China (Shanghai and Beijing), focusing on consulting, sales and service. Thanks to its proximity to customers, the division's trained service team is able to provide short response times, which is particularly appreciated by clients with automated inspection systems. With the integration of the Feinfocus activities into the Systems division, the Systems business has expanded to include micro-focus solutions for the electronics industry.

In Japan, the Systems business, under the YXLON brand, has two locations of its own, in Yokohama and Osaka, from

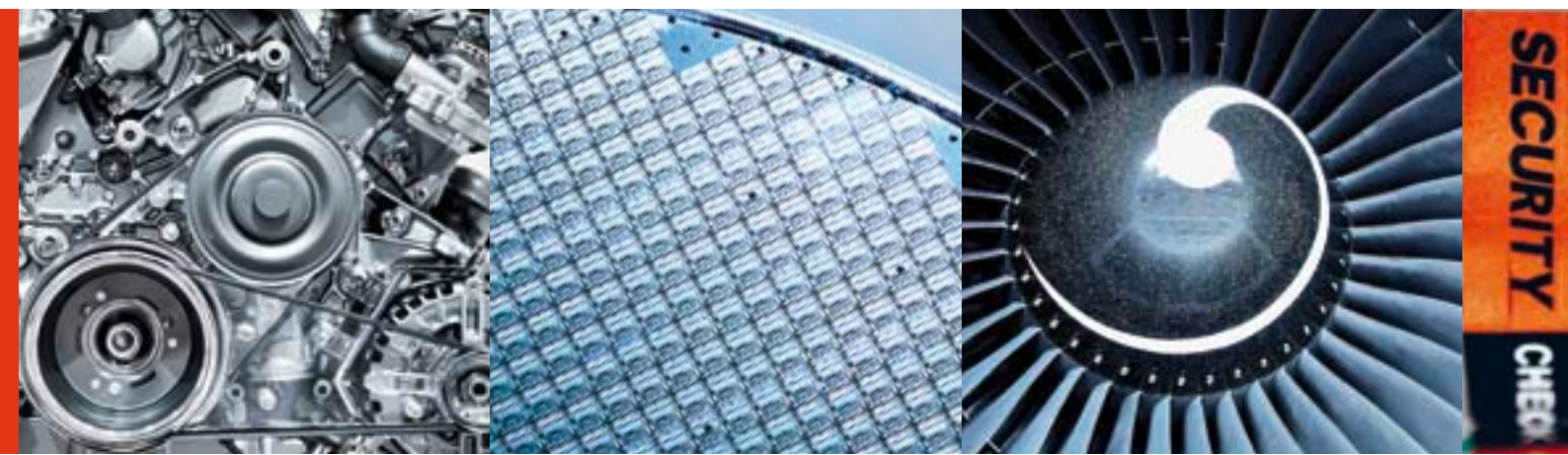
where it directly handles marketing, sales and service. For the products of the Modules & Components division, these functions are provided by a distributor. This partner, in close coordination with COMET, has been operating very successfully in Asia for decades.

**Different sales mixes**

In China in the X-Ray Systems segment, the customers for non-destructive testing are found largely in the automotive, electronics and aerospace industries. In Japan, the foremost applications are in the market segments of aviation, automotive supply, and government institutions such as museums. However, in Japan as well, amid the growing popularity of electric cars with novel light-weight bodies, new batteries and drive systems, new opportunities are arising in the automotive segment.

The products of Vacuum Capacitors are in demand both in China and in Korea and Japan, especially in the semiconductor, flat panel and solar segments. In China as one of the largest markets for shortwave transmitters, vacuum capacitors are also sold into the broadcast market segment. The Asian OEM customers of the Industrial X-Ray product area span the whole breadth of NDT applications, from the automotive industry to aerospace and defense, all the way to pipeline construction.

# Annual Report 2009



COMET HOLDING AG

# Financial Report 2009

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## COMET Group Consolidated Financial Statements

## Consolidated balance sheet

In thousands of CHF	Assets	Note	Dec. 31, 2009	%	Dec. 31, 2008	%
	Cash and cash equivalents	4	24,187		26,399	
	Trade and other receivables	5	39,509		43,336	
	Tax receivables		435		0	
	Inventories	6	35,521		43,219	
	Prepaid expenses		1,195		760	
	<b>Total current assets</b>		<b>100,847</b>	<b>43.9%</b>	<b>113,714</b>	<b>45.5%</b>
	Property, plant and equipment	7	59,324		62,940	
	Intangible assets	8	66,650		70,151	
	Non-current financial assets		0		26	
	Employee benefit plan assets	16	2,053		2,238	
	Deferred tax assets	10	729		863	
	<b>Total non-current assets</b>		<b>128,756</b>	<b>56.1%</b>	<b>136,218</b>	<b>54.5%</b>
	<b>Total assets</b>		<b>229,603</b>	<b>100.0%</b>	<b>249,932</b>	<b>100.0%</b>
	<b>Liabilities and shareholders' equity</b>					
	Current debt	11	23,333		18,220	
	Trade and other payables	12	21,066		17,541	
	Tax payables		923		1,987	
	Accrued expenses	13	6,719		9,785	
	Current provisions	14	2,585		2,238	
	<b>Total current liabilities</b>		<b>54,626</b>	<b>23.8%</b>	<b>49,771</b>	<b>19.9%</b>
	Long-term debt	11	55,426		61,412	
	Non-current provisions	14	784		0	
	Employee benefit plan liabilities	16	4,043		4,107	
	Deferred tax liabilities	10	2,352		7,916	
	<b>Total non-current liabilities</b>		<b>62,605</b>	<b>27.3%</b>	<b>73,435</b>	<b>29.4%</b>
	<b>Total liabilities</b>		<b>117,231</b>	<b>51.1%</b>	<b>123,206</b>	<b>49.3%</b>
	Capital stock	27	7,575		7,508	
	Additional paid-in capital		63,745		63,391	
	Retained earnings		50,536		65,519	
	Foreign currency translation differences		(9,484)		(9,692)	
	<b>Total shareholders' equity</b>		<b>112,372</b>	<b>48.9%</b>	<b>126,726</b>	<b>50.7%</b>
	<b>Total liabilities and shareholders' equity</b>		<b>229,603</b>	<b>100.0%</b>	<b>249,932</b>	<b>100.0%</b>

**Consolidated statement of income**In thousands  
of CHF

	Note	2009	%	2008	%
<b>Net sales</b>	17	<b>150,750</b>		<b>222,555</b>	
Cost of sales		(102,287)	(67.8%)	(140,015)	(62.9%)
<b>Gross profit</b>		<b>48,463</b>	<b>32.2%</b>	<b>82,540</b>	<b>37.1%</b>
Other operating income	18	3,138	2.1%	4,562	2.1%
Development expenses	20	(17,844)	(11.8%)	(24,127)	(10.8%)
Marketing and selling expenses		(17,867)	(11.9%)	(26,386)	(11.9%)
General and administrative expenses		(22,861)	(15.2%)	(25,558)	(11.5%)
<b>Operating (loss)/income before special charges</b>		<b>(6,971)</b>	<b>(4.6%)</b>	<b>11,031</b>	<b>5.0%</b>
Special charges	15	(7,021)	(4.7%)	0	0.0%
<b>Operating (loss)/income</b>		<b>(13,992)</b>	<b>(9.3%)</b>	<b>11,031</b>	<b>5.0%</b>
Financing expenses	21	(7,651)	(5.0%)	(14,615)	(6.6%)
Financing income	21	4,363	2.9%	10,417	4.7%
<b>(Loss)/income before tax</b>		<b>(17,280)</b>	<b>(11.4%)</b>	<b>6,833</b>	<b>3.1%</b>
Income tax	10	4,550	3.0%	1,439	0.6%
<b>Net (loss)/income</b>		<b>(12,730)</b>	<b>(8.4%)</b>	<b>8,272</b>	<b>3.7%</b>
Amortization		6,452	4.3%	6,220	2.8%
<b>EBITA</b>		<b>(7,540)</b>	<b>(5.0%)</b>	<b>17,251</b>	<b>7.8%</b>
Depreciation		7,108	4.7%	7,324	3.3%
<b>EBITDA</b>		<b>(432)</b>	<b>(0.3%)</b>	<b>24,575</b>	<b>11.0%</b>
<b>Net (loss)/income</b>		<b>(12,730)</b>	<b>(8.4%)</b>	<b>8,272</b>	<b>3.7%</b>
<b>(Loss)/earnings per share in CHF, diluted and basic</b>	22	<b>(16.86)</b>		<b>11.04</b>	

**Consolidated statement of comprehensive income**In thousands  
of CHF

	2009	2008	Change	%
<b>Net loss/(income)</b>	<b>(12,730)</b>	<b>8,272</b>	<b>(21,002)</b>	<b>n.a.</b>
<b>Other comprehensive income</b>				
Foreign currency translation differences	208	(8,713)	8,921	n.a.
<b>Total other comprehensive income/(loss)</b>	<b>208</b>	<b>(8,713)</b>	<b>8,921</b>	<b>n.a.</b>
<b>Total comprehensive loss</b>	<b>(12,522)</b>	<b>(441)</b>	<b>(12,081)</b>	<b>n.a.</b>

**Consolidated statement of cash flows**

In thousands of CHF	Note	2009	2008
Net (loss)/income		(12,730)	8,272
Income tax		(4,550)	(1,439)
Depreciation and amortization	7/8	13,560	13,544
Losses on disposal of non-current assets		261	58
Other non-cash income/expenses		723	(60)
Change in provisions	14	1,079	(250)
Change in other working capital		11,856	475
Taxes paid		(2,491)	(1,399)
<b>Net cash provided by operating activities</b>		<b>7,708</b>	<b>19,201</b>
Purchases of property, plant and equipment	7	(2,280)	(3,283)
Purchases of intangible assets	8	(2,906)	(1,998)
Disposals of property, plant and equipment	7	115	827
Disposals of non-current financial assets		0	108
<b>Net cash used in investing activities</b>		<b>(5,071)</b>	<b>(4,346)</b>
Assumption of new debt	11	5,906	980
Repayment of debt	11	(8,207)	(8,325)
Dividends paid		(2,252)	(2,240)
<b>Net cash used in financing activities</b>		<b>(4,553)</b>	<b>(9,585)</b>
Net (decrease)/increase in cash and cash equivalents		(1,916)	5,270
Foreign currency translation losses on cash and cash equivalents		(296)	(199)
Cash and cash equivalents at January 1		26,399	21,328
<b>Net cash and cash equivalents at December 31</b>	4	<b>24,187</b>	<b>26,399</b>
Included in net cash provided by operating activities:			
Interest received		65	454
Interest paid		3,204	3,460

**Consolidated statement of changes in equity**

In thousands of CHF	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total shareholders' equity
<b>December 31, 2007</b>	<b>7,467</b>	<b>63,001</b>	<b>59,487</b>	<b>(979)</b>	<b>128,976</b>
Net income			8,272		8,272
Other comprehensive income/(loss)				(8,713)	(8,713)
<b>Total comprehensive income</b>			<b>8,272</b>	<b>(8,713)</b>	<b>(441)</b>
Dividends paid			(2,240)		(2,240)
Share-based payments	42	390			431
<b>December 31, 2008</b>	<b>7,508</b>	<b>63,391</b>	<b>65,519</b>	<b>(9,692)</b>	<b>126,726</b>
Net loss			(12,730)		(12,730)
Other comprehensive income/(loss)				208	208
<b>Total comprehensive loss</b>			<b>(12,730)</b>	<b>208</b>	<b>(12,522)</b>
Dividends paid			(2,252)		(2,252)
Share-based payments	66	354			420
<b>December 31, 2009</b>	<b>7,575</b>	<b>63,745</b>	<b>50,536</b>	<b>(9,484)</b>	<b>112,372</b>

## Notes to the consolidated financial statements

### 1 Nature of COMET's business activities

The COMET Group is one of the world's leading manufacturers of systems and components for the non-destructive testing, security and semiconductor markets. Since acquiring the YXLON group in July 2007, COMET has been the global market leader in non-destructive testing and examination using X-ray technology. Based on the core competencies of vacuum technology, high voltage and material science and the core products of X-ray tubes and vacuum capacitors, COMET provides a complete and highly adaptable range of components, modules, systems and services as a one-stop supplier.

### 2 Significant accounting policies

The consolidated financial statements (except with respect to certain financial instruments) have been drawn up under the historical cost convention and on an accrual basis. The fiscal year-end of the subsidiaries is December 31. Assets and liabilities are recognized if they are likely to result in inflows or outflows, respectively, of future economic benefits and if they can be measured reliably. These consolidated financial statements for 2009 have been prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS). All IFRS in force at the balance sheet date and all interpretations (IFRIC) of the International Financial Reporting Interpretations Committee were applied. COMET did not early-adopt new standards and interpretations except as specifically stated below. The significant accounting policies applied are unchanged from the prior year.

#### Estimates

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

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

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

- In the year under review, the COMET Liebfeld foundation was dissolved and its net assets transferred to the regular employee benefit plans. The transferred assets, as in the prior year, are treated as a component of the defined benefit plan assets. The movement in the value of the corresponding employee benefit plan assets is closely dependent on the performance of the vehicles in which the plan is invested, and can thus be subject to significant fluctuation.

#### Revised and new accounting rules

The new or updated standards and interpretations that became effective in the year under review had no impact on the balance sheet and income statement in these financial statements:

- IFRS 7 – Financial Instruments: Disclosures: Improving Disclosures about Financial Instruments (Amendment), expands the disclosures regarding financial instruments. Financial instruments measured at fair value must now be classified into three levels of fair value measurement. The amendment also modifies the required disclosures concerning liquidity risks.
- IAS 1 Revised – Presentation of Financial Statements, newly requires a distinction between changes in equity that represent gains or losses (also referred to as “non-owner changes in equity”), and changes arising from transactions with shareholders. The non-owner changes in equity are accordingly presented in the new consolidated statement of comprehensive income, while changes in equity resulting from transactions with shareholders are disclosed in the traditional statement of changes in shareholders’ equity.
- IAS 23 Revised – Borrowing Costs, requires COMET to capitalize borrowing costs that are directly attributable to a qualifying asset. Thus far, these costs were directly recognized in interest expense. In the year under review, this did not have an effect on the consolidated financial statements.
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment), modifies IFRIC 14, an interpretation introduced in the prior fiscal year which redefined the amount to be capitalized (if any) for plans with prescribed minimum contributions. By the new definition, employer contribution reserves count as prepayments, which was not the case in the prior year. The changes in the interpretation have already been applied to the year under review (though application does not become mandatory until January 1, 2011), but had only an insignificant effect on these consolidated financial statements.

COMET has already applied IFRS 8, Operating Segments, since 2007 and had adjusted the disclosures accordingly. The other new or updated standards and interpretations that became effective in the year under review had no effect on these consolidated financial statements:

- IAS 32 – Financial Instruments: Presentation, and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)
- IFRS 1 – First-time Adoption of International Financial Reporting Standards, and IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment)
- IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations (Amendment)
- Improvements to IFRSs in 2008 (to the extent effective from 2009)
- IFRIC 9 and IAS 39 – Financial Instruments: Recognition and Measurement: Embedded Derivatives (Amendment)
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 – Transfers of Assets from Customers

**New accounting rules becoming effective in subsequent periods**

COMET plans to apply the following new standards and interpretations from their effective date:

- IFRS 3 Revised – Business Combinations (effective from 2010) contains a refinement of the purchase method for business combinations. Material changes relate to the measurement of minority interests, the recognition of company acquisitions that are achieved in stages, the treatment of contingent components of purchase price, and acquisition-related transaction costs.
- IAS 27 Revised – Consolidated and Separate Financial Statements (effective from 2010) contains changed rules on the purchase or sale of minority interests not resulting in a loss of control and on accounting in the case of a loss of control over a subsidiary.
- IFRS 9 – Financial Instruments (effective from 2013) introduces new requirements in accounting for financial instruments. Financial instruments will have to be measured either at fair value or at amortized cost using the effective interest method. The standard also addresses other subjects, such as the rules on electing to measure at fair value, reclassification, and investment in equity instruments.

In addition, the following new or changed standards and interpretations have been published. However, COMET does not expect these to have an impact on the financial statements:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards: Structural Amendment/ Additional Exemptions for First-time Adopters (effective from 2010)
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment (Amendment) (effective from 2010)
- IAS 24 Revised – Related Party Disclosures (effective from 2011) introduces, in particular, a more comprehensive definition of related parties.
- IAS 32 – Financial Instruments: Presentation: Classification of Rights Issues (Amendment) (effective from 2011)
- IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective from 2010)
- Improvements to IFRSs for 2008 and 2009 (to the extent effective from 2010)
- IFRIC 17 – Distributions of Non-cash Assets to Owners (effective from 2010)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective from 2011)

**Basis of consolidation**

The consolidated financial statements comprise the accounts of COMET HOLDING AG (based at Herrengasse 10, 3175 Flamatt, Switzerland) and of its subsidiaries. Subsidiaries are those companies controlled directly or indirectly by COMET HOLDING AG through a majority of votes or by other means. The companies consolidated in the Group are listed in the notes to the separate financial statements of COMET HOLDING AG (note 1, Investments in subsidiaries).

In the year under review there were no changes in investments in subsidiaries.

**Method of consolidation**

The consolidated financial statements represent the aggregation of the annual accounts of the individual Group companies, which are prepared using uniform accounting principles.

Those companies controlled by the COMET Group are fully consolidated. This means that these companies' assets, liabilities, equity, expenses and income are fully included in the consolidated financial statements.

Upon consolidation, intragroup balances and transactions as well as resulting unrealized gains are eliminated. Intercompany profits not yet realized through sales to external customers are eliminated on consolidation.

Interests in companies in which the Group holds between 20% and 50% of the voting power and over which it exerts significant influence, but which it does not control, are classified as investments in associates. These are consolidated by the equity method.

**Acquisitions and goodwill**

Companies are consolidated from the date on which effective control passes to the Group. Consolidation ends when effective control ceases. At the time of acquisition the identifiable assets, liabilities and contingent liabilities are remeasured to fair value and incorporated by the purchase method.

For acquisitions, intangible assets that arise from a contractual or legal right or are separable from the business entity and whose fair value can be measured reliably are reported separately as intangible assets. The residual amount constitutes goodwill, which is not amortized but is tested annually for impairment.

Using "push-down accounting", goodwill and other intangible assets are transferred to those companies expected to benefit from the acquisition and/or to generate future cash flows as a result.

When consolidated companies are sold, the difference between their sale price and their net assets, plus accumulated currency translation differences, is recognized as operating income in the consolidated statement of income.

**Foreign currency translation**

The functional currency of the Group companies is their respective national currency. Transactions in a currency other than the functional currency are translated at the exchange rate prevailing at the transaction date. Financial assets and liabilities are translated at the balance sheet date at the exchange rate as of that date; the resulting currency translation differences are reported in the income statement.

The consolidated financial statements are presented in Swiss francs. The financial statements of Group companies are translated at average exchange rates for the year (the "average rate" in the table below) in the case of the income statement and cash flow statement, and at the year-end rate (the "closing rate") in the case of the balance sheet. The resulting currency translation differences are recognized in the consolidated statement of comprehensive income. Currency translation differences from intragroup loans for long-term financing of Group companies are also recognized in the consolidated statement of comprehensive income inasmuch as repayment is neither planned nor is likely to occur in the foreseeable future.

The exchange rates that were used to translate the most important currencies are tabulated below:

Foreign currency translation			Closing rate		Average rate	
			Dec. 31, 2009	Dec. 31, 2008	2009	2008
USA	USD	1	1.034	1.064	1.087	1.084
Europe	EUR	1	1.483	1.480	1.510	1.587
China	CNY	1	0.151	0.156	0.159	0.156
Japan	JPY	100	1.110	1.174	1.163	1.052
Denmark	DKK	1	0.199	0.199	0.203	0.213

**Financial assets and liabilities**

Financial assets are initially measured at cost, including transaction costs, except in the case of financial assets categorized as at fair value through profit or loss, for which transaction costs are recorded directly in financing expenses. All purchases and sales are recognized at the transaction date.

Financial items are measured according to their categorization:

- Financial items at fair value through profit or loss: These include all derivatives, trading positions, and certain financial assets and liabilities designated as falling into this category. Financial items at fair value through profit or loss are recognized at fair value in the balance sheet. Changes in value are reported as financing income or expense in the reporting period during which they occurred.
- Available-for-sale financial assets: These assets are recognized at fair value in the balance sheet. Value changes are recognized in the consolidated statement of comprehensive income until the financial instrument is sold or its value is impaired. At that time the cumulative gain or loss recognized in comprehensive income is recognized in the income statement.
- Loans and receivables as well as held-to-maturity investments: These items are measured at amortized cost by the effective interest method.
- Other financial liabilities: With the exception of derivatives, most financial liabilities are measured at amortized cost.

In the case of derivatives used for cash flow hedges that meet the criteria of IAS 39, the remeasurement to fair value is recognized only in comprehensive income until the underlying transaction has taken place. Once the transaction occurs, the remeasurement effect is reallocated to the underlying transaction and recognized in profit or loss. Fair values are measured based on quoted market prices and/or, in the case of derivative financial instruments, on the basis of market prices determined by banks. In the fiscal year and the prior year, no hedge accounting under IAS 39 was applied to any hedging transactions.

Financial assets are recognized as soon as COMET acquires control of them, and derecognized when COMET ceases to have control because it has sold the rights or the rights have lapsed. Financial liabilities are derecognized when the obligation specified in the contract is discharged or cancelled or expires.

**Segment reporting**

Management monitors operating results separately for each division in order to be able to determine the appropriate allocation of resources. Segment disclosures are consistent with the data from internal management reporting and encompass all revenues and costs that can be directly allocated to a segment. The remaining costs and revenues are reported in the "Corporate" column.

The segments' assets include operating assets such as trade receivables, inventories, property, plant and equipment, goodwill and intangible assets (excluding cash and cash equivalents and non-current financial assets). Liabilities consist of operating liabilities such as trade payables and the directly attributable provisions reported to the chief operating decision-maker. Assets and liabilities that cannot be assigned to an operating segment are reported in the "Corporate" column.

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

- The Modules & Components segment develops and markets components and modules for industrial X-ray applications, and components and RF modules for a wide range of applications in vacuum capacitors and for manufacturing plants in the semiconductor industry.
- The X-Ray Systems segment is a global vendor of systems and services for non-destructive testing using X-ray technology and computed tomography.

Intersegment sales are recognized at prices that correspond to market prices. Intersegment sales are eliminated on consolidation.

Both sales and segment assets are also presented by geographic region.

**Cash and cash equivalents**

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

**Trade and other receivables**

Trade and other receivables are reported at their face value less any necessary write-downs. The write-downs are based on uniform rules. On specific doubtful arrears, impairment charges are provided individually. On the rest of the receivables, a collective provision for impairment is established in an amount corresponding to the expected risk of default.

**Inventories**

Inventories are recorded at the lower of cost and net realizable value. Net realizable value represents the estimated normal sale price less the costs of completion, marketing, selling and distribution. Raw materials and purchased products are measured by the weighted-average method; internally produced goods are measured at target costs. Proportionate shares of production overheads are included in inventories. Slow-moving items are written down and difficult-to-sell items are written off entirely.

**Revenue recognition**

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

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

Interest income is recognized on a time-proportion basis by the effective interest method unless the claim to the interest is in doubt. Dividend income is recognized when the right to receive payment comes into being.

**Manufacturing contracts**

Certain customer-specific manufacturing orders for systems are accounted for by the percentage of completion method. The degree of completion is determined on the basis of the stage of completion of the individual contract and manufacturing contracts are recognized if their outcome can be estimated reliably. Specifically, the stage of contract completion is determined as the proportion of costs incurred for work already performed to the estimated total contract costs. The receivable and revenue are recognized in proportion to the percentage of completion thus determined, with identifiable losses expensed immediately and the receivables capitalized net of prepayments received.

**Assets held for sale and associated liabilities**

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

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

**Property, plant and equipment**

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

Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Land values are not depreciated. Impairment charges are recognized as depreciation but presented separately.

Maintenance costs are recognized as assets only if the maintenance extends the expected life of the asset or increases production capacity. The cost of maintenance and repair that does not increase asset values is charged directly to income.

The following estimated useful lives are applied in determining depreciation:

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

**Non-current financial assets**

Marketable non-current securities are readily realizable securities. These are designated as at fair value through profit or loss and measured at quoted market prices, with changes in fair value recognized in the income statement.

**Intangible assets**

The main intangible assets are goodwill, maintenance agreements, licenses, patents, designs, rights to trademarks and names, and software.

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

Development costs are capitalized if the IAS 38 criteria for doing so are satisfied. Given the uncertainty associated with the technical feasibility and economic benefits of the current development projects, COMET believes that the criteria for capitalizing development costs are currently not met. For this reason all development costs are treated as operating expenses.

The following estimated useful lives are applied in determining amortization:

Unfilled orders	Up to 1 year
Customer lists	15 years
Technology	5 years
Maintenance contracts	10 years
Computer software	3–5 years

### Provisions

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

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

### Employee benefits

The COMET Group maintains various employee benefit plans that differ according to the local circumstances of the individual Group companies. The benefit plans are financed by contributions to government pension plans and to separate legal entities (foundations, insurance companies) or by accumulation of reserves in the balance sheet of the Company itself.

In the case of defined-contribution plans or equivalent arrangements, the expenses accrued in the reporting period represent the agreed contributions of the respective Group company.

The COMET Group's staff in Switzerland is covered by two different employee benefit plans managed by insurance companies. Both of these plans (a general one and a plan for management) are funded plans. These plans are separate legal entities and are financed from employer and employee contributions. For these defined-benefit plans, the costs are calculated by independent experts in actuarial valuations, using the projected unit credit method. The calculations are updated annually. The liability recognized in the balance sheet consists of the present value of the defined-benefit obligation as determined by the actuary, less the following three items: the fair value of plan assets, unrecognized actuarial losses, and unrecognized past service costs. A resulting net obligation is always recognized as a liability. Any resulting net surplus (an asset) is recognized only to the extent of the potential economic benefit that the Company may realize from this asset in the future, taking into consideration IFRIC 14. The expense charged to income is the actuarially determined cost less employee contributions. Actuarial gains and losses arise from experience adjustments (the differential between previous actuarial assumptions and observed outcomes) and from changes in actuarial assumptions. Accumulated actuarial gains or losses of a given plan are recognized only inasmuch as they exceed the so-called "corridor" (10% of the greater of the present value of the defined-benefit obligation or the fair value of the plan's assets). Any actuarial gain or loss exceeding the 10% limit is amortized over the average of the remaining working lives of the participating employees.

The German subsidiary has unfunded plans that also satisfy the criteria of a defined-benefit plan. The same measurement rules apply to these plans as to funded plans, with the exception that the obligations are not covered by separately disclosed assets in the balance sheet.

All plans at the other Group companies outside Switzerland are defined-contribution plans.

**Share-based payment**

The COMET Group operates a performance-based stock compensation plan for the Board of Directors and employees. Under this plan, instead of variable-compensation payments in cash, staff may elect to draw all or part of their bonus in the form of stock of COMET HOLDING AG at a reduced price. IFRS 2 Share-based Payment requires recognition of this and similar compensation at the fair value of the quantity of stock involved. COMET therefore recognizes such equity-based compensation as an additional expense at the stock price quoted on the grant date.

**Length-of-service awards**

COMET grants length-of-service awards to employees in Switzerland and Germany after ten years of service and every five years thereafter, in the form of lump-sum payments that increase with the number of years of service. COMET calculates the resulting obligation by the projected unit credit method. The obligation is recalculated periodically and any actuarial gains from the remeasurement are immediately taken to income.

**Deferred taxes**

Deferred taxes are accounted for by the liability method. Under this approach, the income tax effects of temporary differences between the financial statements and the corresponding tax bases used in the calculation of taxable income are recorded as non-current liabilities or as other non-current assets. Deferred taxes are calculated at actual or expected local tax rates. Changes in deferred taxes are included in income tax expense.

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

Deferred tax assets, including tax loss carryforwards and expected tax credits, are recognized only if it is likely that future profits will be available to which these deferred tax assets can be applied.

**Dividends**

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

**Leases**

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

Unrealized income from sale-and-leaseback transactions that represent finance leases is deferred and realized over the term of the lease.

Payments under operating leases are recorded as operating expenditure and recognized on a straight-line basis in profit or loss over the periods to which they relate.

**Impairment of non-current assets**

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

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

**3 Acquisitions**

No acquisitions occurred in the year under review or the prior year.

**4 Cash and cash equivalents**

In thousands of CHF	2009	2008
CHF demand deposits at banks	9,342	10,538
USD demand deposits at banks	6,041	7,051
EUR demand deposits at banks	3,266	5,472
DKK demand deposits at banks	886	715
CNY demand deposits at banks	3,027	966
JPY demand deposits at banks	929	691
Demand deposits at banks in other currencies	679	949
<b>Total demand deposits at banks</b>	<b>24,170</b>	<b>26,382</b>
Cash in hand	17	17
<b>Total cash and cash equivalents</b>	<b>24,187</b>	<b>26,399</b>

## 5 Trade and other receivables

In thousands of CHF	2009	2008
CHF trade receivables	2,805	3,461
USD trade receivables	9,962	10,492
EUR trade receivables	20,583	23,396
DKK trade receivables	27	74
CNY trade receivables	247	172
JPY trade receivables	1,736	3,338
GBP trade receivables	183	132
<b>Trade receivables, gross</b>	<b>35,543</b>	<b>41,065</b>
Provision for doubtful accounts	(747)	(1,394)
<b>Trade receivables, net</b>	<b>34,796</b>	<b>39,671</b>
Refundable sales taxes and value-added taxes	1,932	1,281
Prepayments to suppliers	44	111
Other receivables	2,701	1,928
<b>Total trade and other receivables, excluding derivatives</b>	<b>39,473</b>	<b>42,991</b>
Derivative financial instruments	36	345
<b>Total trade and other receivables</b>	<b>39,509</b>	<b>43,336</b>

Trade receivables include the net assets from manufacturing contracts in progress. These were as follows:

In thousands of CHF	2009	2008
Project costs incurred and profits recognized, net	4,729	0
Advances received on manufacturing orders in progress	(1,196)	0
<b>Net assets from manufacturing orders in progress</b>	<b>3,533</b>	<b>0</b>

In all manufacturing contract work in progress, the stage of completion exceeded the extent to which the project payments were received. Further, there are no retentions, i.e. no receivables retained by customers that are paid only upon certain conditions being met.

The provision for doubtful accounts showed the following movement in the year under review:

In thousands of CHF	2009	2008
<b>January 1</b>	<b>1,394</b>	<b>1,230</b>
Used	(123)	(173)
Added	448	1,186
Released	(977)	(720)
Foreign currency translation differences	5	(129)
<b>December 31</b>	<b>747</b>	<b>1,394</b>

COMET provides for doubtful accounts by individually recognizing impairment of receivables as required, and by collectively assessing impairment of about 2% on a portfolio basis. The determination of portfolio impairment is based on prior experience.

At the balance sheet date, impairment was individually recognized and provided on CHF 171 thousand (prior year: CHF 661 thousand) of trade receivables.

**Summary of trade receivables past due**

The aging schedule for past-due trade receivables for which impairment has been partly provided is summarized in the table below (net amounts).

In thousands of CHF	2009	2008
<b>Total trade receivables</b>	<b>34,796</b>	<b>39,671</b>
Not past due, no impairment provided	29,262	29,213
Total past due, with impairment partly provided (net)	5,534	10,458
Past due and impairment partly provided (net)		
1–30 days	2,798	6,899
30–60 days	1,075	1,362
Over 60 days	1,661	2,197

In other receivables there were no amounts past due and no impaired receivables.

The Group does not hold security against trade and other receivables.

**6 Inventories**

In thousands of CHF	2009	2008
Raw materials and semi-finished products	20,543	11,449
Work in process	7,734	11,213
Finished goods	7,233	20,266
Merchandise	11	291
<b>Total inventories</b>	<b>35,521</b>	<b>43,219</b>

The inventory amounts reflect specific write-downs for items with a market value lower than manufacturing cost or for slow-moving items. Write-downs were in line with the levels of the previous years.

## 7 Property, plant and equipment

## Fiscal year 2009

In thousands of CHF		Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
	<b>Cost</b>				
	<b>December 31, 2008</b>	<b>49,786</b>	<b>49,007</b>	<b>5,473</b>	<b>104,267</b>
	Additions	234	1,695	1,892	3,821
	Disposals	0	(1,352)	(819)	(2,171)
	Foreign currency translation differences	0	(30)	(92)	(122)
	<b>December 31, 2009</b>	<b>50,020</b>	<b>49,320</b>	<b>6,454</b>	<b>105,795</b>
	<b>Accumulated depreciation</b>				
	<b>December 31, 2008</b>	<b>10,109</b>	<b>27,798</b>	<b>3,419</b>	<b>41,327</b>
	Additions	1,630	4,238	679	6,547
	Impairment charges <sup>1</sup>	0	553	8	561
	Disposals	0	(1,183)	(732)	(1,915)
	Foreign currency translation differences	0	(29)	(20)	(49)
	<b>December 31, 2009</b>	<b>11,739</b>	<b>31,377</b>	<b>3,354</b>	<b>46,471</b>
	<b>Carrying amount</b>				
	December 31, 2008	39,677	21,209	2,054	62,940
	<b>December 31, 2009</b>	<b>38,281</b>	<b>17,943</b>	<b>3,100</b>	<b>59,324</b>

<sup>1</sup> Of the impairment charges, CHF 444 thousand related to plant and equipment of the Modules & Components division that was no longer usable after the discontinuation of the minitube activities and which was therefore entirely written off and derecognized. The rest of the impairment related largely to decommissioned plant and equipment of the Systems division's Garbsen activities that was no longer in use after the integration in Hamburg. All impairment charges are included in the item "special charges".

## Fiscal year 2008

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Total property, plant and equipment
<b>Cost</b>				
<b>December 31, 2007</b>	<b>49,786</b>	<b>47,906</b>	<b>4,966</b>	<b>102,658</b>
Additions	0	2,544	738	3,283
Disposals	0	(1,452)	(173)	(1,625)
Foreign currency translation differences	0	8	(57)	(49)
<b>December 31, 2008</b>	<b>49,786</b>	<b>49,007</b>	<b>5,473</b>	<b>104,267</b>
<b>Accumulated depreciation</b>				
<b>December 31, 2007</b>	<b>8,479</b>	<b>23,698</b>	<b>2,291</b>	<b>34,468</b>
Additions	1,630	4,566	1,128	7,324
Disposals	0	(775)	(93)	(868)
Foreign currency translation differences	0	309	93	402
<b>December 31, 2007</b>	<b>10,109</b>	<b>27,798</b>	<b>3,419</b>	<b>41,327</b>
<b>Carrying amount</b>				
December 31, 2007	41,307	24,208	2,675	68,190
<b>December 31, 2008</b>	<b>39,677</b>	<b>21,209</b>	<b>2,054</b>	<b>62,940</b>

The additions of other tangible assets in 2009 include finance leases of CHF 1,541 thousand (prior year: CHF 0). The carrying amount of leased assets (under finance leases) within property, plant and equipment was CHF 1,769 thousand (prior year: CHF 483 thousand).

Plant and equipment also includes plant under construction, carried at CHF 76 thousand at the end of the fiscal year (prior year: CHF 390 thousand).

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

In thousands of CHF	2009	2008
Carrying amount of real estate	38,281	39,677
Total principal amount of real estate liens (mortgage notes)	30,000	30,000
Of which held by the Group	0	0
<b>Total deposited as security for Group obligations</b>	<b>30,000</b>	<b>30,000</b>
Mortgage loan amounts drawn	30,000	30,000

## 8 Intangible assets

## Fiscal year 2009

In thousands of CHF	Fiscal year 2009					
	Goodwill	Rights to trademarks and names	Software	Patents	Intangible assets from acquisition	Total intangible assets
<b>Cost</b>						
<b>December 31, 2008</b>	<b>32,080</b>	<b>2,960</b>	<b>6,914</b>	<b>1,419</b>	<b>41,589</b>	<b>84,963</b>
Additions	0	0	2,906	0	0	2,906
Disposals	0	0	(1,164)	(1,373)	(552)	(3,089)
Foreign currency translation differences	191	6	6	3	(166)	40
<b>December 31, 2009</b>	<b>32,271</b>	<b>2,966</b>	<b>8,661</b>	<b>49</b>	<b>40,872</b>	<b>84,819</b>
<b>Accumulated amortization</b>						
<b>December 31, 2008</b>	<b>0</b>	<b>0</b>	<b>4,176</b>	<b>542</b>	<b>10,093</b>	<b>14,812</b>
Additions	0	0	1,415	40	4,310	5,765
Impairment charges <sup>1</sup>	0	0	9	678	0	687
Disposals	0	0	(1,164)	(1,253)	(552)	(2,969)
Foreign currency translation differences	0	0	4	2	(131)	(125)
<b>December 31, 2009</b>	<b>0</b>	<b>0</b>	<b>4,440</b>	<b>9</b>	<b>13,720</b>	<b>18,169</b>
<b>Carrying amount</b>						
December 31, 2008	32,080	2,960	2,738	877	31,496	70,151
<b>December 31, 2009</b>	<b>32,271</b>	<b>2,966</b>	<b>4,221</b>	<b>40</b>	<b>27,151</b>	<b>66,650</b>

<sup>1</sup> The impairment charges were in relation to patent rights of the Modules & Components division that are no longer in use after the discontinuation of the minitube activities. As efforts to assign the rights to third parties were unsuccessful, the patent was entirely written off and derecognized. All impairment charges are included in the item "special charges".

## Fiscal year 2008

In thousands of CHF	Fiscal year 2008					
	Goodwill	Rights to trademarks and names	Software	Assets from patents	Intangible assets from acquisition	Total intangible assets
<b>Cost</b>						
<b>December 31, 2007</b>	<b>35,917</b>	<b>3,314</b>	<b>5,592</b>	<b>1,384</b>	<b>45,550</b>	<b>91,758</b>
Additions	0	0	1,943	55	0	1,998
Disposals	0	0	(531)	0	0	(531)
Foreign currency translation differences	(3,837)	(354)	(90)	(20)	(3,961)	(8,262)
<b>December 31, 2008</b>	<b>32,080</b>	<b>2,960</b>	<b>6,914</b>	<b>1,419</b>	<b>41,589</b>	<b>84,963</b>
<b>Accumulated amortization</b>						
<b>December 31, 2007</b>	<b>0</b>	<b>0</b>	<b>3,223</b>	<b>393</b>	<b>6,521</b>	<b>10,137</b>
Additions	0	0	1,543	243	4,434	6,220
Disposals	0	0	(519)	0	0	(519)
Foreign currency translation differences	0	0	(70)	(94)	(862)	(1,026)
<b>December 31, 2008</b>	<b>0</b>	<b>0</b>	<b>4,176</b>	<b>542</b>	<b>10,093</b>	<b>14,812</b>
<b>Carrying amount</b>						
December 31, 2007	35,917	3,314	2,369	991	39,029	81,620
<b>December 31, 2008</b>	<b>32,080</b>	<b>2,960</b>	<b>2,738</b>	<b>877</b>	<b>31,496</b>	<b>70,151</b>

Applying a long-term dual-brand strategy, the YXLON name as an established brand is used alongside the COMET brand. COMET therefore deems the capitalized YXLON brand to have an indefinite useful life. In view of the negative market trend and the required high development costs, it was decided to discontinue the activities in the minitubes product area (see note 15). In connection with this market exit, impairment in the amount of CHF 678 thousand was recorded on the patent held and the patent asset was derecognized.

In the year under review, the item "software" did not contain projects in process but not yet completed (prior year: CHF 1,590 thousand). In 2008 a project was launched with the goal of implementing a Group-wide SAP system. Since the middle of 2009, the SAP system was used operationally in the European subsidiaries. The capital investment made for this purpose will be amortized over a period of five years from the time when operational use began.

Intangible assets from acquisition consist of those intangibles which were recognized in the balance sheet in 2004 in connection with the acquisition of the Feinfocus activities, and the intangible assets recognized on acquisition of the YXLON Group in 2007. Carrying amounts represent customer lists at CHF 21.4 million (prior year: CHF 22.6 million), technology at CHF 5.2 million (prior year: CHF 8.3 million) and maintenance contracts at CHF 0.5 million (prior year: CHF 0.6 million). The goodwill recognized and the rights to trademarks and names also arose from these acquisitions.

Amortization is recognized in the consolidated statement of income in the items cost of sales, development expenses, marketing and selling expenses and general and administrative expenses

#### 9 Impairment test of goodwill and intangible assets with indefinite useful lives

The impairment test for goodwill and other intangible assets with indefinite useful lives was performed as at September 30, 2009. For the purpose of the impairment test, the goodwill and the other intangible assets with indefinite useful lives were allocated to the following two cash generating units:

- The Systems division as the relevant cash generating unit for all activities of the acquired YXLON group, and for the Feinfocus product group with the exception of the generator business
- The Industrial X-Ray product area for the generator business. The generator activities were transferred in the year under review from YXLON International GmbH in Hamburg to COMET AG in Flamatt, thus allowing all component production activities to be centralized at COMET AG. Correspondingly, in addition to goodwill, other intangible assets (technology, customer lists) are also proportionately transferred to COMET AG according to a value-based allocation key.

The impairment test is based on the value in use method. The recoverable amount was determined from the present value of the future cash flows (DCF valuation). The calculations were performed on the basis of the Board-approved 2010 budget and of forecasts for the period from 2011 to 2014. Using estimates derived from past experience, the forecasting is based on growth projections for net sales and other parameters, and on operating income, taking into consideration the estimated market trends in the various regions. Cash flows beyond the forecast period are extrapolated using a growth rate of 1.5%.

The assumptions used in determining the value in use correspond to the expected long-term average growth rate of the Systems division's operating business and of Industrial X-Ray's generator business. Input variables with a critical effect on the outcome of the impairment test are the assumed rates of sales growth and the projected trend in operating income.

The value of the perpetual annuity at the end of the planning period (the terminal value) is discounted to the valuation date.

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

In thousands of CHF	Cash generating unit	Systems division		Industrial X-Ray		Total	
		2009	2008	2009	2008	2009	2008
	Goodwill	25,398	32,080	6,873	n.a.	32,271	32,080
	Intangible assets with indefinite useful lives	2,966	2,960	0	n.a.	2,966	2,960
	<b>Total carrying amount</b>	<b>28,364</b>	<b>35,040</b>	<b>6,873</b>	<b>n.a.</b>	<b>35,237</b>	<b>35,040</b>

**Assumptions used in the valuation model**

Cash generating unit	Systems division		Industrial X-Ray	
	2009	2008	2009	2008
Discount rate (WACC) before tax in %	12.8%	13.0%	13.6%	n.a.
Growth rate of terminal value in %	1.5%	1.5%	1.5%	n.a.
Inflation rate in %	1.0%	1.0%	1.0%	n.a.

As described above, in an organizational reassignment with retroactive effect from January 1, 2009, the generator business was transferred to the Modules & Components division (from the Systems division). The prior-year data were not restated.

**Industrial X-Ray CGU**

The discount rate (WACC) before tax is 13.6%. The cash flows from the year 2014 onward are extrapolated at a growth rate of 1.5%, which represents the average expected rate of inflation. The long-term average growth in this industry is estimated at 3% to 4%.

The recoverable amount determined by the DCF method exceeds the carrying amount of the net assets involved by CHF 69.0 million or 220%. In view of the calculated value of the business, no impairment charge is required.

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

**Systems division CGU**

The discount rate (WACC) before tax is 12.8% (prior year: 13.0%). The cash flows from the year 2014 onward are extrapolated at a growth rate of 1.5%, which represents the mean expected rate of inflation. The long-term average growth in this industry is estimated at 3% to 4%.

The recoverable amount determined by the DCF method exceeds the carrying amount of the net assets involved by CHF 11.8 million or 15%. In view of the calculated value of the business, no impairment charge is required.

**Sensitivities to the assumptions made in the valuation model**

The measurement of value in use of the Systems division CGU is highly sensitive to the following assumptions in the planning period (2010 to 2014)

- Growth assumptions: Sales revenue is projected by product group and region. Given the low base in 2009, the average annual rate of sales growth is assumed to be 13.5%.
- Gross margins: It is expected that gross margins will average approximately 35% in the medium term on recovering sales. Target achievement depends in part on the trend in materials purchasing prices.
- Exchange rates: The movement in exchange rates between the euro and US dollar versus the Swiss franc has an effect on company value. The forecasts are based on exchange rates prevailing at the time of forecast preparation.

- Discount rate (WACC): The capital costs were determined based on borrowing costs (before tax) as well as the long-term risk-free rate, a small-cap premium, and a market risk premium weighted by a COMET-specific beta factor.

In the event of a material change in the input values compared with the above forecast scenario such as (i) a sustained decline of 10% in sales or (ii) a sustained gross margin that is 1.2% lower, the value in use equals the reported net assets. COMET believes that in the event of such a deterioration in the situation, it would have the ability to make further adjustments to the cost structure and an impairment would occur only if there were a simultaneous deterioration in several input data. An impairment would also occur if, at constant other input values, the discount rate before tax were to increase to 14.2%.

## 10 Income tax

### 10.1 Current and deferred income tax expense

In thousands of CHF	2009	2008
Current income tax expense	1,004	2,078
Deferred income tax expense	(5,554)	(3,517)
<b>Total income tax expense</b>	<b>(4,550)</b>	<b>(1,439)</b>

### 10.2 Reconciliation of tax expense

In thousands of CHF	2009	2008
(Loss)/income before tax	(17,280)	6,832
Expected income tax at base tax rate of 28% (prior year: 28%)	(4,838)	1,913
Effect of tax rates other than base tax rate	(926)	302
Effect of non-tax-deductible expenses	169	(75)
Effect of change in tax rate on deferred income tax	(49)	(291)
Effect of non-recognition of tax loss carryforwards	1,772	1,041
Effect of recognition/use of previously unrecognized tax loss carryforwards	(34)	(3,226)
Effect of tax exemption by canton of Fribourg	3	(1,096)
Effect of income tax from other periods	12	307
Other effects	(659)	(314)
<b>Income tax reported in the income statement</b>	<b>(4,550)</b>	<b>(1,439)</b>
Effective income tax rate in percent of (loss)/income before tax	26.3%	(21.1%)

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

**10.3 Deferred tax assets and liabilities**

In thousands of CHF	2009	2008
<b>Deferred taxes resulting from temporary differences</b>		
Current assets	486	151
Non-current assets	7,643	9,642
Tax loss carryforwards	(6,675)	(2,340)
Provisions	169	(400)
<b>Total carrying amount</b>	<b>1,623</b>	<b>7,053</b>

In thousands of CHF	2009	2008
Amounts recognized in the balance sheet		
Deferred tax assets	729	863
Deferred tax liabilities	2,352	7,916

Deferred tax liabilities and assets were determined at the local tax rates, ranging from 7.8% to 40%. No deferred tax liabilities were established for temporary differences on the value of the investments in Group companies. Distributions of retained earnings by subsidiaries are not expected to have an effect on income taxes. The payment of dividends by COMET HOLDING AG to its shareholders has no effect on the reported or future income taxes

**10.4 Movement in deferred tax assets and liabilities**

In thousands of CHF	2009	2008
<b>January 1</b>	<b>7,053</b>	<b>11,233</b>
Origination and reversal of temporary differences	(1,674)	(3,517)
Recognition of deferred tax assets on loss carryforwards <sup>1</sup>	(3,880)	0
Foreign currency translation differences	124	(663)
<b>December 31</b>	<b>1,623</b>	<b>7,053</b>

<sup>1</sup> The deferred tax assets were recognized up to the amount of the deferred tax liabilities and were offset against them in the accounts.

**10.5 Unrecognized tax assets**

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

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

In thousands of CHF	2009	2008
Within one year	0	0
In two to five years	0	0
In more than five years	9,154	2,921
<b>Total losses carried forward without recognition as tax assets</b>	<b>9,154</b>	<b>2,921</b>

**11 Current and long-term debt****11.1 Current debt**

In thousands of CHF	2009	2008
Bank overdrafts	13,158	8,287
Current obligations under finance leases	425	183
Current portion of long-term debt	9,750	9,750
<b>Total current debt</b>	<b>23,333</b>	<b>18,220</b>

At the end of the 2009 fiscal year the COMET Group had undrawn credit facilities of CHF 7.9 million (prior year: CHF 15.6 million).

**11.2 Long-term debt**

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

In the year under review, all interest and principal payments were made as contractually agreed. The financial covenants with banks were adhered to as of December 31, 2009.

In thousands of CHF	2009	2008
Repayment due in two to five years	38,997	39,173
Repayment due in more than five years	17,110	22,324
<b>Subtotal</b>	<b>56,107</b>	<b>61,497</b>
Future amortization of costs	(681)	(85)
<b>Total long-term debt</b>	<b>55,426</b>	<b>61,412</b>

All loans were fixed-rate advances denominated in Swiss francs and carried interest rates of between 3.10% and 4.55%. The average effective interest rate for the acquisition loan was 4.72%.

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

**11.3 Finance lease obligations**

Debt included finance lease obligations with the following maturity schedule:

In thousands of CHF	2009	2008
Payable within one year	425	183
Payable in two to five years	1,078	324
Payable in more than five years	860	0
<b>Total payables</b>	<b>2,363</b>	<b>507</b>
Less interest component	(583)	(21)
<b>Total debt under finance leases</b>	<b>1,780</b>	<b>486</b>

**12 Trade and other payables**

In thousands of CHF	2009	2008
CHF trade payables	3,966	4,055
USD trade payables	1,190	698
EUR trade payables	6,263	3,926
DKK trade payables	717	725
CNY trade payables	46	11
JPY trade payables	195	337
GBP trade payables	612	79
<b>Total trade payables</b>	<b>12,989</b>	<b>9,831</b>
Sales tax and value-added tax	214	130
Sales commissions	2,880	2,417
Sundry payables	1,982	1,084
<b>Trade and other payables before prepayments by customers and derivatives</b>	<b>18,065</b>	<b>13,462</b>
Prepayments by customers	3,001	4,077
Derivative financial instruments	0	2
<b>Total trade and other payables</b>	<b>21,066</b>	<b>17,541</b>

**13 Accrued expenses**

In thousands of CHF	2009	2008
Accrued staff costs	2,813	5,841
Other accrued expenses	3,906	3,944
<b>Total accrued expenses</b>	<b>6,719</b>	<b>9,785</b>

Accrued staff costs consist mainly of vacation and overtime credits.

## 14 Provisions

## Fiscal year 2009

In thousands of CHF		Warranties	Restructuring provision	Other provisions	Total provisions
	<b>December 31 2008</b>	<b>2,216</b>	<b>0</b>	<b>22</b>	<b>2,238</b>
	Provisions added	363	3,103	262	3,728
	Provisions used	(412)	(1,861)	(19)	(2,292)
	Provisions released	(272)	0	(3)	(275)
	Foreign currency translation differences	(8)	(19)	(3)	(30)
	<b>December 31, 2009</b>	<b>1,887</b>	<b>1,223</b>	<b>259</b>	<b>3,369</b>
	Of which:				
	Current provisions	1,887	513	185	2,585
	Non-current provisions	0	710	74	784

## Fiscal year 2008

In thousands of CHF		Warranties	Restructuring provision	Other provisions	Total provisions
	<b>December 31 2007</b>	<b>2,484</b>	<b>0</b>	<b>2,892</b>	<b>5,376</b>
	Provisions added	1,138	0	0	1,138
	Provisions used	(747)	0	(82)	(829)
	Provisions released	(559)	0	(2,671)	(3,230)
	Foreign currency translation differences	(100)	0	(117)	(217)
	<b>December 31, 2008</b>	<b>2,216</b>	<b>0</b>	<b>22</b>	<b>2,238</b>
	Of which:				
	Current provisions	2,216	0	22	2,238
	Non-current provisions	0	0	0	0

Current provisions relate to expected cash outflows within one year. Non-current provisions relate to outflows occurring after more than one year. Where a material interest effect is expected, the monetary outflow is discounted.

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

The remaining restructuring provisions consist of the termination benefits payable at the beginning of 2010 under the staff adjustment measures (CHF 0.3 million) and the lease obligations for the premises no longer utilized in Garbsen, Germany (CHF 0.9 million).

## 15 Special charges

If the special charges had not been presented as a total on a single line, they would have shown the following breakdown by function:

In thousands of CHF		
	Cost of sales	3'860
	Development expenses	2'254
	Marketing and selling expenses	484
	General and administrative expenses	423
	<b>Total special charges</b>	<b>7'021</b>

The special charges related to the cost types and actions presented in the table below.

	<b>December 31, 2009</b>	<b>Modules &amp; Components Division</b>		<b>Systems Division</b>	
		<b>Relocation and restructuring of generator business</b>	<b>Discontinuation of minitube activities</b>	<b>Relocation of Feinfocus activities and restructuring in Germany</b>	<b>Total special charges</b>
In thousands of CHF					
	Termination benefits under redundancy benefit plan	1,110	–	1,968	3,078
	Lease costs	–	–	1,029	1,029
	Other costs	328	882	455	1,666
	Impairment charges on plant and equipment	9	444	108	561
	Impairment charges on intangible assets	8	678	–	687
	<b>Total special charges</b>	<b>1,456</b>	<b>2,005</b>	<b>3,561</b>	<b>7,021</b>

The item "other costs" consisted mainly of consulting and moving expenses and write-downs on inventories.

## 16 Employee benefits

The revised IFRIC 14, The Limit on a Defined Benefit Asset, which relates to IAS 19, was adopted early. However, its application had no material effect on these consolidated financial statements.

### 16.1 Defined-benefit plans

In addition to the statutory social insurance plans (which include pension plans), the COMET Group maintains various employee benefit plans that differ according to the local circumstances of the individual Group companies. The occupational plans in Switzerland and a portion of the plans in Germany are defined-benefit plans under IAS 19. All plans in the other national subsidiaries are defined-contribution plans.

The defined-benefit plans were remeasured and evaluated as at December 31, 2009 by an independent actuary.

#### Principal actuarial assumptions

<b>At December 31</b>	<b>2009</b>	<b>2008</b>
Discount rate	3.37%	3.43%
Expected rate of return on plan assets	4.00%	4.00%
Expected compensation increase rate	1.54%	1.57%
Expected pension increase rate	0.00%	0.00%
Turnover rate	11.60%	11.50%

		2009	2008
<b>Movement in present value of obligations</b>			
In thousands of CHF			
	<b>Present value of defined-benefit obligation at January 1</b>	<b>(39,621)</b>	<b>(39,332)</b>
	Interest cost	(1,214)	(1,376)
	Current service cost	(1,598)	(1,844)
	Employee contributions	(1,023)	(1,425)
	(Contributions received) and benefits paid	7,321	1,435
	Actuarial gains on obligations	2,174	2,587
	Foreign currency translation differences	(8)	334
	<b>Present value of obligation at December 31</b>	<b>(33,969)</b>	<b>(39,621)</b>
	Of which unfunded	(2,724)	(2,829)
<b>Movement in plan assets</b>			
In thousands of CHF			
	<b>Fair value of plan assets at January 1</b>	<b>36,784</b>	<b>35,979</b>
	Expected return on plan assets	1,370	1,475
	Employer contributions	1,217	1,811
	Employee contributions	1,023	1,425
	Contributions paid in and (benefits paid)	(7,321)	(1,435)
	Actuarial gains/(losses) on plan assets	1,218	(2,471)
	<b>Fair value of plan assets at December 31</b>	<b>34,291</b>	<b>36,784</b>
	Actual return/(loss) on plan assets	2,588	(996)
<b>Movement in amounts recognized in the balance sheet</b>			
In thousands of CHF			
	Present value of funded obligation	(31,245)	(36,792)
	Plan assets	34,291	36,784
	<b>Surplus/(deficit)</b>	<b>3,046</b>	<b>(8)</b>
	Present value of unfunded obligation	(2,724)	(2,829)
	Unrecognized actuarial (gains)/losses	(1,576)	1,827
	Amount unrecognized as a result of IAS 19.58(b)	–	(44)
	<b>Net carrying amount to be recognized in the balance sheet</b>	<b>(1,254)</b>	<b>(1,054)</b>
	Reported on the face of the balance sheet:		
	Employee benefit plan assets	2,053	2,238
	Employee benefit plan liabilities	(3,307)	(3,292)
<b>Movement in pension costs recognized in the income statement</b>			
In thousands of CHF			
	Current service cost (employer)	(1,598)	(1,844)
	Interest cost	(1,214)	(1,376)
	Expected return on plan assets	1,370	1,475
	Actuarial gains/(losses) recognized in the reporting period	(12)	50
	Effect of asset ceiling under IAS 19.58(b)	44	(44)
	<b>Total (loss)/return recognized in the income statement</b>	<b>(1,410)</b>	<b>(1,739)</b>
	Expected employer contributions for the subsequent year	1,178	1,783

**Major categories of plan assets**

In thousands of CHF	2009	2008
Equity instruments of the Group	0	0
Equity instruments of other companies	9,048	11,742
Debt instruments of the Group	499	18
Debt instruments of other companies	18,090	22,484
Real estate	2,641	0
Other assets	4,013	2,540
<b>Total plan assets</b>	<b>34,291</b>	<b>36,784</b>

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

**Multi-year record**

The multi-year record below shows the degree of funding of the defined-benefit obligations by the plan assets, and the variances between expected and actual returns.

In thousands of CHF	2009	2008	2007	2006
Present value of obligations	(33,969)	(39,621)	(39,332)	(34,148)
Plan assets	34,291	36,784	35,979	33,635
<b>Surplus/(deficit)</b>	<b>322</b>	<b>(2,837)</b>	<b>(3,353)</b>	<b>(513)</b>
Experience adjustment on defined-benefit obligation	2,170	2,168	(2,411)	0
Experience adjustment on plan assets	1,218	(2,471)	(844)	3,793

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

**16.2 Defined-contribution plans**

The contributions paid to defined-contribution plans in 2009 amounted to CHF 1,323 thousand (prior year: CHF 1,320 thousand).

**16.3 Length-of-service awards**

COMET grants length-of-service awards to employees in Switzerland and Germany after ten years of service and every five years thereafter, in the form of lump-sum payments that increase with the number of years of service. The provision for this item changed as follows in the year under review:

In thousands of CHF	2009	2008
<b>Provision at January 1</b>	<b>815</b>	<b>904</b>
Current service cost	74	90
Interest cost	35	41
Benefits paid	(108)	(139)
Actuarial (gains)	(83)	(82)
Foreign currency translation differences	3	1
<b>Provision at December 31</b>	<b>736</b>	<b>815</b>

## 17 Revenue

Sales revenues from products and services supplied to third parties are stated on a net basis, that is, after deducting price discounts, sales taxes and value-added taxes, credits and refunds. In the year under review, revenue in the amount of CHF 6,049 thousand (prior year: CHF 0) was recognized for construction contracts accounted for using the percentage of completion method.

## 18 Other operating income

In thousands of CHF	2009	2008
Self-constructed plant and equipment assets	142	179
Customers' contributions to development projects	2,436	2,783
(Losses)/gains from sale of non-current assets	(260)	58
Miscellaneous income	820	1,542
<b>Total other operating income</b>	<b>3,138</b>	<b>4,562</b>

The components of other operating income include, among others, capitalization of self-constructed assets for plant and equipment in Flamatt, grants from projects supported by the public sector, customer contributions to development projects and proceeds from the sale of waste metal.

## 19 Staff costs and staff count

### 19.1 Staff costs

In thousands of CHF	2009	2008
Wages and salaries	51,254	56,899
Employee benefits	8,872	10,395
<b>Total staff costs</b>	<b>60,126</b>	<b>67,294</b>

### 19.2 Staff count

	2009	2008
Number of employees (at year-end)	611	677

The average staff count during the year, expressed in full-time equivalents, was 584 (prior year: 657).

## 20 Development expenses

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

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

**21 Financing income and expenses**

In thousands of CHF	2009	2008
Interest expense	3,198	3,554
Foreign currency translation losses	4,453	11,061
<b>Total financing expenses</b>	<b>7,651</b>	<b>14,615</b>

In thousands of CHF	2009	2008
Interest income	90	454
Foreign currency translation gains	4,273	9,963
<b>Total financing income</b>	<b>4,363</b>	<b>10,417</b>

In thousands of CHF	2009	2008
Net financing items (before currency translation losses/gains)	(3,108)	(3,100)
Foreign currency translation losses, net	(180)	(1,098)

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

**22 Earnings per share**

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

In thousands of CHF	2009	2008
Weighted average number of shares outstanding	755,149	749,087
Net (loss)/income in thousands of CHF	(12,730)	8,272
Net (loss)/income per share in CHF, diluted and basic	(16.86)	11.04

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

## 23 Off-balance sheet transactions

### 23.1 Contingent liabilities

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

Provisions are established inasmuch as a reliable estimate can be made of the financial consequences of a past event and can be confirmed by independent expert opinion. Contingent liabilities that will probably result in an obligation are included in provisions.

In 2006 COMET sold a property that is listed in the registry of possible contaminated sites. An independent evaluation by a geologist in 2008 showed that by law, the site requires remediation. However, given the small extent to which the relevant threshold levels are exceeded, immediate remediation was currently not required. In 2010, at the end of the three-year monitoring period, a re-evaluation will be conducted. COMET believes, based on current knowledge, that no significant costs are likely to result. However, at this time a final assessment cannot yet be made of the matters at issue and of any resulting additional costs.

### 23.2 Restrictions of title

In connection with financing the acquisition of the Yxlon group, all shares of the Yxlon companies were pledged as security. As a result, significant assets of the Group are pledged.

### 23.3 Other off-balance sheet obligations

In the course of its operating activities, the COMET Group has concluded long-term rental and lease agreements resulting in the following outflows of funds:

#### Term structure of the rental and lease obligations at December 31, 2009

In thousands of CHF	Rental agreements	Operating leases
Payable within one year	2,188	232
Payable in two to five years	6,209	366
Payable in more than five years	5,348	0
<b>Total payment obligations</b>	<b>13,745</b>	<b>598</b>

#### Term structure of the rental and lease obligations at December 31, 2008

In thousands of CHF	Rental agreements	Operating leases
Payable within one year	2,183	286
Payable in two to five years	7,322	241
Payable in more than five years	6,516	0
<b>Total payment obligations</b>	<b>16,021</b>	<b>527</b>

The payables arise from two types of off-balance sheet items: operating leases for road vehicles and office equipment, and rental obligations for business premises outside Switzerland.

The expense recognized in the fiscal year for operating leases was CHF 4,685 thousand (prior year: CHF 3,619 thousand).

## 24 Financial instruments

## 24.1 Classes of financial instruments

In thousands of CHF	Fiscal year 2009		Financial assets		Financial liabilities		Fair value
			Held for trading	Loans and receivables	Held for trading	At amortized cost	
				24,187			24,187
			36	33,964			34,000
						23,333	23,333
					0	17,851	17,851
						6,719	6,719
						55,426	58,216
							<b>Total</b>
			0	90	0	(3,198)	(3,108)
			36	0	0	0	36
				529			529
			<b>36</b>	<b>619</b>	<b>0</b>	<b>(3,198)</b>	<b>(2,543)</b>

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

IFRS require all financial instruments held at fair value to be categorized into three classes according to whether the fair values are based on quoted prices in active markets ("Level 1"), models using observable market data ("Level 2"), or models using unobservable inputs ("Level 3"). COMET substantially carries only derivative financial instruments at fair value, which are to be categorized as Level 2 instruments.

In thousands of CHF	Fiscal year 2008		Financial assets		Financial liabilities		Fair value
			Held for trading	Loans and receivables	Held for trading	At amortized cost	
				26,399			26,399
			345	41,599			41,944
			26				26
						18,220	18,220
					2	13,332	13,334
						9,785	9,785
						747	747
						60,665	61,759
							<b>Total</b>
			0	454	0	(3,554)	(3,100)
			345	0	(2)	0	343
				(466)			(466)
			<b>345</b>	<b>(12)</b>	<b>(2)</b>	<b>(3,554)</b>	<b>(3,223)</b>

**24.2 Fair values of financial instruments**

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

**24.3 Open derivative financial instruments**

Derivatives are used to minimize foreign currency exchange rate risk. Open derivative positions at the balance sheet date were as follows:

In thousands of CHF	2009	2008
USD forward exchange contracts		
Contract amounts	3,101	5,284
Positive replacement costs	36	328
Negative replacement costs	0	(2)
JPY forward exchange contracts		
Contract amounts	0	556
Positive replacement costs	0	17
Negative replacement costs	0	0

Positive replacement costs are recognized as receivables (note 5); negative replacement costs are recognized as payables (note 12). The gains and losses are recognized as financing income or financing expense. The contract amounts shown represent the notional principal amounts of the forward exchange contracts.

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

## 25 Management of financial risks

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

### 25.1 Capital management

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

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

In thousands of CHF	2009	2008
Current debt	23,333	18,220
+ Long-term debt	55,426	61,412
./. Cash and cash equivalents	(24,187)	(26,399)
<b>Net debt</b>	<b>54,572</b>	<b>53,233</b>
<b>Shareholders' equity</b>	<b>112,372</b>	<b>126,726</b>
<b>Shareholders' equity plus net debt</b>	<b>166,944</b>	<b>179,959</b>
<b>Gearing</b>	<b>33%</b>	<b>30%</b>

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

### 25.2 Risks in connection with financial instruments

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

#### 25.2.1 Market risk

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

**Exchange rate risk**

With its worldwide activities and strong focus on exports, COMET has particularly high exposure to exchange rate risks, as revenues and costs arise in different currencies. The currency risk from operations is reduced by purchasing and selling in local currency where possible (natural hedging). In addition, to protect against fluctuation in exchange rates, significant foreign currency orders in the systems business are hedged by means of forward exchange contracts at the time the orders are received. The Modules & Components division non-selectively hedges a large portion of the expected cash flows up to a one-year time horizon, using forward exchange contracts to do so.

As COMET hedges only cash flows, there are no hedges of net investments in foreign operations.

The table below shows the sensitivity of income before tax and of shareholders' equity to a possible movement in the exchange rates that are material for COMET, with all other variables held constant. The most important monetary foreign currency positions in the balance sheets of the Group companies are in euros and US dollars. The percentages of movement in exchange rates are based on an estimated potential range of fluctuation.

**Fiscal year 2009**

	Increase in %	Effect on income before tax in CHF '000	Effect on equity
EUR/CHF	+5	(79)	+3,223
USD/CHF	+5	+507	+874

**Fiscal year 2008**

	Increase in %	Effect on income before tax in CHF '000	Effect on equity
EUR/CHF	+5	+542	+4,190
USD/CHF	+5	+349	+660

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

**Interest rate risk**

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

The fair values of long-term debt based on the current interest rate situation are presented in note 24.1 on an indicative basis.

**25.2.2 Credit risk**

Credit risk is the risk that a counterparty will not be willing or able to meet its obligations. To mitigate this risk, COMET deals with a number of established banks and spreads credit risk as widely as necessary and reasonable.

**Banking transactions:** The COMET Group spreads its cash holdings among different banks in order to minimize the potential for losses from credit risk. Banking transactions are conducted only with reputable banks of national and international standing. The types of transactions in which subsidiaries are permitted to engage is determined centrally. The following table shows the amounts held at the three largest counterparties at the balance sheet date:

In thousands of CHF	2009		2008	
	Rating *	Balance	Rating *	Balance
Bank A	A+	8,273	A+	16,442
Bank B	AAA	3,867	AAA	251
Bank C	A	2,672	A-	1,228
Other counterparties		9,375		8,478
<b>Total cash and cash equivalents</b>		<b>24,187</b>		<b>26,399</b>

\* Long-term credit rating from Standard & Poor's

**Trade receivables:** COMET operates worldwide, selling its products in various countries and to a large number of customers. Consequently there are no excessive concentration risks in individual countries or with respect to individual customers. Payment terms vary according to market and customer. The credit limits and payments received are monitored for each customer by the individual Group companies and the resulting information is made available to the Group management in the form of monthly special reports. Appropriate allowance for expected risk of default is made through the provision for doubtful accounts. Receivables are written off only if payment is highly unlikely to be forthcoming. Detailed information on the provision for doubtful accounts and its movement in the reporting period can be found in note 5.

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

### 25.2.3 Liquidity risk

COMET defines liquidity risk as the risk that, at any time, it cannot meet its financial obligations fully as they become due. The foremost goal of financial management is therefore the permanent assurance of the Group's solvency. To this end, using liquidity planning, COMET always maintains sufficient liquid assets and credit lines to avoid shortages of liquidity. Management deems a liquidity position of 8% to 10% of total assets to be the minimum level of liquidity required. In managing the debt profile, emphasis is placed on achieving an advantageous debt maturity structure. Ensuring solvency also includes active working capital management.

The Group's credit quality is safeguarded by monitoring adherence to an appropriate level of the gearing ratio used. Liquidity planning and liquidity procurement are largely performed centrally for the whole Group. A rolling three-month cash flow forecast is prepared monthly based on a decentralized bottom-up approach. The long-term financing of subsidiaries is normally arranged through loans of COMET HOLDING AG.

Following is an overview of all contractual payment obligations as at the balance sheet date on a non-discounted basis:

<b>Fiscal year 2009</b>						
In thousands of CHF	Carrying amount	Payments due by period				
		Total	2010	2011–2014	After 2014	
Current and long-term debt	78,759	81,938	18,526	44,773	18,639	
Accrued expenses	6,719	6,719	6,719	–	–	
Trade and other payables	17,851	17,851	17,851	–	–	
Derivatives (negative replacement costs)	0	0	0	–	–	
<b>Total</b>	<b>103,329</b>	<b>106,508</b>	<b>43,096</b>	<b>44,773</b>	<b>18,639</b>	

<b>Fiscal year 2008</b>						
In thousands of CHF	Carrying amount	Payments due by period				
		Total	2009	2010–2013	After 2013	
Current and long-term debt	79,632	87,571	18,913	52,313	16,345	
Accrued expenses	9,785	9,785	9,785	–	–	
Trade and other payables	13,332	13,332	13,332	–	–	
Derivatives (negative replacement costs)	2	2	2	–	–	
<b>Total</b>	<b>102,751</b>	<b>110,690</b>	<b>42,032</b>	<b>52,313</b>	<b>16,345</b>	

Current and long-term debt represents both the principal amounts of these borrowings and the contractually agreed interest payments.

The key assumptions of the above summary of payment obligations are:

- For variable-rate debt, the interest rates at the balance sheet date are used.
- All amounts denominated in foreign currencies are translated at the rate prevailing at the balance sheet date.
- The maturity date used is the earliest possible.

The contract amounts of open derivative positions are presented in note 24.3.

## 26 Segment reporting

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

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

Management monitors the operating results separately for each division in order to be able to determine the appropriate allocation of resources. Segment disclosures are consistent with the data from internal management reporting and encompass all revenues and costs that can be directly allocated to a segment. The remaining costs and revenues are reported in the "Corporate" column.

The profitability of the individual segments is evaluated on the basis of operating income. Financing expenses, financing income, and income taxes are managed at Group-level and are not allocated to segments.

The segments' assets include operating assets such as trade receivables, inventories, property, plant and equipment, goodwill and intangible assets (excluding cash and cash equivalents and non-current financial assets). Liabilities consist of operating liabilities such as trade payables and the directly attributable provisions reported to the chief operating decision-maker (excluding current and long-term debt and deferred taxes).

Assets and liabilities that cannot be assigned to an operating segment are reported in the "Corporate" column. Cash and cash equivalents, non-current financial assets, interest-bearing debt, and tax assets and liabilities are managed at Group level and thus are not allocated to a specific operating segment.

**26.1 Operating segments**

Organizationally, the generator business has been part of the Modules & Components division since January 1, 2009 (before then the generator business formed part of the Systems division). The prior-year data for both divisions have been restated to present them as if this change had already been effective in 2008.

**Fiscal year 2009**

In thousands  
of CHF

	Modules & Components division	Systems division	Elimination of intersegment sales <sup>1</sup>	Corporate	Consolidated
<b>Net sales</b>					
External net sales	65,213	85,537	–	–	150,750
Intersegment sales	13,413	2,551	(15,964)		–
<b>Total net sales</b>	<b>78,626</b>	<b>88,088</b>	<b>(15,964)</b>	–	<b>150,750</b>
<b>Earnings</b>					
Segment operating income/(loss)	3,991	(9,372)	(439)		(5,820)
Unallocated costs	–	–		(1,151)	(1,151)
<b>Operating income/(loss) before special charges</b>	<b>3,991</b>	<b>(9,372)</b>	<b>(439)</b>	<b>(1,151)</b>	<b>(6,971)</b>
Special charges	(3,460)	(3,561)	–	–	(7,021)
<b>Operating income/(loss) (EBIT)</b>	<b>531</b>	<b>(12,933)</b>	<b>(439)</b>	<b>(1,151)</b>	<b>(13,992)</b>
Financing expenses					(7,651)
Financing income					4,363
<b>Income/(loss) before tax</b>					<b>(17,280)</b>
Income tax					4,550
<b>Net (loss)</b>					<b>(12,730)</b>
<b>EBITDA</b>	<b>6,072</b>	<b>(8,629)</b>	<b>(439)</b>	<b>2,564</b>	<b>(432)</b>
<b>Assets and liabilities</b>					
Segment assets	53,310	104,111	–	72,182	229,603
Segment liabilities	(7,766)	(24,271)	–	(85,194)	(117,231)
<b>Net assets</b>	<b>45,544</b>	<b>79,840</b>	–	<b>(13,012)</b>	<b>112,372</b>
<b>Other segment information</b>					
Capital expenditure <sup>2</sup>	1,348	581		4,798	6,727
Depreciation and amortization	4,401	4,195		3,716	12,312
Impairment charges	1,140	108		0	1,248
Other non-cash income/(expenses)	361	(580)		(2,871)	(3,090)
Number of employees at year-end	309	294		8	611

<sup>1</sup> Intersegment sales are recognized at prices that correspond to market prices.

<sup>2</sup> The capital expenditure in the Systems division includes additions to non-current assets under finance leases in the amount of CHF 1,541 thousand, which did not represent a cash effect.

## Fiscal year 2008

In thousands of CHF	Modules & Components division <sup>1</sup>	Systems division <sup>1</sup>	Elimination of intersegment sales <sup>2</sup>	Corporate	Consolidated
<b>Net sales</b>					
External net sales	90,257	132,298	–	–	222,555
Intersegment sales	21,154	1,868	(23,022)		–
<b>Total net sales</b>	<b>111,411</b>	<b>134,166</b>	<b>(23,022)</b>	–	<b>222,555</b>
<b>Earnings</b>					
Segment operating income	10,620	1,495	83		12,198
Unallocated costs				(1,167)	(1,167)
<b>Operating income (EBIT)</b>	<b>10,620</b>	<b>1,495</b>	<b>83</b>	<b>(1,167)</b>	<b>11,031</b>
Financing expenses					(14,615)
Financing income					10,417
<b>Income before tax</b>					<b>6,833</b>
Income tax					1,439
<b>Net income</b>					<b>8,272</b>
<b>EBITDA</b>	<b>15,402</b>	<b>6,910</b>	<b>83</b>	<b>2,180</b>	<b>24,575</b>
<b>Assets and liabilities</b>					
Segment assets	61,414	121,397	–	67,121	249,932
Segment liabilities	(7,200)	(42,077)	–	(73,929)	(123,206)
<b>Net assets</b>	<b>54,214</b>	<b>79,320</b>	–	<b>(6,808)</b>	<b>126,726</b>
<b>Other segment information</b>					
Capital expenditure	2,271	895		2,115	5,281
Depreciation and amortization	4,782	5,415		3,347	13,544
Other non-cash income/(expenses)	361	(580)		(2,871)	(3,090)
Number of employees at year-end	355	314		8	677

<sup>1</sup> Restated. The segment data for 2008 is thus presented as if the organizational transfer at January 1, 2009 of the generator business from the Systems division to the Modules & Components division had occurred one year earlier and thus already been effective for 2008. The data for both divisions thus differ accordingly from earlier segment reporting.

<sup>2</sup> Intersegment sales are recognized at prices that correspond to market prices.

**26.2 Geographic information**

The COMET Group markets its products and services throughout the world and operates its own companies in Switzerland, Germany, Denmark, the USA, Japan and China.

Net sales are allocated to countries on the basis of customer location. In the year under review, no single customer of COMET represented 10% or more of consolidated net sales.

<b>Net sales by region</b>		<b>2009</b>	<b>2008</b>
In thousands of CHF			
	Switzerland	487	1,786
	Rest of Europe (especially EU)	54,727	83,759
	<b>Total Europe</b>	<b>55,214</b>	<b>85,545</b>
	North America	42,751	54,764
	Asia	48,728	73,764
	Other countries	4,057	8,482
	<b>Total rest of world</b>	<b>95,536</b>	<b>137,010</b>
	<b>Total</b>	<b>150,750</b>	<b>222,555</b>

The non-current assets reported below consist of property, plant and equipment and intangible assets. Intangible assets, including goodwill, recognized as a result of business combinations (acquisitions) are allocated to the acquired entities and are reported within the respective regions.

Not included are items such as financial assets, employee benefit plan assets and liabilities, and tax assets and liabilities.

<b>Non-current assets by region</b>		<b>2009</b>	<b>2008</b>
In thousands of CHF			
	Switzerland	68,887	61,630
	Rest of Europe	50,032	63,579
	<b>Total Europe</b>	<b>118,920</b>	<b>125,209</b>
	North America	3,280	3,679
	Asia	3,774	4,203
	Other countries	0	0
	<b>Total rest of world</b>	<b>7,054</b>	<b>7,882</b>
	<b>Total</b>	<b>125,974</b>	<b>133,091</b>

**27 Shareholders' equity**

The capital stock of COMET HOLDING AG consists of 757,480 fully paid-in registered shares with a par value of CHF 10 per share, representing a capital stock of CHF 7,574,800. The movement in capital stock was as follows:

	2009		2008	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
<b>January 1</b>	<b>750,832</b>	<b>7,508,320</b>	<b>746,658</b>	<b>7,466,580</b>
May 8: Increase from contingent capital for employee, management and Board incentive plan	6,648	66,480	4,174	41,740
<b>December 31</b>	<b>757,480</b>	<b>7,574,800</b>	<b>750,832</b>	<b>7,508,320</b>

An average of 755,149 shares was outstanding (prior year: 749,087 shares).

In 2009 a dividend of CHF 3.00 was paid per share from the 2008 profit (prior year: CHF 3.00). The basis for profit distribution consists of the net income for the year and earnings brought forward of the Group's parent holding company, COMET HOLDING AG.

The Board of Directors will propose to the Annual Shareholder Meeting to pay a dividend of CHF 0.50 per registered share for the fiscal year 2009 (prior year: CHF 3.00). This represents a total dividend payment of CHF 379 thousand (prior year: CHF 2,252 thousand).

Neither COMET HOLDING AG nor its subsidiaries held treasury stock.

**Contingent capital**

The Group has contingent capital which the Board of Directors is authorized, without time limit, to issue in order to meet existing and future obligations under share-based payment plans to staff, management and the Board. Subscription rights and advance subscription of existing shareholders do not apply to contingent capital. The movement in contingent capital was as follows:

	2009		2008	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
<b>January 1</b>	<b>24,168</b>	<b>241,680</b>	<b>28,342</b>	<b>283,420</b>
Stock compensation under incentive plans	(6,648)	(66,480)	(4,174)	(41,740)
<b>December 31</b>	<b>17,520</b>	<b>175,200</b>	<b>24,168</b>	<b>241,680</b>

**Authorized unissued capital**

At December 31, 2009, in addition to shares outstanding and contingent capital, authorized capital was available to be issued. The Board of Directors is authorized until April 23, 2011, to increase the capital stock by a maximum of CHF 1,500,000 by issuing up to 150,000 fully payable registered shares with a par value of CHF 10 per share. The available authorized capital may be issued in full or in part.

### 27.1 Significant shareholders

At the balance sheet date of December 31, 2009 the Company was aware of the following significant shareholders:

- Pictet Funds SA, Geneva, Switzerland, with 55,274 registered shares and 7.3% of voting rights
- Garlito B.V., Amsterdam-Zuidoost, Netherlands, with 48,000 registered shares and 6.34% of voting rights

No other shareholders with an equity interest of more than 5% were on record in the shareholder registry. To the best of COMET HOLDING AG's knowledge, there were no voting pool agreements.

### 28 Share-based payments

The COMET Group operates a performance-based stock compensation plan for the Board of Directors and employees. Under this plan, instead of being paid in cash, staff may elect to draw all or part of their variable compensation in the form of stock of COMET HOLDING AG at a reduced price (also referred to as "equity-settled" payment). Every member of the Board is entitled, but not required, to receive up to 100% of their compensation in the form of stock, in accordance with the provisions of the incentive plan. Under the 2008 incentive plan, the Board of Directors and employees of the COMET Group were granted a total of 6,648 shares of stock in May 2009. The stock was allotted at a price of CHF 64 per share. Ownership of the stock passes to the respective staff member at the grant date. The shares carry dividend rights immediately, but must be held for three years before they can be sold.

The expense recognized for share-based compensation was CHF 420 thousand (prior year: CHF 431 thousand) and includes the difference between the expense accrued in the prior year for share-based compensation and the actual awards; this difference can arise both from the difference between the predicted and actual number of shares awarded, and from changes in the stock price.

### 29 Compensation of Board of Directors and Executive Committee

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

In thousands of CHF	2009	2008 *
Cash compensation including short-term employee benefits	2,077	2,378
Contributions to post-employment benefit arrangements	276	330
Termination benefits	0	12
Expense for share-based payments	265	481
<b>Total compensation</b>	<b>2,618</b>	<b>3,200</b>

\* Prior-year data is restated as a result of the difference between the proportion of stock to cash compensation recorded as accrued and the actual proportion, and any difference between the variable portion of compensation recorded as accrued at the year-end and the actual variable portion of compensation. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated for the prior year. The actual aggregate compensation for the prior year was CHF 16 thousand less than the amount that had been reported in the prior year.

Disclosures under stock corporation law on the compensation of the members of the Board of Directors and the Executive Committee are provided in the notes to the separate financial statements of COMET HOLDING AG on page 74.

#### **Additional compensation for legal services**

In the year under review, the law firm Nottter Mégevand & Partner invoiced service fees of CHF 57 thousand (prior year: CHF 44 thousand). Hans Leonz Nottter is a partner at Nottter Mégevand & Partner of Berne, Fribourg and Geneva, whose members provide legal advice and other legal services to the COMET Group.

The detailed information, required under Swiss legislation, on the compensation and shareholdings of the members of the Board of Directors and of the Executive Board and parties related to them is disclosed in the notes to the separate financial statements of COMET HOLDING AG. Compensation is reported from page 74 onward; shareholdings are presented from page 78.

#### **30 Risk assessment**

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. On this basis, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system that is designed both for the early identification of risks and for taking timely countermeasures. The organization and reporting related to the risk management system are described in the Corporate Governance report under the heading "Monitoring and control with respect to the Executive Committee" on page 96 of this annual report.

#### **31 Events after the balance sheet date**

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

#### **32 Proposal by the Board of Directors for the appropriation of retained earnings**

The Board of Directors will propose to the Annual Shareholder Meeting to pay a dividend of CHF 0.50 per registered share for the 2009 fiscal year (prior year: CHF 3.00). This represents a total dividend payment of CHF 379 thousand (prior year: CHF 2,252 thousand).

#### **33 Release of the consolidated financial statements for publication**

The Board of Directors on March 19, 2010 released these financial statements for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 21, 2010 for approval.

# Report of the statutory auditor on the consolidated financial statements

To the Annual Shareholder Meeting of COMET HOLDING AG, Flamatt

As statutory auditor, we have audited the accompanying consolidated financial statements of COMET HOLDING AG which comprise the balance sheet, the statement of income, the comprehensive income statement, the statement of cash flows, and the statement of changes in equity, and the notes (pages 24 to 68) for the year ended December 31, 2009.

## **Board of Directors' responsibility**

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

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of the operations and the cash flows in accordance with IFRS and comply with Swiss law.

## **Report on other legal requirements**

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

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

We recommend that the consolidated financial statements submitted to you be approved.  
Berne, March 19, 2010

Ernst & Young AG

Roland Ruprecht  
Licensed audit expert  
(Auditor in charge)

Bernadette Koch  
Licensed audit expert



## Separate Financial Statements of COMET HOLDING AG

### Balance sheet

In thousands of CHF	<b>Assets</b>	<b>Dec. 31, 2009</b>	%	<b>Dec. 31, 2008</b>	%
	Cash and cash equivalents	3,141		3,248	
	Receivables from non-Group entities	5		14	
	Receivables from Group companies	512		0	
	Prepaid expenses	6		89	
	<b>Total current assets</b>	<b>3,664</b>	3.0%	<b>3,351</b>	2.9%
	Loans to Group companies	84,021		77,671	
	Investments in subsidiaries	32,859		33,659	
	Rights to trademarks and names	2,613		2,613	
	<b>Total non-current assets</b>	<b>119,494</b>	97.0%	<b>113,943</b>	97.1%
	<b>Total assets</b>	<b>123,157</b>	100.0%	<b>117,295</b>	100.0%
	<b>Liabilities and shareholders' equity</b>				
	Liabilities to Group companies	0		491	
	Liabilities to non-Group entities	26		90	
	Liabilities to related parties	248		247	
	Current portion of long-term debt	11,750		6,750	
	Bank debt	26,909		33,750	
	Accrued expenses	399		350	
	<b>Total liabilities</b>	<b>39,332</b>	31.9%	<b>41,679</b>	35.5%
	Capital stock	7,575		7,508	
	General statutory reserve	20,160		20,160	
	Additional paid-in capital	38,970		38,313	
	Free reserve	7,000		11,500	
	Earnings brought forward	382		1,452	
	Net income/(loss) for the year	9,739		(3,317)	
	<b>Total retained earnings/(loss)</b>	<b>10,120</b>		<b>(1,866)</b>	
	<b>Total shareholders' equity</b>	<b>83,825</b>	68.1%	<b>75,616</b>	64.5%
	<b>Total liabilities and shareholders' equity</b>	<b>123,157</b>	100.0%	<b>117,295</b>	100.0%

### Statement of income

In thousands of CHF		<b>2009</b>	%	<b>2008</b>	%
	Income from subsidiaries	10,000		5,000	
	Financing income	3,797		3,839	
	Other income	0		800	
	<b>Total income</b>	<b>13,797</b>	100.0%	<b>9,639</b>	100.0%
	Financing expenses	(1,865)		(2,134)	
	Foreign currency translation losses	(309)		(9,526)	
	Administrative expenses	(1,084)		(1,296)	
	Amortization	(800)		0	
	<b>Total expenses</b>	<b>(4,058)</b>	(29.4%)	<b>(12,956)</b>	(134.4%)
	<b>Net income/(loss) for the year</b>	<b>9,739</b>	70.6%	<b>(3,317)</b>	(34.4%)

## Notes to the Separate Financial Statements of COMET HOLDING AG

### General information

COMET HOLDING AG has its registered office in Flamatt, Switzerland and is the COMET Group's parent holding company listed on the Swiss stock exchange. The market capitalization at December 31, 2009 was CHF 114.4 million (SIX Swiss Exchange closing price per share: CHF 151.00).

The separate financial statements of COMET HOLDING AG at and for the year ended December 31, 2009 comply with the provisions of the Swiss Code of Obligations. The manner of the inclusion of COMET HOLDING AG in the consolidated accounts is governed by the measurement principles set out in the notes to the consolidated financial statements.

### 1 Investments in subsidiaries

At December 31, 2009, COMET HOLDING AG had the following direct or indirect equity interests:

Company	Currency	Capital stock	Equity interest in %	
			2009	2008
COMET AG, Flamatt, Switzerland	CHF	2,000,000	100%	100%
COMET North America Inc., Stamford, CT, USA	USD	600,000	100%	100%
COMET Electronics (Shanghai) Co. Ltd., Shanghai, China	CNY	5,466,148	100%	100%
COMET Mechanical Equipment (Shanghai) Co. Ltd., Shanghai, China	CNY	1,655,420	100%	100%
YXLON International GmbH, Hamburg, Germany	EUR	110,000	100%	100%
YXLON International A/S, Taastrup, Denmark	DKK	601,000	100%	100%
YXLON International Inc., Akron, OH, USA	USD	1,000	100%	100%
YXLON International KK, Yokohama, Japan	JPY	10,000,000	100%	100%
YXLON (Beijing) X-Ray Equipment Trading Co. Ltd., Beijing, China	CNY	1,077,000	100%	100%

In the year under review, the ownership structure remained unchanged from the prior year. Subsidiaries are measured at the lower of cost and market value

### 2 Capital stock

#### Shares outstanding

The capital stock at January 1, 2009 was CHF 7,508,320, divided into 750,832 registered shares with a par value of CHF 10 per share. In addition to this, in the 2009 fiscal year the capital stock was increased by 6,648 shares from contingent capital.

Including the increase by 6,648 shares from contingent capital, COMET HOLDING AG at December 31, 2009 had CHF 7,574,800 of capital stock, divided into 757,480 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on November 9, 2009 the Board of Directors declared that the contingent increase in the capital stock was completed with due regard to the rules and regulations. The information for COMET HOLDING AG in the commercial register was updated accordingly.

Registered stock, par value of CHF 10 per share	Number of shares	Par value
<b>January 1, 2009</b>	<b>750,832</b>	<b>7,508,320</b>
Increase from contingent capital	6,648	66,480
<b>December 31, 2009</b>	<b>757,480</b>	<b>7,574,800</b>

#### Contingent capital

Under section 3b of its Bylaws, the Company may issue contingent stock. The capital stock of the Company may be increased by a maximum of CHF 175,200 by issuing up to 17,520 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to employees and/or

board members of the Company and its subsidiaries. With respect to contingent stock, shareholders' subscription right and advance subscription right are excluded. The issuance of stock or stock subscription rights to employees is based on an incentive plan adopted by the Board of Directors. Stock and stock subscription rights may be granted to employees and/or members of boards of directors at below the market price.

Under the 2008 incentive plan, the Board of Directors and employees of the COMET Group were granted a total of 6,648 shares of stock in May 2009. The stock was allotted at a price of CHF 64 per share. Taking into account these shares granted during the year under review, contingent capital showed the following movement:

Registered stock, par value of CHF 10 per share	Number of shares	Par value
<b>January 1, 2009</b>	<b>24,168</b>	<b>241,680</b>
Number of shares issued during fiscal year	(6,648)	(66,480)
<b>December 31, 2009</b>	<b>17,520</b>	<b>175,200</b>

#### Authorized unissued capital

At December 31, 2009, in addition to shares outstanding and contingent capital, authorized capital was available to be issued under section 3a of the Bylaws. The Board of Directors is authorized until April 23, 2011 to increase the capital stock by a maximum of CHF 1,500,000 by issuing up to 150,000 fully payable registered shares with a par value of CHF 10 per share. Increases by way of firm underwriting, and increases by part of the total authorized amount, are permitted. The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET HOLDING AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which subscription rights are granted but not exercised must be sold by the Company at market prices.

#### Disclosure of significant shareholders

At December 31, 2009, COMET HOLDING AG had 1,911 shareholders of record. One hundred percent of the issued registered stock represented free float. COMET HOLDING AG did not own treasury stock at December 31, 2009.

In accordance with the Stock Exchange Act (BEHG, as amended December 1, 2007), listed below are shareholders within the meaning of section 663c of the Swiss Code of Obligations (the Code is commonly abbreviated "OR") whose individual total voting rights at the balance sheet date exceeded 5% of the capital stock recorded in the commercial register. At the balance sheet date of December 31, 2009 the Company was aware of the following significant shareholders:

- Pictet Funds SA, Geneva, Switzerland, with 55,274 registered shares and 7.3% of voting rights
- Garlito B.V., Amsterdam-Zuidoost, Netherlands, with 48,000 registered shares and 6.34% of voting rights

No other shareholders with an equity interest of more than 5% were on record in the shareholder registry. To the best of COMET HOLDING AG's knowledge, there were no voting pool agreements.

The above analysis does not capture those shares owned by shareholders who are not registered in the shareholder registry; at December 31, 2009 these unregistered shares amounted to 21% of the total (prior year: 23%).

#### Cross-shareholdings

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

### 3 Disclosure of Board and Executive Committee compensation

The disclosures below present all compensation to members of the Board of Directors and of the Executive Committee and to parties related to them<sup>1</sup>.

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

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

Name		Hans Hess	Hans Leonz Notter	Thomas Hinderling	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman since May '07	Vice Chairman	Member	Member	Member since April '08	Total
in CHF	Fiscal year	2009	2009	2009	2009	2009	2009
		Note					
	Base fees, net	(1) 89,250	0	0	42,375	0	131,625
	Variable fees from incentive plan, net	(2) 0	0	0	0	0	0
	Variable fees for additional services, net	(3) 0	0	0	0	0	0
	<b>Total cash compensation</b>	<b>89,250</b>	<b>0</b>	<b>0</b>	<b>42,375</b>	<b>0</b>	<b>131,625</b>
	<b>Stock compensation</b>	(4) <b>0</b>	<b>69,492</b>	<b>62,930</b>	<b>0</b>	<b>72,773</b>	<b>205,195</b>
	Contributions for old age and survivors insurance and unemployment insurance	0	4,983	4,512	3,619	5,218	18,332
	Contributions for health and accident insurance	0	0	0	0	0	0
	<b>Expenses for long-term benefits</b>	(5) <b>0</b>	<b>4,983</b>	<b>4,512</b>	<b>3,619</b>	<b>5,218</b>	<b>18,332</b>
	<b>Benefits in kind</b>	(6) <b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Termination benefit</b>	(7) <b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total compensation</b>	<b>89,250</b>	<b>74,475</b>	<b>67,442</b>	<b>45,994</b>	<b>77,992</b>	<b>355,152</b>

Name		Hans Hess	Hans Leonz Notter	Thomas Hinderling	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman since May '07	Vice Chairman	Member	Member	Member since April '08	Total
in CHF	Fiscal year	2008*	2008*	2008*	2008*	2008*	2008*
		Note					
	Base fees, net	(1) 89,000	57,830	(4,346)	55,200	36	197,720
	Variable fees from incentive plan, net	(2) 471	0	0	(3,340)	(3,929)	(6,798)
	Variable fees for additional services, net	(3) 0	0	0	0	0	0
	<b>Total cash compensation</b>	<b>89,471</b>	<b>57,830</b>	<b>(4,346)</b>	<b>51,860</b>	<b>(3,893)</b>	<b>190,922</b>
	<b>Stock compensation</b>	(4) <b>9,100</b>	<b>5,400</b>	<b>91,600</b>	<b>2,700</b>	<b>78,600</b>	<b>187,400</b>
	Contributions for old age and survivors insurance and unemployment insurance	0	5,811	6,459	5,382	3,985	21,637
	Contributions for health and accident insurance	0	0	0	0	0	0
	<b>Expenses for long-term benefits</b>	(5) <b>0</b>	<b>5,811</b>	<b>6,459</b>	<b>5,382</b>	<b>3,985</b>	<b>21,637</b>
	<b>Benefits in kind</b>	(6) <b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Termination benefit</b>	(7) <b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total compensation</b>	<b>98,571</b>	<b>69,041</b>	<b>93,713</b>	<b>59,943</b>	<b>78,692</b>	<b>399,960</b>

\* Prior-year data is restated to reflect the difference between the proportion of stock to cash compensation recorded as accrued and the actual proportion, and any difference between the performance-based variable fees recorded as accrued at the year-end and the actual performance-based variable fees. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated for the prior year. The actual aggregate compensation for the prior year was CHF 30,746 less than the amount reported in the prior year.

- (1) Base fees are paid as compensation for Board responsibilities and consist of a fixed base retainer and a per-day fee for Board meetings plus expenses. Every Board member is entitled to draw up to 100% of this remuneration as stock. The actual level of cash compensation can therefore differ from the amounts indicated, if the actual stock compensation level chosen by the recipients differs from the assumption made at the year-end.
- (2) This item represents a performance-related component of compensation and is governed by the same rules as the incentive plan for executive management. In this item, the estimated cash portion of performance-based compensation is disclosed as cash compensation. The actual level of cash compensation can therefore differ from the amounts indicated, if the actual stock compensation level chosen by the recipients differs from the assumption made at the year-end.
- (3) In 2009, no such compensation for additional services was paid.
- (4) This item includes the estimated stock component of performance-related compensation. Under the remuneration scheme, at least 50% of performance-related compensation must be drawn in the form of stock. This item also includes the estimated portion of fixed base fees that Board members draw in the form of stock rather than cash. The effective transfer of the stock occurs in May of the subsequent year. The number of shares actually awarded is determined based on the average market price of the stock from its first trading day after the date of the annual press conference announcing the annual financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The shares awarded are subject to a three-year holding period during which recipients may not sell them. The purchase discount of 36% is also recognized as compensation.
- (5) This item consists of employer and employee contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as family allowance contributions (FAK). No pension or health insurance plan contributions were made.
- (6) No benefits in kind were paid in 2009.
- (7) No terminations benefits were accrued or paid in 2009.

**Additional compensation for legal services**

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 57,400 (prior year: CHF 44,300). Hans Leonz Notter is a partner at Notter Mégevand & Partner of Berne, Fribourg and Geneva, whose members provide legal advice and other legal services to the COMET Group.

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

A total of seven persons served as Executive Committee members during the fiscal year. On average in the year under review, expressed on a full-time-equivalent basis, 7.0 persons served on the Executive Committee (prior year: 7.1 persons). An expense was accrued for the following compensation to the Executive Committee members:

Name	Executive Committee		Roland Zarske (1)			
	Position	Total	CEO since Jan. 29, 2007			
in CHF	Fiscal year	Note	2009	2008*	2009	2008*
	Base salary, gross	(2)	1,599,392	1,730,474	364,350	390,000
	Variable cash compensation, gross	(3)	169,638	235,612	39,000	77
	<b>Total cash compensation</b>		<b>1,769,030</b>	<b>1,966,086</b>	<b>403,350</b>	<b>390,077</b>
	<b>Stock compensation</b>	(4)	<b>59,551</b>	<b>293,193</b>	<b>59,551</b>	<b>186,621</b>
	<b>Benefits in kind</b>	(5)	<b>23,274</b>	<b>24,027</b>	<b>0</b>	<b>0</b>
	Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	(6)	389,033	480,279	87,348	107,844
	Contributions for health and accident insurance	(7)	21,528	25,057	3,057	3,327
	<b>Total expenses for long-term benefits</b>		<b>410,561</b>	<b>505,336</b>	<b>90,405</b>	<b>111,171</b>
	<b>Termination benefit</b>	(8)	<b>0</b>	<b>11,702</b>	<b>0</b>	<b>0</b>
	<b>Total compensation</b>		<b>2,262,416</b>	<b>2,800,344</b>	<b>553,305</b>	<b>687,869</b>

\* Prior-year data is restated to reflect the difference between the proportion of stock to cash compensation recorded as accrued and the actual proportion, and any difference between the variable compensation recorded as accrued at the year-end and the actual variable compensation. The prior-year data also represents the social security contributions actually paid, which may differ from the social security costs previously estimated for the prior year. The actual aggregate compensation for the prior year was CHF 15,175 more than the amount reported in the prior year.

The amounts set out in the table above are not identical to the taxable income of the Executive Committee members, as the total compensation for the purposes of section 663 OR includes employer social security contributions and (in the event of share purchases) the stock price discount of 36%.

- (1) Roland Zarske, who was CEO from January 29, 2007, was the member of management with the highest overall compensation. The compensation of Roland Zarske is disclosed separately, but is also included in the total compensation reported for the Executive Committee.
- (2) The members of the Executive Committee receive a fixed base salary. This item comprises the fixed base salaries of all Executive Committee members who served during the year under review.
- (3) This item includes the cash portion of the performance-based component of compensation, based on the incentive plan for the Executive Committee. The past average cash portion of performance-related compensation has been approximately 60%, hence the cash portion recorded in this item represents that percentage of total performance-related compensation. The actual amount of cash compensation may differ from the amounts indicated, if the actual stock compensation level chosen by the recipients differs from the assumption made at the year-end. This item also includes any other one-time cash compensation.
- (4) This item represents about 40% of the variable incentive pay accrued for the fiscal year. The amount disclosed comprises both the portion voluntarily taken in the form of stock, and the minimum required portion of variable compensation that, under the rules of the compensation scheme, must be taken as stock. The effective transfer of the stock occurs in May of the subsequent year. The number of shares actually awarded is determined based on the average market price of the stock from its first trading day after the date of the annual press conference announcing the annual financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The shares awarded are subject to a three-year holding period during which recipients may not sell them. The purchase discount of 36% is recognized as compensation. This item also includes any other one-time stock compensation.

- (5) One member of the Executive Committee is entitled to a company car. The full lease installments are paid by the Company.
- (6) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as contributions to the family allowance fund (FAK) and the Company's employee pension plans.
- (7) This item represents employer contributions to the health and accident insurance plans.

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

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

### 3.4 Additional information on compensation

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

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

There were no material changes in compensation after the balance sheet date of December 31, 2009.

**4 Disclosure of Board and Executive Committee shareholdings**

The ownership interests in COMET HOLDING AG held by members of the Board of Directors and of the Executive Committee are disclosed below. The disclosure covers all persons who held Board or Executive Committee positions for at least part of the year under review or of the prior year, regardless of whether they still held the office at the balance sheet date. The shareholdings shown include the shares held by related parties.

	Total number of shares		Including shares subject to holding periods ending			Share of voting rights	
	2009	2008	May 10, 2010	May 5, 2011	May 7, 2012	2009	2008
Hans Leonz Notter Vice Chairman and member of the Board	16,074	15,620	390	613	54	2.1%	2.1%
Hans Hess Chairman of the Board	8,099	5,008		158	91	1.1%	0.7%
Thomas Hinderling Member of the Board	1,025	109		109	916	0.1%	0.0%
Lucas A. Grolimund Member of the Board	99	72		72	27	0.0%	0.0%
Rolf Huber Member of the Board	798	12			786	0.1%	0.0%
Roland Zarske Chief Executive Officer	3,542	2,076		1,276	1,466	0.5%	0.3%
Markus Portmann Chief Financial Officer	937	591	96	226	346	0.1%	0.1%
Joseph Kosanetzky Head of Systems division	321	66			255	0.0%	0.0%
Michael Kammerer Head of Vacuum Capacitors	117	0			117	0.0%	0.0%
Charles Flükiger Head of Industrial X-Ray	345	299	40	153	152	0.0%	0.0%
Eric Dubuis Chief Information Officer	146	66	21	45	80	0.0%	0.0%
Pascal Weyermann Head of Corporate Human Resources	148	33		33	115	0.0%	0.0%

Each 1,000 registered shares of COMET HOLDING AG of a par value of CHF 10 per share represented a total of 0.1320% of all voting power (prior year: 0.1332%).

The Company elects not to set a threshold level for the reporting of voting power and thus discloses all voting rights of members of the Board and of the Executive Committee.

No material changes in ownership interests arose after the balance sheet date of December 31, 2009.

**Options and conversion rights**

COMET HOLDING AG has not issued any conversion rights or options, and there are no other financial instruments.

**5 Guarantees, pledges, and obligations to third parties under financial guarantees**

As the Group is taxed as a single entity for purposes of value-added tax, COMET HOLDING AG has joint and several liability for the value-added tax obligations of its Swiss subsidiary. Further, the stock of the former YXLON subsidiaries was deposited as security for the financing of the acquisition of the YXLON group.

In thousands of CHF	2009	2008
Guarantee obligations to banks	300	300

There were also, in favor of subsidiaries, loan subordination agreements in the amount of CHF 59.3 million (prior year: CHF 59.2 million) and a parent guarantee to cover financial obligations of EUR 12.2 million.

**6 Risk assessment**

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. On this basis, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system that is designed both for the early identification of risks and for taking timely countermeasures. The organization and reporting related to the risk management system are described in the Corporate Governance report under the heading "Monitoring and control with respect to the Executive Committee" on page 96 of the annual report.

**7 Release of the consolidated financial statements for publication**

The Board of Directors on March 19, 2010 released these financial statements for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 21, 2010 for approval.

## Board of Directors' proposal for the appropriation of retained earnings

In view of the Group's net loss, the Board of Directors will propose to the Annual General Meeting to pay a reduced dividend of CHF 0.50 per share for 2009 and to allocate retained earnings as follows:

In thousands of CHF	2009	2008
Earnings brought forward	382	1,452
Net income/(loss) for the year	9,739	(3,317)
<b>Total retained earnings/(loss)</b>	<b>10,120</b>	<b>(1,866)</b>
Transfer from free reserve	–	4,500
<b>Amount available for distribution</b>	<b>10,120</b>	<b>2,634</b>
Dividend payment *	(379)	(2,252)
<b>Earnings carried forward</b>	<b>9,742</b>	<b>382</b>

\* Proposed gross dividend of CHF 0.50 per registered share (prior year: CHF 3.00)

## Report of the statutory auditor

To the Annual Shareholder Meeting of COMET HOLDING AG, Flamatt

As statutory auditors, we have audited the accompanying financial statements of COMET HOLDING AG at and for the year ended December 31, 2009. These financial statements, consisting of the balance sheet, statement of income and notes, are found on pages 71 to 79 of this annual report.

### **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 bylaws. 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.

### **Auditors' responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's bylaws.

### **Report on other legal requirements**

We confirm that we meet the legal requirements as to licensing in accordance with the Auditor Oversight Act (AOA) and as to independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's bylaws.

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

Berne, March 19, 2010

Ernst & Young AG

Roland Ruprecht  
Licensed audit expert  
(Auditor in charge)

Bernadette Koch  
Licensed audit expert



## Corporate Governance

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

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

### Group Structure and Ownership

#### Structure of the operating activities of the COMET Group



The Group's commercial activities fall into two divisions: Modules & Components and Systems. Financial reporting is segmented along these divisional lines. The financial data for the individual divisions is found in the segment information within the notes to the consolidated financial statements in this annual report.

#### Listed Group company: COMET HOLDING AG

COMET HOLDING AG (the Company) is the Group's only consolidated company that is listed on a stock exchange. The Company's registered office is in Flamatt, Switzerland. Since December 17, 2002 the registered shares of COMET HOLDING AG are listed on SIX Swiss Exchange (formerly called SWX Swiss Exchange) in Zurich (security number 382 575, ISIN CH0003825756, symbol COTN). The market capitalization at December 31, 2009 was CHF 114.4 million (SIX closing price: CHF 151.00).

**Non-listed Group companies**

The following non-listed companies are consolidated in the COMET Group:

<b>COMET HOLDING AG</b> , Flamatt, Switzerland Capital stock: CHF 7,574,800	
100%	<b>COMET AG</b> , Flamatt, Switzerland Capital stock: CHF 2,000,000
100%	<b>COMET North America Inc.</b> , Stamford, CT, USA Capital stock: USD 600,000
100%	<b>COMET Electronics (Shanghai) Co. Ltd.</b> , Shanghai, China Capital stock: CNY 5,466,148
100%	<b>COMET Mechanical Equipment (Shanghai) Co. Ltd.</b> , Shanghai, China Capital stock: CNY 1,655,420
100%	<b>YXLON International GmbH</b> , Hamburg, Germany Capital stock: EUR 110,000
100%	<b>YXLON International A/S</b> , Taastrup, Denmark Capital stock: DKK 601,000
100%	<b>YXLON International Inc.</b> , Akron, OH, USA Capital stock: USD 1,000
100%	<b>YXLON International KK</b> , Yokohama, Japan Capital stock: JPY 10,000,000
100%	<b>YXLON (Beijing) X-Ray Equipment Trading Co. Ltd.</b> , Beijing, China Capital stock: CNY 1,077,000

In the year under review, the ownership structure remained unchanged from the prior year.

### Significant shareholders

At December 31, 2009, COMET HOLDING AG had 1,911 shareholders of record. One hundred percent of the issued registered stock represented free float. COMET HOLDING AG did not own treasury stock at December 31, 2009.

In accordance with the Stock Exchange Act (BEHG, as amended December 1, 2007), listed below are shareholders within the meaning of section 663c of the Swiss Code of Obligations (the Code is commonly abbreviated "OR") whose individual total voting rights at the balance sheet date exceeded 5% of the capital stock recorded in the commercial register ("significant shareholders"). At the balance sheet date of December 31, 2009 the Company was aware of the following significant shareholders:

- Pictet Funds SA, Geneva, Switzerland, on record as holding 55,274 shares and 7.3% of voting rights
- Garlito B.V., Amsterdam-Zuidoost, Netherlands, on record as holding 48,000 shares and 6.34% of voting rights

No other shareholders that were registered in the shareholder registry were known to hold an equity interest of more than 5%. To the best of COMET HOLDING AG's knowledge, there were no voting pool agreements.

The structure of share ownership size classes among the shareholders of record at December 31, 2009 was as follows:

Number of shares owned	Number of shareholders
1 to 100	1,422
101 to 1,000	436
1,001 to 5,000	31
5,001 to 10,000	8
More than 10,000	14

This analysis does not capture those shares owned by shareholders who were not on record in the shareholder registry; these shares of unregistered owners amounted to 21% of the total at December 31, 2009 (prior year: 23%).

### Reportable changes during the 2009 fiscal year

- COMET HOLDING AG was informed on March 13, 2009 by Garlito B.V., Herikerbergweg 108-A, 1101 CM Amsterdam Zuidoost, the Netherlands, that its aggregate holding of registered shares of COMET HOLDING AG was increased to above the 5% threshold through a purchase on March 10, 2009, to a new total of 5.09% of voting rights and 38,000 registered shares. The contact person is Mrs. Marja Engelage, Amsterdam Zuidoost.
- COMET HOLDING AG was informed on March 13, 2009 that Oppenheim Asset Management Services S.à.r.l., 4, rue Jean Monnet, L-2180 Luxembourg, as investment manager for 3V Invest Swiss Small & Mid Cap, reduced its aggregate holding of registered shares of COMET HOLDING AG to below the 5% threshold through a sale on March 12, 2009, to a new total of 4.01% of voting rights and 30,000 registered shares. Exercise of the voting rights is delegated to 3V Asset Management AG, Zurich, Löwenstrasse 25, CH-8001 Zurich. The contact person is Mr. Martin Lehmann, 3V Asset management AG, Zurich, Löwenstrasse 25, CH-8001 Zurich.
- COMET HOLDING AG was informed on May 14, 2009 that LB (Swiss) Investment AG, Fraumünsterstr. 12, 8001 Zurich, as investment manager of AMG Substanzwerte Schweiz a/o LB (Swiss) Inv., Fraumünsterstr. 12, 8001 Zurich, reduced its aggregate holding of registered shares of COMET HOLDING AG to below the 5% threshold through a sale on May 7, 2009, to a new total of 4.994% of voting rights and 37,500 registered shares. The contact person is Mrs. Claudia Di Gioia, LB Swiss Investment AG.

- COMET HOLDING AG was informed on July 30, 2009 that LB (Swiss) Investment AG, Fraumünsterstr. 12, 8001 Zurich, as investment manager of AMG Substanzwerte Schweiz a/o LB (Swiss) Inv., Fraumünsterstr. 12, 8001 Zurich, increased its aggregate holding of registered shares of COMET HOLDING AG to above the 5% threshold through a purchase on July 23, 2009 (effective date: July 28, 2009), to a new total of 5.002% of voting rights and 37,556 registered shares. The contact person is Mrs. Claudia Di Gioia, LB Swiss Investment AG.
- COMET HOLDING AG was informed on August 31, 2009 that LB (Swiss) Investment AG, Fraumünsterstr. 25, 8001 Zürich, as investment manager of AMG Substanzwerte Schweiz a/o LB (Swiss) Inv., Fraumünsterstr. 12, 8001 Zurich, reduced its aggregate holding of registered shares of COMET HOLDING AG to below the 5% threshold through a sale on August 28, 2009 (effective date: September 2, 2009), to a new total of 4.643% of voting rights and 34,859 registered shares. The contact person is Mrs. Claudia Di Gioia, LB Swiss Investment AG.
- COMET HOLDING AG was informed on November 26, 2009 that LB (Swiss) Investment AG, Fraumünsterstr. 25, 8001 Zurich, as investment manager of AMG Substanzwerte Schweiz, reduced its aggregate holding of registered shares of COMET HOLDING AG to below the 3% threshold through a sale on November 25, 2009 (effective date: 30 November 2009), to a new total of 2.640% of voting rights and 20,000 registered shares. The contact person is Mrs. Claudia Di Gioia, LB Swiss Investment AG.
- COMET HOLDING AG was informed on December 18, 2009 that Matter Group AG, Bellevueweg 14, 6300 Zug and Matter Beteiligungen AG, Gotthardstrasse 20, 6300 Zug, Switzerland raised their combined aggregate holding of registered shares of COMET HOLDING AG above the 3% threshold through a purchase on 18 December 2009, to a new total of 4.418% of voting rights and 33,470 registered shares. Matter Group AG, Bellevueweg 14, 6300 Zug, is fully controlled by Thomas Matter. Matter Beteiligungen AG, Gotthardstrasse 20, 6300 Zug, is 25% controlled by each of the following four parties: Thomas Matter, Samuel Matter, Frank Matter, and Regula and Peter Matter (with the latter two persons jointly controlling 25%). The Group is represented by Thomas Matter, Bellevueweg 14, 6300 Zug. The contact person is Daniel Hefti, Matter Group AG, Bellevueweg 14, 6300 Zug, 041 766 05 77.

#### Cross-shareholdings

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

## Capital Structure

### Shares outstanding

The capital stock at January 1, 2009 was CHF 7,508,320, divided into 750,832 registered shares with a par value of CHF 10 per share. In addition to this, in the 2009 fiscal year the capital stock was increased by 6,648 shares from contingent capital.

Including the increase by 6,648 shares from contingent capital, COMET HOLDING AG at December 31, 2009 had CHF 7,574,800 of capital stock, divided into 757,480 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. At its meeting on 9 November 2009 the Board of Directors declared that the contingent increase in the capital stock was completed with due regard to the rules and regulations. The information for COMET HOLDING AG in the commercial register was updated accordingly.

Registered stock, par value of CHF 10 per share	Number of shares	Par value
<b>January 1, 2009</b>	<b>750,832</b>	<b>7,508,320</b>
Increase from contingent capital	6,648	66,480
<b>December 31, 2009</b>	<b>757,480</b>	<b>7,574,800</b>

### Contingent capital

Under section 3b of its Bylaws, the Company may issue contingent stock. The capital stock of the Company may be increased by a maximum of CHF 175,200 by issuing up to 17,520 fully payable registered shares with a par value of CHF 10 per share. In such an increase, shares are issued to employees and/or board members of the company and its subsidiaries. With respect to contingent stock, shareholders' subscription right and advance subscription rights are excluded. The issuance of stock or stock subscription rights to employees is based on an incentive plan adopted by the Board of Directors. Stock and stock subscription rights may be granted to employees and/or members of boards of directors at below the market price.

Under the 2008 incentive plan, the Board of Directors and employees of the COMET Group were granted a total of 6,648 shares of stock in May 2009. The stock was allotted at a price of CHF 64 per share. Taking into account these shares granted during the year under review, contingent capital showed the following movement:

Registered stock, par value of CHF 10 per share	Number of shares	Par value
<b>January 1, 2009</b>	<b>24,168</b>	<b>241,680</b>
Number of shares issued during fiscal year	(6,648)	(66,480)
<b>December 31, 2009</b>	<b>17,520</b>	<b>175,200</b>

**Authorized unissued capital**

At December 31, 2009, in addition to shares outstanding and contingent capital, there existed authorized capital available for issue under section 3a of the Bylaws. The Board of Directors is authorized until April 23, 2011 to increase the capital stock by a maximum of CHF 1,500,000 by issuing up to 150,000 fully payable registered shares with a par value of CHF 10 per share. Increases by way of firm underwriting, and increases by part of the total authorized amount, are permitted. The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET HOLDING AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which subscription rights are granted but not exercised must be sold by the Company at market prices.

**Changes in shareholders' equity**

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

In thousands of CHF	Capital stock	General statutory reserve	Additional paid-in capital	Treasury stock	Free reserve	Retained earnings	Total shareholders' equity
<b>December 31, 2006</b>	<b>6,000</b>	<b>20,160</b>	<b>217</b>	<b>–</b>	<b>11,500</b>	<b>4,184</b>	<b>42,061</b>
Net income						708	708
Dividend paid						(1,200)	(1,200)
Increase in capital stock	1,467		37,297				38,764
<b>December 31, 2007</b>	<b>7,467</b>	<b>20,160</b>	<b>37,514</b>	<b>0</b>	<b>11,500</b>	<b>3,692</b>	<b>80,332</b>
Net income						(3,317)	(3,317)
Dividend paid						(2,240)	(2,240)
Increase in capital	41		799				840
<b>December 31, 2008</b>	<b>7,508</b>	<b>20,160</b>	<b>38,313</b>	<b>0</b>	<b>11,500</b>	<b>(1,866)</b>	<b>75,616</b>
Net income						9,739	9,739
Transfer from free reserve					(4,500)	4,500	0
Dividend paid						(2,252)	(2,252)
Increase in capital stock	66		657				723
<b>December 31, 2009</b>	<b>7,575</b>	<b>20,160</b>	<b>38,970</b>	<b>0</b>	<b>11,500</b>	<b>10,120</b>	<b>83,825</b>

The corresponding information for the two preceding fiscal years is found on page 86 of the Annual Report 2007 and page 92 of the Annual Report 2008. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 27, which forms part of the 2009 financial statements.

#### Shares and participation certificates

The Company's capital stock at December 31, 2009 consisted of 757,480 registered shares with a par value of CHF 10 per share. The capital stock is fully paid in. With the exception of any treasury stock, every share carries dividend rights and represents one vote at the Shareholder Meeting, provided that the owner is recorded in the shareholder registry. The Company has not issued any participation certificates and did not hold treasury stock at December 31, 2009.

#### Dividend right certificates

The Company has not issued any dividend right certificates.

#### Limitation of transferability and nominee registration

The Company keeps a shareholder registry in which the owners and beneficial owners and the number of their shares are recorded. The shareholder registry is maintained by SIX SAG AG.

For the purposes of the legal relationship with the Company, shareholders or beneficial owners of shares are recognized as such only if they are registered in the shareholder registry. Purchasers of registered stock or of beneficial rights with respect to registered stock are upon their request recorded in the shareholder registry by the Board of Directors if the purchasers state explicitly that they have acquired, and will hold, the stock or beneficial ownership for their own account. A condition of registration in the shareholder registry is presentation of proof that the stock was bought to be held by the purchaser, or proof of beneficial ownership. For the purpose of this condition, nominee shareholders (nominees) are deemed to be those persons who do not explicitly state in their registration application that they hold the shares for their own account. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the commercial register. In the case of the following two categories of nominees, all nominees within the given category are considered as forming a single nominee: (i) Legal entities and groups with joint legal status which are connected through capital, voting rights, management or in some other manner; and (ii) all natural persons, legal entities and groups with joint legal status which act in concert by virtue of agreement, syndication or in some other manner in circumventing the rules on nominee shareholders.

The Company may, after hearing the affected party, strike entries (registrations) from the shareholder registry with retroactive effect to the entry date if the entry has come about as a result of false information provided by the purchaser. The purchaser must be advised immediately of the deletion. The Board of Directors decides the details and makes the arrangements necessary to ensure compliance with these rules. In special cases, the Board may approve exceptions to the nominee rules. In the year under review, no applications for such special treatment were received.

#### Convertible bonds and options

The Company has no bonds outstanding in the capital market.

#### Management transactions

The Listing Rules of SIX Swiss Exchange currently require the disclosure of management transactions in stock of the company and related financial instruments. The Board of Directors has issued a corresponding regulation in order to comply with these requirements. The parties whose transactions of this nature are reportable to the Company are the members of the Board of Directors and of the Executive Committee (the Executive Committee is the senior executive management). In the year, a total of eleven multi-person disclosures and one single-person disclosure were filed. These can be found on the website of SIX Swiss Exchange to the extent that the exchange is required to publish them.



Hans Hess



Hans Leonz Notter



Thomas Hinderling



Lucas A. Grolimund



Rolf Huber

### Board of Directors

The Board of Directors has ultimate responsibility for the management of the COMET Group. The Board sets the Group's strategic goals and the guidelines for organizational structure and financial planning.

#### Composition of the Board of Directors of COMET HOLDING AG

On December 31, 2009 the Board of Directors of COMET HOLDING AG had the following members;

Name	Nationality	Position on the Board	Member since	Elected until
<b>Hans Hess</b>				
Dipl. Ing. ETH, M.B.A. USC	Swiss	Chairman and non-executive member	2005	2010
<b>Hans Leonz Notter</b>				
Lawyer	Swiss	Vice Chairman and non-executive member	1989	2010
<b>Thomas Hinderling</b>				
Prof. Dr. phil II	Swiss	Non-executive member	2006	2010
<b>Lucas A. Grolimund</b>				
Dipl. Ing. ETH, M.B.A. INSEAD	Swiss	Non-executive member	2007	2010
<b>Rolf Huber</b>				
Dipl. Ing. Agr.	Swiss	Non-executive member	2008	2010

Secretary of the Board of Directors (since 2007), non-member of the Board: Diego Clavadetscher, lawyer and Swiss registered tax consultant.

#### Changes in Board membership

In the year under review there was no change in the membership of the Board of Directors of COMET HOLDING AG.

#### Additional information on the members of the Board of Directors

The information below outlines the education, significant professional experience and current position of the individual Board members. Where a place name is not followed by a country or state, the country is Switzerland.

**Hans Hess (born 1955, Swiss citizen)**

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

**Hans Leonz Notter (born 1948, Swiss citizen)**

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

**Prof. Dr. Thomas Hinderling (born 1946, Swiss citizen)**

Education	Degree in nuclear physics
	Ph.D. in biomedical engineering
Professional experience	1979 to 1980: NASA scientific project leader
	1980 to 1990: Head of research & development, Schindler AG, Ebikon
	1991 to 1994: Head of research & development, Landis & Gyr Energy Management
	1995 to 1996: Head of production, engineering and marketing, Landis & Gyr Asia-Pacific, Hong Kong
	Since 1997: Head of CSEM (Centre Suisse d'Electronique et de Microtechnique), Neuchâtel
	1999: Appointed titular professor, ETH Lausanne
	Since end of 2009: Chairman, Novaton AG

**Lucas A. Grolimund (born 1966, Swiss citizen)**

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

**Rolf Huber (born 1965, Swiss citizen)**

Education	M.Sc. degree in agronomy, Swiss Federal Institute of Technology (ETH Zurich)
Professional experienced	1993 to 1997: McKinsey & Company, Zurich
	1997 to 1998: Member of executive management of Coop Switzerland
	1998 to 2001: CFO of Hero Group
	Since 2001: Entrepreneur and partner in Ceres Capital AG

### Executive management functions

At the reporting date of December 31, 2009, no member of the Board of Directors had executive management responsibilities in the COMET Group. None of the current Board members was a member of the Executive Committee of the COMET Group in the three years immediately preceding the year under review.

### Related party transactions

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

### Activities and interests outside the Group

The members of the Board of Directors had the following positions in executive and supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations (at December 31, 2009):

<b>Hans Hess</b>	Chairman of the board, Burckhardt Compression Holding AG, Winterthur
	Chairman of the board, Reichle & deMassari Holding AG, Wetzikon
	Member of the board, Geberit AG, Jona-Rapperswil
	Member of the board, Schaffner Holding AG, Luterbach
	Member of the board, Vontobel Foundation, Zurich
	Member of the board, Swisscontact Foundation, Zurich
	Member of the ETH Board (ETH Domain)
<b>Hans Leonz Notter</b>	Vice President of Swissmem (industry association)
	Chairman of the board, SIGERANCE AG, Köniz
	Chairman of the board, Fondation Leschot, Berne
	Member of the board, Fondation Theodora
	Member of the board, Kleinert Investment AG, Berne
<b>Lucas A. Grolimund</b>	Co-liquidator, Kleinert Unternehmungen Holding AG, Berne
	Member of the board, Micronas Semiconductor Holding AG, Zurich
<b>Rolf Huber</b>	Member of the board (non-executive supervisory board member), Teleplan International N.V., Zoetermeer, Netherlands
	Chairman of the board, Finaglaro AG, Ebmatingen

### Board elections and terms of office

In accordance with the Company's Bylaws, the Board of Directors of COMET HOLDING AG has at least three members. The Board members are elected by the Annual Shareholder Meeting for a one-year term ending on the day of the next Annual Shareholder Meeting. If elections are held during a term to replace or add Board members, the newly elected members serve for the remainder of the current term. Board members may be re-elected for consecutive terms. They are individually elected when standing for election or re-election. Board members retire from the Board no later than at the Annual Shareholder Meeting held in the year during which they reach the age of 70.

### Internal organizational structure

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

The Board meets at the invitation of the chairman as often as business requires, or when a member requests it in writing for a stated reason. The Board has a quorum when the majority of members are present. The Board passes its resolutions and performs its elections by an absolute majority of votes cast. In the event of a tied vote, the chairman has the casting vote. Resolutions on a motion may alternatively be reached in writing if no Board member objects to this method. Minutes must be kept of the deliberations and resolutions and be signed by the chairman and secretary. The minutes are presented to the Board at its next meeting for approval.

#### Board committees

In the interest of the efficient fulfillment of its obligations, the Board of Directors of COMET HOLDING AG has struck the following committees.

<b>Committee</b>	<b>Members</b>
Nomination & Compensation Committee	Rolf Huber (committee chairman) Hans Hess
Audit Committee	Lucas A. Grolimund (committee chairman) Hans Leonz Notter
Technology Committee	Thomas Hinderling (committee chairman) Hans Hess

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

**Nomination & Compensation Committee**

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

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

The members of the Nomination & Compensation Committee meet at least twice per year. During the year under review the committee held five meetings. The committee may invite other Board members, Executive Committee members or specialists to its meetings as needed. The CEO and the Head of Corporate Human Resources attended three meetings.

**Audit Committee**

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

- Evaluate the structure and form of the Group's accounting system
- Gauge the effectiveness of the independent auditors and internal controls
- Evaluate how well the independent auditing complements the internal controls, and review the performance and compensation of the independent auditors
- Evaluate the effectiveness of risk management
- Review the financial planning, budget, and budget adherence
- Review the financial reporting to shareholders and the public
- Issue instructions to internal audit and, as required on the basis of the resulting findings, issue instructions to the Executive Committee

During the fiscal year, two meetings were held, which were attended by the external auditors, internal audit and the CEO and CFO. The committee may invite other Board members, Executive Committee members or specialists to its meetings as needed.

**Technology Committee**

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

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

The committee meets as often as business requires. One meeting was held during the year, which was also attended by members of the Executive Committee and other management staff. The committee may invite other Board members, Executive Committee members and external specialists to its meetings as needed.

### Functioning of the full Board of Directors

The Board of Directors as a rule convenes for an ordinary meeting every two months. Additional meetings or telephone conferences are held as needed. A total of nine ordinary meetings of the full Board were held last year. Depending on the amount of time required, the ordinary meetings are between half a day and a full day in length. In addition, the Board committees met as described in the relevant sections above; committee meetings are normally about half a day in length.

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

### Areas of responsibility

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

- Determine the Group's strategic direction and financial targets and allocate the resources required to achieve them
- Establish the Group's objectives, business policy and strategy, and organizational structure
- Decide on the financial plans and annual budgets
- Decide on the acquisition and disposal of subsidiaries and of minority interests in other companies, as well as on collaboration with other firms
- Decide on the purchase and sale of real estate
- Appoint and withdraw members of the executive management of the Group and the managing directors of its subsidiaries and exercise oversight and control of their activities

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

- Manage the COMET Group and, in this capacity, ensure timely and appropriate reporting to the Board of Directors and implement the strategic decisions
- Develop business targets within the general objectives established by the Board and present proposals for strategic planning and the annual budget
- Request items of business to be placed on the agenda of Board meetings and prepare such business for transacting by the Board; the CEO is also responsible for the implementation of the Board's decisions
- Implement an internal control and management information system based on the specifications of the Board
- Regularly review the business risks, and establish a Board-approved risk management system for this purpose
- Regularly review the degree of achievement of the financial targets and strategic goals as well as the liquidity of the subsidiaries
- The members of the Executive Committee and the managing directors of the subsidiaries report to the CEO

#### Monitoring and control with respect to the Executive Committee

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

#### Management Information System

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

The standardized reporting of the COMET Group consists of management reporting and the consolidated accounts based on IFRS. In addition to the preparation of monthly consolidated financial statements, the management reporting presents information for all subsidiaries, such as new orders and order backlog, staffing levels and accounts past due. This data is aggregated by division and for the Group and compared to the prior year and the budget. The resulting insights and management measures to take in response are discussed monthly by the Executive Committee. The monthly reporting and the quarterly financial statements are submitted to the Board of Directors, which discusses them at its meetings.

As another tool for directing management processes, a rolling multi-year plan is prepared annually for the subsequent three years. In addition, every quarter, the management generates a rolling forecast for the following five quarters. These forward-looking control tools enable the Board to continually evaluate the financial effectiveness of the business strategy pursued.

#### Internal audit

Since 2006 the internal audit function is performed by Robert Kruijswijk (based in Elgg) on a consulting basis. His compensation is based on the amount of work performed. In the year under review, Mr. Kruijswijk carried out several special audits in Switzerland. Key audit priorities were the supply chain, the finance department and the central services in Flamatt. The internal auditor reports directly to the Audit Committee of the Board of Directors, at least once per year and additionally as required. After the completion of each audit project, the internal auditor prepares and submits to the Board an audit report with a resulting action plan. The audit report is then discussed with the Executive Committee for implementation of the planned measures. The regular scheduled reporting is based on the audit priorities approved by the Board for the following three years. The nature of the coordination and cooperation between internal and external auditing, complete with the identification of the respective responsibilities, has been specified in writing and approved by the Board.

**Risk management system**

Risk management includes the annual evaluation of strategy by the Board and the assessment by the Executive Committee of insurance cover, the general business risks and the major balance sheet items. The approach to risk management is described and prescribed in a risk manual approved by the Board. Under the direction of the CEO, the significant risks in the individual business areas and departments were identified, systematically described and categorized in a risk matrix, and then assigned a risk rating based on the probability of occurrence and the potential severity of loss. For the risks classified as important, action plans were formulated to minimize the probability and/or severity of loss. The Executive Committee normally meets twice per year to review the risk strategy and make regular adjustments to the risk portfolio. In addition in the year under review, the Executive Committee held two meetings with the staff of the corporate quality department. The Board's Audit Committee is regularly advised of the results of these meetings.

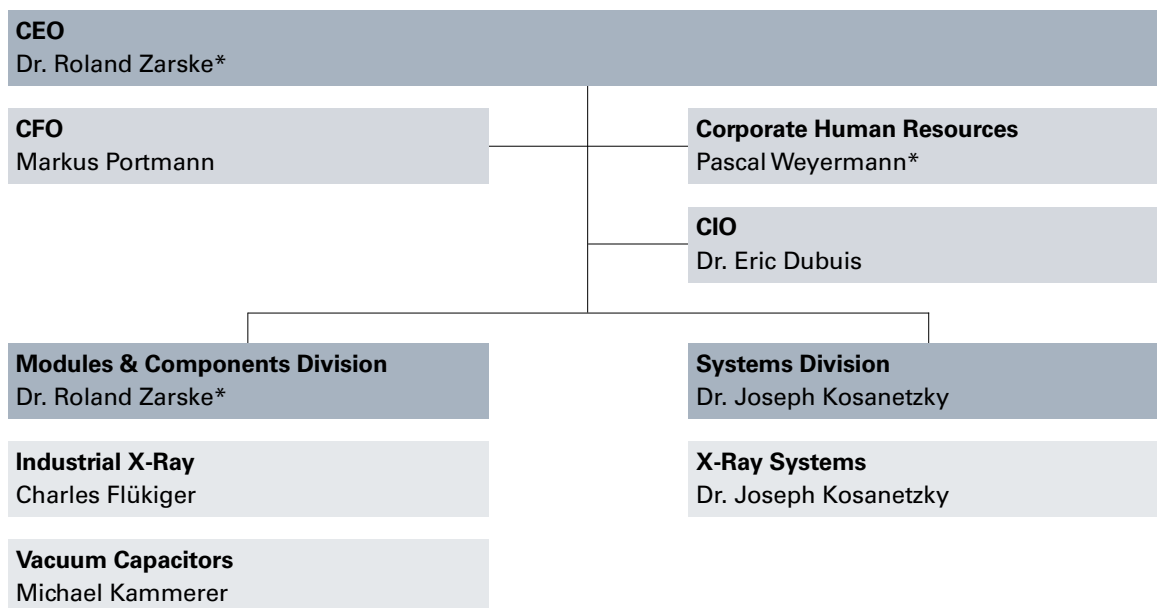
**Internal control system (ICS)**

In the year the COMET Group further refined the internal control system created in the previous year and, where required, produced additional documentation of the processes, significant risks and controls in accordance with the objectives and quality standards set out by the Board of Directors. The staff members responsible for the ICS were designated, the staff involved was trained and the control functions were clearly assigned. The ICS was adjusted to reflect the changes in business processes brought by the launch of SAP, and to the extent possible the ICS was implemented at all levels of the enterprise in all sizeable locations within and outside Switzerland. The controls are integrated in the day-to-day operations and are periodically tested for effectiveness, traceability and efficiency. This approach ensures that risks are detected at an early stage and the necessary countermeasures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting. In the context of the year-end audit, the independent auditor audits the internal control system of the COMET Group in terms of risks in connection with financial reporting and provides a comprehensive report on the findings to the Board's Audit Committee.

### Executive Committee

The Executive Committee – the senior executive management – is responsible for the operational management of the COMET Group within the powers delegated to it. As of December 31, 2009 the COMET Executive Committee consisted of the seven members named below.

#### Composition of the Executive Committee



#### \* Changes in Executive Committee membership

On February 1, 2010 the Board of Directors of COMET HOLDING AG announced the departure of Dr. Roland Zarske, CEO of the COMET Group, and Pascal Weyermann, Head of Corporate Human Resources. With immediate effect, Hans Hess, Chairman of the Board of the COMET Group, assumed the position of Group Managing Director and executive member of the Board until succession arrangements have been made.

Short profiles of the Executive Committee members are given below. Where a place name is not followed by a country or state, the country is Switzerland.

**Dr. Roland Zarske (born 1955, German citizen)**

**Group Chief Executive Officer and Head of Modules & Components Division**

Jan. 29, 2007

Education	Ingenieur FH in engineering (Fachhochschule/University of Applied Sciences, Lübeck, Germany) Dipl. Ing. engineering degree (Technische Universität/Institute of Technology, Braunschweig, Germany) Dr. Ing. engineering doctorate from Institute of Internal Combustion Engineering (Technische Universität, Braunschweig, Germany)
Professional experience	1989 to 2000: Business unit manager of Intensive Care Medicine and Anaesthetic Systems, Dräger Medical, Lübeck, Germany 2000 to 2002: Managing partner and consultant in Germany and Switzerland 2002 to 2007: Head of Microscopy Systems business area, Leica Microsystems GmbH, Wetzlar, Germany Until January 31, 2010: CEO of the COMET Group

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

Aug. 23, 2004

Education	Betriebsökonom FH economics degree (HWV Berne) Controller SIB (Controller Academy, Zurich) Executive MBA (University of Rochester, NY)
Professional experience	1992 to 1996: Controller at SRG in Berne; previously: various management positions in finance. 1996 to 2001: CFO of Bund Verlag AG, Berne 2001 to 2004: CFO of Enterprise Communication division at Ascom, Solothurn

**Pascal Weyermann (born 1970, Swiss citizen) Head of Corporate Human Resources**

Oct. 1, 2007

Education	Eidg. dipl. Personalfachmann human resources degree (FH NWS, Olten) Executive master's degree in human resource management (IAP, Zurich)
Professional experience	Various positions in human resources at Swiss Post, Berne 2002 to 2005: Human resource management in Network Integration division, Ascom, Berne 2005 to 2007: Head of human resources, Stahl Gerlafingen AG, Gerlafingen Until January 31, 2010: Head of Corporate Human Resources, COMET Group

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

Oct. 17, 2005

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

**Dr. Joseph Kosanetzky (born 1953, German citizen) Head of Systems division** July 19, 2007

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

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

Education	Ingenieur FH in engineering (Fachhochschule/University of Applied Sciences, Berne)
	Betriebswirtschaftsingenieur FH/NDS engineering degree (Fachhochschule/University of Applied Sciences, Berne)
	MBA (HSG/St. Gallen University, St. Gallen)
Professional experience	Until 1996: various leadership positions in production
	1996 to 2000: Head of Technology (production and R&D)
	Since 1989: Member of Executive Committee
	Since 2002: Head of Industrial X-Ray at COMET

**Michael Kammerer (born 1961, Swiss citizen) Head of Vacuum Capacitors** Jan. 1, 2008

Education	Eidg. dipl. Einkäufer degree in procurement (SVME)
	MBA in strategy and procurement management (University of Birmingham, UK)
Professional experience	1997 to 2000: Head of purchasing & logistics, Von Roll Betec AG
	2000 to 2002: Head of purchasing & logistics, Swisscom Solutions AG
	2002 to 2007: Head of purchasing & supplier quality assurance, automotive, Saia-Burgess AG, Switzerland / Johnson Electric, Hong Kong

**Activities and interests outside the Group**

Outside the COMET Group, the members of the Executive Committee did not hold positions on executive or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations (at December 31, 2009). Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

**Related party transactions**

There were no business transactions with related companies or individuals.

**Interim management contracts**

No interim management contracts existed in the COMET Group.

## Compensation, Stock Ownership and Loans

### Structure and method of determining compensation and stock ownership plans for the Board of Directors

#### Basis and components of compensation and stock ownership plans

The members of the Board of Directors receive compensation consisting of a fixed base retainer, a per-day fee for Board meetings, and an expense allowance. Every member of the Board is entitled, but not required, to receive up to 100% of this compensation in the form of stock, in accordance with the provisions of the incentive plan.

In addition, the compensation scheme contains a performance-based component. This variable portion of compensation is governed by the same rules as the incentive plan for executive management. The target level of variable compensation (the "target variable compensation") for achievement of the budgeted return on net working capital (RONWC, defined as the ratio of EBITDA to net working capital) is 50% of the base salary. If the targeted RONWC is surpassed, the variable compensation can reach a maximum of 100% of the base salary. A precondition of the awarding of variable compensation is that, after the accrual of all variable compensation components Group-wide, the Group must still be able to report positive consolidated net income. As the Group recorded a net loss in the year under review, no variable pay component was accrued in respect of the year.

In exceptional cases, additional functional targets are established at the beginning of the year or of a specific event (for example, in connection with a planned acquisition). In these cases the Board of Directors defines minimum and maximum target values at which the variable portion of compensation reaches zero or a given maximum amount, respectively. In the year under review no such targets were set.

When qualifying for a variable pay component, the members of the Board of Directors must draw at least 50% of the performance-linked compensation as stock of COMET HOLDING AG. The purchase price to recipients is the average closing price of the stock during the period from the stock's first trading day after the date of the annual press conference announcing the full-year financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The stock received is subject to a holding period of three years.

Special efforts approved in advance by the Board that go beyond the scope of normal Board activities are compensated through additional remuneration based on actual time spent, at an hourly rate that is set by the full Board of Directors plus a flat expense allowance of 5%. This compensation is paid only in cash. In the year under review no such compensation was paid.

#### Responsibility and process for determining compensation and stock ownership plans

The fixed and variable compensation of the Board of Directors are periodically reviewed and re-established by the full Board itself. The Board bases its decisions in part on its own experience and on comparisons with similar peer companies. The latest such review was performed in respect of 2008.

### Structure and method of determining compensation and stock ownership plans for the Executive Committee

#### Basis and components of compensation and stock ownership plans

The members of the Executive Committee receive a fixed base salary and a flat expense allowance. This compensation is paid in cash. One of the members of the Executive Committee is also entitled to a company car under the employment contract.

In addition, the incentive plan provides a performance-based pay component for the Executive Committee. At the beginning of the year, clearly measurable functional performance targets are established individually for each Executive Committee member according to their area of activity. These functional targets represent 50% of the performance-based decision component. The other 50% of the variable

component of compensation is based on the Group's achievement of the budgeted return on net working capital (RONWC, defined as the ratio of EBITDA to net working capital). The target value of variable compensation for achievement of the budgeted RONWC is between 40% and 50% of the base salary, depending on the position of the individual Executive Committee member.

In addition, the Board of Directors annually sets an externally-based benchmark level for RONWC. This benchmark is guided by the estimated levels at a peer group of comparable companies in COMET's industry. At the year-end the result achieved is compared to the budget target and the external benchmark. If the actual performance is less than 80% of the budget target or less than 50% of the benchmark level, no RONWC-based variable compensation is paid. If the degree of budget target achievement is between 80% and 100%, the payable portion of the variable compensation is calculated on a linear scale. If the performance reaches the budget target but is below the benchmark, the maximum variable compensation remains limited to the full target variable compensation. If the performance reaches or surpasses the benchmark, the maximum additional variable compensation achievable is an additional 100% of the target variable compensation (that is, the maximum total variable compensation achievable is 200% of the target variable compensation).

A precondition of the award of variable compensation is that, after the accrual of all variable compensation Group-wide, the Group is still able to report positive consolidated net income. As the Group recorded a net loss in the year under review, no contractual variable pay component was accrued in respect of the year. At the request of the Board of Directors, a one-time bonus was accrued in order to recognize special efforts.

Between 25% and 50% of the variable compensation of the Executive Committee members – depending on their position – must be paid in the form of COMET HOLDING AG stock. The purchase price to recipients is the average closing price of the stock during the period from the stock's first trading day after the date of the annual press conference announcing the full-year financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The stock received is subject to a holding period of three years.

#### **Responsibility and process for determining compensation and stock ownership plans**

For consideration by the full Board of Directors, the Nomination & Compensation Committee prepares a specific proposal for the Executive Board compensation packages. The committee partly bases its recommendations on external studies by Watson and Wyatt, which are used for pay comparisons. Periodically, based on the committee's proposal, the full Board sets and approves the compensation (including stock-based compensation). The latest such review was performed in respect of 2008. The members of the Executive Board do not attend these Board meetings and do not have a voice in the approval of their compensation.

#### **Additional stock ownership plan**

COMET employees and the members of the Board of Directors have the opportunity to participate in an additional stock ownership plan. The shares are issued from contingent capital. The purchase price to recipients is the average closing price of the stock during the period from the stock's first trading day after the date of the annual press conference announcing the full-year financial results, to the stock's last trading day before the Annual Shareholder Meeting, less a discount of 36%. The stock subscribed is payable in cash at the time of purchase. For this one-off allotment, a maximum purchase amount of CHF 50,000 was set per eligible recipient per year. The Board of Directors decides anew every year, based on business performance, whether to carry out this stock ownership plan in that year. For 2009 it was decided not to implement an additional stock ownership plan.

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

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663 bbis of the Swiss Code of Obligations is provided in the notes to the separate financial statements of COMET HOLDING AG on page 72.

### Shareholder Voting

The shareholders' voting rights are set down in principle in the Swiss Code of Obligations, and these legal provisions are supplemented by rules in the Bylaws of the Company. The Bylaws of COMET HOLDING AG can be viewed on the Company's website at [www.comet.ch](http://www.comet.ch).

#### Voting rights limit and proxy voting

Shareholders may vote if their name appears in the Company's shareholder registry as of 10 days before the Shareholder Meeting. Each registered share carries one vote, subject to the provisions on nominee shareholders in section 5 of the Bylaws. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the commercial register. Upon presentation of a written proxy, shareholders may be represented at the Shareholder Meeting by another shareholder.

#### Quorums under the Bylaws

The Shareholder Meeting passes resolutions and conducts its voting by an absolute majority of the votes represented, except inasmuch as there are binding legal requirements to the contrary. A second round of voting, if any, is decided by a relative majority.

The Bylaws of COMET HOLDING AG do not provide for resolutions (except for those named in section 704 of the Swiss Code of Obligations) the passage of which would require a different type of majority.

#### Calling of the Shareholder Meeting

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

#### Placing business on the Shareholder Meeting agenda

Shareholders' requests under section 699 (3) of the Swiss Code of Obligations to place a business item on the Meeting agenda, and the actual motion to be put forward, must be submitted to the Board of Directors in writing no later than 45 days before the Shareholder Meeting in question.

#### Registration in the shareholder registry

As section 12 (2) of the Bylaws specifies that only those shareholders are entitled to vote who are registered in the shareholder registry as of 10 days before the Shareholder Meeting, the shareholder registry is closed to new entries from then until and including the day of the Shareholder Meeting. No exceptions to this rule have ever been made to date. Shareholders who sell their stock before the Shareholder Meeting are not entitled to vote.

### Changes in Control and Measures to Prevent Hostile Takeovers

#### Requirement to make a public purchase offer for shares

Under section 32 (1) of the Stock Exchange Act (BEHG), anyone acquiring 33 1/3% or more of all voting rights must make a public tender offer. The Bylaws of COMET HOLDING AG contain neither an opting-up clause (in other words, they do not raise this percentage threshold) nor an opting-out clause (i.e., they do not waive the requirement of a tender offer).

#### Provisions on changes in control

With respect to members of the Board of Directors and the Executive Committee there are no contractual obligations of unusually long duration or provisions for termination benefits as a result of a change in control.

Under the stock ownership plan, the Board of Directors may at its discretion decide on the early termination of the holding period for the granted or purchased stock. In all cases, the holding period automatically ends at the time of termination of employment if the termination is the result of a change of control.

### Auditors

#### Duration of independent auditors' mandate and tenure of lead audit partner

Ernst & Young AG, Berne, has been the independent auditor of COMET HOLDING AG since 1999. Previously, Neutra Treuhand AG, Berne, a firm affiliated with Ernst & Young AG, had been the independent auditor of COMET HOLDING AG since 1985. The lead audit partner, Mr. Roland Ruprecht, has been responsible for the engagement since the fiscal year 2003. The independent auditors are appointed by the Shareholder Meeting for one fiscal year at a time.

#### Audit fees

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

In thousands of CHF	2009	2008
Audit fees <sup>1</sup>	273	333

<sup>1</sup> Before VAT

Including the other auditing firms, the total audit fees in the year under review amounted to CHF 363,000 (prior year: CHF 431,600). The audit fees are set annually after discussion with the Audit Committee and are based on the audit scope at the individual Group companies, any special in-depth audits and the targeting of specifically identified risks.

### Other fees

For services in connection with the reorganization of the YXLON Group, one-time costs were incurred for legal and tax consulting services related to the closing of the facility in Hanover and the relocation of the generator activities from Hamburg to Switzerland. Consulting costs were also incurred for special projects (initial validation of SAP, adjustments to the internal control system, and transfer pricing documentation). In total in the year under review, Ernst & Young received the following compensation for consulting services:

In thousands of CHF	2009	2008
Audit-related consulting services	84	
Tax consulting services	75	
Other consulting services	99	
<b>Total consulting fees <sup>1</sup></b>	<b>258</b>	<b>901</b>

<sup>1</sup> Before VAT

### Information tools with respect to independent auditors

The Audit Committee of the Board of Directors annually reviews the performance, compensation and independence of the independent auditors. The Audit Committee also examines the scope of the independent audit, reviews action plans developed to resolve any issues identified in the audit, and recommends candidate independent auditors to the Board to propose for election by the Shareholder Meeting. The Board has not set a fixed cycle of rotation. In selecting the outside auditors, particular importance is attached to independence and documented experience. The maximum tenure of the lead audit partner is seven years; the tenure of Roland Ruprecht therefore ends with the 2009 fiscal year. The Board of Directors has appointed Ms. Bernadette Koch as the next lead audit partner.

The Audit Committee discusses each of the planning for and the results of the annual financial statements with the lead audit partner once per year. The internal auditor and the CFO take part in this meeting. At the same time, the lead audit partner attends at least one meeting of the full Board of Directors per year. After the audit of the annual financial statements, the results are reported on the basis of the comprehensive report to the Board of Directors and the reports of the independent auditors to the Shareholder Meeting.

### Communication Policy

The COMET Group informs its shareholders, the media, financial analysts and other stakeholders with the greatest possible transparency and based on the principle of equal treatment. The Group publishes annual reports and semiannual reports that comply with Swiss stock corporation law and International Financial Reporting Standards (IFRS). As well, information is provided to additional audience segments via the following events:

- Shareholders: in connection with the Shareholder Meeting
- Media representatives and financial analysts: through press conferences
- Institutional investors: through road shows and investor days

Announcements about events that fall under the ad-hoc disclosure requirements of SIX Swiss Exchange are published immediately.

### Key dates

The dates of the most important publications and events are:

End of fiscal year	December 31, 2009
Annual press conference	April 1, 2010
Publication of annual report	April 1, 2010
Annual Shareholder Meeting	April 21, 2010
End of first half of fiscal year	June 30, 2010
Publication of semiannual report	August 24, 2010

### Publication media

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

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

In addition, the Company's website, at [www.comet.ch](http://www.comet.ch), provides an overview of the Group's organizational structure and business activities. The website contains, among other information, the annual report, press releases, presentations for press conferences, and the Bylaws of COMET HOLDING AG. As well, any interested party can register on the website to automatically receive all press releases in electronic form.

### Contacts

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Die COMET Gruppe gehört weltweit zu den führenden Herstellern von Systemen und Komponenten für zerstörungsfreie Materialprüfung, Sicherheit und Semiconductor und ist seit der Akquisition der YXLON Gruppe globaler Marktführer in der zerstörungsfreien Materialprüfung mittels Röntgentechnologie.

Basierend auf den Kernkompetenzen Vakuumtechnologie, Hochspannungstechnik und Materialwissenschaft sowie den Kernprodukten Röntgenröhre und Vakuumkondensator, liefert COMET ein vollständiges und hochflexibles Angebot an Komponenten, Modulen, Systemen und Dienstleistungen aus einer Hand.

COMET wurde 1948 gegründet und hat ihren Hauptsitz in Flamatt bei Bern in der Schweiz. Die COMET Gruppe, deren visuelles Erscheinungsbild 2010 mit einem neuen Logo an die formale Organisationsstruktur angepasst wurde, ist heute in allen Weltmärkten vertreten, produziert in der Schweiz, in Deutschland und Dänemark und unterhält eigene Tochtergesellschaften in den USA, China und Japan. Die Geschäftsbereiche spiegeln sich in Divisionen für das OEM- und das Endkundengeschäft. Die Aktien von COMET (COTN) werden an der SIX Swiss Exchange gehandelt.

COMET – Technology with Passion.



**COMET HOLDING AG**

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