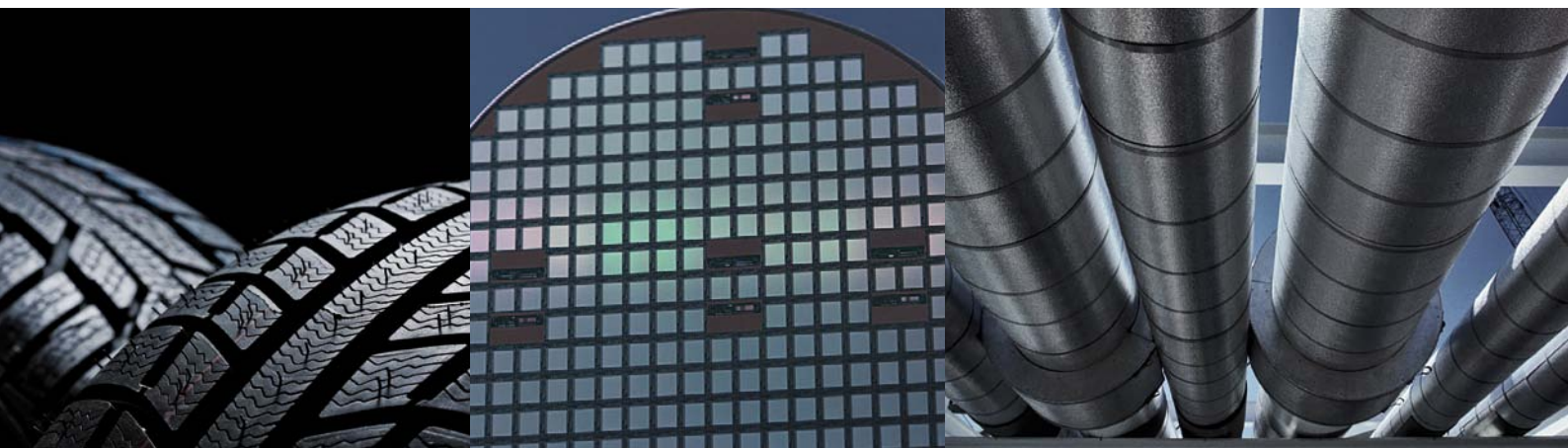
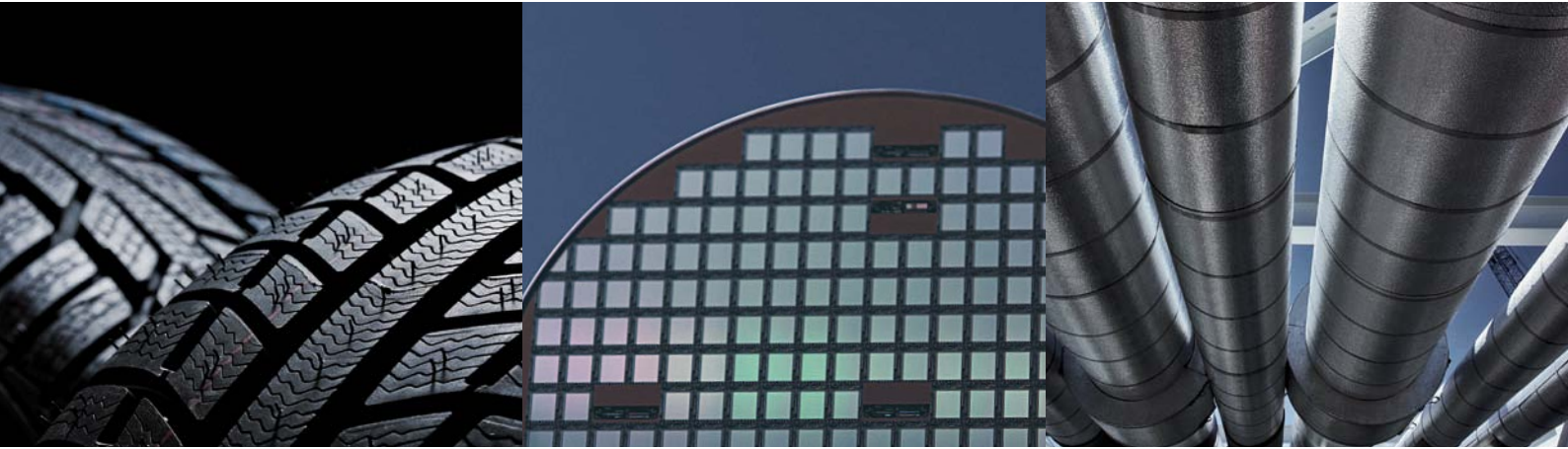


Annual Report 2010



COMET HOLDING AG



Automotive industry

The COMET Group is a trusted supplier of non-destructive testing equipment for the inspection of tires, wheels and other auto parts.

Semiconductor industry

In the vacuum capacitors business, COMET develops and manufactures specialized components and modules for systems used in semiconductor fabrication.

Energy industry

COMET develops solutions for the energy sector that help to ensure the safe transport of oil and gas over long distances.

The COMET Group

A leading global company which provides high-quality components, subsystems, systems and services in X-ray, e-beam, vacuum and RF technologies aimed at optimizing the products and processes of its customers worldwide.

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The COMET Group

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

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

COMET and YXLON are well-established brands that have for decades enjoyed an outstanding reputation in their complementary segments of the market for X-ray-based non-destructive testing. While COMET primarily manufactures high tech components and modules, YXLON offers complete system solutions, including also software and services.

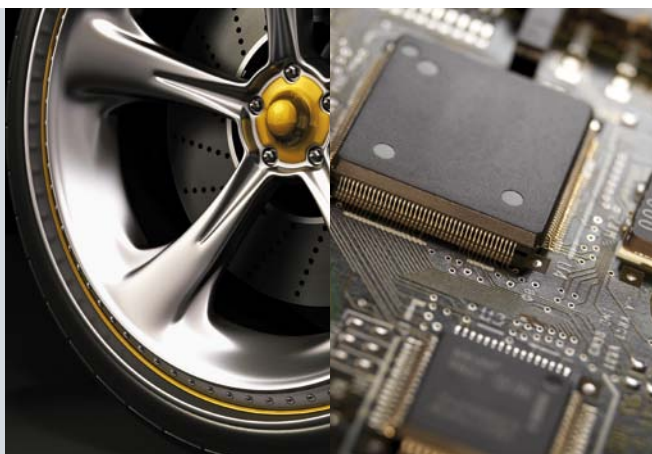
The principal markets for the X-ray products are non-destructive testing and inspection in the automotive, aerospace and electronics industries and the energy sector, as well as security at airports and borders. Vacuum capacitors are used in the production of conventional memory chips, flat panel displays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

COMET AG was founded in 1948 and is based in Flamatt, Switzerland. Today, the COMET Group is represented in all world markets, manufactures in Switzerland, Germany, Denmark and China and maintains other subsidiaries in the USA and Japan. The COMET Group consists of two divisions (see opposite page) and several product areas.

COMET's workforce is exceptionally highly educated; almost 90% of employees are trained specialists, one-third of whom hold degrees from universities and/or polytechnics.

The Group invests continuously 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 animates everything we do:

COMET – Technology with passion.



Modules & Components Division

Industrial X-Ray develops and manufactures metal/ceramic X-ray sources, as well as the modules based on them, 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 **Vacuum Capacitors** 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

- 1 COMET AG
Herrengasse 10
P.O. Box 141
3175 Flamatt
Switzerland
- 2 YXLON International GmbH
Essener Bogen 15
22419 Hamburg
Germany
- 3 YXLON International GmbH
Am Walzwerk 41
45527 Hattingen
Germany
- 4 YXLON International A/S
Helgeshøj Alle 38
2630 Taastrup
Denmark

- Headquarters (Group and/or division)
- Subsidiaries
- Sales and service locations



5 **COMET Technologies USA, Inc. (Vacuum Capacitors)**
2370 Bering Drive
San José, CA 95131
USA

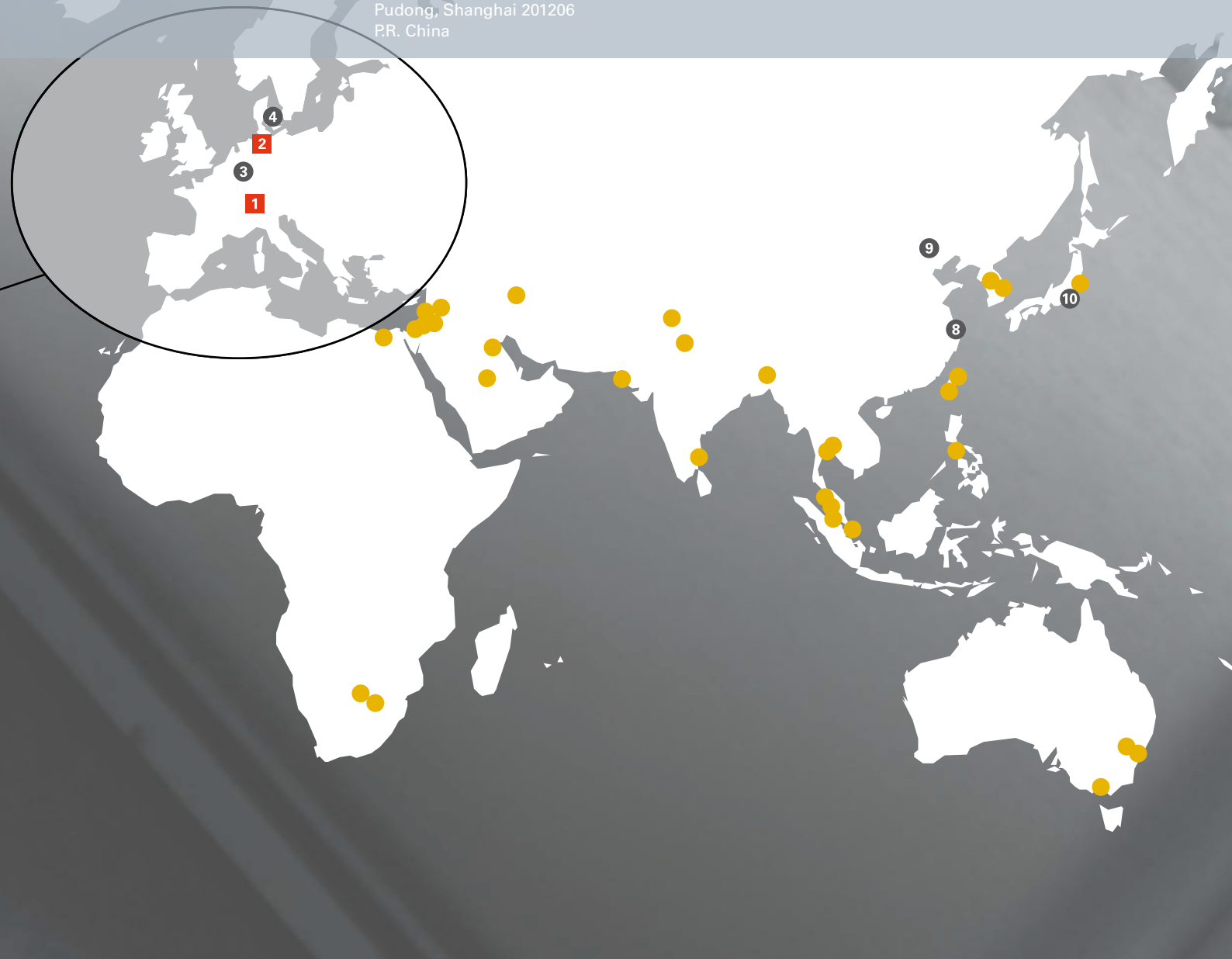
6 **COMET Technologies USA, Inc. (Industrial X-Ray)**
76 Progress Drive
Stamford, CT 06902
USA

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

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

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

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



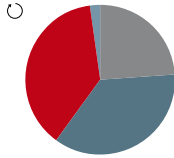
Group sales by region in 2010

Europe
24%

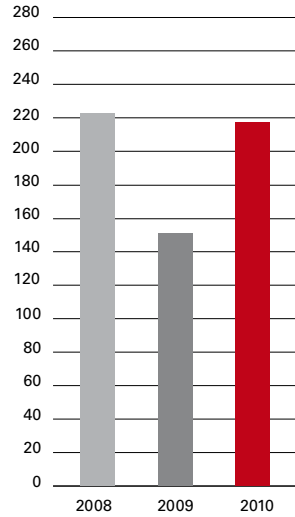
North America
36%

Asia
38%

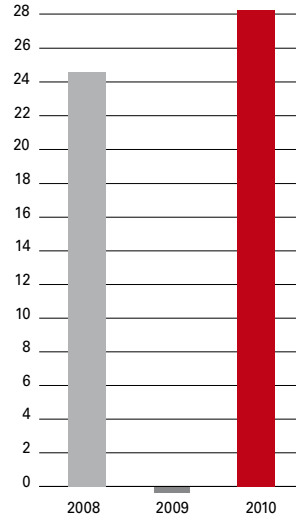
Other countries
2%



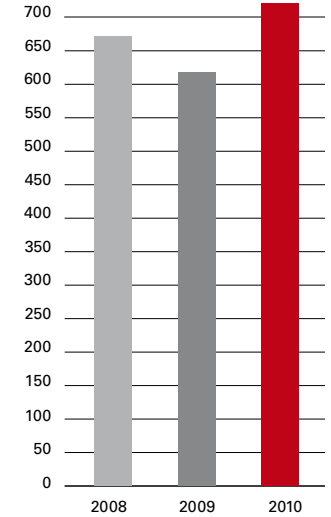
Group net sales
In CHF million



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	2010	2009	2008	2007	2006
	Net sales	217,395	150,750	222,555	171,124	96,214
	Operating income	16,239	(13,992)	11,031	9,476	3,109
	in % of net sales	7.5%	(9.3%)	5.0%	5.5%	3.2%
	EBITA	21,543	(7,540)	17,251	15,117	4,642
	in % of net sales	9.9%	(5.0%)	7.8%	8.8%	4.8%
	EBITDA	28,333	(432)	24,575	22,148	10,035
	in % of net sales	13.0%	(0.3%)	11.0%	12.9%	10.4%
	Net income/(loss)	7,489	(12,730)	8,272	5,740	2,449
	in % of net sales	3.5%	(8.4%)	3.7%	3.4%	2.5%
	Cash flow ¹	19,176	10,912	22,661	2,658	9,199
	in % of net sales	8.8%	7.2%	10.2%	1.6%	9.6%
	Total assets	214,805	229,603	249,932	273,108	137,082
	Shareholders' equity	111,735	112,372	126,726	128,976	86,094
	Equity ratio (% of total assets)	52.0%	48.9%	50.7%	47.2%	62.8%
	Number of employees (year-end)					
	Switzerland	330	259	276	273	277
	International	391	352	401	401	103
	Total	721	611	677	674	380

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

Information for Investors

Fiscal year		2010	2009	2008	2007	2006
Capital stock	CHF	7,574,800	7,574,800	7,508,320	7,466,580	6,000,000
Number of shares at Dec. 31		757,480	757,480	750,832	746,658	600,000
Weighted average number of shares outstanding		757,401	755,149	749,087	669,885	600,000
Stock price (adjusted)						
High for the year (Dec. 6, 2010)	CHF	208.40	151.50	244.50	330.00	245.00
Low for the year (Feb. 18, 2010)	CHF	130.00	75.00	81.00	211.50	167.00
Year-end (Dec. 31)	CHF	195.80	151.00	99.00	249.80	218.00
Earnings/(loss) per share	CHF	9.89	(16.86)	11.04	8.57	4.08
Distribution per share ¹	CHF	3.50	0.50	3.00	3.00	2.00
P/E ratio (at year-end price)		12	n.a.	9	31	53
Distribution yield (at year-end price)	%	1.8%	0.3%	3.0%	1.2%	0.9%
Equity per share ²	CHF	147.5	148.8	169.2	192.5	143.5
Market capitalization (Dec. 31)	CHF m	148.3	114.4	74.3	186.5	130.8

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

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

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

To Our Shareholders

In 2010 the COMET Group staged a compelling turnaround, overcoming the effects of the world economic crisis: Sales grew by 44% to CHF 217.4 million and the EBITDA margin increased substantially.

In the year under review the COMET Group emerged with renewed vigor from one of the most challenging crises of recent decades, thanks to the consistent implementation of the Group strategy, internal improvements and a cyclical upturn in the relevant markets. This is documented by the compelling sales growth of 44% from the prior year (or 52% in currency-adjusted terms) to CHF 217.4 million and the significant increase in EBITDA margin to 13.0%. With free cash flow of CHF 14.3 million and a healthy balance sheet boasting an equity ratio of 52.0%, the sustained financial strength and flexibility of the COMET Group are evident. These results form a strong foundation for the Group's further profitable growth.

44% sales growth and market share wins

The COMET Group delivered an excellent business performance in 2010. Buoyed by a combination of positive drivers – particularly the successful forward integration, the many new products, operational measures to increase efficiency and a favorable market trend especially in Asia and North America – the COMET Group overcame the severe economic crisis and generated impressive top-line growth of 44%, bringing sales to a new total of CHF 217.4 million. This vigorous expansion substantially outpaced the average rate of market growth and thus also represents some very pronounced market share gains in individual product areas.

The biggest growth in sales and market share was achieved in vacuum capacitors and RF (radio frequency) matchboxes for plasma processes in the semiconductor industry. However, in the new market environment, the systems for non-destructive testing too generated strong growth in various application segments (notably the auto

industry in Asia) and won further market share. In industrial X-ray technology, in 2010 the first series-produced new high voltage X-ray sources were delivered to customers. Meanwhile, the novel e-beam technology not only met but far surpassed the requirements of the most crucial test, the service life verification of the commercialized products in all trial installations.

The powerful market growth in Asia and North America led to a shift in the relative importance of the three main market regions. Asia's share in the COMET Group's sales climbed to 38% and North America's share rose to 36%. Europe now accounted for 24% of Group sales.

Substantial earnings:

Improvement in EBITDA margin to 13.0%

The COMET Group achieved a marked increase in profitability in 2010 thanks to productivity improvements and cost optimization realized in the year before, significant efficiency gains in all business processes in the past two years, lower purchasing prices and brisk sales growth. As a result of the good manufacturing capacity utilization and profitable new products, gross margin grew from 32.2% in the prior year to 37.5% in 2010. Both divisions contributed to this clear improvement. This was all the more positive as, toward the end of 2010, our results were not immune to a certain impact from the strong Swiss franc. The Group was largely "naturally hedged" against the euro, meaning that, to the extent of this type of hedging, we were able to use every euro received from customers to pay for salaries in the euro area or for purchases from European suppliers. Although in 2010 we invested in customer-centered development, marketing and sales, our operating efficiency was significantly enhanced through

Hans Hess
Chairman of the Board and
Interim Managing Director



numerous process improvements. This led to sharp improvements in operating margins, despite the fact that considerably higher variable compensation was accrued than in the previous year. The EBITDA margin rose from the prior year's 3.5% (before restructuring expenses) to a positive result of 13.0% and the EBIT margin turned from a loss-making 4.6% in 2009 (before restructuring expenses) to a profitable 7.5%.

The Modules & Components division reached a new high of 20.9% in its EBITDA margin. Profitability in the Systems division also improved significantly, to an EBITDA margin of 3.3%, although this was still well below the medium-term target.

From the operating income improvement of CHF 30.2 million, the COMET Group was able – in spite of somewhat higher interest rates, considerable currency translation losses and significantly higher taxes – to realize an improvement of CHF 20.2 million at the net income level. Net income was thus CHF 7.5 million, or CHF 9.89 per share. Even with the increase of CHF 9.0 million in net working capital, made necessary by the sales growth of 44%, we registered a strong positive free cash flow of CHF 14.3 million.

Sound balance sheet with equity ratio of 52%

The key balance sheet ratios as well showed positive trends in the year under review.

Despite the capital requirements of the rapid sales growth, COMET was able to reduce the amount of capital employed from the prior-year level of CHF 186.0 million to CHF 182.6 million at the end of 2010. Notwithstanding the material impact of the strong Swiss franc on the currency translation of net assets, we were able to boost equity

from 48.9% to 52.0% of total assets. In total during the fiscal year, CHF 17.2 million of debt was repaid. The COMET Group ended the year 2010 with a healthy balance sheet and sufficient liquidity. On this strong foundation, we will build the Group's successful future.

Distribution from contributed capital

In view of the COMET Group's good results for the year completed and the optimistic outlook for 2011, the Board of Directors will propose to the Annual Shareholder Meeting (instead of the prior year's dividend of CHF 0.50 per share) to pay a significantly higher distribution of CHF 3.50 per share from contributed capital. This proposed payment to shareholders will be exempt from Swiss anticipatory tax and will represent 36% of the Group's net income in 2010.

A word of thanks for unwavering dedication, loyalty and support

On behalf of the Board of Directors and Executive Committee, I would like to thank all employees of the COMET Group worldwide for their tireless work in the year past. Without their readiness and ability to accomplish extraordinary things, the company's positive earnings results would not have been achieved so soon. We will continue to work together in 2011 to tailor our offering to the needs of customers around the world.

The Board's heartfelt "thank you" also goes to our shareholders for their long-standing loyalty and consistent trust. Finally, we sincerely thank all our commercial partners and suppliers for their great support and confidence.



Ronald Fehlmann
CEO of the COMET Group
since January 1, 2011

Ronald Fehlmann is new CEO since January 2011

Until the end of 2010 the COMET Group was managed on an acting basis by Hans Hess, the Chairman of the Board of Directors. With effect from January 1, 2011, the responsibility for operational management passed to Ronald Fehlmann, the new Chief Executive Officer of the COMET Group. Ronald Fehlmann, a Swiss citizen, is 48 years of age and holds an engineering degree from the Federal Institute of Technology in Zurich and a degree in economics from the University of St. Gallen.

Outlook for 2011

Although not all of the world economy has yet regained as much stability as desired and there remain risks in a number of countries, a continuing positive trend in the COMET Group's markets is expected for 2011. Provided that there are no serious disruptions on the currency front or in our markets, the Board of Directors and Executive Committee are optimistic that in 2011 the COMET Group will be able to achieve sales growth in the single digits and further improvements in operating margins. The current order situation indicates a successful start to 2011.

Flamatt, Switzerland, March 2011

A handwritten signature in black ink, appearing to read 'H. Hess'. The signature is fluid and cursive, written on a white background.

Hans Hess
Chairman of the Board of Directors
and Interim Managing Director

COMET Share Price Performance

COMET registered stock Performance in CHF



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Modules & Components Division

Sales up 66.1%: The Modules & Components division delivered a superb revenue performance for 2010. Total sales in the Vacuum Capacitors and Industrial X-Ray businesses in the year were CHF 130.6 million (up from CHF 78.6 million in 2009), exceeding all expectations.



Major factors in the superlative business performance of the Modules & Components division were the swift market recovery in the semiconductor industry, the successful forward strategy in the RF matchbox business, new X-ray technology products, efficiency improvements in operations, and accurate risk assessment. External sales in 2010 were CHF 113.7 million, or 52.3% of Group sales. Including intercompany sales with the Systems division, Modules & Components generated total sales of CHF 130.6 million. Compared to the prior year, this represents an increase of 66.1%. The top-line success of Modules & Components was reflected in good operating earnings, which reached CHF 20.1 million at EBIT level (prior year: CHF 4.0 million before special charges) and CHF 27.3 million in EBITDA terms (prior year: CHF 9.0 million).

Market segments

In the semiconductor industry, the powerful upswing – further accelerated by the launch of new products such as tablet computers (notably the iPad) and new generations of PCs and smartphones – created high catch-up demand from chip manufacturers. Fabrication plants ran in high gear and demand for vacuum capacitors and matchboxes for plasma processes was therefore strong. The forward strategy pursued by Vacuum Capacitors in the RF module business thus bore handsome dividends in 2010. For the first time, matchboxes represented a significant share of overall sales. This achievement also owes much to Vacuum Capacitors' on-time delivery guarantee. The division reaped the rewards of having used the recession to prepare for the rebound by refining its processes and investing in research and development.

The flat panel and solar market segments also showed growth, even if they were somewhat eclipsed by the semiconductor industry amid the particular pattern of the business cycle's recovery. The trend indicates that the flat screen and photovoltaic segments will gain in importance in 2011, as

capital spending and technological change are in the offing: Both flat screens and solar panels are steadily becoming larger, which places higher demands on the coating processes. As well, the Chinese government's enormous investment programs directed to the solar industry are gaining traction.

The growth driver in Industrial X-Ray was the market segment of stationary non-destructive testing. Here COMET benefited both from the strong cyclical recovery in the automotive and aircraft sectors and from new products that enriched the portfolio. A widely remarked event was the launch of the 600 kV X-ray source; with this high voltage source, executed in very little time, Industrial X-Ray achieved a conspicuous forward leap in technology. Another critical success factor for Industrial X-Ray was its ability to meet the often very sudden jumps in demand from OEM customers flexibly and on time. A milestone worthy of note is the commercial breakthrough of COMET's e-beam technology: In all test installations, the commercialized products not only met but greatly exceeded the benchmarks applied in the service life verification.

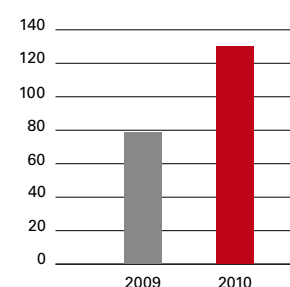
Outlook

In the Vacuum Capacitors segment, flat panel and solar applications will become more prominent. The segment will also bring out a new generation of capacitors – in 2011 the first applications will be equipped with functional prototypes. In the semiconductor industry as well, further opportunities await COMET: As chip makers were producing at capacity in 2010, they in some cases lacked the time to install already available innovations on their product lines. These deferred investments are likely to be made in 2011.

For Industrial X-Ray, the signs point to further growth. Its extensive range of products and technology is an ideal basis for further sales gains in 2011. A valuable contribution to growth will come from the innovations and new applications across the entire offering (high and low power X-ray, e-beam, and variable-focal-spot products).

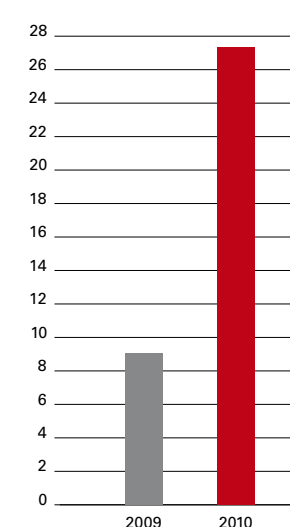
Net sales

In CHF million

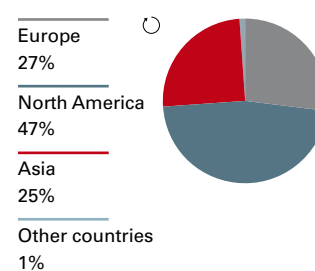


EBITDA

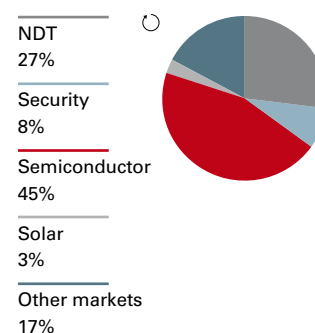
In CHF million



Sales by region in 2010

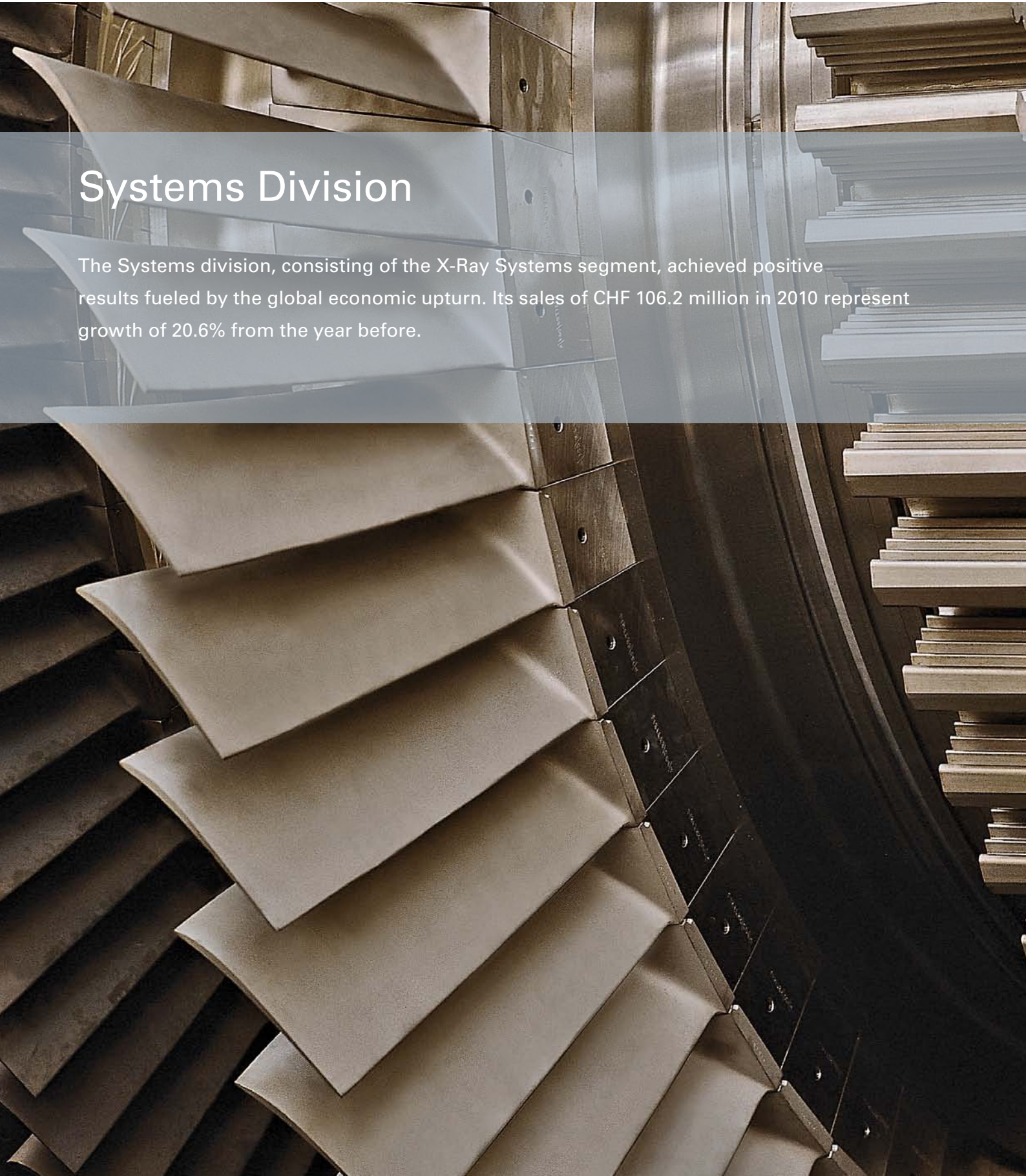


Sales by market in 2010



Systems Division

The Systems division, consisting of the X-Ray Systems segment, achieved positive results fueled by the global economic upturn. Its sales of CHF 106.2 million in 2010 represent growth of 20.6% from the year before.



The economic upswing, technology trends and innovative products ensured full order books in the Systems division. These led to attractive results for Systems, with the previous year's revenue slump almost completely recouped. At EBIT level, the division registered a small loss of CHF 1.4 million in 2010, an improvement from the prior-year loss of CHF 9.4 million (before special charges). At EBITDA level, profit was CHF 3.5 million (prior year: loss of CHF 4.4 million before special charges).

Market segments

The unexpectedly rapid market recovery was the decisive factor in the positive EBITDA result of the Systems division in 2010. Especially the Asian tire industry generated very high demand for YXLON-branded non-destructive testing systems. The top reason for the powerful demand was the Chinese government's stimulus program for the automobile industry, which in 2010 led to substantial investment in new manufacturing equipment and production buildings. In Europe and the USA as well, the automotive market segment clearly grew in importance, particularly sales with tire and wheel manufacturers. Thanks to its high-quality products built to customers' actual requirements, X-Ray Systems benefited disproportionately strongly from this demand growth. The bestsellers for these automotive applications, which typically require the capability for high throughput, are primarily the standard cabinets adapted for this purpose. Customers value the integrated option for computed tomography applications. This popular and demand-boosting feature allows the generation of volumetric data of appropriate quality when desired. A second important business driver was the US aircraft industry's greater investment in the replacement of film with digital imaging. Digital technologies with their many advantages (they are faster, more efficient, greener, and save on archiving costs) are quickly gaining broad acceptance and should soon become the norm. The industry

in Europe and Asia will follow the example of the trend-setting US aircraft sector, thus creating more market opportunities for the Systems division. The energy market segment was somewhat less buoyed by the worldwide rebound, as falling oil prices weighed on investment despite the improvement in economic activity. Meanwhile, the electronics segment – covered by the Feinfocus product line – experienced its own significant resurgence. The focus on high-end applications, particularly around developments in the electronics, aircraft and automotive industries, is bearing fruit.

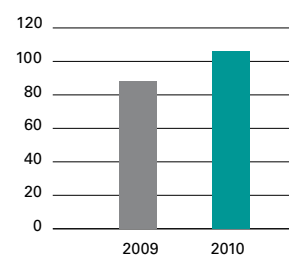
Outlook

The market is showing increasing interest in extended support and value-added services. There is growing demand for new software features, upgrades and generally for measures that extend system life – ways for companies to lower costs and also lighten their environmental impact. These customer needs are perfectly matched by the philosophy and capabilities of COMET's X-Ray Systems segment. It devotes much attention to developing new components for retrofitting and improving the efficiency and throughput of older equipment. X-Ray Systems plans to take greater advantage of these growth opportunities for high-margin software and support services in the future. For example, the worldwide network of service locations continues to be expanded; a new demonstration and application center is opening in the second quarter in Heilbronn, Germany, and other centers are being enlarged.

The indications are that the upswing will persist. An important growth driver remains the automotive sector and its emerging adoption of digital imaging, as this technology should spread from aerospace to other market segments. A recovery is also likely in the energy sector, where the division likewise has good prospects for sales and earnings, especially with portable systems for weld inspection on pipelines and in power plant construction.

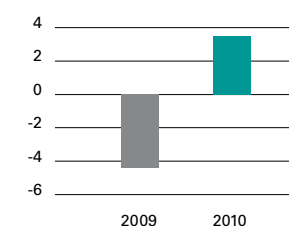
Net sales

In CHF million

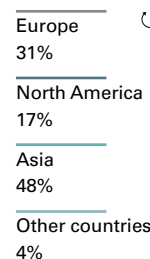


EBITDA

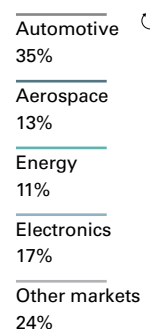
In CHF million



Sales by region in 2010



Sales by market in 2010



**Europe: Conversion to fully digital system**

The Welding Training Institute in Magdeburg is saving costs and increasing revenue:

Since recently the Institute has been using the YXLON MU 2000, the fully digital universal inspection system for real-time high-contrast imaging. Managing Director Jürgen Bendler (left) could not be happier.

Page 22**North America: World debut for high voltage technology**

Rodney Warner (left), Manager of CT Inspection at Pratt & Whitney, is excited about the new 600 kV X-ray source from COMET. With its exceptional versatility, this world-first product provides key advantages in even the most difficult inspection tasks.

Page 24**Asia: Expansion in Asia's Silicon Valley**

The Shanghai location is becoming an ever greater asset. For the promising market of the solar and semiconductor industries, COMET is continually expanding its production capacity.

Page 26

«The new state-of-the-art X-ray system from YXLON gives us high-resolution images in no time at all. Besides the unit's unrivalled quality, the deciding factors for us were the resulting cost savings and revenue growth.»

Jürgen Bendler (pictured on left), Managing Director, Schweißtechnische Lehranstalt Magdeburg, in conversation with Ulrich Brand, NDT Sales Manager, YXLON



High-contrast images essentially in real time

Featuring leading-edge facilities, the Welding Training Institute (Schweißtechnische Lehranstalt) in Magdeburg, Germany, provides basic and advanced instruction in a wide range of welding processes. It also offers materials testing, welding procedure qualification and fabricator certification. When upgrading from its traditional film-based inspection technology, the Institute chose the fully digital MU 2000, a universal X-ray inspection system. Sold under the YXLON brand, it delivers noise-free, contrast-rich images – virtually in real time.

The COMET Group in Europe

The main activities in Europe are R&D and production. The Group's success in world markets depends on its innovative products, and this makes demonstration and application centers more and more important. In 2011 the COMET Group thus continues to invest in the expansion of these technology showcases.

In Hamburg and Hattingen as well as San José, Akron, Stamford, Yokohama, Beijing and Shanghai, the COMET Group now has state-of-the-art application and/or demonstration centers. These service centers have been systematically created and expanded over the past several years. They serve two main customer needs: At the demonstration centers, customers can see for themselves the technical advantages of the systems, modules and components presented. And at the application centers, they are able to have their own products tested on the latest equipment at fair prices. Companies frequently use this service in the development stage of a product, or just before the actual market launch, or for very small batches. Small and medium-sized firms as well take advantage of this valuable opportunity.

Closer to customers, with more service

In 2011 COMET continues to invest in expanding and tightening this network. In Europe, COMET together with Germany's Federal Institute for Materials Research and Testing is able to show customers the potential of high power X-ray sources. Thus, in the second quarter of 2011, the Group's Systems division will open a leading-edge demonstration and application center for Feinfocus applications in Heilbronn. This location just north of Stuttgart places YXLON in close proximity to the electronics and automotive industries in Southern Germany. Companies in these sectors can thus more rapidly and easily test their ever more complex high-end components and production processes. The new facility near Stuttgart takes the Group another step closer to customers and further builds up the service offering. Both aspects are perceived by the market as COMET strengths – the dense distribution

network and broad market coverage, and the intensive after-sales service.

Innovations for custom-tailored solutions

The activities in Europe continue to emphasize research and development. This is practiced in close partnership with industrial customers. Trends are recognized early on and new developments initiated in response. In the Systems business, for example, X-Ray Systems fulfilled customers' wish to also be able to obtain volume data. As a full-fledged computed tomography (CT) system would in most such cases be overspecified, YXLON has equipped standard cabinets with a CT option. This rapidly produces an image of appropriate quality, thus meeting the needs of customers in the markets for non-destructive testing (notably the automotive and aircraft industries), electronics, and weld inspection (energy industry). An increasingly important role is also played by highly dynamic radioscopy (HDR), where YXLON is a world leader in image quality. In the Modules & Components business, the team at Vacuum Capacitors worked intensively on new custom solutions and has superior products in store for 2011, designed particularly for applications in the semiconductor market. With resounding success, Industrial X-Ray launched newly developed products in 2010 that double the power density of X-ray sources in the high power segment. As well, the Group's e-beam technology will be developed further in 2011 with the industry partner to ready it for market. E-beams can be used to sterilize surfaces in environmentally safer ways and at lower cost.

«The key benefits of inspecting components with a higher energy X-ray source (600kV) are its greater versatility and measurement reliability in critical inspection processes.»

Rodney Warner (left), Manager of CT Inspection at Pratt & Whitney, in conversation with Jeremy Simon, VP/Business Line Manager, COMET Technologies USA



World premiere of 600 kV X-ray source
Pratt & Whitney is one of the world's leading vendors for the design, manufacture and servicing of aircraft engines, industrial gas turbines and space propulsion systems. Its US facility in Austin, Texas, uses the new 600 kV X-ray source from COMET. When inspecting very dense objects that are difficult to X-ray, such as turbine blades, this powerful equipment provides a superior image with higher resolution.

The COMET Group in North America

The US business of the COMET Group achieved substantial growth in 2010. The two key drivers of the good performance were the matchboxes – designed in the heart of Silicon Valley – which the Vacuum Capacitors segment very successfully developed for the semiconductor industry, and the Group's offering in X-ray technology.

True to COMET's tagline of "Technology with Passion", its experts bring profound dedication and outstanding ability to researching new applications, devising novel products and developing entirely new technologies. Across the whole range of its offering, this consistently allows the COMET Group to cement its status as technology leader and set new milestones.

A current example is the development of the high voltage X-ray source (600 kV), which the Industrial X-Ray segment took from drawing board to finished product in record time. It is the first and crucial step in closing the technology gap between the 450 kV X-ray source and linear accelerators, which start at 1,000 kV. This achievement opens up additional opportunities for COMET in the applications of security and (automotive and aircraft) non-destructive testing. That is because both the inspection of air cargo and the three-dimensional examination of the interior of complex products such as turbine blades or engine blocks demand increasingly higher performance. One reason is that the materials to be X-rayed are becoming ever denser and the objects ever larger. At the same time, operators' expectations as to contrast and image quality are rising. The 600 kV X-ray source is thus welcomed by the target industries as a cost-efficient alternative to linear accelerators. To showcase the unit's capabilities and potential, COMET opened another demonstration center at the end of 2010. Located in Stamford, Connecticut, it specializes in inspection applications that use high voltage.


Matchboxes: Winning by customized design

Sales in the USA in 2010 were defined by the strong modules and components business of Vacuum Capacitors. The design and development center in San José, California,

was a key factor in the sensational sales performance. This facility at the doorstep of the customers in the semiconductor industry in Silicon Valley is one of the main reasons why Vacuum Capacitors was instantly able to take advantage of the vigorous upswing in the semiconductor market. A major driver of Vacuum Capacitors' success is the interactive process and close exchange with customers during the development of new products. The fruits of this collaboration are completely customized matchbox designs. These RF modules are critical in controlling the plasma coating and etching processes. The matchboxes must therefore meet each customer's particular specifications and requirements to perfection. As the center's rapid commercial success has demonstrated, COMET is already able to assure this compliance to a very high degree. Nevertheless, as elsewhere, in 2011 COMET will continue to invest in forward-looking expansion in San José: The local in-house production of prototypes and small series will have the effect of further refining the transformation process and know-how transfer between the individual development stages.

Unbroken trend toward digital and away from film

With the YXLON-branded inspection systems, the COMET Group is ideally prepared for an accelerating trend: the replacement of film with digital imaging. Foreseeably, the US aircraft industry will soon no longer be required to use film for the inspection process. Instead, before long, digital image processing should become the standard. The trend towards substituting digital for film is also occurring in Europe and Asia. The digital process is easier, faster, more efficient, environmentally friendlier, and leads to immense savings on archiving costs – the advantages for customers are numerous and compelling.



«Shanghai is the ideal location for us. Here in one of Asia's "Silicon Valleys", we are able to recruit excellent staff and are in the very heartland of the burgeoning solar and semiconductor industries.»

Michael Kammerer, Head of Vacuum Capacitors, COMET Group

Shanghai gaining rapidly in significance

Opened in 2008 and first certified under ISO 9001 in 2009, the Shanghai manufacturing facility producing customized matchboxes for plasma processes was kept very busy by the strong demand in 2010. Operating five OEM production lines using rigorous Kanban (lean manufacturing) processes, the team was indispensable in achieving the Vacuum Capacitors segment's consistent short delivery lead times (pictured: Zi Li Zhang and Shao Guang Wang).

The COMET Group in Asia

In Asia the COMET Group achieved considerable growth in market share and sales in 2010. The key underlying reason for this strong performance is that the products and services give customers precisely what they need. The solar and automotive industry are also benefiting from public fiscal stimulus programs and are thus investing heavily in capital goods.

The Asian economic region is becoming ever more crucial to the world economy. The COMET Group anticipated this megatrend many years ago. That is why COMET is well placed to seize the resulting opportunities, and is in a perfect position for further growth – in the Modules & Components activities, for example. The strategic decision to establish a production facility for RF (radio frequency) modules in Shanghai in an optimal environment came to fruition in 2010: Vacuum Capacitors manufactured customized “matchboxes” on five OEM production lines. These modules are critically important in the plasma processes (the coating or etching of wafers and substrates) used by the makers of computer chips, solar modules and flat panel displays.

The production in Shanghai in 2010 was primarily for the world market, but in the future, China itself will also become an important market. There are several reasons for this: Not only are the semiconductor, solar and flat panel segments likely to grow overall, but even more of their production too will probably occur in China than is already the case. In the solar market, the staggeringly large investment programs of the Chinese government are boosting demand. Moreover, the government is increasingly requiring that a certain percentage of products sold in China be manufactured there. The COMET Group is preparing for these developments, with expansion plans for Shanghai already in place. In addition to RF modules, Vacuum Capacitors intends to produce RF generators in China.

More market share wins and success in new markets

Another growth market emerging in China is that of security (air cargo screening). Thanks to its wide range of new products and X-ray sources, Industrial X-Ray is ideally

positioned to benefit from this opportunity. Thus far the Asian OEM customers were typically found in the market segments of non-destructive testing (in the automotive, aerospace and defense industry) and energy (pipeline construction and weld inspection).

The products and services of the Systems division have enjoyed a strong reputation in Asia for decades. The YXLON brand stands for the most advanced technology, maximum quality, reliability, and superb service delivered by highly trained local support teams. In China the brand is especially popular with customers in the automobile, electronics and aerospace industries for non-destructive testing uses, and in Japan in the segments of aerospace, automotive supply, and government institutions (such as museums).

During the reporting period, the X-Ray Systems segment further strengthened its reputation and won additional market share – thanks to products that exactly fit the requirements of the user industries. In the aircraft sector, demand for YXLON systems was buoyed by the worldwide trend to replacing film with digital image detectors. In the automotive segment, X-Ray Systems generated some of its best sales results with productivity-boosting standard cabinets featuring integrated flat panel, CT or ADR (automatic defect recognition) systems.

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Consolidated Balance SheetIn thousands
of CHF

Assets	Note	Dec. 31, 2010	%	Dec. 31, 2009	%
Cash and cash equivalents		16,622		24,187	
Trade and other receivables	4	38,688		35,940	
Other financial assets	5	1,307		36	
Tax receivables		302		435	
Inventories	6	38,707		35,521	
Net assets from manufacturing contracts	7	2,979		3,533	
Prepaid expenses		895		1,195	
Total current assets		99,500	46.3%	100,847	43.9%
Property, plant and equipment	8	57,414		59,324	
Intangible assets	9	55,279		66,650	
Employee benefit plan assets	17	2,334		2,053	
Deferred tax assets	11	278		729	
Total non-current assets		115,305	53.7%	128,756	56.1%
Total assets		214,805	100.0%	229,603	100.0%
Liabilities and shareholders' equity					
Current debt	12	12,746		23,333	
Trade and other payables	13	22,554		21,066	
Other financial liabilities	5	127		0	
Tax payables		1,929		923	
Net liabilities from manufacturing contracts	7	521		0	
Accrued expenses	14	9,844		6,719	
Current provisions	15	3,328		2,585	
Total current liabilities		51,049	23.8%	54,626	23.8%
Long-term debt	12	48,284		55,426	
Non-current provisions	15	49		784	
Employee benefit plan liabilities	17	2,096		4,043	
Deferred tax liabilities	11	1,592		2,352	
Total non-current liabilities		52,021	24.2%	62,605	27.3%
Total liabilities		103,070	48.0%	117,231	51.1%
Capital stock		7,575		7,575	
Additional paid-in capital		63,745		63,745	
Retained earnings		58,677		50,536	
Foreign currency translation differences		(18,262)		(9,484)	
Total equity attributable to shareholders of COMET HOLDING AG		111,735	52.0%	112,372	48.9%
Total liabilities and shareholders' equity		214,805	100.0%	229,603	100.0%

Consolidated Statement of Income

In thousands of CHF	Note	2010	%	2009	%
Net sales	18	217,395		150,750	
Cost of sales		(135,831)	(62.5%)	(102,287)	(67.8%)
Gross profit		81,564	37.5%	48,463	32.2%
Other operating income	19	2,764	1.3%	3,138	2.1%
Development expenses	21	(20,573)	(9.5%)	(17,844)	(11.8%)
Marketing and selling expenses		(23,884)	(11.0%)	(17,867)	(11.9%)
General and administrative expenses		(23,632)	(10.9%)	(22,861)	(15.2%)
Operating income/(loss) before special charges		16,239	7.5%	(6,971)	(4.6%)
Special charges	16	0	0.0%	(7,021)	(4.7%)
Operating income/(loss)		16,239	7.5%	(13,992)	(9.3%)
Financing expenses	22	(14,775)	(6.8%)	(7,651)	(5.0%)
Financing income	22	8,464	3.9%	4,363	2.9%
Income/(loss) before tax		9,928	4.6%	(17,280)	(11.4%)
Income tax	11	(2,439)	(1.1%)	4,550	3.0%
Net income/(loss)		7,489	3.5%	(12,730)	(8.4%)
Earnings/(loss) per share in CHF, diluted and basic	23	9.89		(16.86)	
Amortization		5,304	2.4%	6,452	4.3%
EBITA		21,543	9.9%	(7,540)	(5.0%)
Depreciation		6,790	3.1%	7,108	4.7%
EBITDA		28,333	13.0%	(432)	(0.3%)

Consolidated Statement of Comprehensive Income

In thousands of CHF	2010	2009	Change	%
Net income/(loss)	7,489	(12,730)	20,219	n.a.
Other comprehensive income				
Foreign currency translation differences	(8,778)	208	(8,986)	n.a.
Total other comprehensive (loss)/income	(8,778)	208	(8,986)	n.a.
Total comprehensive loss	(1,289)	(12,522)	11,233	(89.7%)

Consolidated Statement of Cash Flows

In thousands of CHF	Note	2010	2009 ¹
Net income/(loss)		7,489	(12,730)
Income tax		2,439	(4,550)
Depreciation and amortization	8/9	12,094	13,560
Interest expense/income, net		3,399	3,139
Share-based payments	29	1,192	0
Losses on disposal of non-current assets		75	261
Other non-cash income/expense		2,641	723
Change in provisions	15	299	1,079
Change in other working capital		(8,976)	11,856
Interest received		27	65
Taxes paid		(1,503)	(2,491)
Net cash provided by operating activities		19,176	10,912
Purchases of property, plant and equipment	8	(3,693)	(2,280)
Purchases of intangible assets	9	(1,219)	(2,906)
Disposals of property, plant and equipment	8	38	115
Net cash used in investing activities		(4,874)	(5,071)
Free cash flow		14,302	5,841
Assumption of new debt	12	357	5,906
Repayment of debt	12	(17,567)	(8,207)
Interest paid		(3,291)	(3,204)
Repurchases/sales of treasury stock, net		(161)	0
Dividends paid		(379)	(2,252)
Net cash used in financing activities		(21,041)	(7,757)
Net decrease in cash and cash equivalents		(6,739)	(1,916)
Foreign currency translation losses on cash and cash equivalents		(826)	(296)
Cash and cash equivalents at January 1		24,187	26,399
Net cash and cash equivalents at December 31		16,622	24,187

¹ Restated. Cash flows from operating activities for 2009 were adjusted from the earlier presentation in that interest paid is now reported in cash flows from financing activities instead of in cash flows from operating activities. Except for the subtotals in the statement of cash flows, this reclassification had no impact on the consolidated financial statements. See "Changes in accounting policies" in section 2, "Significant accounting policies".

Consolidated Statement of Changes in Equity

		Equity attributable to shareholders of COMET HOLDING AG				
		Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total shareholders' equity
In thousands of CHF	December 31, 2008	7,508	63,391	65,519	(9,692)	126,726
	Net loss			(12,730)		(12,730)
	Other comprehensive income				208	208
	Total comprehensive loss			(12,730)	208	(12,522)
	Dividends paid			(2,252)		(2,252)
	Share-based payments	66	354			420
	December 31, 2009	7,575	63,745	50,536	(9,484)	112,372
	Net income			7,489		7,489
	Other comprehensive loss				(8,778)	(8,778)
	Total comprehensive loss			7,489	(8,778)	(1,289)
	Dividends paid			(379)		(379)
	Repurchases/sales of treasury stock, net			(161)		(161)
	Share-based payments			1,192		1,192
	December 31, 2010	7,575	63,745	58,677	(18,262)	111,735

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 and security markets and for plasma excitation in the fabrication of memory chips, flat screens and solar panels. Leveraging its core competencies of vacuum technology, high frequency and high voltage engineering, the Group manufactures its core products: X-ray sources and vacuum capacitors. These form the basis for the components, modules, systems and services marketed by the Group worldwide under the COMET and YXLON brands.

2 Significant accounting policies

The consolidated financial statements (except with respect to certain financial instruments) have been drawn up under the historical cost convention 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 the associated amounts can be measured reliably. These consolidated financial statements for 2010 have been prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS). All IFRS in force at the balance sheet date and all interpretations (IFRIC) of the International Financial Reporting Interpretations Committee were applied. COMET did not early-adopt new standards and interpretations except as specifically stated below. The significant accounting policies applied are unchanged from the prior year, except as set out below.

Changes in accounting policies

As a result of organizational changes made in 2010, certain functions previously reported under "Corporate" were directly assigned to the Group's two divisions and the internal management reporting was adjusted to the new distribution of responsibilities and new decision-making structure. Accordingly, in the segment reporting, all operating costs, assets and liabilities are now allocated to the divisions. By contrast, the following remain Corporate items: all costs, assets and liabilities of COMET HOLDING AG and those balance sheet items and revenue/expense items related to financing (cash holdings, liabilities and interest) and taxes (tax assets/liabilities and tax expense). The segment reporting for the prior year has been restated to reflect the new presentation.

In the balance sheet, the following are now shown as separate line items:

- Other financial assets and liabilities (other financial assets in 2010: CHF 1,307 thousand, in 2009: CHF 36 thousand, in 2008: CHF 345 thousand; other financial liabilities in 2010: CHF 127 thousand, in 2009: CHF 0, in 2008: CHF 2 thousand). In the prior years' financial reporting, other financial assets were included in trade and other receivables, and other financial liabilities were included in trade and other payables.
- Net assets and liabilities from manufacturing orders (net assets from manufacturing orders in 2010: CHF 2,979 thousand, in 2009: CHF 3,533 thousand, in 2008: CHF 0; net liabilities from manufacturing orders in 2010: CHF 521 thousand, in 2009: CHF 0, in 2008: CHF 0). In the prior years' financial reporting, the net assets were included in trade and other receivables, and net liabilities were included in trade and other payables.

The amount of trade and other receivables for 2009 was adjusted accordingly. In the interest of clear presentation, the balance sheet at December 31, 2008 is not shown, as no other items are affected.

In the consolidated statement of cash flows, interest paid is now included in cash flows from financing activities and no longer in cash flows from operating activities. The amounts for 2009 were restated accordingly.

Revised and new accounting rules

With effect from January 1, 2010, COMET has applied the following new or revised IFRS/IAS for the first time:

- IFRS 2 – Share-based Payment (amendments that replace IFRIC 8 and IFRIC 1)
- IFRS 3 – Business Combinations
- IAS 27 – Consolidated and Separate Financial Statements
- IAS 39 – Financial Instruments: Recognition and Measurement
- IFRIC 17 – Distributions of Non-Cash Assets to Owners
- Annual Improvements to IFRSs 2008 and 2009, to the extent that they are effective from January 1, 2010

The first-time application of these revised and new standards and interpretations had no effect on the balance sheet and income statement in these financial statements.

New accounting rules becoming effective in subsequent periods

Standard	Expected impact	Effective date	Planned adoption by COMET
IAS 32 – Amendments – Classification of Rights Issues	(1)	Feb. 1, 2010	Fiscal year 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	(1)	July 1, 2010	Fiscal year 2011
IAS 24 – Amendments – Related Party Disclosures	(1)	Jan. 1, 2011	Fiscal year 2011
IFRIC 14 – Amendments – Prepayments of a Minimum Funding Requirement	(1)	Jan. 1, 2011	Fiscal year 2011
IAS 12 – Amendments – Income taxes	(1)	Jan. 1, 2012	Fiscal year 2012
IFRS 7 – Amendments – Disclosures: Transfers of Financial Assets	(1)	July 1, 2011	Fiscal year 2012
IFRS 9 – Financial Instruments	(2)	Jan. 1, 2013	Fiscal year 2013
Annual Improvements to IFRSs 2010	(1)	July 1, 2010	Fiscal year 2011

(1) Expected to have no, or no significant, impact on the consolidated financial statements.

(2) Expected to result in additional or changed disclosures or in changes in presentation of the consolidated financial statements.

Estimates

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

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

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

- Provisions (see note 15): Provisions are recognized only if the specific criteria under IFRS for doing so are met. Provisions represent probable obligations arising from a past event and are established only if their amount can be estimated reliably. Provisions are determined by taking into account all information available at the time of preparation of the financial statements. Nevertheless, adjustments to provisions may be required in subsequent periods, with corresponding effects on income.
- Deferred tax assets (see note 11) are 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 can lead to changes with an effect on income.
- Employee benefit plans (see note 17): The Group operates employee benefit plans for its staff that are classified as defined-benefit plans under IFRS. These defined-benefit plans are valued annually, which involves the use of various assumptions. Departures of actual developments from the assumptions, particularly with respect to the discount rate for future obligations and the rate of return on investments, may have effects on the valuation of plan assets and thus on the financial position and results of operations of the Group.

Basis of consolidation

The consolidated financial statements comprise the accounts of COMET HOLDING AG (based at Herrengasse 10, 3175 Flamatt, Switzerland) and of its subsidiaries. Subsidiaries are those companies controlled directly or indirectly by COMET HOLDING AG through a majority of votes or by other means. 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. On acquisition, the identifiable assets, liabilities and contingent liabilities are remeasured to fair value and included in the accounts using the purchase method.

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

Goodwill and other intangible assets are allocated on acquisition to those companies expected to benefit from the acquisition or to generate future cash flows as a result.

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

Foreign currency translation

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

The consolidated financial statements are presented in Swiss francs. The financial statements of Group companies are translated at average exchange rates for the year (the "average rate" in the table below) in the case of the income statement and cash flow statement, and at year-end rates (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 the long-term financing of Group companies are also recognized in the consolidated statement of comprehensive income to the extent that repayment is neither planned nor is likely to occur in the foreseeable future.

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

Foreign currency translation			Closing rate		Average rate	
			Dec. 31, 2010	Dec. 31, 2009	2010	2008
USA	USD	1	0.932	1.034	1.043	1.087
Europe	EUR	1	1.247	1.483	1.383	1.510
China	CNY	1	0.141	0.151	0.154	0.159
Japan	JPY	100	1.152	1.110	1.191	1.163
Denmark	DKK	1	0.168	0.199	0.186	0.203

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 subsequently measured according to their categorization:

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

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

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

Segment reporting

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

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

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

Segment assets include all operating assets such as trade and other receivables, inventories, property, plant and equipment, goodwill and other intangible assets. The segment liabilities consist of all operating liabilities, including provisions. The following items are not allocated to segments: the assets and liabilities of COMET HOLDING AG, all cash and cash equivalents, current and long-term debt and all income tax assets and liabilities. These unallocated assets and liabilities are reported in the Corporate column. Intersegment sales are recognized at prices that correspond to market prices. 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. Such 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.

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 customer 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 is established.

Manufacturing contracts

Certain manufacturing orders for customized systems are accounted for by the percentage of completion method. The degree of completion is determined on the basis of the stage of completion of the individual contract, and manufacturing contracts are recognized if their outcome can be estimated reliably.

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

Assets held for sale and associated liabilities

These are assets, and liabilities associated with 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, both in the period under review and the comparative period.

Property, plant and equipment

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

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

Maintenance costs are recognized as assets only if the maintenance extends the expected life of the asset 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
Demonstration equipment	6–10 years
Furniture and leasehold improvements	5 years
Tools	3–5 years
Vehicles	5 years
Computer hardware	3 years

Intangible assets

The 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 are tested annually for impairment (see section "Impairment of non-current assets" below).

The expense for amortization of intangible assets with finite useful lives is recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Group. Development costs are capitalized if the criteria under IAS 38 for doing so are satisfied. Given the uncertainty associated with the technical feasibility and economic benefits of the current development projects, COMET believes that the criteria for capitalizing development costs are not met. For this reason all development costs are treated as operating expenses.

The following estimated useful lives are applied in determining amortization:

Unfilled orders	Up to 1 year
Customer lists	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, private sector insurance arrangements or separate legal entities in the form of foundations, or by accumulation of reserves in the balance sheet of the Company itself.

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

For defined-benefit plans, the service costs are calculated in actuarial valuations by independent experts, using the projected unit credit method. The calculations are updated annually. The liability recognized in the balance sheet consists of the present value of the defined-benefit obligation as determined by the actuary, less the following three items: the fair value of plan assets, unrecognized actuarial gains and losses, and unrecognized past service costs. A resulting net obligation is always recognized as a liability. Any resulting net surplus (an asset) is recognized only to the extent of the potential economic benefit that the Company may realize from this asset in the future, taking into consideration IFRIC 14. The expense charged to income is the actuarially determined service cost 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 this 10% limit is amortized over the average of the remaining working lives of the participating employees.

Share-based payments

COMET pays some of the Board's compensation and some of the variable compensation of executive management in the form of shares of COMET HOLDING AG. The expense is recognized at the value of the shares earned, measured at the quoted market price (fair value) at the grant date. The amount accrued for that portion of compensation which must be equity-settled (i.e., without a cash alternative) is recognized directly in equity. For the other portion – which the beneficiary has the choice of receiving in equity or in cash – the value of the option which this choice represents is determined and recognized as an increase in equity, while the rest of the obligation is recorded as a liability.

Length-of-service awards

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

Deferred taxes

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

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

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

Dividends

In accordance with Swiss law and the Company's Bylaws, dividends and other distributions to shareholders are charged to earnings (or to capital, as the case may be) in the fiscal year in which they were approved by the Shareholder Meeting and paid, rather than in the fiscal year in which they were accrued.

Leases

Leases of property, plant and equipment that transfer substantially all risks and rewards of ownership to Group companies are classified as finance leases. For assets acquired under finance leases, the lower of the fair value of the asset and the net present value of future non-cancelable lease payments is recognized 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.

Service contracts (particularly outsourcing agreements) involving direct or indirect provisions on the use of specified assets are reviewed at inception as to whether the arrangements contain a lease under IFRS. Unrealized income from sale-and-leaseback transactions that represent finance leases is deferred and realized over the term of the lease.

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

Impairment of non-current assets

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

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

3 Acquisitions

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

4 Trade and other receivables

In thousands of CHF	2010	2009
Trade receivables, gross	36,112	32,010
Provision for doubtful accounts	(686)	(747)
Trade receivables, net	35,426	31,263
Refundable sales taxes and value-added taxes	2,009	1,932
Prepayments to suppliers	353	44
Sundry receivables	900	2,701
Total trade and other receivables	38,688	35,940

The provision for doubtful accounts showed the following movement:

In thousands of CHF	2010	2009
January 1	747	1,394
Used	(106)	(123)
Added	352	448
Released	(221)	(977)
Foreign currency translation differences	(86)	5
December 31	686	747

COMET provides for doubtful accounts by individually recognizing impairment of receivables as required, and by collectively assessing impairment based on prior experience.

At the balance sheet date, impairment was individually recognized and provided on CHF 352 thousand (prior year: CHF 171 thousand) of trade receivables.

Summary of trade receivables past due

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

In thousands of CHF	2010	2009
Total trade receivables	35,426	31,263
Not past due, no impairment provided	27,107	25,729
Total past due, with impairment partly provided, net	8,319	5,534
1–30 days past due and impairment partly provided, net	5,488	2,798
30–60 days past due and impairment partly provided, net	1,563	1,075
More than 60 days past due and impairment partly provided, net	1,268	1,661

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

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

5 Other financial assets and liabilities

In thousands of CHF	2010	2009
Other financial assets		
Derivatives used for foreign exchange hedging	1,307	36
Total other financial assets	1,307	36
	2010	2009
Other financial liabilities		
Derivatives used for foreign exchange hedging	47	0
Derivatives used for interest rate hedging	80	0
Total other financial liabilities	127	0

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

In thousands of CHF	2010	2009
USD forward exchange contracts		
Contract amounts	8,276	3,101
Positive fair values	1,307	36
Negative fair values	22	0
JPY forward exchange contracts		
Contract amounts	833	0
Positive fair values	0	0
Negative fair values	25	0

There was also an open interest rate swap with a contract amount of EUR 4 million and a negative fair value of CHF 80 thousand. This contract matures on July 1, 2013.

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

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

6 Inventories

In thousands of CHF	2010	2009
Raw materials and semi-finished products	23,751	20,543
Work in process	6,891	7,734
Finished goods	8,065	7,233
Merchandise	0	11
Total inventories	38,707	35,521

The inventory amounts reflect any necessary specific write-downs for items with a market value lower than manufacturing cost.

7 Manufacturing contracts

In thousands of CHF	2010	2009
Net assets from manufacturing contracts		
Project costs incurred and profits recognized, net	4,342	4,729
Advances received on manufacturing contracts in progress	(1,363)	(1,196)
Net assets from manufacturing contracts	2,979	3,533
Net liabilities from manufacturing contracts		
Project costs incurred and profits recognized, net	748	0
Advances received on manufacturing contracts in progress	(1,269)	0
Net liabilities from manufacturing contracts	521	0

In the prior year there were no net liabilities from manufacturing contracts, i.e., no projects for which the capitalized costs and proportionate profit were less than the advance payments received. Also, in the prior year there were no retentions, i.e., no receivables retained by customers that are paid only upon fulfillment of certain conditions.

8 Property, plant and equipment**Fiscal year 2010**

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

The additions to other tangible assets included demonstration equipment in the Systems division in the amount of CHF 2,048 thousand that was previously reported in inventories. The additions to other tangible assets also included finance leases in the amount of CHF 18 thousand. These two transactions did not result in an outflow of funds.

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

Real estate included real estate under construction in the amount of CHF 7 thousand (prior year: none)

Fiscal year 2009

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

¹ Of the impairment charges in 2009, CHF 444 thousand related to items of plant and equipment of the Modules & Components division that were no longer usable after the discontinuation of the minitube activities and which were therefore fully written off and derecognized. The rest of the impairment related largely to decommissioned plant and equipment of the Systems division's Garbsen activities. The Garbsen site was no longer used after the integration in Hamburg. All impairment charges are included in the income statement item "special charges".

The additions of other tangible assets in 2009 included finance leases of CHF 1,541 thousand. The carrying amount of leased assets (under finance leases) within property, plant and equipment in 2009 was CHF 1,769 thousand. In 2009, plant and equipment included plant under construction of CHF 76 thousand.

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

In thousands of CHF	2010	2009
Carrying amount of pledged real estate	36,651	38,281
Total principal amount of real estate liens (mortgage notes)	30,000	30,000
Of which held by the Group	0	0
Total deposited as security for Group obligations	30,000	30,000
Mortgage loan amounts drawn	30,000	30,000

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

9 Intangible assets

Fiscal year 2010

In thousands of CHF	Fiscal year 2010					
	Goodwill	Rights to trademarks and names	Software	Patents	Intangible assets from acquisition	Total intangible assets
	Cost					
January 1, 2010	32,271	2,966	8,661	49	40,872	84,819
Additions	0	0	1,219	0	0	1,219
Disposals	0	0	(2,189)	(2)	0	(2,191)
Foreign currency translation differences	(4,041)	(472)	(70)	(7)	(4,688)	(9,277)
December 31, 2010	28,230	2,494	7,621	40	36,184	74,570
	Accumulated amortization					
January 1, 2010	0	0	4,440	9	13,720	18,169
Additions	0	0	1,279	5	4,020	5,304
Disposals	0	0	(2,185)	(2)	0	(2,187)
Foreign currency translation differences	0	0	(53)	0	(1,941)	(1,995)
December 31, 2010	0	0	3,481	12	15,799	19,291
	Carrying amount					
January 1, 2010	32,271	2,966	4,221	40	27,151	66,650
December 31, 2010	28,230	2,494	4,140	28	20,386	55,279

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
	Cost					
January 1, 2009	32,080	2,960	6,914	1,419	41,589	84,963
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
December 31, 2009	32,271	2,966	8,661	49	40,872	84,819
	Accumulated amortization					
January 1, 2009	0	0	4,176	542	10,093	14,812
Additions	0	0	1,415	40	4,310	5,765
Impairment charges ¹	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)
December 31, 2009	0	0	4,440	9	13,720	18,169
	Carrying amount					
January 1, 2009	32,080	2,960	2,738	877	31,496	70,151
December 31, 2009	32,271	2,966	4,221	40	27,151	66,650

¹The impairment charges in 2009 were in relation to patent rights of the Modules & Components division that were 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". In 2009, 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 16). In connection with this market exit, an impairment charge in the amount of CHF 678 thousand was recorded on the patent held and the asset was derecognized.

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 17.1 million (prior year: CHF 21.4 million), technology at CHF 3.0 million (prior year: CHF 5.2 million) and maintenance contracts at CHF 0.3 million (prior year: CHF 0.5 million). The goodwill recognized and the rights to trademarks and names also arose from these acquisitions.

Applying a long-term dual-brand strategy, the well-established YXLON name is used alongside the COMET brand. COMET therefore deems the capitalized YXLON brand to have an indefinite useful life.

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

The impairment test for goodwill and other intangible assets with indefinite useful lives was performed as at September 30, 2010. For the purpose of the impairment test, the goodwill and the other intangible assets with indefinite useful lives were allocated to and measured as the following two cash generating units:

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

The impairment test is based on the value in use method. The recoverable amount was determined from the present value of the future cash flows (DCF valuation). The calculations are based on the Board-approved 2011 budget and on forecasts for 2012 to 2015. Using estimates derived from past experience, the forecasting is based on growth projections for net sales, operating income and other parameters, taking into consideration the estimated market trends in the various regions. Cash flows beyond the forecast period are extrapolated using an assumed growth rate of 1.5%, which is less than the expected rate of market growth. The assumptions used in determining value in use correspond to the expected long-term average growth rate of the Systems division's operating business and of Industrial X-Ray's generator business. Input variables with a critical effect on the outcome of the impairment test are the assumed rates of sales growth and the projected trend in operating income.

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 values to the two cash generating units (CGU)

In thousands of CHF	Cash generating unit	Systems division		Industrial X-Ray		Total	
		2010	2009	2010	2009	2010	2009
		Goodwill	21,357	25,398	6,873	6,873	28,230
Intangible assets with indefinite useful lives	2,494	2,966	0	0	2,494	2,966	
Total carrying amount	23,851	28,364	6,873	6,873	30,724	35,237	

Assumptions used in the valuation model

Cash generating unit	Systems division		Industrial X-Ray	
	2010	2009	2010	2009
Discount rate (WACC) before tax in %	14.0%	12.8%	14.0%	13.6%
Growth rate of terminal value in %	1.5%	1.5%	1.5%	1.5%
Inflation rate in %	1.0%	1.0%	1.0%	1.0%

Industrial X-Ray CGU

The discount rate (WACC) before tax is 14.0% (prior year: 13.6%). The cash flows from the year 2015 onward are extrapolated at a growth rate of 1.5%, which is equal to the average expected rate of inflation. The long-term average growth in this industry is estimated at 3% to 4%.

The recoverable amount determined by the DCF method exceeds the carrying amount of the net assets involved by CHF 78.6 million or 227% (prior year: 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 14.0% (prior year: 12.8%). The cash flows from the year 2015 onward are extrapolated at a growth rate of 1.5%, which is equal to the average expected rate of inflation. The long-term average growth in this industry is estimated at 3% to 4%.

The recoverable amount determined by the DCF method exceeds the carrying amount of the net assets involved by CHF 49.4 million or 69% (prior year: 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 applied in the valuation model

The measurement of value in use of the Systems division CGU is sensitive to the following assumptions in the planning period (2011 to 2015):

- Growth assumptions: Sales revenue is projected by product group and region. Given the low base in 2010, the average annual rate of sales growth is assumed to be 11%.
- Gross margins: It is expected that gross margins will average approximately 35% in the medium term on 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 12% in sales or (ii) a sustained gross margin that is 5.8%-points lower, the value in use equals the reported net assets. COMET believes that in the event of such a deterioration in the situation, it would have the ability to make further adjustments in the cost structure and that an impairment would occur only if there were a simultaneous deterioration in several input data. An impairment would also occur if, at constant other input values, the discount rate before tax were to increase to 21.7%.

11 Income tax

11.1 Current and deferred income tax expense

In thousands of CHF	2010	2009
Current income tax expense in respect of the current year	2,772	992
Current income tax expense in respect of prior years	(140)	12
Deferred income tax expense	(193)	(5,554)
Total income tax expense	2,439	(4,550)

11.2 Reconciliation of tax expense

In thousands of CHF	2010	2009
Income/(loss) before tax	9,928	(17,280)
Expected income tax at base tax rate of 28% (prior year: 28%)	2,780	(4,838)
Effect of tax rates other than base tax rate	164	(926)
Effect of tax exemption by canton of Fribourg	(3,146)	3
Effect of non-tax-deductible expenses	48	169
Effect of change in tax rate on deferred income tax	0	(49)
Effect of non-recognition of tax loss carryforwards	1,396	1,772
Impairment charge on deferred tax assets	278	0
Effect of recognition/use of previously unrecognized tax loss carryforwards	(261)	(34)
Effect of income tax from other periods	(140)	12
Other effects	1,320	(659)
Income tax reported in the income statement	2,439	(4,550)
Effective income tax rate in percent of income/loss before tax	24.6%	26.3%

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

11.3 Deferred tax assets and liabilities

In thousands of CHF	2010	2009
Deferred taxes resulting from temporary differences		
Current assets	183	486
Non-current assets	6,463	7,643
Tax loss carryforwards	(4,158)	(6,675)
Provisions	(1,174)	169
Total carrying amount	1,314	1,623

In thousands of CHF	2010	2009
Amounts recognized in the balance sheet		
Deferred tax assets	278	729
Deferred tax liabilities	1,592	2,352

Deferred tax liabilities and assets were determined at the local tax rates, ranging from 7.8% to 42%. No deferred tax liabilities were established for temporary differences in respect of the value of the ownership interests held in the 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.

11.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2010	2009
January 1	1,623	7,053
Origination and reversal of temporary differences	(216)	(1,674)
Recognition of deferred tax assets on loss carryforwards	23	(3,880)
Foreign currency translation differences	(116)	124
December 31	1,314	1,623

11.5 Unrecognized tax assets

Deferred tax assets, including tax loss carryforwards and expected tax credits, are recognized only if it is likely that future taxable profits will be available to which these deferred tax assets can be applied. Temporary differences 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	2010	2009
Within one year	0	0
In two to five years	0	0
In more than five years	6,906	9,154
Total losses carried forward without recognition as tax assets	6,906	9,154

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

In thousands of CHF	2010	2009
Bank overdrafts	2,649	13,158
Current obligations under finance leases	347	425
Current portion of long-term debt	9,750	9,750
Total current debt	12,746	23,333

At the end of the 2010 fiscal year the COMET Group had undrawn credit facilities of CHF 14.9 million (prior year: CHF 7.9 million).

12.2 Long-term debt

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

In the year under review, all interest and principal payments were made as contractually agreed. The financial covenants with banks were adhered to as of December 31, 2010.

In thousands of CHF	2010	2009
Repayment due in two to five years	32,406	38,997
Repayment due in more than five years	16,280	17,110
Subtotal	48,686	56,107
Future amortization of costs	(402)	(681)
Total long-term debt	48,284	55,426

All loans were fixed-rate advances denominated in Swiss francs and carried interest rates of between 3.10% and 6.10%. 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.

12.3 Finance lease obligations

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

In thousands of CHF	2010	2009
Due within one year	344	425
Due in two to five years	775	1,078
Due in more than five years	530	860
Total payment obligations	1,649	2,363
Less interest component	(389)	(583)
Total finance lease obligations	1,260	1,780

13 Trade and other payables

In thousands of CHF	2010	2009
Total trade payables	11,845	12,989
Sales tax and value-added tax	418	214
Sales commissions	2,614	2,880
Sundry payables	2,485	1,982
Trade and other payables before prepayments by customers	17,362	18,065
Prepayments by customers	5,192	3,001
Total trade and other payables	22,554	21,066

14 Accrued expenses

In thousands of CHF	2010	2009
Accrued staff costs	6,638	2,813
Other accrued expenses	3,206	3,906
Total accrued expenses	9,844	6,719

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

15 Provisions

Fiscal year 2010					
In thousands of CHF		Warranties	Restructuring provision	Other provisions	Total provisions
	December 31, 2009	1,887	1,223	259	3,369
	Added	2,251	0	517	2,768
	Used	(1,058)	(417)	(73)	(1,548)
	Released	(48)	(720)	(154)	(921)
	Foreign currency translation differences	(153)	(73)	(66)	(291)
	December 31, 2010	2,880	13	484	3,377
	Of which:				
	Current provisions	2,880	13	435	3,328
	Non-current provisions	0	0	49	49
Fiscal year 2009					
In thousands of CHF		Warranties	Restructuring provision	Other provisions	Total provisions
	December 31, 2008	2,216	0	22	2,238
	Added	363	3,103	262	3,728
	Used	(412)	(1,861)	(19)	(2,292)
	Released	(272)	0	(3)	(275)
	Foreign currency translation differences	(8)	(19)	(3)	(30)
	December 31, 2009	1,887	1,223	259	3,369
	Of which:				
	Current provisions	1,887	513	185	2,585
	Non-current provisions	0	710	74	784

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

The additions to other provisions relate largely to the shipping provider used by YXLON's German operations and cover the risk that other suppliers whom the shipping firm failed to pay may enforce their claims directly against YXLON.

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

The release of restructuring provisions that were no longer required was made possible by the fact that a substitute tenant was found for the premises no longer utilized in Garbsen, Germany.

16 Special charges in 2009

If the special charges in 2009 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
	Total special charges	7,021

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

	December 31, 2009	Modules & Components Division		Systems Division	
		Relocation and restructuring of generator business	Discontinuation of minitube activities	Relocation of Feinfocus activities and restructuring in Germany	Total special charges
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
	Total special charges	1,456	2,005	3,561	7,021

Other costs consisted primarily of consulting and moving expenses as well as inventory write-downs.

17 Employee benefits**17.1 Defined-benefit plans**

The COMET Group maintains various employee benefit plans that differ according to the legal environment in the home countries of the individual Group companies. The occupational plans in Switzerland and 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, 2010 by an independent actuary.

Principal actuarial assumptions at December 31

	2010	2009
Discount rate	2.76%	3.37%
Expected rate of return on plan assets	3.89%	4.00%
Expected compensation increase rate	1.53%	1.54%
Expected pension increase rate	0.08%	0.00%
Turnover rate	11.60%	11.60%

Movement in present value of obligations

In thousands of CHF	2010	2009
Present value of defined-benefit obligations at January 1	33,969	39,621
Interest cost	1,085	1,214
Current service cost	1,093	1,598
Employee contributions	1,160	1,023
(Contributions received) and benefits paid	(1,802)	(7,321)
Actuarial gains/(losses) on obligations	1,963	(2,174)
Foreign currency translation differences	(465)	8
Present value of obligations at December 31	37,003	33,969

Movement in plan assets

In thousands of CHF	2010	2009
Fair value of plan assets at January 1	34,291	36,784
Expected return on plan assets	1,400	1,370
Employer contributions	1,549	1,217
Employee contributions	1,160	1,023
Contributions paid in and (benefits paid)	(464)	(7,321)
Actuarial gains/(losses) on plan assets	150	1,218
Foreign currency translation differences	(147)	0
Fair value of plan assets at December 31	37,939	34,291
Actual return/(loss) on plan assets	1,551	2,588

Movement in amounts recognized in the balance sheet

In thousands of CHF	2010	2009
Present value of funded obligations	(37,003)	(33,969)
Plan assets	37,939	34,291
Surplus	936	322
Unrecognized actuarial gains/(losses)	390	(1,576)
Amount unrecognized as a result of IAS 19.58(b)	(455)	0
Net carrying amount to be recognized in the balance sheet	871	(1,254)
Reported on the face of the balance sheet:		
Employee benefit plan assets	2,334	2,053
Employee benefit plan liabilities	(1,463)	(3,307)

Movement in pension costs recognized in the income statement

In thousands of CHF	2010	2009
Current service cost (employer)	1,093	1,598
Interest cost	1,085	1,214
Expected return on plan assets	(1,400)	(1,370)
Actuarial (gains)/losses recognized in the reporting period	(93)	12
Effect of asset ceiling under IAS 19.58(b)	455	(44)
Total loss recognized in the income statement	1,140	1,410
Expected employer contributions for the subsequent year	1,714	1,178

Major categories of plan assets

In thousands of CHF	2010	2009
Equity instruments of the Group	0	0
Equity instruments of other companies	9,567	9,048
Debt instruments of the Group	741	499
Debt instruments of other companies	19,605	18,090
Real estate	3,369	2,641
Other assets	4,657	4,013
Total plan assets	37,939	34,291

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

Multi-year record

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

In thousands of CHF	2010	2009	2008	2007	2006
Present value of obligations	(37,003)	(33,969)	(39,621)	(39,332)	(34,148)
Plan assets	37,939	34,291	36,784	35,979	33,635
Surplus/(deficit)	936	322	(2,837)	(3,353)	(513)
Experience adjustment on defined-benefit obligations	(375)	2,170	2,168	(2,411)	0
Experience adjustment on plan assets	150	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.

17.2 Defined-contribution plans

The contributions paid to defined-contribution plans in 2010 amounted to CHF 1,553 thousand (prior year: CHF 1,323 thousand).

17.3 Length-of-service awards

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

In thousands of CHF	2010	2009
Provision at January 1	736	815
Current service cost	68	74
Interest cost	32	35
Benefits paid	(127)	(108)
Actuarial (gains)/losses	(8)	(83)
Foreign currency translation differences	(68)	3
Provision at December 31	633	736

18 Net sales

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

In the year under review, revenue in the amount of CHF 5,090 thousand (prior year: CHF 4,729 thousand) was accounted for using the percentage of completion method.

19 Other operating income

In thousands of CHF	2010	2009
Customers' contributions to development projects	1,816	2,436
Loss from sale of non-current assets	(60)	(260)
Miscellaneous income	1,008	962
Total other operating income	2,764	3,138

20 Staff costs and staff count**20.1 Staff costs**

In thousands of CHF	2010	2009
Wages and salaries	58,577	51,254
Employee benefits	8,546	8,872
Total staff costs	67,122	60,126

20.2 Staff count

	2010	2009
Number of employees (at year-end)	721	611

The average staff count during the year, expressed in full-time equivalents, was 647 (prior year: 584).

21 Development expenses

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

In view of the uncertainty of future economic benefits that may flow from 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.

22 Financing income and expenses

In thousands of CHF	2010	2009
Interest expense	3,426	3,198
Losses on derivatives	127	0
Foreign currency translation losses	11,222	4,453
Total financing expenses	14,775	7,651

In thousands of CHF	2010	2009
Interest income	27	90
Gains on derivatives	1,307	36
Foreign currency translation gains	7,130	4,237
Total financing income	8,464	4,363

In thousands of CHF	2010	2009
Net interest expense	(3,399)	(3,108)
Net foreign currency translation losses	(2,832)	(180)

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

23 Earnings per share

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

	2010	2009
Weighted average number of shares outstanding	757,401	755,149
Net income/(loss) in thousands of CHF	7,489	(12,730)
Net income/(loss) per share in CHF, diluted and basic	9.89	(16.86)

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

24 Off-balance sheet transactions

24.1 Contingent liabilities

As a global company, COMET is exposed to numerous legal risks. These can include, especially, risks relating to product liability, 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 the financial consequences of a past event can be estimated reliably and the estimate can be confirmed by independent expert opinion. Contingent liabilities that are likely to result in an obligation are included in provisions.

In 2006 COMET sold a property in Switzerland that is listed in the register of possible contaminated sites. An independent evaluation by a geologist in 2008 showed that, by law, the site requires remediation. However, given the small degree to which the relevant threshold levels are exceeded, immediate remediation was not yet required. A re-evaluation will be conducted in summer 2011 at the end of the three-year monitoring period. 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.

24.2 Restrictions of title

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

24.3 Other off-balance sheet obligations

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

Schedule of rental and lease obligations

In thousands of CHF	2010	2009
Due within one year	2,032	2,420
Due in two to five years	5,562	6,575
Due in more than five years	3,298	5,348
Total payment obligations	10,892	14,343

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

The expense recognized in the fiscal year for operating leases was CHF 3,289 thousand (prior year: CHF 4,685 thousand).

25 Financial instruments

25.1 Classes of financial instruments

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

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

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

Fiscal year 2009		Financial assets		Financial liabilities		Fair value
		Held for trading	Loans and receivables	Held for trading	At amortized cost	
In thousands of CHF	Cash and cash equivalents		24,187			24,187
	Trade and other receivables		34,964			34,964
	Derivatives	36				36
	Current debt				23,333	23,333
	Trade and other payables			0	17,851	17,851
	Long-term debt (fixed rate)				55,426	58,216
	Total					
	Interest income/(expense)	0	90	0	(3,198)	(3,108)
	Net gain/(loss) on derivatives	36	0	0	0	36
	Change in provisions for doubtful accounts and in losses on trade receivables		529			529
Total net gain/(loss) recognized in the income statement	36	619	0	(3,198)	(2,543)	

25.2 Fair values of financial instruments

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

26 Management of financial risks

COMET operates its own subsidiaries in a number of countries and in addition exports products to still other countries. As an international company, the Group is subject to various financial risks which are 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.

26.1 Capital management

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

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

In thousands of CHF	2010	2009
Current debt	12,746	23,333
+ Long-term debt	48,284	55,426
./. Cash and cash equivalents	(16,622)	(24,187)
Net debt	44,408	54,572
Shareholders' equity	111,735	112,372
Shareholders' equity plus net debt	156,143	166,944
Gearing ratio	28%	33%

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

26.2 Risks in connection with financial instruments

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

26.2.1 Market risk

Market risk is the risk of changes in the price of financial assets, in currency exchange rates, 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 inputs such as energy, copper and ceramics), 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 often do not arise in the same currency. The currency risk from operations is reduced by purchasing and selling in local currency where possible, an approach known as natural hedging. In addition, to protect against fluctuation in exchange rates, significant foreign currency orders in the Systems division are hedged by means of forward exchange contracts at the time the order is received. The Modules & Components division non-selectively hedges a large portion of the expected cash flows up to a one-year time horizon, using forward exchange contracts to do so.

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

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

Fiscal year 2010

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

Fiscal year 2009

		Increase in exchange rate	Effect on income before tax	Effect on equity
In thousands of CHF	EUR/CHF	+5%	(79)	+3,223
	USD/CHF	+5%	+507	+847

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

Interest rate risk

COMET's debt financing exposes it to the risk of interest rate fluctuation. As the loans of the COMET Group largely carry fixed rates of interest, movements in market interest rates have no material short-term effect on the amounts of interest payable and hence on profitability. All loans are measured at amortized cost; therefore, in the year under review and the prior year, changes in market interest rates did not have a direct effect on the carrying amounts of the loans, nor therefore on income before tax or on equity. The fair values of long-term debt based on the current interest rate situation are presented in note 25 on an indicative basis.

26.2.2 Credit risk

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

	2010		2009	
	Rating *	Balance	Rating *	Balance
Bank A	A+	6,891	A+	8,273
Bank B	AAA	1,166	AAA	3,867
Bank C	A	529	A	2,672
Other counterparties		8,016		9,375
Total bank deposits		16,602		24,187

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

Trade receivables: COMET operates worldwide, selling its products in various countries and to a large number of customers. Consequently there are no excessive concentration risks in individual countries or with respect to individual customers. Payment terms vary according to market and customer. The credit limits and payments received are monitored for each customer by the individual Group companies and the resulting information is made available to Group management in the form of monthly special reports. Appropriate allowance for expected risk of default is made through the provision for doubtful accounts. Receivables are written off only if payment is highly unlikely to be forthcoming. Detailed information on the provision for doubtful accounts and its movement in the year can be found in note 4.

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

26.2.3 Liquidity risk

COMET defines liquidity risk as the risk that, at any time, it will not be able to meet its financial obligations fully as they become due. The foremost goal of financial management is the permanent assurance of the Group's solvency in order to prevent such a contingency. To this end, using liquidity planning, COMET always maintains sufficient liquid assets and credit lines to avoid shortages of liquidity. In managing the debt profile, emphasis is placed on achieving an advantageous debt maturity structure. Ensuring solvency also includes active working capital management.

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

Following is an overview of all contractual payment obligations as at the balance sheet date on an undiscounted basis:

Fiscal year 2010					
In thousands of CHF	Carrying amount	Payments due by period			
		Total	2011	2012–2015	After 2015
Current and long-term debt	61,030	70,168	15,206	39,573	15,390
Trade and other payables	16,944	16,944	16,944	–	–
Derivatives (negative fair values)	127	127	127	–	–
Total	78,101	87,239	32,277	39,573	15,390

Fiscal year 2009					
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
Trade and other payables	17,851	17,851	17,851	–	–
Derivatives (negative fair values)	0	0	0	–	–
Total	96,610	99,789	36,377	44,773	18,639

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

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

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

The contract amounts of open derivative positions are presented in note 5.

27 Segment reporting

For management purposes the Group is divided into two divisions, based on the products and services offered. The Group thus has two 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.
- 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 operating revenues and expenses, and all operating assets and liabilities. Only the costs and revenues of COMET HOLDING AG are not allocated to the divisional results. 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 the segments. The allocation of segment assets and liabilities follows the same principle. The only assets and liabilities which are not apportioned to the operating divisions are the assets and liabilities of COMET HOLDING AG and the cash and cash equivalents, current and long-term debt, and income tax assets and liabilities.

27.1 Operating segments

Fiscal year 2010

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

¹ Intersegment sales are recognized at prices that correspond to market prices.

² The capital expenditure in the Systems division included the following amounts that did not represent a cash effect: additions to non-current assets under finance leases in the amount of CHF 18 thousand (prior year: CHF 1,541 thousand), and additions of CHF 2,048 thousand to non-current assets from the reclassification of demonstration equipment to property, plant and equipment in the Systems division.

Fiscal year 2009

In thousands
of CHF

	Modules & Components division	Systems division	Elimination of intersegment sales ¹	Corporate	Consolidated
Net sales					
External net sales	65,213	85,537	–	–	150,750
Intersegment sales	13,413	2,551	(15,964)	–	–
Total net sales	78,626	88,088	(15,964)	–	150,750
Earnings					
Segment operating income/(loss) ²	3,991	(9,372)	(439)	–	(5,820)
Unallocated costs ²	–	–	–	(1,151)	(1,151)
Operating income/(loss) before special charges ²	3,991	(9,372)	(439)	(1,151)	(6,971)
Special charges	(3,460)	(3,561)	–	–	(7,021)
Operating income/(loss) (EBIT) ²	531	(12,933)	(439)	(1,151)	(13,992)
Financing expenses	–	–	–	–	(7,651)
Financing income	–	–	–	–	4,363
Loss before tax	–	–	–	–	(17,280)
Income tax	–	–	–	–	4,550
Net loss	–	–	–	–	(12,730)
EBITDA ²	9,027	(7,869)	(439)	(1,151)	(432)
Assets and liabilities					
Segment assets ²	98,653	107,304	–	23,647	229,603
Segment liabilities ²	(10,421)	(26,507)	–	(80,303)	(117,231)
Net assets	88,232	80,796	–	(56,657)	112,372
Other segment information					
Capital expenditure ^{2,3}	3,459	3,268	–	–	6,727
Depreciation and amortization ²	7,357	4,955	–	–	12,312
Impairment charges	1,140	108	–	–	1,248
Other non-cash expense/(income)	109	(3,199)	–	–	(3,090)
Number of employees at year-end ²	320	291	–	–	611

¹ Intersegment sales are recognized at prices that correspond to market prices.

² Restated. See "Changes in accounting policies" in section 2, "Significant accounting policies".

³ The capital expenditure in the Systems division included additions to non-current assets under finance leases in the amount of CHF 1,541 thousand, which did not represent a cash effect.

272 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.

Net sales by region		2010	2009
In thousands of CHF	Switzerland	1,545	487
	Rest of Europe (largely EU countries)	50,911	54,727
	Total Europe	52,456	55,214
	North America	77,580	42,751
	Asia	82,807	48,728
	Other countries	4,553	4,057
	Total rest of world	164,939	95,536
	Total	217,395	150,750

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 below are items such as financial assets, employee benefit plans and tax assets.

Non-current assets by region		2010	2009
In thousands of CHF	Switzerland	65,027	68,887
	Rest of Europe (largely EU countries)	40,426	50,032
	Total Europe	105,454	118,920
	North America	3,076	3,280
	Asia	4,164	3,774
	Other countries	0	0
	Total rest of world	7,240	7,054
	Total	112,693	125,974

273 Sales with key accounts

In the year under review, the Modules & Components division recorded sales of CHF 29.9 million with its largest customer, which represented 13.7% of Group sales.

28 Capital structure and shareholders**Capital stock**

The capital stock at January 1, 2010 was CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 per share. The capital stock was not increased in the 2010 fiscal year. At December 31, 2010, COMET HOLDING AG thus had an unchanged capital stock of CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 each. The capital stock is fully paid in.

	2010		2009	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	757,480	7,574,800	750,832	7,508,320
Increase from authorized capital for employee, management and Board incentive plan	–	–	6,648	66,480
December 31	757,480	7,574,800	757,480	7,574,800

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

Authorized capital for equity-based compensation

A portion of the Company's unissued authorized capital is designated for use only in equity compensation (in German: "bedingtes Kapital"). The Board of Directors has the authority, without time limit, to issue shares of stock from this authorized capital in order to meet existing and future obligations under share-based payment plans to staff, executive management and the Board. Existing shareholders' pre-emptive rights do not apply to this authorized capital. The issuance of stock or stock subscription rights is based on an incentive plan adopted by the Board of Directors.

The shares granted to the Board of COMET HOLDING AG in May 2010 as variable compensation were purchased in the market. In 2010 there was consequently no change in the amount of unissued authorized capital designated for equity compensation.

	2010		2009	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	17,520	175,200	24,168	241,680
Stock compensation under incentive plan	–	–	(6,648)	(66,480)
December 31	17,520	175,200	17,520	175,200

Authorized capital for other capital increases

At December 31, 2010, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Kapital"). For these purposes, the Board of Directors is authorized until April 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. Issues individually amounting to less than this maximum are also permitted.

28.1 Significant shareholders

At December 31, 2010 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders that hold voting rights in excess of 3% of the COMET capital stock recorded in the Swiss commercial register of companies):

Shareholder or shareholder group	Share of voting rights as disclosed by shareholders
Garlito B.V., Amsterdam	5.09%
Pictet Funds, Geneva	5.01%
Swisscanto Asset Management AG, Zurich	4.87%
Mi-Fonds (Lux), Luxembourg	4.82%
Matter Group AG, Zug	4.42%
UBS Fund Management (Switzerland) AG, Basel	3.92%

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

29 Share-based payments

COMET has an equity compensation plan for the Board of Directors and executive management under which shares of stock are allotted at a discount of 36% to their market price.

The Board members may draw any portion (from 0% to 100%) of their fixed base fees in the form of stock, but must draw at least 50% of their variable compensation in stock.

Members of executive management must draw a specified minimum portion of their variable compensation in stock, and may increase the stock portion up to a specified upper limit. The lower and upper limits increase with management rank.

The expense recognized for share-based payments in the year under review was CHF 1,192 thousand (prior year: CHF 420 thousand).

Under the 2009 incentive plan, the members of the Board of Directors of COMET HOLDING AG were granted 1,164 shares in May 2010. The shares were purchased in the open market and were allotted at a price of CHF 104 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.

30 Compensation of Board of Directors and Executive Committee

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

	2010	2009*
In thousands of CHF		
Cash compensation, including short-term employee benefits	2,599	2,026
Contributions to post-employment benefit arrangements	277	305
Termination benefits	19	0
Expense for share-based payments	624	249
Total compensation	3,519	2,575

* 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 39 thousand less than previously reported.

Disclosures under corporation law on the compensation of the members of the Board of Directors and the Executive Committee are provided in the notes to the separate financial statements of COMET HOLDING AG from page 80 onward.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced services in the amount of CHF 59 thousand (prior year: CHF 57 thousand). Hans Leonz Notter is a partner at Notter Mégevand & Partner of Berne, Fribourg and Geneva, whose members provide legal advice and other legal services to the COMET Group.

The detailed 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 80 onward; shareholdings are presented from page 85.

31 Risk assessment

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. 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 the timely adoption of appropriate countermeasures. The organization and reporting related to the risk management system are described in the Corporate Governance report under the heading "Monitoring and control with respect to the Executive Committee" on page 102 of this Annual Report.

32 Events after the balance sheet date

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

33 Proposed distribution to shareholders

Instead of a dividend, the Board of Directors will propose to the Annual Shareholder Meeting to distribute CHF 3.50 per share to shareholders from contributed capital (prior year: dividend of CHF 0.50 per share). The total amount of the proposed distribution is CHF 2,651 thousand (prior year: dividend of CHF 379 thousand).

34 Release of the consolidated financial statements for publication

The Board of Directors released these financial statements on March 10, 2011 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 27, 2011 for approval.

Report of the statutory auditor on the consolidated financial statements

To the Annual Shareholder Meeting of COMET HOLDING AG, Flamatt

As statutory auditor, we have audited the consolidated financial statements of COMET HOLDING AG which comprise the balance sheet, the statement of income, the comprehensive income statement, the statement of cash flows, and the statement of changes in equity, and the notes (pages 29 to 74) for the year ended December 31, 2010.

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, 2010 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 10, 2011

Ernst & Young AG

Bernadette Koch
Licensed audit expert
(Auditor in charge)

Stefan Blaser
Licensed audit expert

Balance Sheet

In thousands of CHF	Assets	Dec. 31, 2010	%	Dec. 31, 2009	%
	Cash and cash equivalents	394		3,141	
	Receivables from non-Group entities	1		5	
	Receivables from related parties	28		0	
	Receivables from Group companies	105		512	
	Prepaid expenses	2		6	
	Total current assets	530	0.5%	3,664	3.0%
	Loans to Group companies	48,449		84,021	
	Investments in subsidiaries	59,850		32,859	
	Rights to trademarks and names, Feinfocus	2,613		2,613	
	Total non-current assets	110,912	99.5%	119,494	97.0%
	Total assets	111,442	100.0%	123,157	100.0%
	Liabilities and shareholders' equity				
	Liabilities to non-Group entities	36		26	
	Liabilities to related parties	507		248	
	Liabilities to Group companies	6,925		0	
	Current portion of long-term debt	6,750		11,750	
	Accrued expenses	346		399	
	Bank debt	20,238		26,909	
	Total liabilities	34,802	31.2%	39,332	31.9%
	Capital stock	7,575		7,575	
	General statutory reserve	20,160		20,160	
	Additional paid-in capital	38,970		38,970	
	Free reserve	7,000		7,000	
	Capital stock and reserves	73,705		73,705	
	Earnings brought forward	9,742		382	
	Net (loss)/income for the year	(6,806)		9,739	
	Total retained earnings	2,936		10,120	
	Total shareholders' equity	76,640	68.8%	83,825	68.1%
	Total liabilities and shareholders' equity	111,442	100.0%	123,157	100.0%

Statement of Income

In thousands of CHF		2010	%	2009	%
	Income from subsidiaries	3,000		10,000	
	Financing income	2,901		3,797	
	Total income	5,901	100.0%	13,797	100.0%
	Financing expenses	(1,974)		(1,865)	
	Foreign currency translation losses	(13,007)		(309)	
	Administrative expenses	(1,747)		(1,084)	
	Impairment reversal/(impairment charge) on investments in subsidiaries	800		(800)	
	Impairment reversal on loans to Group companies	3,220		-	
	Total expenses	(12,707)	215.3%	(4,058)	29.4%
	Net (loss)/income for the year	(6,806)	(115.3%)	9,739	70.6%

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, 2010 was CHF 148.3 million (SIX Swiss Exchange closing price per share: CHF 195.80).

The separate financial statements of COMET HOLDING AG at and for the year ended December 31, 2010 comply with the provisions of the Swiss Code of Obligations. The manner of the inclusion of COMET HOLDING AG in the consolidated accounts is governed by the measurement principles set out in the notes to the consolidated financial statements.

1 Investments in subsidiaries

The following companies were consolidated in the Group financial statements of COMET HOLDING AG at December 31, 2010:

Company	Domicile	Currency	Capital stock	Equity interest in %	
				2010	2009
COMET HOLDING AG	Flamatt, Switzerland	CHF	7,574,800	100%	100%
COMET AG	Flamatt, Switzerland	CHF	2,000,000	100%	100%
COMET Electronics (Shanghai) Co. Ltd.	Shanghai, China	CNY	5,466,148	100%	100%
COMET Mechanical Equipment (Shanghai) Co. Ltd.	Shanghai, China	CNY	1,655,420	100%	100%
YXLON International GmbH	Hamburg, Germany	EUR	110,000	100%	100%
YXLON International A/S	Taastrup, Denmark	DKK	601,000	100%	100%
COMET Technologies USA, Inc.	Akron, OH, USA	USD	1,000	100%	100%
YXLON International KK	Yokohama, Japan	JPY	10,000,000	100%	100%
YXLON (Beijing) X-Ray Equipment Trading Co. Ltd.	Beijing, China	CNY	1,077,000	100%	100%

With effect from July 1, 2010, the US subsidiary COMET North America Inc. was merged into the subsidiary YXLON International Inc. and the resulting company was renamed COMET Technologies USA, Inc. With this exception, the ownership structure remained unchanged from the prior year. Subsidiaries are measured at the lower of cost and market value.

In thousands
of CHF

	2010	2009
Carrying amount of investments in subsidiaries	59,850	32,859

The increase in the carrying amount of subsidiaries resulted from the conversion of loan liabilities of YXLON International GmbH and the reversal of an impairment loss on loan liabilities of COMET Technologies USA, Inc. and YXLON International GmbH.

2 Capital structure and shareholders

Shares outstanding

The capital stock at January 1, 2010 was CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 per share. The capital stock was not increased in the 2010 fiscal year. At December 31, 2010, COMET HOLDING AG thus had an unchanged capital stock of CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 each. The capital stock is fully paid in.

Registered stock, par value of CHF 10 per share	Number of shares	Par value
January 1, 2010	757,480	7,574,800
Increase in capital from the portion of authorized capital designated for equity-based compensation	–	–
December 31, 2010	757,480	7,574,800

Authorized capital for equity-based compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only in equity-based compensation (in German: "bedingtes Kapital"). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 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 Board members of COMET HOLDING AG and/or employees of its subsidiaries in Switzerland and Germany. With respect to this authorized capital, shareholders' pre-emptive rights are excluded. The issuance of stock or of stock subscription rights to employees is based on an incentive plan adopted by the Board of Directors. Grants of stock and of subscription rights to employees and/or Board members may be made at a price below the market price.

Under the 2009 incentive plan, the members of the Board of Directors of COMET HOLDING AG were granted 1,164 shares of stock in May 2010. The shares were purchased in the open market and were allotted at a price of CHF 104 per share. As the allotted shares were purchased in the market, the Company's unissued authorized capital for equity-based compensation remained unchanged in the 2010 fiscal year, as follows:

Registered stock, par value of CHF 10 per share	Number of shares	Par value
January 1, 2010	17,520	175,200
Number of shares issued during the fiscal year	–	–
December 31, 2010	17,520	175,200

Authorized capital for other capital increases

At December 31, 2010, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Kapital"). For these purposes, the Board of Directors is authorized until April 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. Issues individually amounting to less than this maximum are also permitted.

Registered shareholders

At December 31, 2010, COMET HOLDING AG had 2,067 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,911). One hundred percent of the issued registered stock represented free float. COMET HOLDING AG did not own treasury stock at December 31, 2010.

Significant shareholders

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% and 66⅔% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 2010 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders that hold voting rights in excess of 3% of the capital stock recorded in the Swiss commercial register of companies):

Shareholder or shareholder group	Share of voting rights as disclosed by shareholders
Garlito B.V., Amsterdam	5.09%
Pictet Funds, Geneva	5.01%
Swisscanto Asset Management AG, Zurich	4.87%
Mi-Fonds (Lux), Luxembourg	4.82%
Matter Group AG, Zug	4.42%
UBS Fund Management (Switzerland) AG, Basel	3.92%

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2010 these shares of unregistered owners amounted to 17% of the total (prior year: 21%). The Company is not aware of any other shareholders that held more than 3% of its voting rights. To the best of the Company's knowledge, there were no voting pool agreements.

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 them¹:

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

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

Fiscal year 2010							
Name		Hans Hess	Hans Leonz Notter	Thomas Hinderling	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman and interim Managing Director	Vice Chairman	Member	Member	Member	Total
		Note					
Base fees, net	(1)	438,625	6,939	6,403	69,100	26,651	547,719
Variable fees from incentive plan, net	(2)	0	0	0	7,125	0	7,125
Variable fees for additional services, net	(3)	0	20,000	0	0	20,000	40,000
Total cash compensation		438,625	26,939	6,403	76,225	46,651	594,844
Stock compensation	(4)	100,000	130,329	120,229	11,133	92,968	454,659
Employer contributions for old age and survivors insurance and unemployment insurance		0	11,550	9,093	7,248	10,563	38,454
Contributions for health and accident insurance		0	0	0	0	0	0
Total expenses for long-term benefits	(5)	0	11,550	9,093	7,248	10,563	38,454
Total compensation		538,625	168,819	135,725	94,606	150,181	1,087,956

In CHF

From February 1, 2010 until December 31, 2010, Hans Hess, the Chairman of the Board of COMET HOLDING AG, additionally took over the role of interim Managing Director of the Company (i.e., interim chief executive), and also assumed the leadership of the Modules & Components division. With these responsibilities he was the highest-earning member of management. This obviates the need for a separate disclosure of the highest compensation paid to a member of management for the 2010 fiscal year in section 3.2.

Fiscal year 2009 *

Name		Hans Hess	Hans Leonz Notter	Thomas Hinderling	Lucas A. Grolimund	Rolf Huber	Board of Directors
Position		Chairman	Vice Chairman	Member	Member	Member	Total
	Note						
Base fees, net	(1)	84,300	3,499	3,147	42,375	3,623	136,944
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
Total cash compensation		84,300	3,499	3,147	42,375	3,623	136,944
Stock compensation	(4)	0	64,025	58,013	0	67,113	189,150
Employer contributions for old age and survivors insurance and unemployment insurance		0	4,802	4,392	3,632	5,005	17,831
Contributions for health and accident insurance		0	0	0	0	0	0
Total expenses for long-term benefits	(5)	0	4,802	4,392	3,632	5,005	17,831
Total compensation		84,300	72,326	65,552	46,007	75,741	343,925

* Prior-year data has been 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 11,227 less than 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. In the fiscal year 2010, in addition to the compensation for his role on the Board of Directors, Hans Hess was paid CHF 339,625 for his work as interim Managing Director. Hans Hess was thus the member of management with the highest overall compensation.
- (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.
- (3) In the fiscal year 2010, the Board members Hans Leonz Notter and Rolf Huber were each paid CHF 20,000 for the exceptional demands on their time in connection with the search for a new CEO.
- (4) This item includes the 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 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 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 staff contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as family allowance contributions (FAK). COMET does not pay contributions to pension funds, health insurance plans or accident insurance premiums for Board members.

The increase in total Board compensation from the prior year was attributable mainly to the additional remuneration of Hans Hess as interim Managing Director and the greater number of meetings. As well, the prior year's voluntary waiver of 25% of compensation was discontinued in 2010, and performance-based variable compensation was accrued.

Additional compensation of Hans Hess as interim Managing Director

Based on the policy regarding additional responsibilities of Board members, a compensation agreement for the work of Hans Hess as interim Managing Director was prepared under the lead of the Nomination & Compensation Committee for approval by the Board of Directors. For his additional position, the Board decided to compensate Hans Hess with a fixed monthly amount plus expenses. In total in the 2010 fiscal year, this compensation (before expenses) for additional responsibilities amounted to CHF 339,625.

Additional compensation for legal services

In the year under review the law firm Notter, Mégevand & Partner invoiced legal fees of CHF 59,400 (prior year: CHF 57,400). Hans Leonz Notter is a partner at Notter Mégevand & Partner of Berne, Fribourg and Geneva, whose members provide legal advice and other legal services to the COMET Group.

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

A total of eight persons served as Executive Committee members during all or part of the fiscal year. 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. From that date until a permanent successor took office, Hans Hess, the Chairman of the Board of COMET HOLDING AG, assumed the role of the Group's interim Managing Director, and also of Head of the Modules & Components division. At the same time, Peter A. Schmid became interim Head of Corporate Human Resources on a consulting basis. Mr. Schmid is not a member of the Executive Committee.

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

On average in the year under review, expressed in full-time equivalents, 6.1 persons served on the Executive Committee (prior year: 7.0 persons). The compensation of the ordinary members of the Executive Committee for which an expense was accrued is presented in the table below. It does not include the expense for the consulting services of Peter A. Schmid or the compensation for the activities of Hans Hess as interim Managing Director. The latter is presented under Hans Hess's compensation as a member of the Board of Directors. With his responsibilities, Hans Hess was the highest-earning member of management. His total compensation is presented separately in section 3.1 and thus does not require separate disclosure here for the purposes of disclosing the highest compensation paid to a member of management for the 2010 fiscal year.

Name	Executive Committee	Highest compensation			
		Hans Hess (1)	Roland Zarske		
Position		Interim Managing Director from	CEO until		
	Total	Total	Feb. 1, 2010	Feb. 1, 2010	
Fiscal year	Note	2010	2009 *	2010	2009 *
Base salary, gross	(2)	1,434,677	1,581,392	0	346,350
Variable compensation, gross	(3)	368,571	124,785	0	27,788
Total cash compensation		1,803,248	1,706,177	0	374,138
Stock compensation	(4)	169,838	59,551	0	59,551
Benefits in kind	(5)	21,062	23,274	0	0
Contributions for employer pension plan, old age and survivors insurance and unemployment insurance	(6)	398,980	423,417	0	89,529
Contributions for health and accident insurance	(7)	19,027	22,770	0	3,309
Total expenses for long-term benefits		418,007	446,187	0	92,838
Termination benefit	(8)	19,000	0	0	0
Total compensation		2,431,155	2,235,189	0	526,526

* 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 27,227 less than reported in the prior year.

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

- (1) From February 1, 2010 to the fiscal year-end, Hans Hess, the Chairman of the Board of COMET HOLDING AG, acted as the Group's interim Managing Director and also headed the Modules & Components division. He was thus the member of management with the highest overall compensation. His overall compensation, including that received as a member of the Board of Directors, is disclosed separately in section 3.1.
- (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-related component of compensation, based on the incentive plan for the Executive Committee. The past average cash portion of performance-related compensation has been approximately 75%, hence the estimated cash portion recorded in this item represents 75% 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, such as length-of-service awards.

- (4) This item represents about 25% 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 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. This item also includes any other one-time stock compensation.
- (5) One member of the Executive Committee is entitled to the use of a company-owned car. The full lease installments are paid by the Company.
- (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.
- (8) Under the terms of his severance agreement, one member of the Executive Committee received a one-time lump sum payment in respect of external coaching.

The increase in total compensation resulted largely from the higher performance-based variable compensation.

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

As described above, one member of the Executive Committee received a termination benefit. In the year under review, no other termination benefits were paid to members of the Board of Directors or of the Executive Committee. Board members did not receive benefits in kind.

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

There were no material changes in compensation after the balance sheet date of December 31, 2010.

3.5 Interim management contracts

In connection with the departure of Pascal Weyermann from the Executive Committee, the Board of Directors appointed Peter A. Schmid to assume the responsibilities of Head of Corporate Human Resources on a consulting basis. Since 2010 Mr. Schmid has worked as an independent consultant and interim manager in the area of human resources. He has previously held comparable positions at companies such as Saia Burgess and Zehnder Group. The mandate is temporary and can be terminated at any time. In total for the fiscal year 2010, Peter A. Schmid invoiced fees of CHF 238,000 under his interim management contract.

4 Disclosure of Board and Executive Committee shareholdings

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

	Total number of shares		Of which: shares subject to holding periods ending			Share of voting rights	
	2010	2009	May 5, 2011	May 7, 2012	May 3, 2013	2010	2009
Hans Leonz Notter Vice Chairman and member of the Board	17,141	16,074	613	54	394	2.3%	2.1%
Hans Hess Chairman of the Board	8,099	8,099	158	91	0	1.1%	1.1%
Thomas Hinderling Member of the Board	1,382	1,025	109	916	357	0.2%	0.1%
Lucas A. Grolimund Member of the Board	99	99	72	27	0	0.0%	0.0%
Rolf Huber Member of the Board	1,211	798	0	786	413	0.2%	0.1%
Roland Zarske Chief Executive Officer until Feb. 1, 2010	3,542	3,542	1,276	553	0	0.5%	0.5%
Markus Portmann Chief Financial Officer	937	937	226	346	0	0.1%	0.1%
Joseph Kosanetzky Head of Systems division	321	321	0	255	0	0.0%	0.0%
Michael Kammerer Head of Vacuum Capacitors	117	117	0	117	0	0.0%	0.0%
Charles Flükiger Head of Industrial X-Ray	305	345	153	152	0	0.0%	0.0%
Eric Dubuis Chief Information Officer	146	146	45	80	0	0.0%	0.0%
Pascal Weyermann Head of Corporate Human Resources until Feb. 1, 2010	0	148	0	0	0	0.0%	0.0%

In connection with Pascal Weyermann's departure from the Company, any holding periods still in place on COMET shares held by Pascal Weyermann were lifted with effect from the exit date. This related to 33 shares with a holding period that would otherwise have ended at April 29, 2011 and 115 shares with a holding period which would otherwise have ended at April 29, 2012.

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: 0.1320%).

No material changes in ownership interests arose after the balance sheet date of December 31, 2010.

Options and conversion rights

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

Treasury stock

	2010	2009
Number of shares at January 1	0	
Number of shares purchased in the year	1,426	
Number of shares sold in the year	(1,426)	
Number of shares at December 31	0	
Average purchase price per share in CHF	149	
Average sale price per share in CHF	151	

5 Guarantees and pledged assets

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

In thousands
of CHF

	2010	2009
Guarantee obligations to banks in respect of bank credit limits	300	300
Shares of subsidiary YXLON International GmbH pledged as collateral under a bank credit agreement	54,011	27,020
Loan subordination agreements in favor of subsidiaries	0	59,300
Parent guarantee in respect of financial obligations	0	12,200

6 Risk assessment

The Board of Directors of COMET HOLDING AG evaluates the risks to the Group through systematic and ongoing risk identification and analysis. On this basis, risk management measures are formulated and their implementation is continually monitored. The COMET Group uses a risk management system that is designed both for the early identification of risks and the timely adoption of countermeasures. The organization and reporting related to the risk management system are described in the Corporate Governance report under the heading "Monitoring and control with respect to the Executive Committee" on page 102 of this Annual Report.

7 Release of the consolidated financial statements for publication

The Board of Directors released these financial statements on March 10, 2011 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 27, 2011 for approval.

Board of Directors' proposal for the appropriation of retained earnings

In the fiscal year 2010, COMET HOLDING AG earned total income of CHF 5.9 million (prior year: CHF 13.8 million). The change relative to the prior year resulted from lower interest income on loans and lower dividend income from subsidiaries.

Total expenses in the fiscal year, at CHF 12.7 million, were significantly higher than the year-earlier level of CHF 4.1 million. This resulted primarily from high foreign exchange losses on the translation of euro-area loans into Swiss francs. It also reflected an increase in administrative costs, which stemmed mainly from the changes in the Group's management. The impairment loss which had been recognized on the subsidiaries and loans in the USA and Germany was reversed after the merger of subsidiaries.

The shareholders' equity of COMET HOLDING AG at the end of the fiscal year was CHF 76.6 million (prior year: CHF 83.8 million), representing an equity ratio of 68.8% (prior year: 68.1%).

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

In thousands of CHF	2010	2009
Earnings brought forward	9,742	382
Net (loss)/income for the year	(6,806)	9,739
Total retained earnings	2,936	10,120
Transfer from free reserve	7,000	–
Retained earnings available for distribution	9,936	10,120
Dividend payment	0	(379)
Earnings carried forward	9,936	9,742

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

In thousands of CHF	2010	2009
Distributable paid-in capital brought forward	0	0
Transfer from additional paid-in capital to distributable paid-in capital	2,651	0
Distribution of CHF 3.50 per share from distributable paid-in capital*	(2,651)	0
Distributable paid-in capital carried forward	0	0

* The distribution is expected to qualify as a tax-exempt repayment of contributed capital under section 20 of the Swiss Federal Act on Federal Direct Tax and section 5 of the Federal Act on Anticipatory Tax. Confirmation of this tax-exempt status from Switzerland's Federal Tax Administration is still pending at the time of writing of this Annual Report.

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of COMET HOLDING AG, which comprise the balance sheet, income statement and notes (pages 77 to 87), for the year ended December 31, 2010.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2010, comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Berne, March 10, 2011

Ernst & Young AG

Bernadette Koch
Licensed audit expert (Auditor in charge)

Stefan Blaser
Licensed audit expert

Corporate governance is defined by COMET as all of the principles and practices aimed at safeguarding shareholder interests. While maintaining management's decision-making capability and efficiency, the aim of good corporate governance is to ensure transparent reporting and an appropriate balance of leadership and control.

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

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

Group Structure and Ownership

Structure of the operating activities of the COMET Group



The Group's commercial activities fall into two divisions: Modules & Components, and Systems. Financial reporting is segmented along these divisional lines. The financial data for the individual divisions is found in the segment information within the notes to the consolidated annual financial statements from page 67 of this Annual Report.

Listed Group company: COMET HOLDING AG

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

Ticker symbol	COTN
Security number	382 575
ISIN	CH0003825756
Closing price at December 31, 2010	CHF 195.80
Market capitalization at December 31, 2010	CHF 148.3 million

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

Non-listed Group companies

COMET HOLDING AG has no publicly traded subsidiaries. The companies consolidated in the COMET Group are named on page 78.

Registered shareholders

At December 31, 2010, COMET HOLDING AG had 2,067 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 1,911). One hundred percent of the issued registered stock represented free float. COMET HOLDING AG did not own treasury stock at December 31, 2010.

The structure of share ownership size classes among the shareholders of record at December 31, 2010 was as follows:

Number of shares owned	Number of shareholders
1 to 100	1,439
101 to 1,000	570
1,001 to 5,000	36
5,001 to 10,000	8
More than 10,000	14

Significant shareholders

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, exceed or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33 ⅓%, 50% and 66 ⅔% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 2010 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with voting rights in excess of 3% of the COMET capital stock recorded in den Swiss commercial register of companies):

Shareholder or shareholder group	Share of voting rights as disclosed by shareholders
Garlito B.V., Amsterdam	5.09%
Pictet Funds, Geneva	5.01%
Swisscanto Asset Management AG, Zurich	4.87%
Mi-Fonds (Lux), Luxembourg	4.82%
Matter Group AG, Zug	4.42%
UBS Fund Management (Switzerland) AG, Basel	3.92%

This analysis does not capture the shares of shareholders who were not registered in the share register; at December 31, 2010 these shares of unregistered owners amounted to 17% of the total (prior year: 21%).

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

Reportable changes during the 2010 fiscal year

In the fiscal year, five reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange:

http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_de.html

Cross-shareholdings

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

Capital Structure

Shares outstanding

The capital stock at January 1, 2010 was CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 per share. The capital stock was not increased in the 2010 fiscal year. At December 31, 2010, COMET HOLDING AG thus had an unchanged capital stock of CHF 7,574,800, divided into 757,480 registered shares with a par value of CHF 10 each. The capital stock is fully paid in.

Registered stock, par value of CHF 10 per share	Number of shares	Par value
January 1, 2010	757,480	7,574,800
Increase in capital from the portion of authorized capital designated for equity-based compensation	–	–
December 31, 2010	757,480	7,574,800

Authorized capital for equity-based compensation

Under section 3b of its Bylaws, the Company has unissued authorized capital designated for use only in equity-based compensation (in German: “bedingtes Kapital”). For this purpose, the capital stock of the Company may be increased by a maximum of CHF 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 Board members of COMET HOLDING AG and/or employees of its subsidiaries in Switzerland and Germany. With respect to this authorized capital, shareholders’ pre-emptive rights are excluded. The issuance of stock or of stock subscription rights to employees is based on an incentive plan adopted by the Board of Directors. Grants of stock and of subscription rights to employees and/or Board members may be made at below the market price.

Under the 2009 incentive plan, the members of the Board of Directors of COMET HOLDING AG were granted 1,164 shares of stock in May 2010. The shares were purchased in the open market and were allotted at a price of CHF 104 per share. As the allotted shares were purchased in the market, the Company’s unissued authorized capital for equity-based compensation remained unchanged in the 2010 fiscal year:

Registered stock, par value of CHF 10 per share	Number of shares	Par value
January 1, 2010	17,520	175,200
Number of shares issued during fiscal year	–	–
December 31, 2010	17,520	175,200

Authorized capital for other capital increases

At December 31, 2010, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the By-laws (in German: "genehmigtes Kapital"). For these purposes, 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' pre-emptive rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of COMET HOLDING AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

Changes in shareholders' equity

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

In thousands of CHF	Capital stock	General statutory reserve	Additional paid-in capital	Free reserve	Retained earnings	Total shareholders' equity
December 31, 2007	7,467	20,160	37,514	11,500	3,692	80,332
Net loss					(3,317)	(3,317)
Dividend paid					(2,240)	(2,240)
Increase in capital stock	41		799			840
December 31, 2008	7,508	20,160	38,313	11,500	(1,866)	75,616
Net income					9,739	9,739
Transfer from free reserve				(4,500)	4,500	0
Dividend paid					(2,252)	(2,252)
Increase in capital stock	66		657			723
December 31, 2009	7,575	20,160	38,970	7,000	10,120	83,825
Net loss					(6,806)	(6,806)
Dividend paid					(379)	(379)
December 31, 2010	7,575	20,160	38,970	7,000	2,935	76,640

The corresponding information for the two preceding fiscal years is found on page 92 of the Annual Report 2008 and page 88 of the Annual Report 2009. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 34 of this Annual Report 2010.

Shares and participation certificates

The Company's capital stock at December 31, 2010 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 shareholder is recorded in the share register.

The Company has not issued any participation certificates and did not hold treasury stock at December 31, 2010.

Dividend right certificates

The Company has not issued any dividend right certificates.

Restrictions on transferability and nominee registration

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

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

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

Convertible bonds and options

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

Management transactions

The Listing Rules of the SIX Swiss Exchange currently require the disclosure of management transactions in stock of the Company and in 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 total for the fiscal year, the disclosures filed consisted of six multi-person disclosures. Published disclosures can be found on the website of SIX Swiss Exchange.



Board of Directors

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

Composition of the Board of Directors of COMET HOLDING AG

On December 31, 2010 the Board of Directors of COMET HOLDING AG had the following members:

Name	Nationality	Board position	Member since	Elected until
Hans Hess				
Dipl. Ing. ETH, MBA USC	Swiss	Chairman and executive member	2005	2011
Hans Leonz Notter				
Lawyer	Swiss	Vice Chairman and non-executive member	1989	2011
Thomas Hinderling				
Prof. Dr. phil. II	Swiss	Non-executive member	2006	2011
Lucas A. Grolimund				
Dipl. Ing. ETH, MBA INSEAD	Swiss	Non-executive member	2007	2011
Rolf Huber				
Dipl. Ing. ETH	Swiss	Non-executive member	2008	2011

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

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 1997 to 2009: 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 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 experience	1993 to 1997: McKinsey & Company, Zurich 1997 to 1998: Member of executive management of Coop Switzerland 1998 to 2001: CFO of Hero AG and Hero Group Since 2001: Independent consultant, and partner at Ceres Capital AG

Executive management functions

On February 1, 2010 the Board announced the departure of Roland Zarske, Chief Executive Officer of the COMET Group. From that date until December 31, 2010, Hans Hess, the Chairman of the Board of the COMET Group, took over the chief executive role as the Group's interim Managing Director and also assumed the leadership of the Modules & Components division.

At the reporting date of December 31, 2010, no other 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 prior to 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, 2010):

Hans Hess	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 ETH Board (ETH Domain)
	President of Swissmem (industry association)
Hans Leonz Notter	Member of the board, SIGERANCE AG, Köniz
	Chairman of the board, Fondation Leschot, Berne
	Member of the board, Fondation Theodora
	Co-liquidator, Kleinert Unternehmungen Holding AG, Berne
	Member of the board, Fribourg Chamber of Commerce
Lucas A. Grolimund	Member of the board, Micronas Semiconductor Holding AG, Zurich
Rolf Huber	Member of the board (non-executive supervisory board member), Teleplan International N.V., Zoetermeer, Netherlands
	Member of the board, Hunziker AG Festwirtschaften, Willisau

Board elections and terms

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 organization

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

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

In connection with the Board Chairman's assumption of responsibility for operational management of the Group, for the duration of this mandate the Board adopted the following changes regarding Board leadership, organization and responsibilities. The Board of Directors appointed its Chairman, Hans Hess, as executive member of the Board and interim Managing Director of the COMET Group (in addition to his continuing role as Chairman). For governance reasons the Board also appointed an Independent Lead Director, selecting the Vice Chairman, Hans Leonz Notter, for this position. The Independent Lead Director provided advisory support to the interim Managing Director concerning corporate strategy, responsibilities and objectives. The Independent Lead Director also assured the Board's ability to evaluate management's performance objectively during the leadership transition.

Board committees

In the interest of the efficient fulfillment of its obligations and as a result of the organizational changes described above, the Board of Directors of COMET HOLDING AG adjusted the composition of the Board committees for the 2010 fiscal year as follows:

Committee	Members
Nomination & Compensation Committee	Rolf Huber (Committee chairman) Hans Leonz Notter
Audit Committee	Lucas A. Grolimund (Committee chairman) Thomas Hinderling
Technology Committee	Thomas Hinderling (Committee chairman)

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

Nomination & Compensation Committee

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

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

The members of the Nomination & Compensation Committee meet at least twice per year. During the year under review the Committee held two meetings. The Committee may invite other Board members, Executive Committee members or specialists to its meetings as needed. The interim Head of Corporate Human Resources attended both 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 directions to internal audit and, as required on the basis of the resulting findings, issue directions to the Executive Committee

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

Technology Committee

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

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

The Committee meets as often as business requires. No separate meeting of the Technology Committee was held during the year. Instead, in 2010, the monitoring of technology sector developments and the review of development measures taken by the Group were regularly discussed in the course of the Board's scheduled meetings with the divisions.

Functioning of the full Board of Directors

The Board of Directors as a rule convenes for a scheduled meeting every two months. Additional meetings or telephone conferences are held as needed. A total of 13 scheduled and unscheduled meetings of the full Board were held in the year. Depending on the business at hand, the Board meetings are half a day or a full day in length. In addition, the Board committees met as described in the relevant sections above; committee meetings are normally about half a day in length.

The Board of Directors is regularly kept informed of the course of business by the CEO and CFO at its meetings, and also on an ad hoc basis as needed. Other members of the Executive Committee 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, budget variances and forecast variances.

Delineation of areas of authority

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

- Determine the Group's strategic direction and financial targets and allocate the resources required to achieve them
- Establish the Group's objectives, business policy and strategy, and organizational structure
- Approve the financial plans and annual budgets
- Approve the acquisition and disposal of subsidiaries and of minority interests in other companies, as well as approve collaboration with other firms
- Approve the purchase and sale of real estate
- Appoint and withdraw members of the Group's executive management 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 scheduled meetings of the Board. At least one to two times per year, in the context of Board meetings, the other members of the Executive Committee also report on their business area to the Board.

Management information system

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

The standardized internal reporting of the COMET Group consists of management reporting and the consolidated balance sheet, income statement, and cash flow statement 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, the budget and the rolling forecast. The resulting insights and the actions 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 and then take action accordingly.

Internal audit

Since 2006 the internal audit function is performed on a consulting basis by Robert Kruijswijk (based in Elgg, Switzerland). His compensation is determined by the amount of work performed. In the year under review, Mr. Kruijswijk carried out several special audits at a number of locations. Key audit priorities were various operating activities in the USA, Denmark and Switzerland, and the central functions such as finance, IT and human resources in Germany and Switzerland. The internal auditor reports directly to the Audit Committee of the Board of Directors, at least once per year and additionally as required. On 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 of Directors 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, of the general business risks and of the major balance sheet items. The approach to risk management is described and specified in a risk manual approved by the Board. In working group sessions under the direction of the CEO, the significant risks in the individual business areas and departments are identified, systematically described and categorized in a risk matrix, and, if required, assigned a new risk rating based on the probability of occurrence and the potential severity of loss. For the risks classified as important, action plans are formulated to minimize the probability and/or severity of loss. The Executive Committee normally meets twice per year to review the risk strategy and make regular adjustments to the existing risk portfolio. Also, newly identified risks are added to the portfolio and action plans are specified to manage them. In addition in the year under review, the Executive Committee held two meetings with the staff of the corporate quality department. Through separate reports, at each of the Audit Committee's meetings, the Committee is kept advised on the assessment of the Group's risks.

Internal control system

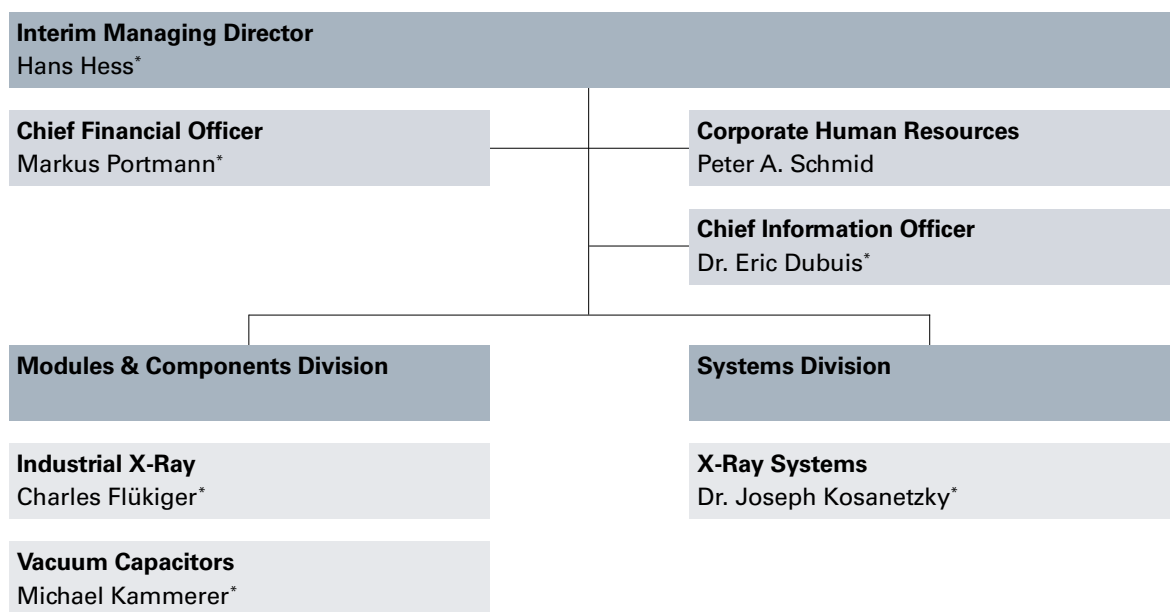
In the fiscal year the COMET Group further refined the existing internal control system (ICS) and added to its documentation where necessary. The system is now implemented at all levels of the enterprise and in all sizeable locations within and outside Switzerland. As a result of the launch of SAP in the USA in the fiscal year 2010, the ICS there was brought into line with the changed business processes and the corresponding new training was provided. The significant risks and controls were adjusted to fit the objectives and quality requirements established by the Board of Directors. The staff members responsible for the ICS have been designated, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in the day-to-day operations and are periodically tested for effectiveness, verifiability of implementation, and efficiency. This approach ensures that risks are detected 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 most senior executive management – is responsible for the operational management of the COMET Group within the powers delegated to it. As of December 31, 2010, the COMET Executive Committee was composed of the six members named below.

Composition of the Executive Committee



* Member 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 Roland Zarske, CEO of the COMET Group, and Pascal Weyermann, Head of Corporate Human Resources. From that date until a permanent successor took office, Hans Hess, the Chairman of COMET's Board of Directors, took over the chief executive role as the Group's interim Managing Director and also assumed the leadership of the Modules & Components division. At the same time, Peter A. Schmid became interim Head of Corporate Human Resources on a consulting basis. Mr. Schmid is not a member of the Executive Committee.

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

		With COMET since: Aug. 23, 2004
Markus Portmann (born 1959, Swiss citizen), Chief Financial Officer		
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	
		Oct. 17, 2005
Dr. Eric Dubuis (born 1964, Swiss citizen), Chief Information Officer		
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	
		July 19, 2007
Dr. Joseph Kosanetzky (born 1953, German citizen), Head of Systems division		
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 of YXLON International after MBO and company's launch	
	Until July 2007: CEO of YXLON International Group HOLDING GmbH, Hamburg, Germany	
		Dec. 8, 1980
Charles Flükiger (born 1960, Swiss citizen), Head of Industrial X-Ray		
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	

Corresponding information on Hans Hess is provided in the section titled "Board of Directors" on page 97.

Activities and interests outside the Group

Outside the COMET Group, at December 31, 2010, the members of the Executive Committee did not hold positions on executive or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations. Some members of the Executive Committee held board positions at subsidiaries of the COMET Group.

The activities and interests of Hans Hess outside the Group are described in the section titled "Board of Directors" on page 98.

Related party transactions

There were no business transactions with related companies or individuals.

Interim management contracts

In connection with the departure of Pascal Weyermann from the Executive Committee, the Board of Directors appointed Peter A. Schmid to assume the responsibilities of Head of Corporate Human Resources on a consulting basis. Since 2010 Mr. Schmid has worked as an independent consultant and interim manager in the area of human resources. He has held comparable positions as human resources manager at companies such as Saia Burgess and Zehnder Group. In total for the fiscal year 2010, Peter A. Schmid invoiced fees of CHF 237,930 under his interim management contract.

No other interim management contracts existed in the COMET Group.

Compensation, Stock Ownership and Loans

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

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

Basis and components of compensation and stock ownership plans

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 Board compensation scheme contains a performance-based component. This variable component 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") payable on 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 RONWC exceeds that calculated for a set of peer companies in the COMET Group's industry, 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. In the year under review, the maximum target variable compensation of 50% of base salary was achieved.

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 determines lower and upper target thresholds at which the variable compensation reaches zero or a given maximum amount, respectively. In the year under review no such targets were set.

When qualifying for variable compensation, the members of the Board of Directors must draw at least 50% of their 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. Based on this provision for additional responsibilities of Board members, in 2010 a compensation agreement for the work of Hans Hess as interim Managing Director was prepared under the lead of the Nomination & Compensation Committee for approval by the Board of Directors. For his additional activities, the Board decided to compensate Hans Hess with a fixed monthly amount plus expenses, payable in cash. This arrangement was in effect until December 31, 2010.

Responsibility and process for determining compensation and stock ownership plans

The fixed and variable compensation for the Board of Directors are periodically reviewed and revised by the full Board. The Board bases its decisions in part on its own experience and on comparisons with similar listed peer companies in the COMET Group's industry. The latest such review was performed in respect of the fiscal year 2008.

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

Basis and components of compensation and stock ownership plans

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 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 level 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. The benchmark used is the actual RONWC achieved by a peer group of 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 awarding of variable compensation is that, after the accrual of all variable compensation Group-wide, the Group still be able to report positive net income. In the fiscal year, variable compensation amounted to an average of 85% of base salaries.

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

The Nomination and Compensation Committee prepares a specific proposal for the Executive Board compensation packages, for approval by the full Board of Directors. The Committee bases its recommendations on general experience, a comparison with listed peer companies in the industry, and pay surveys conducted by consulting firm Towers Watson. Periodically, based on the Committee's proposal, the full Board sets and approves the compensation packages (including stock-based compensation). The latest such review was performed in the fiscal year 2010. 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 the authorized capital dedicated for use in equity-based compensation. The purchase price to recipients is the average closing price of the stock dur-

ing 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 the year. For the fiscal year 2010 it was decided not to implement it.

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

Shareholders' Participation Rights

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

Voting rights restrictions and proxy voting

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

Quorums under the Bylaws

The Shareholder Meeting passes resolutions and conducts its voting by an absolute majority of the votes represented, except as otherwise required by law. A second round of voting, if any, is decided by a relative majority.

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

Calling of the Shareholder Meeting

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

Placing business on the Shareholder Meeting agenda

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

Registration in the share register

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

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 ⅓% or more of all voting rights must make a public tender offer. The Bylaws of COMET HOLDING AG contain neither an opting-up clause (in other words, they do not raise this percentage threshold) nor an opting-out clause (i.e., they do not waive the requirement of a tender offer).

Provisions on changes in control

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

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

Auditors

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

Ernst & Young AG, Berne, has been the independent auditor of COMET HOLDING AG since 1999. Previously, Neutra Treuhand AG, Berne, a firm affiliated with Ernst & Young AG, had been the independent auditor of COMET HOLDING AG since 1985. In accordance with a legal requirement, the maximum period of time for which an auditor may serve as lead audit partner in a given engagement is seven years. The engagement of long-time lead audit partner Roland Ruprecht thus ended at the end of 2009. The Board of Directors ratified Ms. Bernadette Koch as the new lead audit partner. She is thus responsible for the engagement as lead audit partner with effect from the 2010 fiscal year. The independent auditors are appointed by the Shareholder Meeting for one fiscal year at a time.

Audit fees

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

In thousands of CHF	2010	2009
Audit fees	259	273

Including the other auditing firms, the total audit fees in the year under review amounted to CHF 354 thousand (prior year: CHF 363 thousand). 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 the fiscal year in connection with legal and tax consulting and for special projects (validation of SAP, adjustments to the internal control system, and transfer pricing documentation), Ernst & Young received the following compensation:

In thousands of CHF	2010	2009
Audit-related consulting services	19	84
Tax consulting services	75	75
Other consulting services	48	99
Total consulting fees	142	258

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.

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

Communication Policy

The COMET Group informs its shareholders, the media, financial analysts and other stakeholders with the greatest possible transparency and based on the principle of equal treatment. The Group publishes annual reports and 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:

- To shareholders: in connection with the Shareholder Meeting
- To media representatives and financial analysts: through press conferences
- To institutional investors: through road shows and an annual investor day

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

Key dates

The dates of the most important publications and events are:

End of fiscal year 2010	December 31, 2010
Annual press conference	March 23, 2011
Publication of annual report 2010	March 23, 2011
Annual Shareholder Meeting	April 27, 2011
End of first half of fiscal year 2011	June 30, 2011
Publication of half-year report 2011	August 18, 2011

Publication media

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

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

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

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About this report

Published by	COMET HOLDING AG, Flamatt, Switzerland
Project management	Flavia Nicolai, Co-Head of Corporate Communications & Marketing
Production and editing	Infel AG, Berne, Switzerland
Photography	Ruben Wyttenbach, Matthew Rainwaters, Michael Bader, Weidong Qin, Corbis, iStockphoto, Getty Images
Printing and lithography	Stämpfli Publikationen AG, Berne, Switzerland
Print run	1,000 copies (German), 500 copies (English)
English translation	Martin Focken, North Bay, ON, Canada

This annual report is a translation of the German-language original and is provided solely for readers' convenience. Only the German version of the report is definitive



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

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

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

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



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