Press Release

COMET grows through Industrial X-Ray

Core Security & Inspection division doubles profit

FLAMATT, Switzerland – August 16, 2005 – The COMET Group, a leading manufacturer of components and systems for the growth markets of security, inspection and microelectronics, remained on its growth trajectory in the first half of 2005: Net sales were up 22% to CHF 42.2 million (from CHF 34.6 million in the first half of 2004). Operating income (EBIT), at CHF 3.0 million, was identical to the year-earlier level. As a result of currency translation losses, net income eased from CHF 2.1 million to CHF 1.8 million.

The growth was generated largely by the Security & Inspection division, a provider of products and services based on industrial X-Ray technology. This business more than compensated for the significant sales decline in the Vacuum Capacitors unit. That decline did, however, lead to the unchanged operating profit. Appropriate action has been taken to boost efficiency.

Security & Inspection division

The division increased its sales from CHF 18.3 million to CHF 28.9 million (up 14% organically, 44% externally). Operating income more than doubled from CHF 0.7 million to CHF 1.7 million (142%). This positive development validates COMET's strategy of expanding its core business of industrial X-Ray technology. The Industrial X-Ray business unit, thanks to stronger demand from the non-destructive testing market, achieved sales growth of 15.5%. The first X-Ray modules for security applications to fill the major order received in January were delivered on schedule. The FEINFOCUS business unit, specializing in microfocus X-Ray systems, strengthened its market position with growth of 9.5% year-over-year and moved significantly closer to its full-year target of break-even. Lastly, the Dosimetry business unit pushed up its sales by 28.3%. However, the prospective medium-term market size in France has contracted as a result of legislative changes. The Group therefore restructured its local subsidiary and now covers this market with a representative. The restructuring costs were already largely recognized.

Microelectronics division

As a result of the abrupt fall in the semiconductor industry's demand for vacuum capacitors since the turn of the year, the Microelectronics division's sales decreased from CHF 16.3 million to CHF 13.3 million. In comparison to the first half of 2004, sales in the Vacuum Capacitors business unit receded by 21%. The lost volume and high fixed operating costs in this unit caused the division's operating income to decline by 47% to CHF 1.6 million (from CHF 3.1 million in the year-earlier period). In the Analytics unit, a small contribution to revenue came from the sale of two mass spectrometers; this project is now concluded.

Outlook

In the Security & Inspection division, our customers' market outlook leads us to expect little growth for the next six months.
The business prospects for the Vacuum Capacitors unit in the Microelectronics division are unclear; the volatility of sales to the semiconductor industry is progressively growing. COMET is countering these developments through product redesign, procurement optimization and the streamlining of processes, which is resulting in a staff reduction of eleven positions. With a flexible core team, the Vacuum Capacitors business unit is thus readying for the next upswing.
Based on the present market outlook, COMET expects growth in the low-single-digit range for the full year 2005.

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COMET is a successful technology company in the growth markets security, inspection and microelectronics. The group is a leading supplier of industrial X-Ray components and modules for security and non-destructive testing applications as well as microfocus X-Ray systems for the quality assurance of components and electronics. COMET is also principal market player for vacuum components and modules used in plasma deposition and broadcasting equipment. With their dosimetry services and systems, COMET ensures the safety of professionals exposed to ionizing radiation. As an expert in the fields of industrial X-Ray and high vacuum technologies, COMET provides a complete and highly flexible offer of components, modules, systems and services from one source.
COMET was founded in 1948 and is based in Flamatt near Berne, Switzerland. Production takes place in Switzerland and Germany, while the sales subsidiaries in the USA and China are complemented by a worldwide network of representatives. The shares of Comet (COTN) are listed on the SWX Swiss Exchange.

In 2004, COMET had a staff of 339 employees worldwide and totalled sales of CHF 80.7 Mio.

COMET: The X-perts for security, inspection and microelectronics

Consolidated balance sheet

in thousands of CHF

ASSETS	Jun. 30, 2005	%	Dec. 31, 2004		Change	Jun. 30, 2004
Cash and cash equivalents	8'278		6'927		1'351	20'536
Trade and other receivables	13'490		13'382		108	16'195
Tax receivables	-		-		-	140
Inventories	27'219		28'025		-806	27'951
Prepaid expenses	411		726		-315	461
Total current assets	**49'398**	38.6%	**49'060**	38.5%	**338**	**65'283**
Property, plant and equipment	64'096		69'212		-5'116	70'697
Investment properties	5'072		-		5'072	-
Financial assets	242		415		-173	451
Intangible assets	8'686		8'375		311	11'588
Deferred tax assets	387		357		30	531
Total non-current assets	**78'483**	61.4%	**78'359**	61.5%	**124**	**83'267**
TOTAL ASSETS	**127'881**	100.0%	**127'419**	100.0%	**462**	**148'550**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current debt	251		4'323		-4'072	12'558
Trade and other payables	9'649		10'307		-658	13'830
Tax payables	433		99		334	654
Accrued expenses	4'408		4'350		58	5'701
Current provisions	1'787		2'011		-224	1'570
Total current liabilities	**16'528**	12.9%	**21'090**	16.6%	**-4'562**	**34'313**
Long-term debt	30'000		26'500		3'500	30'000
Non-current provisions	493		500		-7	609
Deferred tax liabilities	3'340		3'347		-7	4'494
Total non-current liabilities	**33'833**	26.5%	**30'347**	23.8%	**3'486**	**35'103**
Total liabilities	**50'361**	39.4%	**51'437**	40.4%	**-1'076**	**69'416**
Capital stock	6'000		6'000		-	6'000
Additional paid-in capital	24'284		23'995		289	23'879
Treasury stock	-889		-889		-	-590
Currency translation differences	-857		-1'500		643	-1'003
Retained earnings	48'982		48'376		606	50'848
Total shareholders' equity	**77'520**	60.6%	**75'982**	59.6%	**1'538**	**79'134**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**127'881**	100.0%	**127'419**	100.0%	**462**	**148'550**

As a result of the first-time adoption of IFRS 2, prior-year shareholders' equity as of June 30, 2004 was adjusted by CHF 43,000 (see the notes to the consolidated financial statements).

Consolidated statement of income

in thousands of CHF	2005 January 1 to June 30	2004 January 1 to June 30	Change CHF '000	%
Net sales	**42'204**	**34'553**	**7'651**	**22%**
Cost of sales	-26'179	-20'078	-6'101	30%
Gross profit	**16'025**	**14'475**	**1'550**	**11%**
Other operating income	1'043	486	557	115%
Research and development expenses	-3'733	-3'037	-696	23%
Marketing and selling expenses	-4'061	-3'251	-810	25%
General and administrative expenses	-6'243	-5'704	-539	9%
Operating income (EBIT)	**3'031**	**2'969**	**62**	**2%**
Financing expenses	-1'054	-747	-307	41%
Financing income	298	181	117	65%
Net financing expenses	-756	-566	-190	34%
Income before tax	**2'275**	**2'403**	**-128**	**-5%**
Income tax	-487	-286	-201	70%
Net income	**1'788**	**2'117**	**-329**	**-16%**
Basic consolidated earnings per share	**3.05**	**4.34**	**-1.29**	**-30%**

* Staff costs were adjusted by CHF 43,000 as a result of the first-time adoption of IFRS 2 (see the notes to the consolidated financial statements).

Consolidated statement of cash flows

in thousands of CHF	2005 January 1 to June 30	2004 January 1 to June 30	Change
Cash flows from operating activities	6'066	2'134	3'932
Cash flows from investing activities	-3'604	-11'957	8'353
Cash flows from financing activities	-1'753	26'503	-28'256
Currency translation differences	642	6	636
Net change in cash and cash equivalents	**1'351**	**16'686**	**-15'335**
Cash and cash equivalents at January 1	6'927	3'850	3'077
Net change in cash and cash equivalents	1'351	16'686	-15'335
Cash and cash equivalents at June 30, 2005	**8'278**	**20'536**	**-12'258**

In the reporting period the fund now consists of cash and cash equivalents (prior year: cash and cash equivalents less bank overdraft). The first half of 2004 was restated accordingly.
The large differences in comparison to the prior year arise mainly from the acquisition of the activities of the FEINFOCUS Group on May 6, 2004 and the capital increase effective June 30, 2004.

Consolidated statement of changes in equity

in thousands of CHF

	Capital stock	Additional paid-in capital	Treasury stock	Currency translation differences	Retained earnings	Total shareholders' equity
December 31, 2003	**5'000**	**7'745**	**-387**	**-1'009**	**49'222**	**60'571**
Net income *					2'117	2'117
Dividends paid					-491	-491
Capital increase	1'000	15'961				16'961
Treasury stock transactions *		173	-203			-30
Currency translation differences				6		6
June 30, 2004	**6'000**	**23'879**	**-590**	**-1'003**	**50'848**	**79'134**

* Staff costs were restated by CHF 43,000 as a result of the adoption of IFRS 2, Share-based Payment

in thousands of CHF

	Capital stock	Additional paid-in capital	Treasury stock	Currency translation differences	Retained earnings	Total shareholders' equity
December 31, 2004	**6'000**	**23'995**	**-889**	**-1'500**	**48'376**	**75'982**
Net income *	-	-	-	-	1'788	1'788
Dividends paid	-	-	-	-	-1'181	-1'181
Capital increase	-	-	-	-	-	-
Treasury stock transactions	-	289	-	-	-	289
Currency translation differences	-	-	-	643	-	643
June 30, 2005	**6'000**	**24'284**	**-889**	**-857**	**48'982**	**77'520**

Notes to the consolidated financial statements

1 Significant accounting policies

The unaudited semiannual report for the six months ended June 30, 2005 has been prepared in compliance with Swiss stock corporation law and with International Financial Reporting Standards (IFRS). All IFRS in force at the balance sheet date and all IFRIC of the International Financial Reporting Interpretations Committee are applied.
These consolidated financial statements are based on IAS 34, Interim Financial Reporting. In the reporting period, the revised IFRS were applied for the first time and the previous year's data was restated accordingly. With the exception of the standards outlined separately below, there were no effects on the Group's interim consolidated financial statements.
The consolidated financial statements 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 then-current best knowledge. Actual results may differ from the values reported.

Changes in reporting and valuation methods
In this semiannual report, as a result of new legal requirements and new interpretations, IAS 19, Employee Benefits, was applied for the first time. This relates to the recognition and reporting of employee benefit plans. As well, for the first time, investment properties were shown as a separate line item in tangible assets. Neither of these two new adoptions had any effect on consolidated operating income (EBIT).
IFRS 2, Share-based Payment, was also applied for the first time. The complete expensing of stock compensation had very little effect on the consolidated statement of income.

Basis of consolidation
No acquisitions or disposals of businesses were made during the first half of 2005. The basis of consolidation has thus remained the same as in the annual accounts for the year ended December 31, 2004.

Investment properties
In accordance with IAS 40, real estate not used for business operations (referred to as "investment property") is disclosed as a separate line item within tangible assets. Such properties are measured at cost less accumulated depreciation. Interest expense is not included in cost. Impairment losses are grouped under "accumulated depreciation and impairment losses" and disclosed separately. Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Land values are not depreciated.

Employee benefits
The COMET Group maintains various employee benefit plans, which differ according to the local circumstances of the individual Group companies. The benefit plans are financed from contributions by the employer and employees to government pension plans, to separate legal entities (foundations, insurance companies) or by accumulation of reserves in the balance sheet of the Company itself.
In the case of defined-contribution plans or equivalent solutions, the expenses accrued in the reporting period represent the agreed contributions of the respective Group company.
The COMET Group's staff in Switzerland is covered by two different employee benefit plans managed by insurance companies. Both of these plans (a general one and a plan for management) are funded plans. These plans are separate legal entities and are financed by employer and employee contributions. For these defined-benefit plans, the costs are calculated by independent experts in actuarial reports, using the projected unit credit method. The calculations are updated at least every three years. The liability to be recognized in the balance sheet consists of the projected-benefit obligation determined by the actuary, less the following three items: the fair value of plan assets, unrecognized actuarial losses, and unrecognized past service costs. A resulting net obligation is always recognized as a liability to the plan. 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. The expense charged to income is the actuarially determined cost less employee contributions. Actuarial gains and losses arise from differences between actuarial assumptions and observed outcomes. 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 defined-benefit obligation or the fair value of the plan's assets). Any actuarial gain or loss exceeding the 10% limit is amortized over the average of the remaining working lives of the participating employees.

Share-based payment
The COMET Group operates a stock ownership plan for the Board of Directors and employees. Under this plan, instead of bonus payments in cash, staff may receive stock of COMET Holding AG at a reduced price. IFRS 2, Share-based Payment, requires recognition of this and similar compensation at fair value. COMET therefore recognizes such stock-based compensation as an expense at the stock price quoted on the transfer date.

Seasonality of business
The business performance by segment as well as seasonal or cyclical fluctuation are described in the first part of the report.

Foreign-currency translation
The following exchange rates were used to translate the most important currencies into Swiss francs:

Foreign currency translation			**Key date rate on**		**Average rate**	
			June 30		in the first half of	
			2005	2004	**2005**	2004
U.S.	USD	1	**1.2800**	1.2600	**1.2050**	1.2650
Europe	EUR	1	**1.5470**	1.5250	**1.5460**	1.5540
China	RMB	1	**0.1550**	0.1530	**0.1460**	0.1530

2 Employee benefit plan

As a result of the surpluses existing in the defined-benefit plans, the first-time application of IAS 19 in this semiannual report had no effect on consolidated net income. The amount of the defined-benefit asset unrecognized in accordance with IAS 19.58 is approximately CHF 1.9 million.
The actuarial calculations for the two defined-benefit plans are based on the following assumptions:

Weighted averages	**2005**
Rate on return on plan investment portfolio	3.25%
Expected rate of return on plan investment portfolio	4.00%
Compensation increase rate	1.50%
Pension increase rate	0.00%

The expected mortality and disability rates were obtained from the EVK 2000 tables. The assumed average staff turnover rate is 18%.

3 Income property

The COMET Group owns a former production and office building in Liebefeld/Berne. This property has not been used for business purposes since the beginning of 2003 and has been rented to third parties since then. The property was written down in 2003 to its expected market value.

4 Share-based payment

COMET Group employees eligible for bonuses and the Board of Directors may choose to receive part of their performance-based bonus in the form of stock. These shares are priced at a discount of 25% to the stock's market price. In accordance with IFRS, the discount was first recognized as an additional staff cost in this semiannual report. As a result of this first-time adoption, the data for the six months to the end of June 2004 was retrospectively adjusted by CHF 43,000. The corresponding adjustment required for the full year 2004 is CHF 143,000.

5 Dividend payment

A dividend of CHF 2.00 per share was paid on May 6, 2005.

6 Segment reporting

The Group's two divisions – Security & Inspection and Microelectronics & Life Science – form the primary segments for the purpose of segment reporting. Details on the course of business by segment are provided in the first part of the report.

in thousands of CHF	Net sales January 1 - June 30		EBIT * January 1 - June 30		EBIT in % of sales January 1 - June 30	
	2005	2004	2005	2004	2005	2004
Security & Inspection division	28'923	18'263	1'784	695	6.2%	3.8%
Microelectronics & Life Science division	13'281	16'290	1'675	3'023	12.6%	18.6%
Other and eliminations	-	-	-428	-749		
Total	**42'204**	**34'553**	**3'031**	**2'969**	**7.2%**	**8.6%**

* Staff costs were restated by CHF 43,000 as a result of the adoption of IFRS 2, Share-based Payment

7 Events after the balance sheet date

No material events occurred since the balance sheet date.