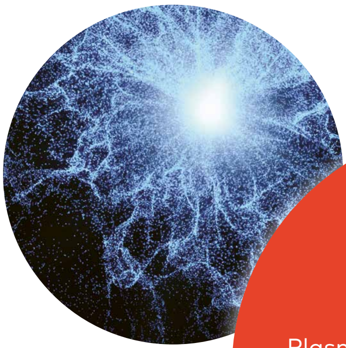
Led by experience. Driven by curiosity.

Focus.

Comet Holding AG
Annual Report
2019

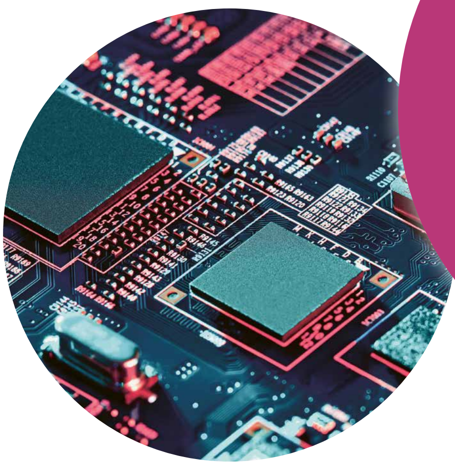
comet group

As a leading technology company in the plasma control and x-ray space, we are part of the digital transformation. In all our markets, this megatrend is powering sustained growth. Focused and flexibly positioned, we want to take advantage of this driving force and grow more quickly than the market. Our strong underpinnings for this are our experience and our highly skilled employees, the confidence of our customers and our sound capital base.



Two core technologies

Plasma control and x-ray devices are critical guarantors of safety and security, mobility, efficiency and sustainability in the modern world. We excel in these technologies like few other companies.



Focus market: Semiconductor & electronics

This is one of the fastest-growing markets of all, and our most important one, offering high growth potential for both our core technologies.

Three other volume markets

For x-ray applications, there is also attractive growth potential in the aerospace, automotive and security markets, where we are firmly established.

Strategy

Outlook for 2020

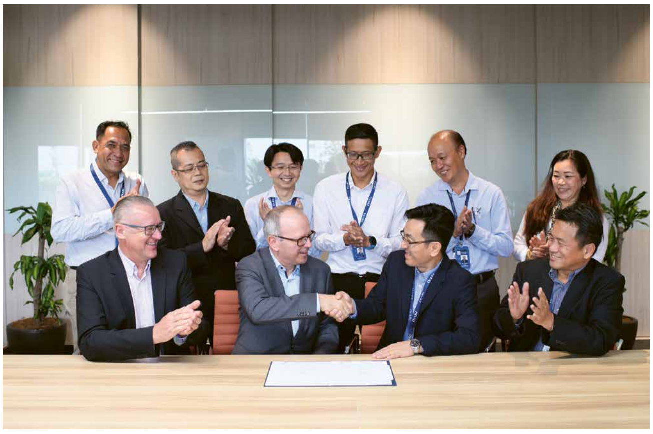
Fiscal year 2019

Financial report 2019

Strategy execution, p. 18 – 20

Customer focus, strong teams, full commitment, high speed.

Comet has set a new course, is strengthening the efficiency of its organization and pursuing ambitious targets. Essential to this is a customer-oriented culture focused on collaboration, speed and digitalization. Meet three of our teams that embody this culture to a high degree. They are implementing three key projects of the Boost growth and efficiency program launched by Comet in 2019. One of the teams is currently setting up the new manufacturing site in Penang in record time.



"Realigned, we will be able to achieve above-market growth rates and a medium-term EBITDA margin of about 25%."

Heinz Kundert, Chairman of the Board of Directors and interim CEO

Chairman's statement

The stage is set.

Comet enters the new decade stronger after a demanding year. We have sharpened our strategic focus, launched the Group-wide Boost improvement program and strengthened the core business. The suite of actions initiated early in fiscal year 2019 is producing results. With an EBITDA margin of 10.8%, our profitability is above expectations.

As Chairman since April and CEO since July of the year, I together with the leadership team and staff have looked very closely at our portfolio of customers, markets, technologies and the business model: Our company is endowed with highly motivated employees, superb technological expertise and excellent potential. In recent years Comet has grown into an important partner to customers in the semiconductor and electronics industry. This attractive growth market – driven by the progressive digitalization, and despite fluctuations – offers great potential for Comet's plasma control technology and Comet x-ray technology. In order to continue to succeed in this fast-paced, innovation-driven market as our customers' strong partner, we are focusing on these two technologies, on our data analytics capabilities, and on a select few high-volume, high-growth markets. Our realignment will in future enable us to generate up to 70% of our business in the semiconductor and electronics market and, I am confident, will allow us to achieve growth above market rates and best-in-class EBITDA profit margins of about 25%. Before we become this high-performance organization, there is still much work to do. Through Boost, we have made a good start. Strong growth drivers such as digitalization will continue to support our ambitions.

What we have accomplished thus far, we owe to the enormous dedication of our employees and to the confidence placed in us by our customers, partners and investors. I sincerely thank all of you and look forward to your continuing support on our charted course forward.

Heinz Kundert
Chairman of the Board of Directors
Interim CEO

What we care about

Making the future, better.

As a trailblazing, leading tech company in radio frequency and x-ray technology, we make a growing contribution to a safer and more secure, more efficient and sustainable world of manufacturing, communication and mobility.

For our customers in the semiconductor & electronics, automotive, aerospace and security industries, we add value with innovative products and data-based services. Realigned, we are on our way to a digital future where we rapidly and reliably deliver what customers need and enable the wise use of limited resources.

What we stand for.

We firmly believe that innovation, in a world of finite resources, makes all our lives better. That is why we work hard with our customers to find solutions that provide sustainable progress and improve safety, security and quality of life for us all.

We want to be the high-tech company of choice for all those who actively shape the future. With our leading-edge technologies, we want to be the go-to partner for the most innovative companies in our markets. We want to be the preferred employer for those who like to get involved, make a difference and explore new territory. We want to be known for solutions and services that deliver high value-added and sustainable progress. We want to achieve strong and profitable growth and generate lasting value for all our stakeholders. As we pursue these aims, we are guided by our long experience and impelled by a keen spirit of discovery and innovation.

Led by experience.
Driven by curiosity.

Strategic realignment

Focus and grow.

In recent years Comet has developed into an important partner to customers in the semiconductor and electronics industry. With the increasing digitalization of industry and society, this attractive growth market is becoming an even greater focus for the Group. Through the strategy revised and honed in 2019, Comet intends to support its customers' progress in this market even more effectively and grow in step with them.

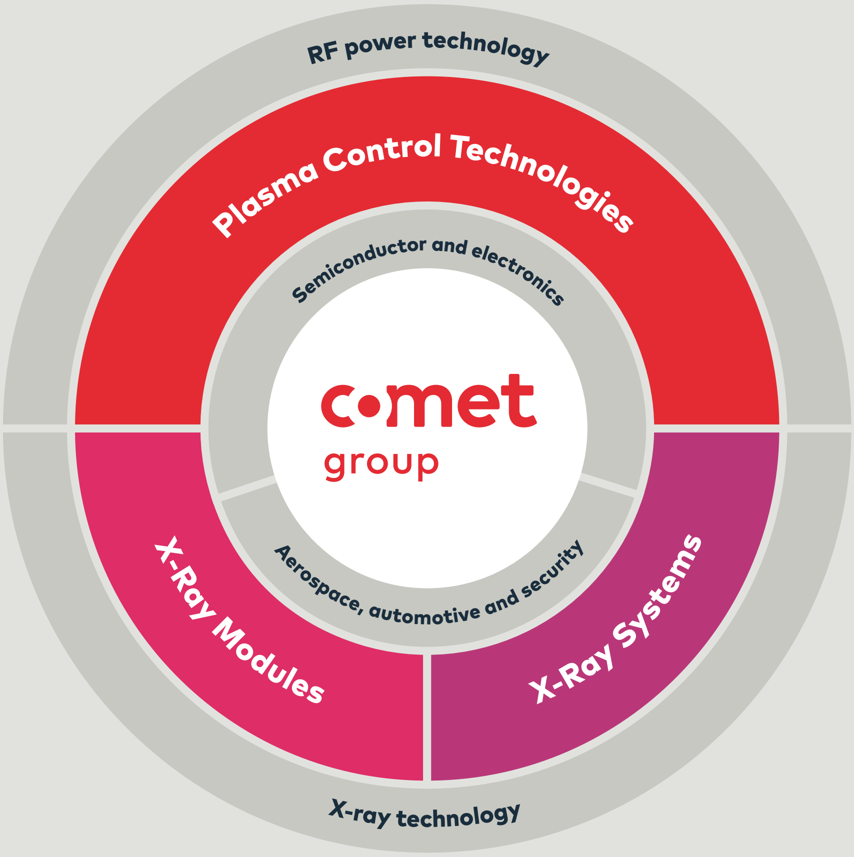
Megatrend of digitalization powering upside impetus for Comet

Smartphones that control our home heating, driver assistance systems that park the car for us, watches that measure our heart rate, drones that help save lives in hazard zones – our world is more and more interconnected. Vast amounts of data are exchanged and processed every second. Semiconductors and sensors form the basis for this digital world. The semiconductor industry, with estimated global sales of USD 412 billion in 2019 (source: WSTS), has matured into one of the largest and fastest-growing markets – and yet it is just getting started. Trends such as the rise of the Internet of Things, artificial intelligence, the cloud, and autonomous driving provide key impetus for a more sustained, more stable semiconductor demand over time – even when taking into account the fluctuations typical of the sector. Additionally, expanded technologies are coming into play. For instance, in the fabrication of flash memory using so-called 3D-NAND technology, the number of stacked layers is currently increasing from 64 to 128. The gradual introduction of 5G standards is also paving the way for the coming even faster exchange of large quantities of data and thus for a new burst of technological development. The industry will have to adjust and expand its production capacity in the coming years in order to meet the global need for semiconductors.

The speed of these changes is difficult to predict and depends in part on global developments. The fact remains, however, that demand in the semiconductor market is supported by a large number of mutually reinforcing trends. Market analysts are forecasting that the cyclical

The Comet Group

2 core technologies, 3 businesses,
4 markets, with the primary focus on semiconductor & electronics



Plasma Control Technologies

Radio frequency components and systems solutions for plasma applications

Technology
Radio frequency (RF) power

Products
- Systems solutions to provide RF technology, consisting of:
- Impedance matching networks ("matchboxes")
- Vacuum capacitors
- RF generators

X-Ray Modules

Powerhouse for x-ray components and modules

Technology
X-ray

Products
- Stationary and portable x-ray modules and components
- X-ray tubes
- High-voltage generators

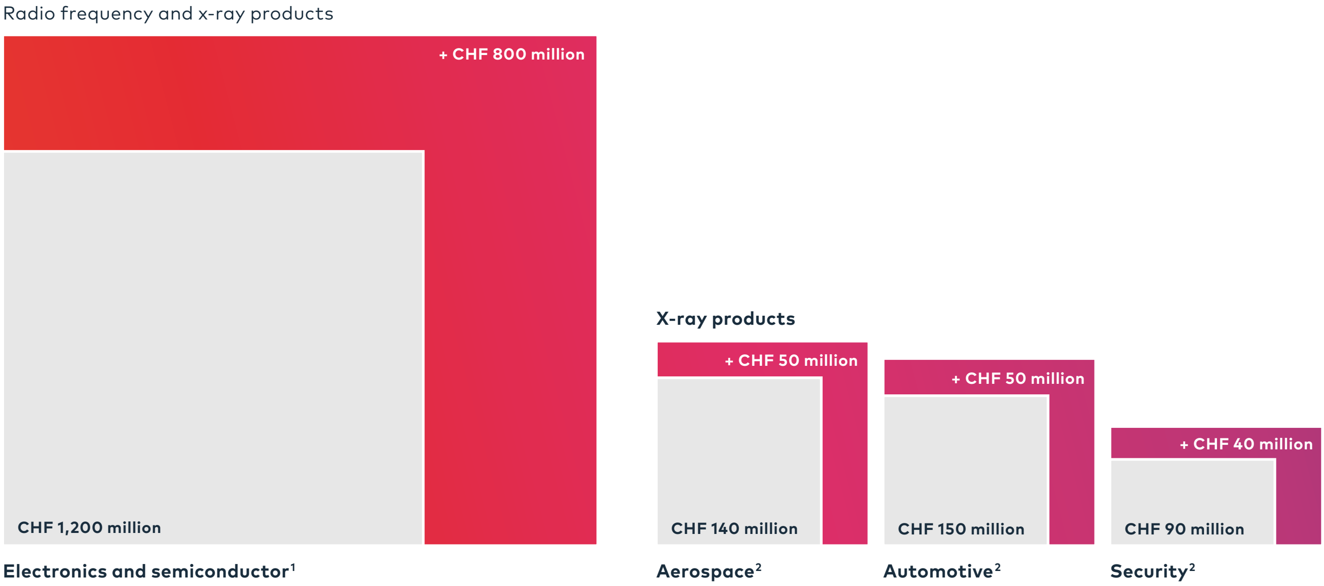
X-Ray Systems

Manufacturing partner for the Industry 4.0 environment

Technology
X-ray

Products
- X-ray and computed tomography inspection systems
- Software
- Customized services based on machine learning and artificial intelligence

Total addressable market of CHF 2.5 billion



Sources: [1] VLSI, [2] Comet estimates

By 2025 the Group's total addressable market will expand by an estimated CHF 940 million as a result of the high forecast growth in the core markets and a focused expansion of the divisions' product portfolio. The strong drivers are digitalization, automation, miniaturization, complexity of the microchips produced, and thus high demand for sophisticated plasma control and x-ray inspection solutions.

sales contraction of 2019 will be followed by several years of growth averaging about 7% per year.

Comet technologies gain further in importance

These developments bring great growth opportunities for Comet's plasma control and x-ray technologies. This is because in their various applications, both technologies ensure the efficiency, quality and reliability of highly critical manufacturing steps. As it leverages this positioning, Comet is able to build on its decades of experience, innovation and close collaboration with customers.

Opportunities are especially rich for Comet's Plasma Control Technologies business. The fabrication of high-performance microchips involves a growing number of process steps and, for every plant, requires ever more precise, highly reliable and stable plasma control modules such as Comet offers. In addition, there is a rising need for integrated, software-based solutions that allow the manufacturing of microchips to be continuously improved and accelerated. All this is precisely the potential that Comet is addressing with its plasma control products. As the global market leader in vacuum capacitors and impedance matching networks (also known as matchboxes), Comet enjoys a strong starting position. Its aim is to provide semiconductor equipment suppliers and chip manufacturers with the latest solutions to their growing challenges. Comet will do this through innovations – led by the RF generator currently in development that will support data-driven process analysis. The new generator will in the medium term enable the Group to tap into an additional market worth about USD 700 million which analysts predict will grow by an average of 9% per year.

For the Group's x-ray businesses as well, the trends in the semiconductor and electronics market hold high potential: Electronics firms are increasingly automating the production of critical components, building them additively, making them smaller and using less and less material. Individual microchips are combined into high-performance packages. Reliably inspecting the connections within and between these chips is an exacting task that requires ever more use of high-resolution x-ray technology. As well, manufacturers are placing growing emphasis on high-volume series testing and the continuous improvement of their processes. Only in this way can they safeguard the quality and reliability of products used in safety-sensitive segments such as self-driving cars. Comet is addressing these trends by strengthening its x-ray product portfolio and investing in the expansion of data analytics and the development of new services based on artificial intelligence. As the market leader in x-ray tubes and one of the top equipment suppliers for in-line and 3D inspection of electronic components, the Comet Group is well positioned with its two x-ray divisions to help industry master its challenges.

"We are clearly focusing the Group on the high-growth semiconductor and electronics market."

Heinz Kundert,
Chairman and interim CEO

Comet technologies for a sustainable future

An increasingly connected world offers not just conveniences but also numerous opportunities for making the economy more sustainable and the future a better one. In manufacturing, as resources are limited, it is becoming more and more important to utilize them as fully as possible by using less per product and avoiding scrap, while maintaining and improving product safety. The digital transformation holds great promise for this: Through a more networked world, it creates the basis for greater transparency, better control and the more efficient use of resources. In this way, as studies show, digitalization can help reduce greenhouse gas emissions by significantly more than it adds to them. Comet's plasma control and x-ray businesses play an important role in this: They support the efficient and resource-saving production of increasingly powerful, complex and smaller building blocks of the digital and analog world. Moreover, through high-precision inspection technology they create the foundation for the safe use of these elements.

Focus, become stronger, grow

In 2019, in order to utilize the large potential of digitalization, the leadership team revised and optimized the Group's strategic direction. Both on the technology and the market side, Comet's focus is sharpened. The Group will concentrate on its established technology segments of plasma control and x-ray, and thus on its three divisions Plasma Control Technologies, X-Ray Modules and X-Ray Systems. The ebeam business will be transferred to a partner. Comet's x-ray systems business is being realigned: It will focus on modular, standardized systems and increasingly on digital services based on analytics, artificial intelligence and machine learning.

Comet is bringing down the number of markets from more than nine to four, now focusing on the semiconductor and electronics focus on the semiconductor and electronics market and the three further high-volume markets of aerospace, automotive and security. Comet expects that, in the medium term with its two technologies, up to 70% of the Group's total volume will be generated in the semiconductor and electronics market. It also sees attractive potential for its x-ray business in the aerospace, automotive and security inspection markets: Over the medium to long term, automotive and aerospace should benefit from the global growth in population and purchasing power and the rising pressure on manufacturers to introduce more efficient motors and engines.

The increase in energy-efficient electric and hybrid vehicles is associated with rising demand for semiconductors, more powerful batteries, and components that ensure maximum safety even in autonomous operation.

In the security market, demand for x-ray solutions for the screening of baggage, freight and parcels is expected to be buoyed by tourism, immigration and the rapid growth in e-commerce.

Applying important operational and strategic levers, the Group is combining resources and strengthening its organization, as well as expanding its presence in Asia as a crucial market region. Comet plans to become more high-performing, more flexible and faster. That is why it has launched the Boost improvement program, with the involvement of all staff. Through the Boost initiatives and the heightened strategic focus, Comet is paving the way for growing faster than the market in the medium term and reaching an EBITDA margin of about 25%.

Our financial ambitions by 2025:

CAGR of

~15%

EBITDA of

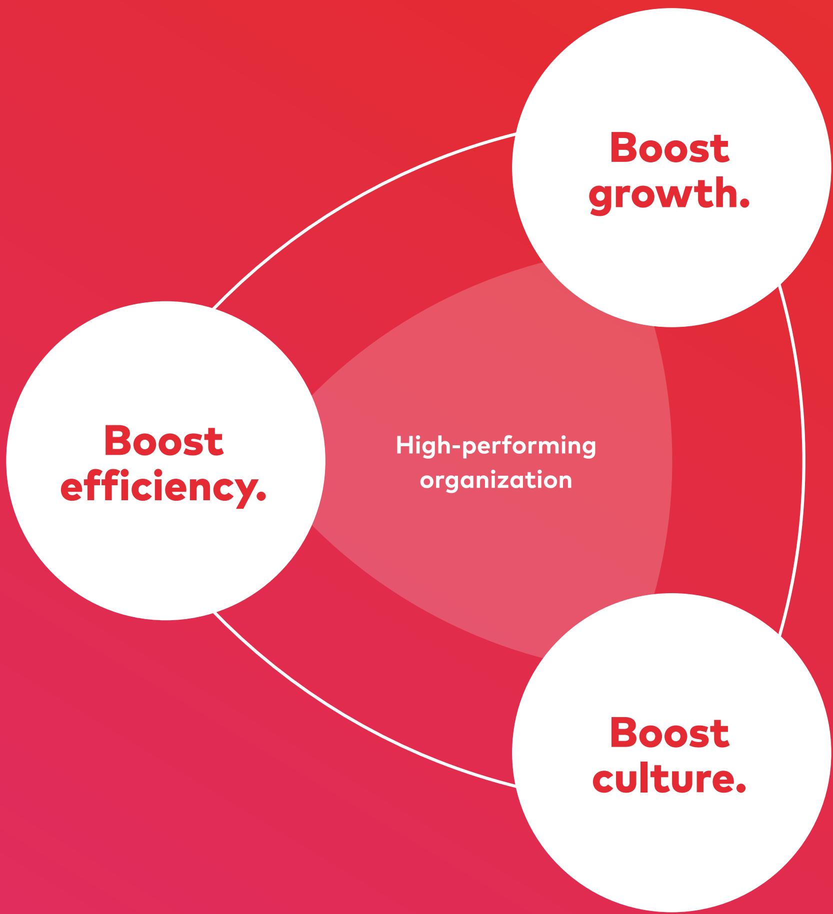
~25%

ROCE of

~30%

Boost.

Our improvement program based on three levers.



Boost growth.

We are reinforcing our competencies in artificial intelligence, machine learning and data analytics.

We are increasing our growth and our market shares by expanding our innovative product portfolio and our digital services.

We are enlarging our presence in Asia.

Boost efficiency.

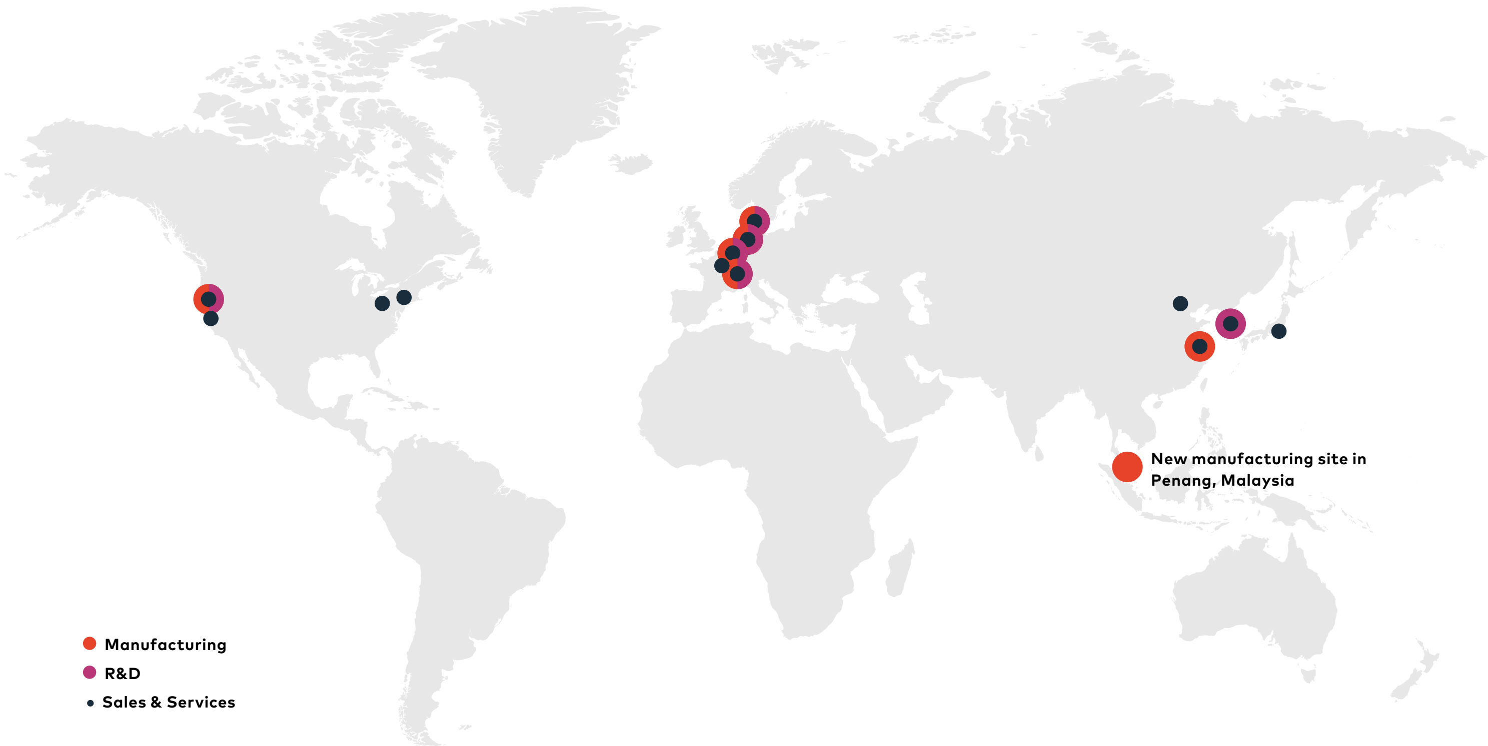
We are reducing costs and improving our results through a revised, optimized organizational model, best-cost initiatives and standardization.

Boost culture.

We are broadening our capabilities and becoming a high-performance company.

We are committed to collaboration, customer focus, speed, digitalization and sustainability.

We foster talent and nurture junior staff.



Comet strengthens presence in Asia
Comet has global reach with 14 sites worldwide. While production and/or R&D are carried out in Flamatt, Hamburg, Aachen, Copenhagen and San José, the Group provides customer services at all its locations and has a further manufacturing facility in Shanghai. Comet also operates a technology center in Korea to tap and serve the important semiconductor and electronics market in Asia. With the establishment of manufacturing capacity in Malaysia, the Comet Group is expanding its footprint in Asia; the asset-light approach taken will make Comet significantly more flexible in this regard.

"Boost" growth and efficiency program as springboard to success

In order to achieve its ambitious goals and enhance its effectiveness as an organization, Comet has launched Boost, the Group-wide growth and efficiency program. It is built around the three pillars "Boost growth", "Boost efficiency" and "Boost culture". The implementation of the 20 initiatives identified under this umbrella is well underway.

Boost growth.

To drive accelerated future growth, Comet is strengthening the product portfolio for the focal markets and emphasizing digital solutions and services based on data analytics, artificial intelligence and machine learning. Using digital solutions allows new products and processes to be more rapidly simulated, tested and developed. Process modules and production systems capable of machine learning can prevent interruptions of the manufacturing process and anticipate process fluctuations in time. In this domain, Comet will expand its competencies, augment its existing teams and create new structures for collaboration.

Another important thrust to support the planned growth is the expansion of the company's presence in Asia, a region where, already, more than 70% of the world's RF power and x-ray products for the semiconductor industry are deployed and where the market is growing at an unparalleled rate. To better and more quickly fulfil customer needs and facilitate growth through new orders, as well as to increase manufacturing flexibility and efficiency, the Comet Group has opened a subsidiary in Penang, Malaysia. The supply chain is being set up together with a local partner. Soon, in summer 2020, the new site is to start operations for the production of radio frequency (RF) impedance matching networks.

Boost efficiency.

In line with the company's focusing drive, Comet is also working to reduce costs and strengthen its organization. An enterprise-wide organizational health check identified the potential for improvement, which the Group is now addressing. The goal is to improve the interplay of the business areas and regions through a revised organizational model and align interfaces, responsibilities and processes to fit the new focus. Given the high participation rate of 81% of employees in the business health check, and in view of the staff's strong commitment, Comet is confident it can make substantial progress in this area.

Extensive potential also lies in automating further manufacturing facilities, digitalizing processes, standardizing products and adapting the supply chain to the projected growth. The first tangible effects of the adjustment, which will take time to fully implement, are already expected in the second half of 2020.

Boost corporate culture.

Key to the success of the focus strategy and the growth and efficiency initiatives is a customer-centric corporate culture based on collaboration, speed and digitalization. Through the corporate health check conducted worldwide in 2019, Comet pinpointed key areas for improvement. Besides the honing of the organizational model, important priorities are to intensify the fostering of talent, create new opportunities for employees' further development and more firmly entrench sustainability. The Group is carrying out various initiatives to accomplish this, including dedicated training of senior managers and young talent. The training program was set up in collaboration with IMD, the business school in Lausanne, and is tailored to the specific requirements of the strategy and the Group.

"The divisions have tackled the improvement measures with determination and vigor."

Heinz Kundert,
Chairman of the Board and interim CEO

Our ambitions for the divisions

Plasma Control Technologies

Growing stronger.
Increase sales volume with existing customers, add new applications and heighten flexibility

2025 financial targets

CAGR
> 15%

EBITDA
> 25%

ROCE
> 40%

Initiatives

Boost growth
Expand product portfolio
- RF generators
- Vacuum capacitors with high power density
- Intensify key account management
- Strengthen presence in Asia

Boost efficiency
- Best-cost supply chain management
- Increase efficiency and flexibility of functional departments

X-Ray Modules

Exploiting potential.
Expand the product portfolio to tap new, adjacent market segments

2025 financial targets

CAGR
> 10%

EBITDA
> 25%

ROCE
> 20%

Initiatives

Boost growth
- Expand the components and modules portfolio with a focus on the core markets automotive and aerospace; enter the semiconductor & electronics inspection market
- New x-ray tubes and high-voltage generator platforms for even more flexibility in designing the offering

Boost efficiency
- Best-cost supply chain management through the new site in Malaysia
- Operational and business excellence through digitalization and more systematic application of lean approaches

X-Ray Systems

Focusing.
Focus on volume markets, standardized systems, and expansion of services that are based on artificial intelligence and machine learning

2025 financial targets

CAGR
> 15%

EBITDA
> 20%

ROCE
> 30%

Initiatives

Boost growth
- Expand sales in the volume markets of semiconductor & electronics, automotive and aerospace
- Expand digital services, with a focus on in-line solutions for 24/7 uptime and on service excellence

Boost efficiency
Standardize product hardware and software:
- 15 standardized products instead of 7
- 1 product software platform instead of 7
- Exit from one-off customized solutions

Plasma Control Technologies

Growing stronger.

The Plasma Control Technologies division is leveraging the market drivers behind the ongoing digitalization to expand its market position substantially: with a more advanced product range, stronger presence in Asia and intensified key account management. Its existing broad customer base as the leader in the market for vacuum capacitors and impedance matching networks provides an excellent foundation for this.

The technology-driven lifestyle demands frequent upshifting to the next generation of microchips. These require ever more sophisticated fabrication processes. Chip manufacturers must thus continually upgrade their plants with the latest instruments. Especially the Comet-supplied RF power technology for plasma control is critical to the successful production of high-performance chips. By strengthening our product portfolio, in particular through the further forward integration in RF generators, we are offering OEMs and chip makers state-of-the-art technology that helps to continually improve and accelerate the development and fabrication of microchips through high-speed digital interfaces, data-driven process analysis and other benefits.

With the planned launch of our innovative, modular RF generator, we intend to gain a lasting foothold in the generator market from 2021. As well, vacuum capacitors with a higher power density will further strengthen our technology and market leadership. Innovation and speed are essential in order to deliver ever greater value-added for customers. We are therefore constantly investing in the advancement of our key components, in our processes and our organization.

A major pillar of our strategy is the expansion of our presence in the highly promising Asian market. Here we aim to grow even closer to our customers: By strengthening customer support in key regions, expanding our design center in Korea and adding our new manufacturing facility in Penang, Malaysia, we want to make the coordination and interaction with our customers even smoother, respond more quickly to their needs and bring newly developed products to market faster. With the flexible and efficient production in Penang, we will be able to expand capacity as required and generate new business.

"We are entering the generator market, intensifying our collaboration with customers, and becoming more flexible and faster."

Michel Kammerer, President,
Plasma Control Technologies division

"We are opening up new growth opportunities by entering the inspection market for electronics and semiconductors and gradually taking full advantage of our potential in the focus markets."

Stephan Haferl, President, X-Ray Modules division

X-Ray Modules

Exploiting potential.

With its high-end x-ray solutions, the Industrial X-Ray Modules division is the market leader in non-destructive testing and security inspection applications. Further growth in the existing markets, the planned entry into the semiconductor and electronics market and the broadening of our innovative product portfolio will allow us to expand the addressable market from CHF 300 million to CHF 500 million by 2025 and increase our market share.

Our high-quality product portfolio is based on high-end metal ceramic x-ray tubes, x-ray generators, portable solutions and complete x-ray modules. We are further strengthening our technological and market leadership by expanding and optimizing our product portfolio for non-destructive testing of extremely small parts, for in-line inspection, and for security screening. We are also moving into the market for the inspection of electronics and semiconductors. For this purpose, we are both developing closed x-ray sources based on metal ceramic, and taking over the manufacturing and sale of open microfocus tubes – the components business – from the X-Ray Systems division and making this product line available to the entire market. In addition, we are continuing our systematic efforts to become more cost-efficient and effective and to further reduce time to market for our products. In doing so, we are focusing on standardization, modularization, automation and the outsourcing of non-critical process steps.

X-Ray Systems

Focusing.

The X-Ray Systems division is refocusing and repositioning itself as a manufacturing partner in three existing volume markets. As the current number three in the market for in-line and 3D inspection, and with a total addressable market of about CHF 800 million, we see good opportunities to grow profitably and expand our market position.

Offering modular standardized systems, we are focusing on the high-volume markets of semiconductor & electronics, automotive and aerospace. The division's remaining x-ray module business is being transferred to the X-Ray Modules division and distribution channels are being simplified. We are no longer developing systems as one-off solutions for single customers. Products will be standardized on a modular basis and converged onto a single platform. Throughput times will be further reduced and profitability thus greatly increased. The very lucrative service business, which we plan to expand strongly, will play a major role in the profit growth. For the service expansion, we are in the process of creating "digital twins" (exact digital representations) of the systems installed at customers and are developing digital services. Using these services, our customers will be able to improve their manufacturing processes around the clock, in and at the production line. This will enable them to minimize scrap, increase uptime and boost their competitiveness. An important element of these new capabilities is predictive maintenance. It in turn makes offerings such as software-as-a-service and pay-per-use possible. All this is based on data that we already generate at customers' sites today and that we will combine with AI algorithms for process control, process optimization and defect prevention. X-raying thus not only creates images, it also becomes a sensor. With our in-line inspection experience in the castings and tire market and our new, high-resolution FF65/70 product line, we are opening up the semiconductor and electronics market (which we already serve today in an at-line, process-supporting environment) and enabling fully automated analysis of minute features.

"Our realignment is placing us in an ideal position to become the preferred production partner in our growth and volume markets and grow profitably."

Thomas Wenzel, President, X-Ray Systems division

X-Ray Modules launches products for the electronics market

Moving into a new market.

Until now, the semiconductor and electronics sector was not a target market for Comet's Industrial X-Ray Modules division. That is about to change: At the end of 2019, with its new Xplorer series, the division announced the launch of a dedicated product family for this promising market – and has already attracted great interest.

Lorenz Kunz, Manufacturing Design Engineer; Don Brennan, VP of Global Business Development, IXM; Nina Balmer, Marketing Assistant; Michael Hanimann, Process Engineer/Project Manager, Manufacturing Technology; David Falk, Electrical Engineering Technologist/Project Manager, Manufacturing Technology

"The first step has been taken. We have aroused strong interest. Next, many more steps are required to enable us to take advantage of our potential as a partner to industry."

Don Brennan,
VP of Global Business Development,
X-Ray Modules

"Smaller, more complex and more powerful" is the mantra in the electronics market. In the inspection of components for smartphones, manufacturers are increasingly relying on x-ray methods in order to reliably check the small connections of the high-performance chips to the circuit boards or to examine the chip packages. In this domain, the Xplorer microfocus modules from Comet open up new possibilities. Designed for use right in or at the production line, they operate with high precision. A small, agile and interdisciplinary team is spearheading the division's entry into this new market. It works unbureaucratically and fast. This was demonstrated in the development of the microfocus modules. The team members were to be young, hungry, and ready to break new ground. "Generalist thinking was a crucial criterion for us when we assembled the team," says Don Brennan. "Curiosity and the ability to listen to customers were more important than long experience." Experience is something he brings to the mix himself after twelve years in a wide range of roles in Comet's x-ray modules business. He also contributes the seniority, an important quality in working with clients. "All this creates trust and helps build real partnerships with our customers."

In conversations with potential customers, the team met with a very encouraging reception. Its next goal: to enter production in the middle of 2020 with a small series and adapt the products with several OEMS to their specific requirements.

Manufacturing in Malaysia

Even closer to customers in Asia.

Stephan Runge, Vice President of Global Operations, Plasma Control Technologies; Michael Kammerer, President, Plasma Control Technologies, with partners in Malaysia

The decision was made in November 2019: In summer 2020, on an ambitious schedule, Comet is to start manufacturing at its new site in Penang. The project team responsible is racing to make it happen. With good reason:

In the semiconductor industry, few things count more than speed – and especially in Asia, the world's fastest-growing market region. This is perhaps nowhere more palpable than in Penang, Malaysia, the industry's manufacturing hotspot. "Our customers expect us to be able to react to shifts in demand at very short notice. The new manufacturing site in Penang enables us to do exactly that – rapidly, scalably, flexibly and competitively," explains the project leader, Stephan Runge. Comet's Plasma Control Technologies division is going first, putting in place an important stepping stone for the Group's success by implementing this strategic project, and will thus pave the way for its sister divisions.

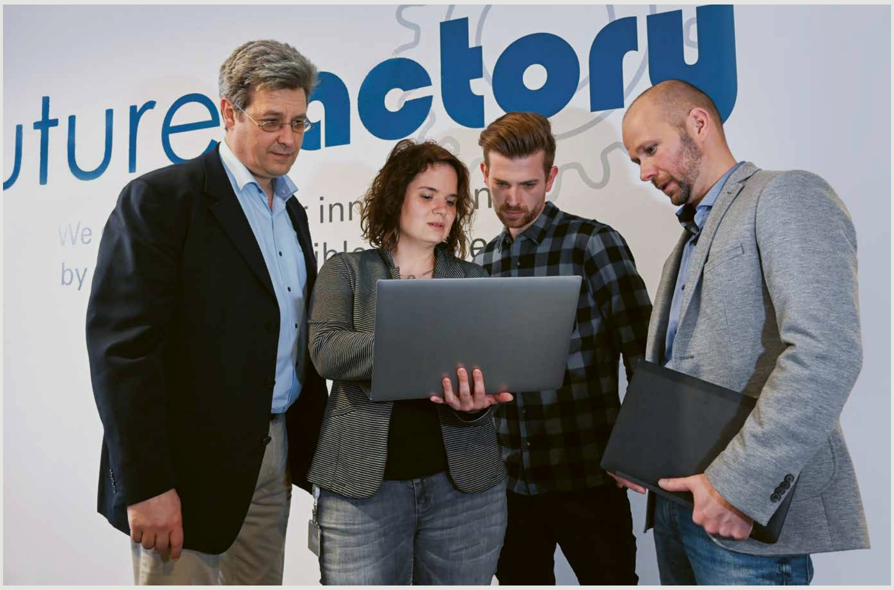
What creates the desired flexibility is the collaborative approach taken: Comet leases the very modern space from a well-known local partner. The partner provides the necessary infrastructure, assembles subassemblies and ensures the ability to expand production at the site according to demand. The rapid implementation is the job of an international team of employees from Switzerland, the USA and China. It optimally combines the required areas of specialist expertise as well as proximity to customers and suppliers. "Our work strengthens Comet's presence in this strategically important region, allows customer requests to be filled even more purposefully and enables even faster times to market. That's really motivating and spurs us to reach our strategic goals," says Stephan Runge.

"I have been part of similar projects before. But I have never seen a team working so energetically and with such motivation to set up a new manufacturing site in record time."

Stephan Runge,
Vice President of Global Operations,
Plasma Control Technologies

"Thanks to the global expansion of our services and the digitalization of our processes, our customers will benefit from an even more attractive offering."

Andy Bremer,
Vice President of Service,
Yxlon Hamburg



Andy Bremer, VP of Service; Petra Strecker, Team Leader, Field Service Administration; Marco Scheurer, Senior Service Technician; Martin Müller, Director of Service Design, Project Manager; not pictured: Tom Kovacs, Team Leader, Spares & Repair

X-Ray Systems digitalizes services

Smart entry into smart services.

X-Ray Systems has set ambitious objectives for itself in customer service. With new digital offerings and processes, the division aims to serve its customers more efficiently and effectively and thereby double its service revenue over the next five years.

The creative project team around Martin Müller is deeply engaged in its task, the planned expansion of digital services under the Yxlon brand. In 2019 the team globally rolled out a new service CRM system, doing it so successfully that the CRM vendor nominated Yxlon as a reference customer. "We are entering a new era of services. We know that we are doing exactly the right thing for our customers and the company. This inspires and motivates us to go the extra mile next to the day-to-day business," observes Martin Müller, the project's leader. The CRM software selected allows the project team to implement features requested by the individual departments with agility and speed. This made it possible to add additional functionalities beyond the initial specifications. Already, after the completion of the first stage of the service CRM roll-out, Yxlon is able to better and more quickly help resolve malfunctions for customers and capture valuable data on the stability of the installed systems. Next, the team is digitalizing the service processes in the field. This involves creating so-called digital twins, or exact digital representations, of the x-ray systems. These will greatly simplify the work of the service teams, by creating the basis for predictive maintenance in order to prevent process interruptions and maximize uptime of the systems for customers.

Outlook for 2020

Ready to exploit opportunities.

Digitalization continues its transformative onward march. The growth opportunities in the semiconductor and fabrication equipment markets are intact. The new 5G standards, logic chips and foundries (contract manufacturing of semiconductors) are all on the threshold of a new growth surge. The market for memory chips is progressively recovering, as inventories have largely been drawn down and prices are rising again.

However, the impact of the coronavirus on supply chains is still difficult to assess in all markets. At the moment there are no major supply bottlenecks for the Comet Group. In the event that supply delays occur, Comet has contingency plans in place that can be activated at any time. Conversely, Comet is also ready to address a strong rise in demand once the coronavirus situation eases. Industry analysts continue to expect a recovery in the semiconductor market compared to last year, although delays in installations cannot be ruled out. In the X-Ray Systems business, Comet is making every effort to bring those systems into operation as soon as possible that currently cannot be installed due to travel restrictions at customers. Some delays are likely, however.

Comet is on track with its focus strategy and is systematically driving forward the implementation of the Boost initiatives to increase sales and improve efficiency.

"In 2020 we are continuing to work rapidly to implement our initiatives, with the positive trend in the semiconductor market to our advantage."

Heinz Kundert,
Chairman of the Board of Directors and interim CEO

Thomas Wenzel (President, X-Ray Systems), Stephan Haferl (President, X-Ray Modules), Heinz Kundert (Chairman and interim CEO), Michael Kammerer (President, Plasma Control Technologies), and Eric Dubuis (Chief Information Officer)

Due to the coronavirus-related low visibility, Comet currently chooses not to issue a forecast for the full year 2020.

Plasma Control Technologies

The growth drivers in the semiconductor market are intact. Based on research by industry analysts and on customer signals, Comet expects a further recovery. However, it is also prepared to address any changes in demand related to Covid-19. In 2020 the division is focusing on key projects through which it intends to strengthen or expand its position in existing markets, such as that for generators: Plasma Control Technologies is working at high speed to ready its new radio frequency generator for the market and for volume production, and to start building the first generators at the new location in Aachen, Germany. As well, the division will continue to develop the next generation of controls for impedance matching networks. In Penang, Malaysia, together with its local partner, it will put in place manufacturing capacity in the course of the year and begin production. In addition, Plasma Control Technologies will further develop its capacitors to accommodate customers with more demanding requirements and address new applications in the semiconductor market.

X-Ray Modules

X-Ray Modules will work intensively in 2020 on its entry into the important future growth market of the electronics and semiconductor industry, will evaluate OEM partners and specify its newly developed products to fit the applications of selected partners. To this end, while taking into account the current developments around the coronavirus, it will invest judiciously in expanding its personnel in the areas of marketing, sales and product management.

It will incorporate the open microfocus tubes of its sister division into its product portfolio and further develop them, with the medium-term aim of making them accessible to a broader customer base in the electronics, semiconductor and general non-destructive testing market.

X-Ray Modules will also continue to flexibly expand its manufacturing capacity and position itself even closer to its customers. To do so, it will examine the case for performing labor-intensive, non-critical steps in the manufacturing process of new products at the Group's new site in Malaysia and will work to enhance the division's supply chain.

X-Ray Systems

In 2019 the X-Ray Systems division will methodically continue its transformation process begun in 2019. In the medium term in its three core markets of electronics & semiconductor, automotive, and aerospace, the division sees attractive potential, with growth drivers that differ in strength but are sustainable. For 2020, for market and transformation reasons, it expects sales to be lower than in the year under review. Covid-19 is currently hampering the installation of some individual systems at customer sites, but X-Ray Systems is doing its utmost to catch up as quickly as possible. Thanks to the advancing digitalization, the demand for inspection technology for 3D packaging in the electronics market is expected to increase. In the automotive market, investment is predicted to be restrained due to the structural changes in the industry. The division's gradual exit from customized systems will also be reflected in financial results. Under the Boost program, the top objectives for X-Ray Systems in 2020 are to further standardize processes and product platforms, and transfer the development of the open microfocus tubes to the X-Ray Modules division. Another major priority is the expansion of capabilities in data analytics, artificial intelligence and machine learning. In this area, X-Ray Systems will step up investment in order to increasingly offer digital-based services.

Review of 2019

Comet masters the challenges of a demanding year.

A continued weak semiconductor market at the beginning of 2019, then a trend reversal and significant demand increase in the fourth quarter, requiring rapid ramp-up – Comet is reporting on a challenging year. Thanks to swift and vigorous action, the Group closed the year with results above expectations.

The consolidated net sales of CHF 371.6 million were off 14.8% from the prior year. Nevertheless, Comet raised its operating profitability in terms of EBITDA margin from 9.8% in the prior year to 10.8%. This significantly surpassed the guided range of 7%–8.5%. Net income, at CHF 12.0 million, was in line with the year-earlier level. What is more, net working capital was successfully reduced as planned and free cash flow rose from CHF 0.8 million to CHF 30.0 million. Comet is financially sound, with an equity ratio of 50% and net debt that was reduced from CHF 39 million to CHF 25 million. On this solid footing, and invigorated by a sharpened strategic focus and the Boost improvement program, Comet is moving forward with renewed strength.

Semiconductor cycle reflected in sales trajectory

After the semiconductor market correction in 2018, the year 2019 was defined by continued weak demand in this market important to Comet. The industry's overcapacity especially for memory chips reduced demand for Comet's products in the first three quarters. In the fourth quarter, the market picked up again. Comet's Plasma Control Technologies division rapidly and flexibly ramped up manufacturing capacity, although this was not able to make up for the weak previous quarters. The division's sales of CHF 151.7 million were 28.5% below the prior year's. Meanwhile, the picture in the x-ray business was mixed. X-Ray Systems achieved growth with recent product innovations in the electronics sector and benefited from sizeable prior-year orders in the aerospace industry. Sales increased by 2.9% to CHF 139.6 million. X-Ray Modules held its own despite reduced demand for manufactured goods in the end markets of automotive and aerospace. Its sales of CHF 78.1 million were only slightly less than in the prior year. At ebeam, the main focus was on examining strategic options for the further reduction of risks and costs. Sales were CHF 15.5 million, as expected.

Sales in CHF million 2019

371.6

2018: 436.4

Net income in CHF million 2019

12.0

2018: 12.3

Free cash flow in CHF million 2019

30.0

2018: 0.8

Measures taken have traction – Profitability above both prior year and expectations

In this demanding market environment, Comet was quick to take substantial cost-saving measures. Besides the cost reductions, the better utilization of production capacity at the end of the year and the absence of prior-year one-time costs of CHF 10.5 million were positive for EBITDA. Despite the fact that sales were 14.8% lower than in the year before, Comet delivered consolidated EBITDA earnings of CHF 40 million (prior year: CHF 43 million). The EBITDA margin rose from the prior year's 9.8% to 10.8%. The largest contribution was made by the X-Ray Modules division, which increased its EBITDA profit from CHF 20.7 million to CHF 21.7 million and improved its EBITDA margin by 2.3 percentage points to 27.8% despite lower sales. At X-Ray Systems, the program of measures launched in the previous year had the desired effect: The division generated EBITDA of CHF 12.0 million (prior year: CHF 1.0 million). This corresponded to an EBITDA margin of 8.6% and exceeded the target for the year. In order to maintain the ability to take advantage of future opportunities, Comet continued to invest in promising forward-looking projects, including bolstering its product portfolio. This was particularly evident at Plasma Control Technologies. The division adjusted its costs to reflect current demand in the semiconductor market, but kept up investment in the new RF power generator, which was presented to key accounts in the summer. This and the 28.5% reduction in sales were reflected in the EBITDA earnings result of CHF 15.4 million (prior year: CHF 43.5 million). In the ebeam business, the increased focus on the further reduction of risks and costs paid off. The EBITDA loss was reduced from CHF 19.9 million in the prior year to CHF 6.2 million, thanks also to the non-recurrence of one-time costs of CHF 6.6 million.

Strategic realignment adopted – Implementation launched

The growing digitalization and demand for ever more powerful, more reliable and smaller semiconductors offers major opportunities for Comet's established technologies. After its strategic review, the Board of Directors has therefore decided to focus the Group on the core businesses of plasma control and x-ray and the high-volume markets of semiconductor and electronics, automotive, aerospace and security. This includes the repositioning of the x-ray systems business as a manufacturing partner of choice that will focus on modular standardization, high-volume markets and the expansion of its service offering. An important success factor for this shift are capabilities in data analytics and artificial intelligence. Comet will therefore increase its investment in developing and expanding these competencies.

As part of focusing on its core business, Comet also decided to review its strategic options for the ebeam business and mitigate the risks associated with it; this process was begun in the summer.

In order to strengthen the core business and be able to serve the Asian growth market faster and better, the decision was also made to establish a manufacturing site in Penang, Malaysia, and open a subsidiary there. These and other measures form part of Boost, the comprehensive improvement program adopted by the Board of Directors in conjunction with the refocusing. At its center are initiatives to promote growth and efficiency: Thus, for example, structures, processes and costs Group-wide are being adjusted and made more flexible so as to raise profit-

Comet Group key consolidated financial results

In thousands of CHF	**2019**	2018 [1]	2017	2016	2015
Net sales	371,606	436,356	443,370	332,437	282,321
Operating income	19,939	18,771	50,737	36,473	25,488
In % of net sales	5.4%	4.3%	11.4%	11.0%	9.0%
EBITA	24,541	29,426	55,129	39,630	27,994
In % of net sales	6.6%	6.7%	12.4%	11.9%	9.9%
EBITDA	39,974	42,966	63,203	47,699	35,718
In % of net sales	10.8%	9.8%	14.3%	14.3%	12.7%
Net income	12,027	12,347	35,336	27,336	17,106
In % of net sales	3.2%	2.8%	8.0%	8.2%	6.1%
Operating cash flow [2]	48,688	27,727	38,353	33,179	35,672
In % of net sales	13.1%	6.4%	8.7%	10.0%	12.6%
Total assets	391,710	380,266	389,789	344,908	255,642
Shareholders' equity	195,948	198,292	201,548	176,345	162,205
In % of total assets	50.0%	52.1%	51.7%	51.1%	63.4%
Number of employees (year-end)					
Switzerland	494	509	535	438	366
International	836	837	900	792	729
Total	1,330	1,346	1,435	1,230	1,095

[1] Amounts for 2018 in this annual report are restated for IFRS 16 (see note 2.2 in the consolidated financial statements).
[2] Net cash provided by operating activities, as per consolidated statement of cash flows.

ability and better cushion future market volatility.

New leadership

In terms of personnel, too, 2019 was a year of renewal for Comet. Heinz Kundert, Patrick Jany and Christoph Kutter were elected to the Board of Directors and Heinz Kundert became the new Chairman of the Board. On the Executive Committee, Heinz Kundert took over as CEO on an interim basis from René Lenggenhager, who left the Group in June 2019. The succession process to select a new CEO and CFO is well underway. With Heinz Kundert as Chairman of the Board and interim CEO, the necessary stability is given.

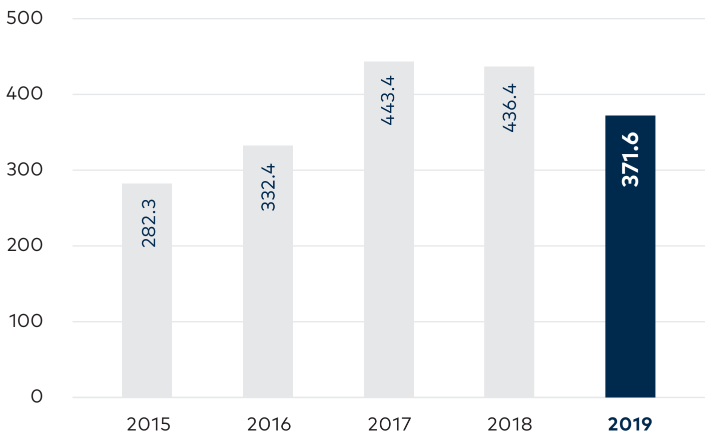
Streamlining of management and Board

As part of its corporate focusing, Comet reduced the size of the Executive Committee from seven members to six. Following the decision of Franz Richter and Christoph Kutter not to stand for re-election, going forward the Board of Directors has decided to limit the number of Board members to five. With the remaining five Board members, a balanced mix of competencies and experience is achieved. The Board of Directors thanks Franz Richter and Christoph Kutter for their valuable contributions to the development of the company. As well, in line with contemporary corporate governance practice, the Board will propose at the next Annual Shareholder Meeting to abolish the age limit of 70 years for Board members that is currently specified in the company's Bylaws.

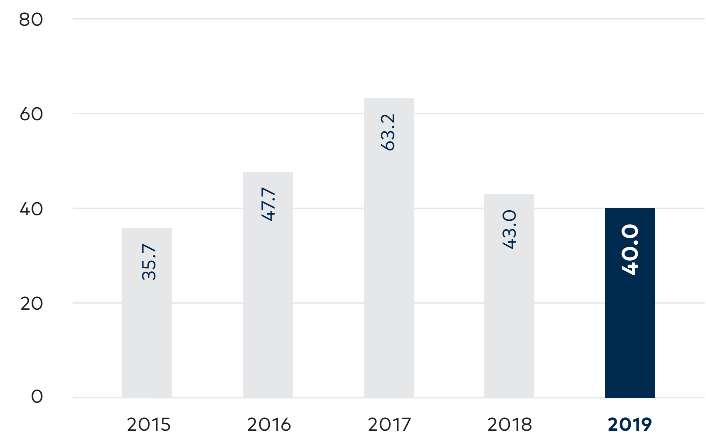
Dividend

At the Annual Shareholder Meeting on April 23, 2020, the Board of Directors will propose a dividend of CHF 1.00 per share (2019: CHF 1.20). This represents a dividend of 65% of the Group's net income (2019: 75%).

Net sales in CHF million



EBITDA in CHF million



Plasma Control Technologies

2019 was a demanding year for the Plasma Control Technologies division. The excess capacity that had built up in 2018 in the market for memory chips persisted in the first three quarters of 2019 and hurt demand for new equipment. The first signs of an improvement were seen mid-way through the second half of the year. The expected introduction of 5G-enabled mobile phones and an increase in demand from the electric car industry and from data centers led to a renewed rise in demand for logic and memory chips at the end of the year.

Key financials of Plasma Control Technologies at a glance

CHFm	2019	2018
Net sales	**151.7**	212.2
EBITDA	**15.4**	43.5
EBITDA margin	**10.1%**	20.5%
Number of employees worldwide	**544**	535

Sales by market in percent

Tracking with these developments, Plasma Control Technologies in the first half of 2019 saw a revenue decline of 40.9% compared to the still strong year-earlier period and of 17.6% relative to the weak second half of 2018. Thanks to good preparations, the division was able to match the demand increase in the fourth quarter by ramping up its manufacturing to full capacity utilization and closing the second half slightly ahead of the first six months. Sales for the full year were CHF 151.7 million (prior year: CHF 212.2 million).

During the market correction, the division maintained the investment in its forward-looking projects: the product portfolio expansion, and the structures, processes and facilities that make Comet more efficient, faster and more flexible. Coupled with the sharp slump in sales, this led to EBITDA earnings of CHF 15.4 million (prior year: CHF 43.5 million) and an EBITDA margin of 10.1% (prior year: 20.5%).

Intensified efforts in the areas of key account management, R&D and operations were already crowned with success in 2019: Plasma Control Technologies won a very significant order from a major customer. As well, the division completed the development of the first prototype phase for its modular, flexible and high-precision RF generator. Preparing for the manufacturing of this new product, it paved the way for serial production by moving the German generator operations to the new, leased site in Aachen at the end of 2019. The first sales of the new generator are expected in 2021. In Flamatt, investment in equipment will markedly improve the efficiency and speed of capacitor production in order to be able to react even more nimbly to swings in demand. To create additional capacity for the production of new RF impedance matching networks in Asia, the division selected Penang, Malaysia, as the location, evaluated a partner, determined the production facility design and, in early 2020, established the subsidiary as a legal entity.

X-Ray Modules

The Industrial X-Ray Modules division once more proved its robustness in fiscal year 2019. Thanks to a taut cost regime, it raised its profitability at EBITDA level for the fourth consecutive year, despite a slowdown in the core market of non-destructive testing.

As was the case for the sister division X-Ray Systems, the market environment in the module business was defined by the decelerated global economic growth and weaker demand for investment goods. This was particularly noticeable in the automotive and aerospace markets. Sales in the security segment closed the full year in positive territory after a difficult first six months. For the Industrial X-Ray Modules division overall (also referred to in this report simply as "X-Ray Modules"), sales were CHF 78.1 million (prior year: CHF 81.2 million), representing a year-over-year decrease of 3.8%.

By lowering production costs and through rigorous cost management across all functions, the division was able to counteract the effects of the reduced sales. EBITDA operating earnings improved to CHF 21.7 million (prior year: CHF 20.7 million) and the EBITDA margin was high at 27.8% (prior year: 25.5%).

With the development of its sealed, high-precision and high-resolution Xplorer microfocus tube, the division reached an important milestone for the entry into the semiconductor and electronics market. As well, at the end of 2019, X-Ray Modules announced the introduction of two new product families: "ION" for the security segment, and "Meso-Focus" for the non-destructive testing market.

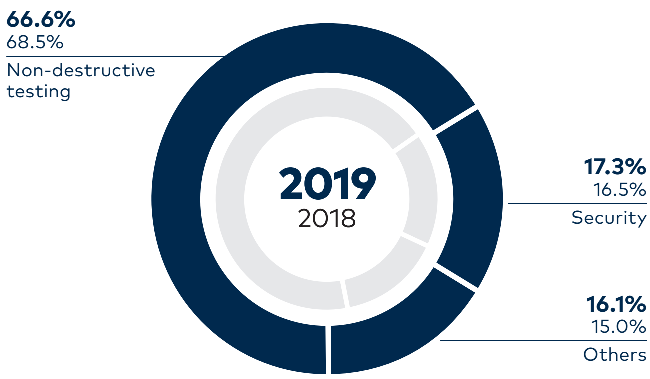
X-Ray Systems

The X-Ray Systems division in 2019 fully met the expectations placed in it, rapidly putting remedial measures into action and strongly improving its profitability from the weak previous year. The division also strategically realigned its business and thus laid the foundation for a suc-

Key financials of X-Ray Modules at a glance

CHFm	**2019**	2018
Net sales	**78.1**	81.2
EBITDA	**21.7**	20.7
EBITDA margin	**27.8%**	25.5%
Number of employees worldwide	**279**	314

Sales by market in percent



cessful transformation of the systems activities.

Although the slower global economic growth and reduced demand for manufacturing goods weighed on the market, X-Ray Systems increased its sales in the fiscal year by 2.9% to CHF 139.6 million (prior year: CHF 135.7 million). With its x-ray and computed tomography systems, the division grew sales in the aerospace and semiconductor/electronics sectors. An important contribution to success came from recent product innovations, such as the award-winning Geminy software platform. Used with CT systems, it enables synergies between the product groups while cutting complexity. The significant growth in the aerospace segment was due mainly to deliveries of several relatively large systems resulting from successful prior-year sales activities. In the automotive market, business for X-Ray Systems as well weakened in the latter half of the year, as a result of the general slowdown and of a sharp contraction in the wheel segment. The market for inspection systems for labs and research institutions also softened somewhat. A gratifying performance was seen in Asia, the largest regional market, and especially in Japan, where a dynamic team has doubled sales over the past four years.

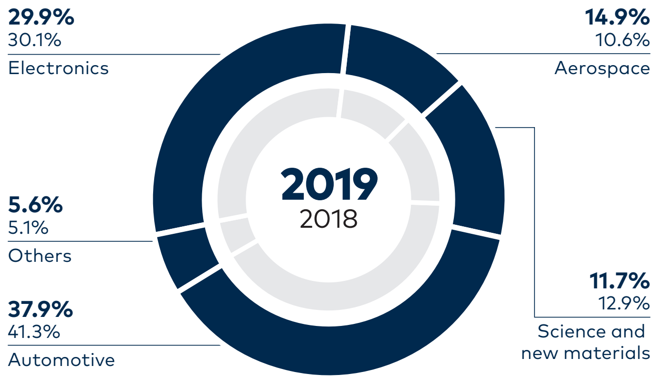
The program of improvement measures launched in the prior year produced results. Thanks to leaner processes, X-Ray Systems raised efficiency in areas such as sales, which was realigned; in the research and development department, which was also realigned and was placed under new management; and in defect prevention, where costs were greatly reduced. The division also achieved significant advances in the services section, which substantially improved communication with customers through the use of new software. X-Ray Systems grew profitably and significantly lifted its EBITDA earnings to CHF 12.0 million (prior year: CHF 1.0 million), with an EBITDA margin of 8.6% (prior year: 0.7%).

With new leased premises, the division also created the necessary infrastructure in Hamburg for further growth. Providing its customers with technology-award-winning new functionalities for Industry 4.0, it propelled several product families to the next level. And importantly, it developed its focus strategy geared to three core markets and to standardized systems.

Key financials of X-Ray Systems at a glance

CHFm	**2019**	2018
Net sales	**139.6**	135.7
EBITDA	**12.0**	1.0
EBITDA margin	**8.6%**	0.7%
Number of employees worldwide	**439**	420

Sales by market



ebeam Technologies

At ebeam, the prior year's divestiture of the loss-making US systems business, combined with further measures to increase efficiency, had a positive impact in 2019. The division significantly reduced its cost base. Its EBITDA loss decreased from the prior year's CHF 19.9 million to CHF 6.2 million. The division's sales of CHF 15.5 million (prior year: CHF 20.0 million) were in line with expectations.

In light of the Group's strategic realignment and the focusing on plasma control and x-ray technology, the Board of Directors decided in summer 2019 to evaluate the strategic options for the ebeam business. Various possibilities were analyzed and discussions held with potential partners. The completion of this process is expected in the course of 2020. Until then, the ongoing production for customers is safeguarded thanks to the timely retention of key personnel. Comet believes that no unplanned special charges against 2020 earnings will arise in connection with this strategic decision.

Key financials of ebeam Technologies at a glance

CHFm	**2019**	2018
Net sales	**15.5**	20.0
EBITDA	**–6.2**	–19.9
EBITDA margin	**–39.8%**	–99.3%
Number of employees worldwide	**68**	77

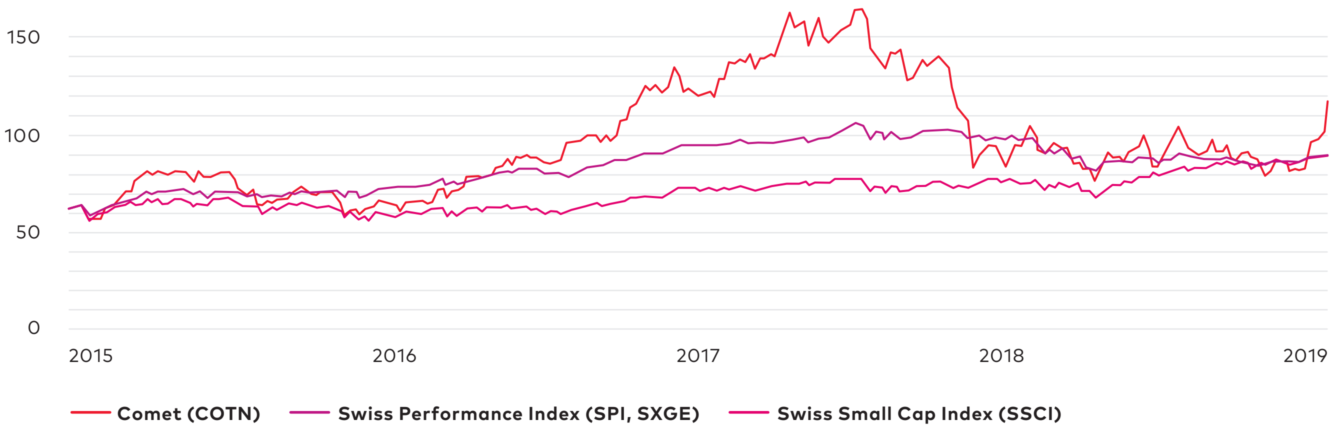
Information for investors

		2019	2018	2017	2016	2015
Capital stock	CHF	7,764,208	7,759,882	7,753,658	7,745,430	7,738,010
Number of shares (Dec. 31)		7,764,208	7,759,882	7,753,658	7,745,430	7,738,010
Weighted average number of shares outstanding		7,762,845	7,757,904	7,750,232	7,742,190	7,730,780
Stock price						
High for the year (Dec. 13, 2019)	CHF	127.00	168.90	165.40	100.70	85.65
Low for the year (Jan. 3, 2019)	CHF	76.90	74.45	95.40	56.20	54.80
Year-end (Dec. 31)	CHF	122.60	79.75	153.40	100.50	72.75
Earnings per share	CHF	1.55	1.59	4.56	3.53	2.21
Distribution per share[1]	CHF	1.00	1.20	1.50	1.20	1.10
P/E ratio (at year-end price)		79	50	34	28	33
Distribution yield (at year-end price)	%	0.8%	1.5%	1.0%	1.2%	1.5%
Equity per share[2]	CHF	25.2	25.6	26.0	22.8	21.0
Market capitalization (Dec. 31)	CHF m	951.9	618.9	1,189.4	778.4	562.9

[1] 2019: Proposal by the Board of Directors for the year under review.
[2] Shareholders' equity divided by the weighted average number of shares outstanding.

Comet stock price

Performance in CHF



Comet Group Consolidated Financial Statements

Contents

The complete 2019 consolidated financial statements (including the notes) are also available online at www.comet-group.com/en/investors

Consolidated statement of income

In thousands of CHF	Note	**2019**	**%**	2018 restated [1]	%
Net sales	3, 4	371,606		436,356	
Cost of sales		(228,763)		(265,274)	
Gross profit		**142,843**	**38.4%**	**171,082**	**39.2%**
Other operating income	5	5,051	1.4%	4,201	1.0%
Development expenses	7	(48,693)	–13.1%	(53,881)	–12.3%
Marketing and selling expenses		(49,843)	–13.4%	(63,188)	–14.5%
General and administrative expenses		(29,419)	–7.9%	(32,848)	–7.5%
Loss on disposal of businesses	8	–	–	(6,595)	–1.5%
Operating income		**19,939**	**5.4%**	**18,771**	**4.3%**
Financing expenses	2.4, 10	(6,738)	–1.8%	(7,003)	–1.6%
Financing income	2.4, 10	2,162	0.6%	3,484	0.8%
Income before tax		**15,363**	**4.1%**	**15,251**	**3.5%**
Income tax	11	(3,336)	–0.9%	(2,904)	–0.7%
Net income		**12,027**	**3.2%**	**12,347**	**2.8%**
Earnings per share in CHF, diluted and basic	12	1.55		1.59	
Operating income		**19,939**	**5.4%**	**18,771**	**4.3%**
Amortization	9	4,602	1.2%	10,655	2.4%
EBITA		**24,541**	**6.6%**	**29,426**	**6.7%**
Depreciation	9	15,433	4.2%	13,540	3.1%
EBITDA		**39,974**	**10.8%**	**42,966**	**9.8%**

[1] Restated for IFRS 16 (see note 2.2).

Consolidated statement of comprehensive income

In thousands of CHF	Note	**2019**	2018 restated [1]
Net income		12,027	12,347
Other comprehensive income			
Foreign currency translation differences		(2,286)	(1,684)
Total items that will be reclassified to the income statement on realization		**(2,286)**	**(1,684)**
Actuarial losses on defined benefit plans	25	(3,425)	(913)
Income tax	11	361	132
Total items that will not subsequently be reclassified to the income statement		**(3,064)**	**(781)**
Total other comprehensive income		**(5,350)**	**(2,465)**
Total comprehensive income		**6,677**	**9,881**

[1] Restated for IFRS 16 (see note 2.2).

Consolidated balance sheet

In thousands of CHF	Note	Dec. 31, 2019	%	Dec. 31, 2018 restated [1]	%	Jan. 1, 2018 restated [1]
Assets						
Cash and cash equivalents		60,255		43,007		60,420
Trade and other receivables	13	62,627		63,943		64,574
Other financial assets	14	271		26		277
Tax receivables		609		2,893		2,660
Inventories	15	85,184		91,090		102,825
Prepaid expenses	16	8,296		5,109		4,555
Total current assets		**217,243**	**55.5%**	**206,068**	**54.2%**	**235,311**
Property, plant and equipment	17	115,702		113,591		95,056
Right-of-use assets	18	11,682		12,055		14,274
Intangible assets	19	38,318		40,827		51,647
Financial assets	14	367		209		239
Deferred tax assets	11	8,397		7,516		8,053
Total non-current assets		**174,467**	**44.5%**	**174,198**	**45.8%**	**169,269**
Total assets		**391,710**	**100.0%**	**380,266**	**100.0%**	**404,580**
Liabilities and shareholders' equity						
Current debt	21	12,000		5,000		2,000
Current lease liabilities	18	4,635		4,469		4,126
Trade and other payables	22	36,609		34,919		42,545
Contract liabilities	3	28,273		19,992		29,171
Other financial liabilities	14	41		379		2
Tax payables		2,480		869		3,131
Accrued expenses	23	18,470		20,407		25,758
Current provisions	24	9,346		12,080		10,140
Total current liabilities		**111,853**	**28.6%**	**98,115**	**25.8%**	**116,873**
Non-current debt	21	59,893		62,812		65,733
Non-current lease liabilities	18	8,754		9,694		12,645
Non-current provisions	24	11		47		54
Employee benefit plan liabilities	25	15,250		11,307		8,438
Deferred tax liabilities	11	–		–		1,137
Total non-current liabilities		**83,909**	**21.4%**	**83,859**	**22.1%**	**88,007**
Total liabilities		**195,762**	**50.0%**	**181,974**	**47.9%**	**204,880**
Capital stock	26	7,764		7,760		7,754
Additional paid-in capital		11,184		18,496		29,303
Retained earnings		203,277		196,027		184,950
Foreign currency translation differences		(26,277)		(23,991)		(22,307)
Total equity attributable to shareholders of Comet Holding AG		**195,948**	**50.0%**	**198,292**	**52.1%**	**199,700**
Total liabilities and shareholders' equity		**391,710**	**100.0%**	**380,266**	**100.0%**	**404,580**

[1] Restated for IFRS 16 (see note 2.2).

Consolidated statement of cash flows

In thousands of CHF	Note	**2019**	2018 restated [1]
Net income		12,027	12,347
Income tax	11	3,336	2,905
Depreciation, amortization and impairment	9	20,035	24,195
Net interest expense	10	1,890	1,555
Share-based payments	30	301	340
Losses on disposal of property, plant and equipment		94	172
Losses on disposal of intangible assets		–	10
Loss on disposal of businesses	8	–	6,595
Other non-cash expense or (income)		1,044	3,126
Change in provisions	24	(2,563)	2,262
Change in other working capital		12,575	(19,936)
Taxes paid		(50)	(5,845)
Net cash provided by operating activities		**48,688**	**27,727**
Outflow from disposal of businesses		–	(293)
Purchases of property, plant and equipment	17	(16,419)	(26,020)
Purchases of intangible assets	19	(2,202)	(1,933)
Disposals of property, plant and equipment	17	99	242
Disposals of intangible assets	19	–	1,039
Purchase/disposals of other financial assets		(163)	35
Net cash (used in) investing activities		**(18,685)**	**(26,930)**
Proceeds from bank debt	21	5,000	–
Repayment of debt	21	(1,000)	–
Repayment of lease liabilities	18	(4,867)	(4,699)
Interest received		108	30
Interest paid		(1,901)	(1,505)
Distribution to shareholders of Comet Holding AG	33	(9,312)	(11,630)
Net cash (used in) financing activities		**(11,972)**	**(17,805)**
Net increase/(decrease) in cash and cash equivalents		18,031	(17,008)
Foreign currency translation differences on cash and cash equivalents		(784)	(404)
Net cash and cash equivalents at January 1		43,007	60,420
Net cash and cash equivalents at December 31		**60,255**	**43,007**

[1] Restated for IFRS 16 (see note 2.2).

Consolidated statement of changes in equity

		Equity attributable to shareholders of Comet Holding AG				
In thousands of CHF	Note	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total share-holders' equity
December 31, 2017		**7,754**	**29,303**	**186,748**	**(22,257)**	**201,548**
Restatement [1]		–	–	(1,798)	(50)	(1,848)
January 1, 2018 restated [1]		**7,754**	**29,303**	**184,950**	**(22,307)**	**199,700**
Net income				12,347		12,347
Other comprehensive income				(781)	(1,684)	(2,465)
Total comprehensive income				**11,566**	**(1,684)**	**9,881**
Distribution to shareholders of Comet Holding AG	33		(11,630)			(11,630)
Increase in capital (for stock compensation)	26	6	823	(909)		(80)
Share-based payments	30, 31			421		421
December 31, 2018		**7,760**	**18,496**	**196,027**	**(23,991)**	**198,292**
Net income				12,027		12,027
Other comprehensive income				(3,064)	(2,286)	(5,350)
Total comprehensive income				**8,963**	**(2,286)**	**6,677**
Distribution to shareholders of Comet Holding AG	33		(7,760)	(1,552)		(9,312)
Increase in capital (for stock compensation)	26	4	448	(503)		(51)
Share-based payments	30, 31			342		342
December 31, 2019		**7,764**	**11,184**	**203,277**	**(26,277)**	**195,948**

[1] Restated for IFRS 16 (see note 2.2).

Notes to the consolidated financial statements

1 Nature of the business activities

The Comet Group (“Comet”, the “Group”) is one of the world’s leading vendors of x-ray, radio frequency (RF) power and ebeam technology. With high-quality components, systems and services, marketed under the “Comet”, “Yxlon” and “ebeam” brands, the Group helps its customers optimize the quality, reliability and efficiency of their products and processes. Yxlon x-ray systems for non-destructive testing are supplied to end customers in the automotive, aerospace, electronics and energy sectors. Under the Comet brand, the Group builds components and modules such as x-ray sources, vacuum capacitors, RF generators and impedance matching networks, marketed to manufacturers in the automotive, aerospace, semiconductor and solar industries as well as the security sector. Under the ebeam brand, the Group develops and markets compact ebeam sets for the treatment of surfaces in the food and printing industries.

2 Accounting policies

The consolidated financial statements (except with respect to certain financial instruments) have been drawn up under the historical cost convention. The fiscal year-end for the financial statements of all Group companies is December 31. These consolidated financial statements 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 Accounting Standards Board (IASB) were applied. Comet did not early-adopt new standards and interpretations unless specifically stated. The significant accounting policies applied are unchanged from the prior year except as set out below.

As a result of rounding and the presentation in thousands of Swiss francs, totals in the consolidated financial statements may not add.

2.1 Changes in accounting policies

Revised and new accounting rules
With effect from January 1, 2019, Comet has applied the following new or adjusted IFRS/IFRIC for the first time:
- IFRS 16 – Leases
- IAS 19 – Employee Benefits (amendment): Plan Amendment, Curtailment or Settlement
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs, 2015-2017 Cycle

Except for IFRS 16, Leases, the new or amended standards and interpretations had no material effect on the Group’s financial position, results of operations and cash flows.

2.2 IFRS 16 – Leases

IFRS 16, which replaces IAS 17, contains accounting rules for all leases. Under the new guidance, lessees are required to recognize most leases on their balance sheet and employ a right-of-use model to do so. Under this new model, at the inception of the lease, the lessee recognizes a right-of-use asset for the usage right, and a liability for the payment obligation to the lessor. The scope of IFRS 16 excludes contracts that are within the scope of other IFRS standards, and those which were already treated as finance leases under IAS 17 and IFRIC 4.

Comet has elected to use the full retrospective approach for the adoption of IFRS 16. In the initial application of the new standard, the Group has made use of the practical expedient of applying IFRS 16 only to those arrangements which were already classified as leases under IAS 17 and IFRIC 4. Comet is affected by the new accounting guidance especially in its rental agreements for the use of buildings and in its vehicle leases.

The impacts of the retrospective application of the new standard on the consolidated income statement, balance sheet and cash flow statement for the comparative periods are presented in table form in the following overview.

Effect on items of the consolidated statement of income:

In thousands of CHF	Year to December 31, 2018		
	Reported	Adjustment	Restated
Net sales	436,356	–	436,356
Cost of sales	(265,914)	640	(265,274)
Gross profit	**170,442**	**640**	**171,082**
Other operating income	4,201	–	4,201
Development expenses	(53,882)	–	(53,881)
Marketing and selling expenses	(63,251)	63	(63,188)
General and administrative expenses	(32,953)	105	(32,848)
Loss on disposal of businesses	(6,595)	–	(6,595)
Operating income	**17,962**	**809**	**18,771**
Financing expenses [1]	(6,308)	(695)	(7,003)
Financing income [1]	3,484	–	3,484
Income before tax	**15,137**	**114**	**15,251**
Income tax	(2,858)	(46)	(2,904)
Net income	**12,279**	**68**	**12,347**
Operating income	**17,962**	**809**	**18,771**
Depreciation, amortization and impairment	19,831	4,364	24,195
EBITDA	**37,793**	**5,173**	**42,966**

[1] Adjusted (see note 2.4).

The effect on the consolidated statement of comprehensive income is immaterial.

Effect on items of the consolidated balance sheet:

In thousands of CHF	January 1, 2018			December 31, 2018		
	Reported	Adjustment	Restated	Reported	Adjustment	Restated
Assets						
Total current assets	235,311	–	235,311	206,068	–	206,068
Property, plant and equipment	95,056	–	95,056	113,591	–	113,591
Right-of-use assets	–	14,274	14,274	–	12,055	12,055
Deferred tax assets	7,536	517	8,053	7,063	453	7,516
Other assets, not affected by IFRS 16	51,886	–	51,886	41,036	–	41,036
Total assets	**389,789**	**14,791**	**404,580**	**367,759**	**12,507**	**380,266**
Liabilities						
Current debt	2,000	–	2,000	5,000	–	5,000
Current lease liabilities	132	3,994	4,126	–	4,469	4,469
Total accrued expenses	25,758	–	25,758	20,316	91	20,407
Non-current debt	65,733	–	65,733	62,812	–	62,812
Non-current lease liabilities	–	12,645	12,645	–	9,694	9,694
Other liabilities, not affected by IFRS 16	94,618	–	94,618	79,593	–	79,593
Total liabilities	**188,241**	**16,639**	**204,880**	**167,721**	**14,253**	**181,974**
Equity						
Retained earnings	186,748	(1,798)	184,950	197,758	(1,731)	196,027
Foreign currency translation differences	(22,257)	(50)	(22,307)	(23,976)	(15)	(23,991)
Other equity, not affected by IFRS 16	37,057	–	37,057	26,256	–	26,256
Total equity	**201,548**	**(1,848)**	**199,700**	**200,038**	**(1,746)**	**198,292**

Effect on items of the consolidated statement of cash flows:

In thousands of CHF	Year to December 31, 2018		
	Reported	Adjustment	Restated
Net income	**12,279**	**68**	**12,347**
Change in net cash provided by operating activities	10,184	5,225	15,410
Net cash provided by operating activities	22,463	5,264	27,727
Net cash (used in) investing activities	(26,930)	–	(26,930)
Net cash (used in) financing activities	(12,542)	(5,264)	(17,805)
Net decrease in cash and cash equivalents	**(17,008)**	**–**	**(17,008)**
Foreign currency translation differences on cash and cash equivalents	(404)	–	(404)
Net cash and cash equivalents at January 1	60,420	–	60,420
Net cash and cash equivalents at end of period	**43,007**	**–**	**43,007**

Impact of initial application of IFRS 16
The initial application of IFRS 16 led to changes in the composition of the consolidated balance sheet and in the reporting and classification of items in the consolidated statements of income and of cash flows. Right-of-use assets under leases are now reported separately in non-current assets. The lease liabilities are recognized according to their maturity. Under IFRS 16, the recognition of lease expenses is replaced by a depreciation charge on the right-of-use assets and by interest expense on the lease liabilities. The depreciation on the right-of-use assets leads to an increase in operating cash flow. At the same time, the repayments of the lease liabilities give rise to a cash outflow from financing activities.

For Comet, the initial retrospective application at January 1, 2018 resulted in the recognition of CHF 14.3 million in right-of-use assets from leases and CHF 16.6 million in lease liabilities. At December 31, 2018, the right-of-use assets from leases were CHF 12.1 million and the lease liabilities were CHF 14.2 million. The full retrospective method has the effect of "front-loading" the expenses, i.e., of shifting them to an earlier point in time, compared to the treatment of operating leases under IAS 17. Depreciation is generally applied on a straight-line basis over the term of the lease, while the interest expense declines with the amortization of the lease liability over time. For Comet, at January 1, 2018, this effect led to a reduction of CHF 1.8 million in retained earnings (at December 31, 2018, the effect was a reduction of CHF 1.7 million). This effect also led to the recognition of a deferred tax asset of CHF 0.5 million at January 1, 2018 and at December 31, 2018. For the period from January 1 to December 31, 2018, the application of IFRS 16 resulted in an increase of CHF 5.2 million in EBITDA (with an increase of 1.2 percentage points in EBITDA margin). In the statement of cash flows for fiscal 2018, the effect was an increase of CHF 5.3 million both in net cash provided by operating activities and in net cash used in financing activities.

Initial recognition of leases
At the inception of every contract, Comet assesses whether it contains a lease. A lease exists only if the contract gives Comet the right of use to an asset for a period of time and substantially all of the economic benefit from the asset accrues to Comet. For all leases, Comet separates lease components from non-lease components. No assets and liabilities are recognized for leases with a term of one year or less and for leases of low-value assets (with a value when new of less than CHF 5,000); the expenses for these are recognized directly in the income statement.

The initial measurement of the right of use for a leased asset is made at the inception of the lease by calculating the present value of the lease payments, plus initial direct costs, plus estimated costs for dismantling, removal and restoration (if contractually required), less lease incentives received.

The time of lease inception is as a rule taken to be the start date of the contract, unless there are sound reasons for regarding a different date as more appropriate. The useful life is deemed to be the period for which Comet has enforceable rights and obligations with respect to the leased asset. The useful life may be affected by options. The right-of-use asset is depreciated over the shorter of the term of the lease or the useful life of the underlying assets.

Lease payments are either agreed fixed amounts, or contain variable elements linked to an index (for example, a reference rate of interest for mortgages). Comet primarily has leases with fixed payments, which includes leases with rent-free periods and ones with rising payments. Leases with variable payments are immaterial.

Options and modifications
Comet's leases have different extension options, which can be summarized as follows:
- Non-permanent leases with time-limited extension options
- Indefinite leases with active or passive (automatic) exercise of the extension options

Options are included in the calculation only if, taking into account all significant determining factors, they are considered highly likely to be exercised. For indefinite leases, the following principles apply (the extension periods cited are from the lease inception or from the expiry of the minimum lease term):
- For buildings and warehouses, a maximum extension of three years is assumed.
- For plant and equipment, a maximum extension of two years is assumed.
- For vehicles and other tangible assets, a maximum extension of one year is assumed.

Exceptions to these policies are made only when there is sound evidence in support of doing so.

In the event of a material change during the term of a lease, Comet remeasures the lease liability at the date of the change. Adjustments to the lease liability are deducted from or added to the corresponding right-of-use asset. Any difference remaining upon early termination of a lease is derecognized through profit or loss.

In the initial application of IFRS 16, Comet treated all extension options relating to leases in force at January 1, 2018 as having been exercised and included them in the present value calculation at the inception of the respective lease.

Discount rate

For discounting the lease payments, Comet uses the interest rate implicit in the lease, or the incremental borrowing rate if the implicit rate cannot be determined. The incremental borrowing rate (IBR) is determined by reference to a risk-free bond from the currency area where the underlying leased asset is located. Moreover, the determination of the IBR takes into account the start year of the lease as well as the lease term. In arriving at the IBR, Comet considers its own credit risk. This is quantified as the average of the risk premiums of interest-bearing debt financing obtained in the recent past. The calculation of the incremental borrowing rate is updated at regular intervals or when a material event requires it.

Impairment test

Comet applies IAS 36, which prescribes the periodic impairment testing of all cash generating units. As Comet's leases in themselves do not represent cash generating units, they are assigned to the higher-level unit for the purpose of impairment testing.

The rights of use are tested for impairment when there is an indication that they may be impaired. Further information on the impairment test is provided in the section "Measurement and recognition policies" (note 2.7) and in note 20.

2.3 New accounting rules becoming effective in subsequent periods

Standard	Expected impact	Effective date	Planned adoption by Comet
IFRS 3 - Business Combinations (amendment): Definition of a Business	(1)	Jan. 1, 2020	Fiscal year 2020
IAS 1 - Presentation of Financial Statements (amendment): Definition of Material	(1)	Jan. 1, 2020	Fiscal year 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (amendment): Definition of Material	(1)	Jan. 1, 2020	Fiscal year 2020
IFRS 7 - Financial Instruments: Disclosures (amendment): Interest Rate Benchmark Reform	(1)	Jan. 1, 2020	Fiscal year 2020
IFRS 9 - Financial Instruments (amendment): Interest Rate Benchmark Reform	(1)	Jan. 1, 2020	Fiscal year 2020

(1) Expected to have no, or no significant, impact on the financial position, results of operations and cash flows.

2.4 Changes in presentation

Foreign currency translation gains and losses arising on the same position are no longer presented in gross terms but net. This change applies, for example, to unrealized translation gains or losses on loans held in foreign currency. The change makes the reported financing expense and income more meaningful and easier to understand, and has no impact on the Group's earnings. The comparative data have been restated as follows:

Fiscal year 2018 [1]

	Reported	Change in presentation	Adjusted
Interest expense	1,585	–	1,585
Losses on derivatives used for currency hedging	1,702	–	1,702
Foreign currency translation losses	6,794	(3,078)	3,716
Total financing expenses	**10,081**	**(3,078)**	**7,003**
Interest income	30	–	30
Gains on derivatives used for currency hedging	647	–	647
Foreign currency translation gains	5,885	(3,078)	2,807
Total financing income	**6,562**	**(3,078)**	**3,484**

[1] Restated for IFRS 16 (see note 2.2).

2.5 Estimates

Comet's consolidated financial statements contain assumptions and estimates that 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 may differ from the values presented. The following estimates have the greatest effects on the consolidated financial statements:

- Intangible assets (see note 19 and 20): 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 changes in the results of impairment testing. The assumptions concerning the achievable margins and the growth rates have a significant impact on impairment test outcomes. 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 24) are, by definition, liabilities of uncertain amount. Future events can thus lead to adjustments that affect income.

- Deferred tax assets (see note 11) are recognized only if it is likely that taxable profits will be earned in the future. The tax planning is based on estimates and assumptions as to the future profit trajectories of the Group companies that may later prove incorrect. This can lead to changes with an effect on income.
- Employee benefit plans (see note 25): The Group operates employee benefit plans for its staff that are classified as defined benefit plans under IFRS. These defined benefit plans are valued annually, which requires the use of various assumptions. Differences between the actual outcomes and the assumptions, particularly as to the discount rate for future obligations and as to life expectancy, may have effects on the valuation of plan assets and thus on the financial position of the Group. The impact of the most important parameters on the net present value of the obligation is presented in note 25.

2.6 Consolidation

2.6.1 Basis of consolidation

There were no changes in the basis of consolidation from the prior year. The consolidated financial statements comprise the accounts of the companies listed below.

Company	Registered office	Equity interest in %	
		2019	2018
Comet Holding AG	Flamatt, Switzerland	100%	100%
Comet AG	Flamatt, Switzerland	100%	100%
Comet Electronics (Shanghai) Co. Ltd.	Shanghai, China	100%	100%
Comet Mechanical Equipment (Shanghai) Co. Ltd.	Shanghai, China	100%	100%
Comet Technologies USA, Inc.	Shelton, CT, USA	100%	100%
Comet Technologies Korea Co. Ltd.	Suwon, Korea	100%	100%
Yxlon International GmbH	Hamburg, Germany	100%	100%
Yxlon International A/S	Taastrup, Denmark	100%	100%
Yxlon International KK	Yokohama, Japan	100%	100%
Yxlon (Beijing) X-Ray Equipment Trading Co. Ltd.	Beijing, China	100%	100%

2.6.2 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 Comet Holding AG are fully consolidated. This means that these companies' assets, liabilities, equity, expenses and income are entirely included in the consolidated financial statements. All intragroup balances and transactions, unrealized gains and losses resulting from intragroup transactions, and dividends are eliminated in full.

Acquisitions and goodwill
Companies are consolidated from the date on which effective control passes to the Group. Consolidation ends only when effective control ceases. On acquisition, the identifiable assets, liabilities and contingent liabilities are measured at fair value and included in the accounts using the acquisition 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. Goodwill, being the excess of the aggregate consideration transferred over the fair value of the net assets of the acquired subsidiary, is initially measured at cost. If the aggregate consideration transferred is lower than the fair value of the acquired net assets, the difference is recognized as negative goodwill in other operating income at the acquisition date. Goodwill and other intangible assets are allocated on acquisition to those companies expected to benefit from the acquisition or to generate future cash flows as a result of it. When Group 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 the 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 the Group companies are translated at the average exchange rates for the year (the "average rate" in the table below) for the income statement and at year-end rates (the "closing rate") for the balance sheet. The resulting currency translation differences are recognized in other comprehensive income. Currency translation differences from intragroup loans for the long-term financing of Group companies are also recognized in other comprehensive income, to the extent that repayment is neither planned nor is likely to occur in the foreseeable future.

The exchange rates used to translate the most important currencies are listed below:

			Closing rate		Average rate	
Country or region			**Dec. 31, 2019**	Dec. 31, 2018	**2019**	2018
USA	USD	1	0.968	0.985	0.994	0.978
Eurozone	EUR	1	1.085	1.126	1.113	1.155
China	CNY	1	0.139	0.143	0.144	0.148
Japan	JPY	100	0.891	0.894	0.912	0.886
Denmark	DKK	1	0.145	0.151	0.149	0.155
Republic of Korea	KRW	1,000	0.838	0.885	0.853	0.889

2.7 Measurement and recognition policies

Revenue recognition (sales and other income)
Net sales represent the revenue from the sale of goods and services to third parties, net of rebates and other price reductions. The Group's revenue is derived from the sale of goods (including spare parts) by the PCT, IXT and EBT divisions and the sale of systems (including services such as installation) by the IXS division. Revenue from the sale of goods, including also spare parts, systems and system-related services, is as a rule recognized on the basis of a single performance obligation, which is satisfied at a specific point in time. The performance obligation is satisfied, and the revenue recognized, when the customer acquires control of the product or service. In the sale of goods that are not systems, the transfer of control generally occurs at the time of delivery. Performance obligations for system sales (including for installation) are fulfilled at the time of acceptance by the customer. In connection with both non-system goods and with systems, Comet also offers services. Warranty obligations for providing an additional service to the customer (service-type warranties), such as an extension of the warranty period, are separate performance obligations and the revenue associated with them is recognized over time. For general maintenance services and defect correction intended to ensure that the delivered good is, or performs, as specified in the contract (assurance-type warranties), the estimated cost of the liability is recognized as a provision in accordance with IAS 37.

Customer contributions to development projects and payments for the delivery of the respective first prototype are recorded in other operating income; subsequent deliveries of prototypes are reported as sales.

Variable price elements (variable consideration) exist both in retroactive rebates when the quantity of products purchased exceeds a certain threshold in the calendar year, and in individual discounts on products. The amount of the rebate is estimated using the most-likely-amount method and as a rule is allocated proportionately to all performance obligations under the contract.

Sales commissions owed for agent activities are capitalized at contract inception as incremental costs attributable to obtaining a contract and a liability of equal amount is recognized for sales commissions. Their recognition as an expense occurs as soon as Comet has transferred control of the products to the customer. No interest effect is recognized for contract liabilities and prepayments by customers, as the period between the time of transfer of a promised good or service to the customer and the time of payment is not more than one year.

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

- Financial items at fair value through profit or loss: These include all derivatives, trading positions, and certain financial assets and liabilities designated as falling into this category. These assets are recognized at fair value in the balance sheet. Changes in value are reported as financing income or expense in the reporting period in which they occur.
- Financial items at amortized cost: These are measured at cost using the effective interest method.

Fair value is determined based on quoted or other market prices. In the fiscal year as in the prior year, no hedge accounting under IFRS 9 or IAS 39 was applied to any hedging transactions. Financial assets are recognized as soon as Comet acquires control of them, and derecognized when it 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 or is canceled or expires.

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

Trade and other receivables and contract assets
Trade receivables, other receivables and contract assets are reported at their face value less any necessary impairment charges. Comet provides for impairment using the simplified approach by recognizing an allowance in the amount of the losses expected over the remaining life of the instruments (known as the expected credit loss model). For specific doubtful arrears with objective indications of impairment, impairment charges are applied individually.

Whether a receivable or a contract asset is recognized is governed by whether the right to consideration is unconditional (leading to recognition of a receivable) or conditional (leading to recognition of a contract asset).

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

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. The expense for depreciation of property, plant and equipment is recognized in the income statement under that expense category which corresponds to the function of the particular asset in the Group. Land values are not depreciated. Impairment charges are recognized as a

separate line item under accumulated depreciation and impairment. Maintenance costs are recognized as assets only if the maintenance extends the expected life of the asset, expands production capacity or otherwise increases asset values. The cost of maintenance and repair that do not increase asset values is charged directly to income. The following estimated useful lives are applied in determining depreciation:

Buildings	20–40 years
Plant and equipment	6–10 years
Other tangible assets	3–10 years

Intangible assets
The intangible assets recognized are goodwill, rights to trademarks and names, customer lists, technology, licenses, patents, and software. Intangible assets are recognized at cost and generally 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"). The expense for amortization of intangible assets with finite useful lives is recognized in the income statement under that expense category which corresponds to the function of the particular asset in the Group. The following estimated useful lives are applied in determining amortization:

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

Provisions
Provisions are recognized only where Comet has a present obligation to a third party arising from a past event and the amount of the obligation can be estimated reliably. No provisions are recognized for possible losses that may result from future events.

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. If the interest effect is material, the cash outflows are discounted.

Post-employment benefits
Comet maintains post-employment benefit plans for its employees which differ according to the local circumstances of the individual Group companies. The benefit plans are financed by contributions to benefit arrangements that are separate legal entities (foundations or insurance companies) or by the accumulation of reserves in the balance sheet of the respective Group company. In the case of defined contribution plans or economically equivalent arrangements, the expenses accrued in the reporting period represent the agreed contributions of the Group company. For defined benefit plans, the service costs and the present value of the defined benefit obligation are

calculated in actuarial valuations by independent experts, using the projected unit credit method. The calculations are updated annually. The surplus or deficit recognized in the balance sheet is equal to the present value of the defined benefit obligation as determined by the actuary, less the fair value of plan assets. Any resulting net surplus is recognized as an asset only to the extent of the potential economic benefit that may be realized from this asset in the future, taking into consideration IFRIC 14. The expense charged to income is the actuarially determined service cost plus the net interest cost. Actuarial gains and losses are recognized in other comprehensive income. They comprise experience adjustments (the effects of differences between the previous actuarial assumptions and the observed outcomes) and the effects of changes in actuarial assumptions (particularly regarding the discount rate and life expectancy).

Long-term employee benefits
Comet grants length-of-service awards to its employees after a certain number of years of service, in the form of lump-sum payments that increase in amount with the number of years of employment. Comet calculates the resulting obligation using the projected unit credit method. The calculation is updated annually. Any actuarial gains or losses from the remeasurement are immediately taken to income.

Share-based payments
Part of the variable compensation of the members of the Executive Committee under the short-term incentive plan (STIP), and part of the fixed compensation of the Board of Directors, is paid in stock. In addition, the Executive Committee is granted stock under a long-term incentive plan (LTIP). The expense is recognized at the value of the stock earned, measured at the quoted market price (fair value) at the grant date. The amount accrued for those components of compensation which must be equity-settled (i.e., for which there is no option of cash payment) is recognized directly in equity. For components which the beneficiary can choose to receive in equity or in cash, the value of the option which this choice represents is determined and recognized as an increase in equity, while the rest of the obligation is recorded as a liability.

Income tax
The income tax expense for the reporting period is composed of current taxes and deferred taxes.

Current taxes
Current tax liabilities and assets for the current period and prior reporting periods are recognized based on the amount expected to be payable to or refunded by the tax authorities. They are calculated based on the tax regulations and tax rates in effect at the balance sheet date.

Deferred taxes

Deferred taxes are accounted for by the liability method. Under this approach, the income tax effects of temporary differences between the tax bases and the values used in the consolidated financial statements are recorded as non-current liabilities or non-current assets. Deferred taxes are calculated at actual or expected local tax rates. Changes in deferred taxes are included in income tax expense in the income statement, except for deferred taxes in respect of items that are recognized outside profit or loss. These latter deferred taxes are likewise recognized outside profit or loss; according to the underlying accountable event, they are recognized either in other comprehensive income or directly in equity. Deferred tax liabilities are recognized on all taxable temporary differences except for goodwill. Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

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

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. Intangible assets that are in the process of being generated are tested for impairment annually. 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 realizable 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 rolling multi-quarter forecast and the rolling multi-year plan.

3 Revenue from contracts with customers

In the following tables, sales revenue is analyzed by region and by market sector.

In thousands of CHF	Plasma Control Technologies (PCT)		X-Ray Systems (IXS)		Industrial X-Ray Modules (IXM)		ebeam Technologies (EBT)		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Geographic region										
Europe	9,236	8,947	34,192	35,661	26,689	29,431	12,448	13,979	82,564	88,018
USA	109,230	165,224	18,866	15,167	22,446	23,526	1,218	3,422	151,760	207,338
Asia	33,099	37,925	75,462	70,981	13,814	13,978	1,097	1,866	123,472	124,751
Rest of world	169	101	10,826	13,501	2,096	1,984	718	663	13,810	16,249
Total	**151,734**	**212,197**	**139,346**	**135,310**	**65,045**	**68,919**	**15,481**	**19,930**	**371,606**	**436,356**

Sales split by market sector

In thousands of CHF	**2019**	2018
PCT		
Semiconductor	127,716	187,417
Flat panel	8,627	8,741
Others	15,391	16,039
Total PCT	**151,734**	**212,197**
IXS		
Automotive	52,889	55,955
Electronics	41,692	40,787
Science & new materials	16,377	17,527
Aerospace	20,758	14,395
Others	7,630	6,646
Total IXS	**139,346**	**135,310**
IXM		
Non-destructive testing	43,320	47,210
Security	11,253	11,372
Others	10,472	10,338
Total IXM	**65,045**	**68,919**
Total EBT	**15,481**	**19,930**
Total net sales	**371,606**	**436,356**

The aggregate amount of the transaction prices allocated to performance obligations that were unsatisfied or partly unsatisfied at December 31, 2019 was CHF 138 million (prior year: CHF 114 million). Comet will realize this revenue as soon as the performance obligations have been fulfilled and the customers have acquired control of the products or services. It is expected that this will generally be the case in the next 12 to 24 months.

Contract balances

Opening and closing balances of receivables and contract assets are reported in note 13. Contract liabilities from contracts with customers are presented in the balance sheet. The contract assets consisted mainly of the rights to consideration for product deliveries and services of the X-Ray Systems division that were completed but not yet billed at the balance sheet date. The contract liabilities consisted of prepayments received from customers. The revenue recognized in 2019 from contract liabilities existing at the beginning of the reporting period amounted to CHF 14.7 million (prior year: CHF 22.6 million).

Material changes in contract balances result from the receipt of customer payments and the invoicing of satisfied performance obligations.

4 Segment reporting

The Group is managed on the basis of the following four operating divisions, which are delineated based on their products and services. For financial reporting purposes the divisions are also referred to here as “operating segments” or “segments”.

- The **Plasma Control Technologies (PCT)** division develops, manufactures and markets vacuum capacitors, radio frequency (RF) generators and RF impedance matching networks for the high-precision control of plasma processes required, for instance, in the production of memory chips and flat panel displays.
- The **X-Ray Systems (IXS)** division develops, manufactures and markets x-ray systems, and provides related services, for non-destructive examination using x-ray and microfocus technology and computed tomography.
- The **Industrial X-Ray Modules (IXM)** division develops, manufactures and markets highly compact x-ray sources and portable x-ray modules for non-destructive testing, steel metrology, and security inspection.
- The **ebeam Technologies (EBT)** division develops, manufactures and markets compact ebeam sets for the treatment of surfaces in the food and printing industries.

Segment operating income represents all revenues and expenses attributable to a particular division. The only revenues and expenses not allocated to the segments are those of Comet Holding AG, certain government grants, and net financial items and income taxes. These unallocated expenses and revenues are reported in the “Corporate” column. Transactions between the segments are invoiced at prices also charged to third parties.

The segment assets and liabilities represent all operating items. The following assets and liabilities are not allocated to operating segments: the assets and liabilities of Comet Holding AG, all cash and cash equivalents, all debt and all income tax assets and liabilities. These unallocated assets and liabilities are reported in the “Corporate” column.

4.1 Operating segments

Fiscal year 2019

In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)	Elimination of intersegment sales	Corporate	Consolidated
Net sales							
External net sales	151,734	139,346	65,045	15,481	–	–	371,606
Intersegment sales	–	205	13,095	–	(13,301)	–	–
Total net sales	**151,734**	**139,551**	**78,141**	**15,481**	**(13,301)**	**–**	**371,606**
Earnings							
Segment operating income/(loss)	8,206	6,301	16,338	(7,903)	(473)	–	22,468
Unallocated costs	–	–	–	–	–	(2,530)	(2,530)
Operating income	**8,206**	**6,301**	**16,338**	**(7,903)**	**(473)**	**(2,530)**	**19,939**
Financing expenses							(6,738)
Financing income							2,162
Income before tax							**15,363**
Income tax							(3,336)
Net income							**12,027**
EBITDA	**15,366**	**12,026**	**21,742**	**(6,156)**	**(473)**	**(2,530)**	**39,974**
EBITDA in % of sales	10.1%	8.6%	27.8%	−39.8%			10.8%
Assets and liabilities at Dec. 31, 2019							
Segment assets	109,507	112,813	82,941	16,801	–	69,648	391,710
Segment liabilities	(31,904)	(66,320)	(15,610)	(6,164)	–	(75,764)	(195,762)
Net assets	**77,603**	**46,493**	**67,331**	**10,637**	**–**	**(6,116)**	**195,948**
Other segment information							
Capital expenditure	7,855	8,003	4,474	860	–	–	21,194
Depreciation and amortization	7,160	5,725	5,404	1,746	–	–	20,035
Change in provisions	(2,080)	(482)	(152)	151	–	–	(2,563)
Other non-cash expense/(income)	1,104	(58)	(623)	420	38	162	1,044
Number of employees at year end	544	439	279	68	–	–	1,330

Fiscal year 2018 [1]

In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)	Elimination of intersegment sales	Corporate	Consolidated
Net sales							
External net sales	212,197	135,310	68,919	19,930	–	–	436,356
Intersegment sales	–	359	12,276	63	(12,698)	–	–
Total net sales	**212,197**	**135,669**	**81,195**	**19,993**	**(12,698)**	**–**	**436,356**
Earnings							
Segment operating income/(loss)	38,367	(5,190)	16,126	(28,223)	278	–	21,358
Unallocated costs	–	–	–	–	–	(2,587)	(2,587)
Operating income	**38,367**	**(5,190)**	**16,126**	**(28,223)**	**278**	**(2,587)**	**18,771**
Financing expenses							(7,003)
Financing income							3,484
Income before tax							**15,251**
Income tax							(2,905)
Net income							**12,347**
EBITDA	**43,479**	**969**	**20,680**	**(19,853)**	**278**	**(2,587)**	**42,966**
EBITDA in % of sales	20.5%	0.7%	25.5%	−99.3%			9.8%
Assets and liabilities at Dec. 31, 2018							
Segment assets	109,198	108,349	90,479	18,601	–	53,638	380,266
Segment liabilities	(29,669)	(56,283)	(20,575)	(5,047)	–	(70,400)	(181,974)
Net assets	**79,529**	**52,066**	**69,904**	**13,554**	**–**	**(16,762)**	**198,292**
Other segment information							
Capital expenditure	13,357	2,468	13,990	3,140	–	–	32,956
Depreciation and amortization	5,112	6,159	4,555	8,370	–	–	24,195
Change in provisions	906	2,902	(318)	(1,228)	–	–	2,262
Other non-cash expense/(income)	315	(69)	1,150	508	43	1,177	3,125
Number of employees at year end	535	420	314	77	–	–	1,346

[1] Restated for IFRS 16 (see note 2.2).

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	2019	2018 [1]
Operating segments' assets	322,062	326,628
Total cash and cash equivalents	60,255	43,007
Derivatives used for foreign exchange hedging	271	26
Tax receivables	609	2,893
Deferred tax assets	8,397	7,516
Comet Holding AG's receivables from third parties	115	196
Total assets	**391,710**	**380,266**
Operating segments' liabilities	(119,998)	(111,574)
Current and non-current debt	(71,893)	(67,812)
Derivatives used for foreign exchange hedging	(41)	(379)
Tax payables	(2,480)	(869)
Comet Holding AG's payables to third parties	(1,350)	(1,339)
Total liabilities	**(195,762)**	**(181,974)**

[1] Restated for IFRS 16 (see note 2.2).

4.2 Geographic information

Comet markets its products and services throughout the world and has its own companies in Switzerland, Germany, Denmark, the USA, China, Japan and South Korea. Net sales are allocated to countries on the basis of customer location.

Net sales by region

In thousands of CHF	2019	2018
Switzerland	11,446	3,208
Germany	32,821	36,726
Rest of Europe	38,297	48,084
Total Europe	**82,564**	**88,018**
Total USA	**151,760**	**207,338**
China	57,287	57,749
Japan	24,175	22,365
Rest of Asia	42,010	44,637
Total Asia	**123,472**	**124,751**
Rest of world	13,810	16,249
Total	**371,606**	**436,356**

Property, plant and equipment, right-of-use assets, and intangible assets by region

In thousands of CHF	2019	2018 [1]
Switzerland	115,218	115,342
Germany	39,951	35,784
USA	6,958	10,096
Rest of world	3,575	5,251
Total	**165,702**	**166,473**

[1] Restated for IFRS 16 (see note 2.2).

4.3 Sales with key accounts

In the year under review, the Plasma Control Technologies division recorded sales of CHF 84 million with its largest customer, which represented 22.7% of Group sales (prior year: CHF 115 million and 26.4%, respectively).

5 Other operating income

In thousands of CHF	**2019**	2018
Customers' contributions to development projects	1,623	2,136
Government grants	142	109
Income from the development of prototypes	3,166	1,508
Miscellaneous income	120	448
Total other operating income	**5,051**	**4,201**

6 Staff costs and staff count

6.1 Staff costs

In thousands of CHF	**2019**	2018
Wages and salaries	117,106	131,542
Employee benefits	20,810	21,588
Total staff costs	**137,917**	**153,130**

6.2 Staff count

	2019	2018
Number of employees (year-end)	1,330	1,346
Average full-time equivalents during the year	1,261	1,379

7 Development expenses

Development expenses comprise the costs of new-product development, improvement of existing products, and process engineering. Comet's development activities focus on the fields of vacuum technology, high voltage engineering and material science, and on the further development of the divisions' core products. In view of the uncertainty of future economic benefits that may flow from development projects, Comet as a rule does not capitalize development costs but charges them directly to the income statement.

8 Loss on disposal of businesses

No businesses were divested in the year under review.

In the prior year, at November 12, 2018, Comet transferred the ebeam systems business (a part of the EBT division) to a new owner, Tri-City Electric Co. in Davenport, Iowa, USA. The new owner acquired the following assets and assumed the following liabilities of the Davenport facility:

In thousands of CHF	Carrying amount Nov. 12, 2018
Trade and other receivables	1,084
Inventories	10,546
Prepaid expenses	87
Total assets	**11,717**
Trade payables and contract liabilities	(5,195)
Provisions	(220)
Total liabilities	**(5,415)**
Total net assets	**6,302**
Cash payment to new owner	(293)
Book loss on transfer	**(6,595)**

The loss on the transaction was tax-deductible. The tax effect was a reduction of CHF 1.7 million in tax expense.

9 Amortization and depreciation

In thousands of CHF	2019	2018 [1]
Amortization of intangible assets	4,602	5,255
Depreciation of right-of-use assets	4,433	4,364
Depreciation of property, plant and equipment	10,537	8,510
Total amortization and depreciation	**19,572**	**18,129**
Impairment of intangible assets	–	5,400
Impairment of property, plant and equipment	463	666
Total impairment	**463**	**6,066**

[1] Restated for IFRS 16 (see note 2.2).

Further information on the impairment charges related to the divestiture of the ebeam systems business in Davenport in 2018 is provided in note 20.

10 Financing income and expenses

In thousands of CHF	2019	2018 [1]
Interest expense	1,999	1,585
Losses on derivatives used for currency hedging	1,104	1,702
Foreign currency translation losses [2]	3,635	3,716
Total financing expenses	**6,738**	**7,003**

[1] Restated for IFRS 16 (see note 2.2).
[2] Adjusted (see note 2.4).

In thousands of CHF	2019	2018
Interest income	108	30
Gains on derivatives used for currency hedging	636	647
Foreign currency translation gains [1]	1,418	2,807
Total financing income	**2,162**	**3,484**

[1] Adjusted (see note 2.4).

In thousands of CHF	2019	2018 [1]
Net interest expense	1,890	1,555
Net foreign currency translation losses/(gains)	2,685	1,964

[1] Restated for IFRS 16 (see note 2.2).

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

11 Income tax

11.1 Current and deferred income tax expense

In thousands of CHF	2019	2018 [1]
Current income tax expense in respect of the current year	3,371	3,220
Current income tax expense in respect of prior years	662	194
Deferred income tax (credit)	(696)	(509)
Total income tax expense	**3,336**	**2,905**

[1] Restated for IFRS 16 (see note 2.2).

11.2 Reconciliation of tax expense

In thousands of CHF	2019	2018 [1]
Income before tax	15,363	15,251
Expected income tax at base tax rate of 24% (prior year: 24%)	3,687	3,660
Effect of tax rates other than base tax rate	671	52
Effect of tax relief from canton of Fribourg	(399)	(520)
Effect of non-tax-deductible expenses	202	442
Effect of change in tax rate on deferred income tax	(128)	(29)
Recognition and offset of tax loss carry-forwards not recognized in prior years	–	(675)
Effect of credits for R&D and domestic manufacturing	(382)	–
Effect of income tax from other periods	(662)	(194)
Effect of non-refundable withholding tax	277	193
Other effects	70	(24)
Income tax reported in the income statement	**3,336**	**2,905**
Effective income tax rate in % of income before tax	21.7%	19.0%

[1] Restated for IFRS 16 (see note 2.2).

Comet AG, based in Flamatt, has been granted conditional tax relief by the canton of Fribourg in the form of a reduction in cantonal and municipal taxes for the period to 2022. For 2019 the tax reduction amounted to 50% (prior year: 50%).

11.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities can be analyzed as follows:

In thousands of CHF	Assets 2019	Liabilities 2019	Assets 2018 [1]	Liabilities 2018 [1]
Financial instruments	41	(58)	39	(6)
Receivables	2,121	(985)	979	(133)
Inventories	4,312	(1,426)	3,832	(1,064)
Property, plant and equipment	267	(625)	279	(628)
Right-of-use assets	1	(2,376)	–	(3,583)
Intangible assets	0	(3,184)	1	(3,274)
Trade payables and other liabilities	4,653	(420)	4,454	(184)
Accrued expenses	1,243	(0)	429	(52)
Provisions	894	(1)	1,020	(1)
Employee benefit plan liabilities	1,748	(0)	1,364	–
Tax loss carryforwards, and tax credits for R&D and domestic manufacturing	2,192	–	4,046	
Total gross deferred tax of Group companies	**17,473**	**(9,076)**	**16,442**	**(8,927)**
Netting of deferred tax by Group companies	(9,076)	9,076	(8,927)	8,927
Amounts in the consolidated balance sheet	**8,397**	**–**	**7,516**	**–**

[1] Restated for IFRS 16 (see note 2.2).

The deferred tax assets and liabilities were measured at local tax rates, ranging from 13% to 35%. No deferred tax liabilities were established for temporary differences of CHF 68.0 million (prior year: CHF 75.6 million) in respect of the value of the ownership interests in Group companies. Distributions of retained earnings by subsidiaries are not expected to have an effect on income taxes, except for future distributions from China and Korea. There were no tax provisions for non-refundable withholding taxes on future distributions of foreign subsidiaries to Comet Holding AG. Distributions by Comet Holding AG to its shareholders have no effect on the reported or future income taxes.

11.4 Movement in deferred tax assets and liabilities

In thousands of CHF	2019	2018 [1]
Net asset at January 1	**7,516**	**6,916**
Origination and reversal of temporary differences recognized in the income statement	2,549	(2,853)
Recognition of deferred tax assets on loss carryforwards and R&D credits	451	3,772
Use of tax loss carryforwards	(2,304)	(408)
Deferred tax credit in the income statement	**696**	**510**
Origination and reversal of temporary differences recognized in other comprehensive income	361	132
Foreign currency translation differences	(177)	(42)
Net asset at December 31	**8,397**	**7,516**

[1] Restated for IFRS 16 (see note 2.2).

11.5 Tax loss carryforwards

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 (prior year: nil).

At the balance sheet date of December 31, 2019, tax loss carryforwards stood at CHF 5.0 million (prior year: CHF 13.0 million). Including tax credits for R&D and domestic manufacturing, the resulting deferred tax assets were CHF 2.2 million (prior year: CHF 4.0 million). The existing loss carryforwards can be carried forward indefinitely.

In the fiscal year, there were no unrecognized deferred tax assets from tax loss carryforwards (prior year: nil).

12 Earnings per share

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

	2019	2018 [1]
Weighted average number of shares outstanding	7,762,845	7,757,904
Net income in thousands of CHF	12,027	12,347
Net income per share in CHF, diluted and basic	1.55	1.59

[1] Restated for IFRS 16 (see note 2.2).

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

13 Trade and other receivables

In thousands of CHF	2019	2018
Trade receivables, gross	54,818	53,996
Impairment of trade receivables	(495)	(614)
Trade receivables, net	**54,323**	**53,382**
Refundable sales taxes and value-added taxes	4,392	2,648
Prepayments to suppliers	2,097	5,552
Contract assets	–	887
Sundry receivables	1,815	1,474
Total other receivables	**8,304**	**10,561**
Total trade and other receivables	**62,627**	**63,943**

The allowance account for impairment of trade receivables showed the following movement:

In thousands of CHF	2019	2018
January 1	**614**	**1,104**
Added	128	95
Released	(230)	(562)
Foreign currency translation differences	(17)	(23)
December 31	**495**	**614**

At the balance sheet date, complete impairment was recognized on CHF 0.4 million (prior year: CHF 0.5 million) of trade receivables. Within the item "total other receivables" and within contract assets, there were no amounts past due or written down. The Group does not hold security against trade and other receivables.

The aging schedule for past-due trade receivables on which impairment has been recognized is summarized in the table below

Fiscal year 2019

In thousands of CHF	Expected loss rate	Gross carrying amount Dec. 31, 2019	Expected credit loss Dec. 31, 2019	Net carrying amount Dec. 31, 2019
Trade receivables		**54,818**	**495**	**54,323**
Not past due	0.1%	49,078	48	49,030
Over 30 days past due, impairment recognized	0.2%	3,827	8	3,819
Over 60 days past due, impairment recognized	0.5%	698	4	694
Over 90 days past due, impairment recognized	1.0%	15	0	15
Over 120 days past due, impairment recognized	1.5%	1	0	1
Over 150 days past due, impairment recognized	36.3% [1]	1,199	435	764

[1] Individual impairment allowances included.

Fiscal year 2018

In thousands of CHF	Expected loss rate	Gross carrying amount Dec. 31, 2018	Expected credit loss Dec. 31, 2018	Net carrying amount Dec. 31, 2018
Trade receivables		**53,996**	**614**	**53,382**
Not past due	0.1%	46,892	68	46,824
Over 30 days past due, impairment recognized	0.3%	5,004	16	4,988
Over 60 days past due, impairment recognized	0.5%	575	3	572
Over 90 days past due, impairment recognized	1.1%	409	4	405
Over 120 days past due, impairment recognized	1.5%	212	3	209
Over 150 days past due, impairment recognized	57.4% [1]	905	519	386

[1] Individual impairment allowances included.

14 Other financial assets and liabilities

14.1 Other financial assets

In thousands of CHF	2019	2018
Other financial assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	271	26
Total other financial assets at fair value through profit or loss	**271**	**26**
Other financial assets at amortized cost		
Other non-current financial assets	367	209
Total other financial assets at amortized cost	**367**	**209**
Total other financial assets	**638**	**235**
Total current	271	26
Total non-current	367	209

14.2 Other financial liabilities

In thousands of CHF	2019	2018
Other financial liabilities at fair value through profit or loss		
Derivatives used for foreign exchange hedging	41	379
Total other financial liabilities at fair value through profit or loss	**41**	**379**

14.3 Derivative financial instruments

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

In thousands of CHF	2019	2018
USD forward exchange contracts		
Contract amounts	14,741	21,763
Positive fair values	176	26
Negative fair values	12	284
JPY forward exchange contracts		
Contract amounts	5,248	2,197
Positive fair values	93	–
Negative fair values	24	79
CNY forward exchange contracts		
Contract amounts	902	858
Positive fair values	2	–
Negative fair values	5	16

The gains and losses from foreign exchange contracts are recognized as financing income or expense (see note 28). 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.

15 Inventories

In thousands of CHF	2019	2018
Raw materials and semi-finished products	41,639	45,495
Work in process	17,128	14,470
Finished goods	26,417	31,125
Total inventories	**85,184**	**91,090**

The inventory amounts reflect any necessary individual write-downs for items with a market value below manufacturing cost. The expense recognized for inventory write-downs was CHF 4.6 million (prior year: CHF 5.5 million).

16 Prepaid expenses

In thousands of CHF	2019	2018
Contract costs	1,164	1,629
Other prepaid expenses	7,132	3,480
Total prepaid expenses	**8,296**	**5,109**

The contract costs represent capitalized sales commissions for agent activities (incremental costs directly attributable to obtaining a contract). In the fiscal year, sales commissions of CHF 3.4 million were recognized in the income statement (prior year: CHF 3.6 million).

The other prepaid expenses consisted largely of prepayments made for the subsequent fiscal year.

17 Property, plant and equipment

Fiscal year 2019

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Assets under construction	Total property, plant and equipment
Cost					
January 1, 2019	**96,919**	**85,491**	**19,275**	**8,637**	**210,322**
Additions	951	5,761	453	6,540	13,705
Commissioning of assets under construction	225	4,417	612	(5,254)	–
Reclassifications	(1,706)	1,646	60	–	–
Disposals	(132)	(1,960)	(1,735)	–	(3,827)
Foreign currency translation differences	(21)	(523)	(403)	17	(930)
December 31, 2019	**96,236**	**94,832**	**18,262**	**9,940**	**219,269**
Accumulated depreciation					
January 1, 2019	**26,230**	**57,672**	**12,829**	**–**	**96,731**
Additions	2,512	5,467	2,558	–	10,537
Impairment	–	463	–	–	463
Reclassifications	(75)	69	6	–	–
Disposals	(132)	(1,805)	(1,599)	–	(3,536)
Foreign currency translation differences	(11)	(347)	(270)	–	(629)
December 31, 2019	**28,524**	**61,519**	**13,524**	**–**	**103,568**
Carrying amount					
January 1, 2019	70,689	27,819	6,446	8,637	113,591
December 31, 2019	**67,712**	**33,312**	**4,738**	**9,940**	**115,702**

The disposals of other tangible assets in the fiscal year included the reclassification of CHF 0.1 million (prior year: CHF 0.5 million) of internally produced demonstration equipment to inventories, which did not result in an outflow of funds.

Assets pledged or assigned as collateral for Group obligations
At December 31, 2019 and December 31, 2018, all real estate liens (mortgage notes in the amount of CHF 30.0 million) were held within the Group.

Fiscal year 2018

In thousands of CHF	Real estate	Plant and equipment	Other tangible assets	Assets under construction	Total property, plant and equipment
Cost					
January 1, 2018	**51,637**	**76,928**	**18,909**	**41,200**	**188,674**
Additions	8,431	11,368	1,084	7,837	28,720
Commissioning of assets under construction	36,872	2,527	1,004	(40,403)	–
Disposals	–	(5,076)	(1,495)	–	(6,571)
Foreign currency translation differences	(21)	(256)	(227)	3	(501)
December 31, 2018	**96,919**	**85,491**	**19,275**	**8,637**	**210,322**
Accumulated depreciation					
January 1, 2018	**24,998**	**57,020**	**11,601**	**–**	**93,618**
Additions	1,243	4,856	2,411	–	8,510
Impairment	–	535	131	–	666
Disposals	–	(4,567)	(1,140)	–	(5,707)
Foreign currency translation differences	(11)	(172)	(174)	–	(357)
December 31, 2018	**26,230**	**57,672**	**12,829**	**–**	**96,731**
Carrying amount					
January 1, 2018	26,639	19,908	7,309	41,200	95,056
December 31, 2018	**70,689**	**27,819**	**6,446**	**8,637**	**113,591**

For the building expansion completed at the end of 2018 and for the improvements to it, interest of CHF 0.6 million was capitalized (year under review: nil). The interest rate used was the effective interest rate of the bond (see note 21).

In the prior year, the divestiture of the ebeam systems business in Davenport resulted in an impairment charge of CHF 0.7 million and reductions in cost and accumulated depreciation of CHF 1.4 million for plant and equipment and of CHF 0.4 million for other tangible assets. At the time of the disposal, all items of property, plant and equipment had already been fully written off. Further information on the disposal is provided in note 8.

18 Right-of-use assets and lease liabilities

The rights of use and liabilities arising from leases showed the following movement:

Fiscal year 2019

In thousands of CHF	Right-of-use assets: Real estate	Plant and equipment	Other tangible assets	Total	Lease liabilities
January 1, 2019	**11,428**	**610**	**17**	**12,055**	**14,163**
Additions	3,858	504	1	4,363	4,363
Disposals	–	–	–	–	(62)
Depreciation, amortization and impairment	(3,973)	(451)	(9)	(4,433)	–
Accretion of interest	–	–	–	–	573
Repayment of lease liabilities	–	–	–	–	(5,440)
Foreign currency translation differences	(279)	(23)	–	(302)	(207)
December 31, 2019	**11,033**	**640**	**9**	**11,682**	**13,389**

The non-current lease liabilities largely have remaining maturities of two to five years. The expected future lease payments are presented in note 29.

The additions to right-of-use assets and lease liabilities were non-cash items and are thus not included in cash flow from investing activities.

Fiscal year 2018

In thousands of CHF	Right-of-use assets: Real estate	Plant and equipment	Other tangible assets	Total	Lease liabilities
January 1, 2018	**13,564**	**685**	**25**	**14,274**	**16,771**
Additions	1,916	386	–	2,303	2,303
Depreciation, amortization and impairment	(3,916)	(439)	(8)	(4,364)	–
Accretion of interest	–	–	–	–	698
Repayment of lease liabilities	–	–	–	–	(5,394)
Foreign currency translation differences	(137)	(22)	–	(159)	(216)
December 31, 2018	**11,428**	**610**	**17**	**12,055**	**14,163**

The composition of the lease expenses in fiscal 2019 and 2018 is shown below:

In thousands of CHF	**2019**	2018
Depreciation, amortization and impairment	4,433	4,364
Interest expenses	573	698
Expenses for short-term leases	103	122
Expense for low-value leases	7	62
Expense for variable lease payments not included in the measurement of lease liabilities	40	–
Total lease expenses	**5,155**	**5,246**

Comet has lease agreements containing extension and termination options (see note 2.2). At December 31, 2019, all options either deemed highly likely to be exercised or not to be exercised were taken into account in the valuation of the lease liabilities.

The undiscounted payments of options that were not exercised as at December 31, 2019 amounted to CHF 6.4 million due within the subsequent five years (prior year: CHF 5.9 million) and to CHF 11.8 million for option periods of more than five years (prior year: CHF 8.9 million).

19 Intangible assets

Fiscal year 2019

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2019	**28,412**	**20,916**	**2,432**	**21,614**	**276**	**73,650**
Additions	–	–	–	3,126	–	3,126
Reclassifications	–	–	–	241	(241)	–
Disposals	–	–	–	(67)	–	(67)
Foreign currency translation differences	(797)	(534)	(75)	(301)	(1)	(1,709)
December 31, 2019	**27,615**	**20,382**	**2,357**	**24,613**	**34**	**75,000**
Accumulated amortization						
January 1, 2019	**0**	**16,278**	**1,516**	**14,994**	**35**	**32,823**
Additions	–	1,301	281	3,020	–	4,602
Disposals	–	–	–	(67)	–	(67)
Foreign currency translation differences	–	(441)	(60)	(173)	(1)	(676)
December 31, 2019	**0**	**17,138**	**1,737**	**17,774**	**34**	**36,683**
Carrying amount						
January 1, 2019	28,412	4,638	916	6,620	241	40,827
December 31, 2019	**27,615**	**3,244**	**620**	**6,839**	**0**	**38,318**

Fiscal year 2018

In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2018	**29,229**	**28,825**	**4,753**	**22,174**	**224**	**85,205**
Additions	–	–	401	1,291	241	1,933
Disposals	–	(7,529)	(2,654)	(1,612)	(188)	(11,983)
Foreign currency translation differences	(817)	(380)	(68)	(239)	(1)	(1,505)
December 31, 2018	**28,412**	**20,916**	**2,432**	**21,614**	**276**	**73,650**
Accumulated amortization						
January 1, 2018	**0**	**19,199**	**2,041**	**12,253**	**65**	**33,558**
Additions	–	1,470	367	3,413	5	5,255
Impairment	–	3,433	1,814	–	153	5,400
Disposals	–	(7,529)	(2,654)	(562)	(188)	(10,933)
Foreign currency translation differences	–	(295)	(52)	(110)	(0)	(457)
December 31, 2018	**0**	**16,278**	**1,516**	**14,994**	**35**	**32,823**
Carrying amount						
January 1, 2018	29,229	9,626	2,712	9,921	159	51,647
December 31, 2018	**28,412**	**4,638**	**916**	**6,620**	**241**	**40,827**

The categories "goodwill and trademarks", "customer lists" and "technology" were capitalized in connection with business combinations. The residual useful lives of the customer lists ranged up to five years.

Under a long-term brand strategy, the established Yxlon name is used alongside the Comet brand. The Group therefore deems the capitalized Yxlon brand to have an indefinite useful life.

The divestiture of the ebeam systems business in Davenport in the prior year resulted in an impairment charge of CHF 5.4 million and reductions in cost and accumulated amortization of CHF 4.4 million for customer lists and of CHF 2.7 million for technology. Further information on the disposal is provided in note 8.

20 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, 2019. For the purpose of the impairment test, the assets to be tested were allocated to and measured as the following two cash generating units, at the level of the IXS division and (within the IXM division) at the level of the IXT business unit:

- X-Ray Systems (IXS), as the relevant cash generating unit for all activities of the historically acquired Yxlon group and for the FeinFocus product group, with the exception of the generator business;
- Industrial X-Ray Technology (IXT), for the generator business acquired as part of the acquisition of Yxlon.

The impairment test is based on the value in use method. The recoverable amount is determined from the present value of the future cash flows (DCF valuation). The calculations are based on the Board-approved rolling forecast current at the time of the impairment test, and on the Board-approved rolling medium-term plan for 2020 to 2022. Using experience-based estimates, the amounts in the forecast and in the medium-term plan are based on growth projections for net sales, operating income and other parameters, taking into consideration the estimated market trends in the various regions. Cash flows beyond the forecast period are extrapolated using an assumed growth rate of 1.5%, which is within the expected rate of market growth. The assumptions applied in determining value in use correspond to the expected long-term average growth rate of the X-Ray Systems division's operating business and of the generator business of Industrial X-Ray Modules. Input variables with a critical impact on the outcome of the impairment test are the assumed rates of sales growth and the projected trend in operating income.

Carrying amount of the assets tested

	X-Ray Systems (IXS) CGU		Industrial X-Ray Technology (IXT) CGU		Total	
In thousands of CHF	**2019**	2018	**2019**	2018	**2019**	2018
Goodwill	18,573	19,287	6,873	6,873	25,446	26,160
Trademarks (Yxlon)	2,169	2,253	0	0	2,169	2,253
Total carrying amount	**20,742**	**21,540**	**6,873**	**6,873**	**27,615**	**28,412**

Assumptions applied in the valuation model

	X-Ray Systems (IXS) CGU		Industrial X-Ray Technology (IXT) CGU	
	2019	2018	**2019**	2018
Discount rate (WACC) before tax	12.5%	12.2%	11.4%	12.8%
Growth rate of terminal value	1.5%	1.8%	1.5%	1.5%

Sensitivities to the assumptions applied in the valuation model

The measurement of the values in use of the X-Ray Systems CGU (IXS) and the Industrial X-Ray Technology CGU (IXT) is sensitive to the following assumptions in the planning period (2020 to 2022):

- Growth assumptions: Sales revenue is projected by product group and region. Based on the recovering situation of 2019 as the starting point, the average annual rate of sales growth is assumed to be 7% for IXS (prior year: 6%) and 11% for IXT (prior year: 9%).
- Gross margins: It is expected that with rising sales, gross margins in the medium term will average approximately 38% for IXS (prior year: 38%) and 46% for IXT (prior year: 50%). Target achievement also depends in part on the trend in the purchasing prices of materials.
- Foreign exchange rates: The movement in exchange rates between the Swiss franc and the euro and US dollar has an effect on company value. The forecasts are based on September 2019 exchange rates.

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

No impairment was recognized in the year under review and Comet believes that, with a realistic change in the material assumptions, the recoverable amount would not fall below the carrying amount.

In the prior year, at the end of the first half of 2018, there were indications of asset impairment for the ebeam systems business (EBS, part of the EBT division) due to lower profitability projections, and an impairment test was therefore performed for it at June 30, 2018. The calculations were based on the Board-approved rolling forecast current at the time of the impairment test, and on the Board-approved rolling medium-term plan for 2019 to 2021. The impairment test determined that an expense of CHF 6.1 million needed to be recognized for the impairment of certain property, plant and equipment and intangible assets in the EBS business. The expense was disclosed in the income statement under cost of sales (CHF 2.2 million), development expenses (CHF 0.2 million) and marketing and selling expenses (CHF 3.7 million).

Comet divested the ebeam systems business effective November 12, 2018, which gave rise to additional losses. Details are provided in note 8.

21 Debt

On April 20, 2016 a five-year, CHF 60 million bond was issued. The bond has a coupon rate of 1.875% and is listed on the SIX Swiss Exchange (ticker symbol COT16; security number 32061943). Its effective interest rate is 2%.

At the end of the fiscal year under review the Comet Group had undrawn credit facilities of CHF 46.6 million (prior year: CHF 51.4 million). Of this total, CHF 4.3 million (prior year: CHF 5.8 million) was reserved for hedging transactions.

21.1 Non-current debt

The non-current debt in the fiscal year consisted only of the five-year bond maturing in 2021 (in the prior year, it also included fixed-rate, fixed-maturity bank loans denominated in CHF). In the year under review, all interest and principal payments were made as contractually agreed.

In thousands of CHF	**2019**	2018
Repayment due within five years	60,000	63,000
Repayment due in more than five years	–	–
Subtotal	**60,000**	**63,000**
Future amortization of costs	(107)	(188)
Total non-current debt	**59,893**	**62,812**

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

21.2 Movement in debt

Fiscal year 2019

In thousands of CHF	Jan. 1, 2019	Cash flows	Reclassif from non-current to current	Unwinding of discount, and remeasurement	Foreign currency translation differences	Dec. 31, 2019
Current debt	5,000	4,000	3,000	–	–	12,000
Non-current debt	62,812	–	(3,000)	81	0	59,893
Total debt	**67,812**	**4,000**	**–**	**81**	**0**	**71,893**

Fiscal year 2018 [1]

In thousands of CHF	Jan. 1, 2018	Cash flows	Reclassif from non-current to current	Unwinding of discount, and remeasurement	Foreign currency translation differences	Dec. 31, 2018
Current debt	2,000	–	3,000	–	–	5,000
Non-current debt	65,733	–	(3,000)	79	0	62,812
Total debt	**67,733**	**–**	**–**	**79**	**0**	**67,812**

[1] Restated for IFRS 16 (see note 2.2).

22 Trade and other payables

In thousands of CHF	2019	2018
Trade payables	26,306	23,971
Sundry payables	3,889	4,406
Sales commissions	4,204	4,614
Total financial liabilities	**34,398**	**32,991**
Sales tax and value-added tax	2,211	1,928
Total other payables	**2,211**	**1,928**
Total trade and other payables	**36,609**	**34,919**

23 Accrued expenses

In thousands of CHF	2019	2018 [1]
Accrued staff costs	5,733	6,602
Other accrued expenses	12,737	13,805
Total accrued expenses	**18,470**	**20,407**

[1] Restated for IFRS 16 (see note 2.2).

Accrued staff costs consist mainly of the amount accrued for performance-based compensation, and employees' vacation and overtime credits. The item "other accrued expenses" relates to outstanding invoices and payables of the fiscal year, such as for rent, energy and consulting.

24 Provisions

Fiscal year 2019

In thousands of CHF	Warranties	Other provisions	Total provisions
January 1, 2019	**7,646**	**4,481**	**12,127**
Added	6,752	790	7,542
Used	(5,207)	(591)	(5,798)
Released	(1,952)	(2,356)	(4,308)
Foreign currency translation differences	(126)	(80)	(206)
December 31, 2019	**7,113**	**2,244**	**9,357**
Of which:			
January 1, 2019			
Current provisions	7,646	4,434	12,080
Non-current provisions	–	47	47
December 31, 2019			
Current provisions	7,113	2,233	9,346
Non-current provisions	–	11	11

The provision for warranties covers the risk of expenses for defects that have not occurred to date, but could potentially occur until the end of the warranty periods. Warranty provisions are measured based on historical experience.

In 2017, in an internal review of compliance with export regulations, a procedural error was found in the USA in connection with a transfer license. Comet informed the appropriate authorities of the error and initiated the necessary corrective measures. In the year under review, Comet was issued a warning by the authorities in this matter and this allowed the case to be closed. The unneeded provision of CHF 1.1 million was reversed through the income statement in the fiscal year.

As well, in the fiscal year, unneeded provisions of CHF 1.0 million related to the reorganization of the IXS division were reversed.

25 Employee benefits

25.1 Defined benefit plans

The Comet Group maintains defined benefit pension plans in Switzerland and Germany. These plans differ according to their particular purpose (retirement, disability, and/or survivor benefits) and are based on the legal requirements in the respective countries.

Switzerland
The defined benefit plans are managed within a multi-employer pension fund. This is a separate legal entity falling under the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pensions (the BVG). The pension fund maintains a main ("base") plan for employees that provides the legally required benefits, and a supplemental plan that provides benefits in respect of pay components above the statutory range. The base plan was switched to a fully insured pension model effective January 1, 2018, as was the supplemental plan with effect from January 1, 2019. From 2019, all investment risk is thus carried by the pension fund, or ultimately by the insurer. Both plans are administered by the multi-employer pension fund, which is in the form of a foundation organized by an insurance company. The pension fund is managed by the foundation's board of directors, which is composed of equal numbers of employee and employer representatives and is required to act in the interests of the plan participants.

Plan participants are insured against the financial consequences of old age, disability and death. The benefits are specified in a set of regulations. Minimum levels of benefits are prescribed by law. Contribution levels are set as a percentage of the insured portion of employees' pay. The retirement benefit is calculated as the retirement pension asset existing at the time of retirement, multiplied by the conversion rate specified in the regulations. Plan participants can opt to receive their principal as a lump sum instead of drawing a pension. The supplemental plan as a rule pays out a lump sum, but a pension can be drawn on request. The amounts of the disability and survivor pensions are defined as a percentage of insured pay.

Germany
In Germany there is a closed plan with pension commitments which no longer has active participants. The obligations in respect of current pension payments and deferred pensions are recognized in the balance sheet.

Principal actuarial assumptions

	Switzerland		Germany	
	2019	2018	**2019**	2018
Discount rate at January 1	0.7%	0.6%	1.6%	1.5%
Discount rate at December 31	0.2%	0.7%	0.6%	1.6%
Expected rate of salary increases	1.0%	1.0%	–	–
Life tables used as basis for life expectancies	BVG 2015 GT	BVG 2015 GT	Heubeck 2018 GT	Heubeck 2018 GT

Movement in present value of defined benefit obligation, in plan assets and in net carrying amount for defined benefit plans

Fiscal year 2019

In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	**Net carrying amount recognized in balance sheet**
January 1	**(84,452)**	**74,513**	**(9,939)**
Current service cost	(3,703)	–	(3,703)
Past service cost	648	–	648
Administration cost, excl. cost of managing plan assets	(41)	–	(41)
Current service cost	**(3,096)**	**–**	**(3,096)**
Interest (expense)/income	(609)	530	(79)
Defined benefit cost recognized in the income statement	**(3,705)**	**530**	**(3,175)**
Return on plan assets, excluding interest income	–	(39)	(39)
Actuarial loss arising from changes in financial assumptions	(3,668)	–	(3,668)
Actuarial gain arising from experience adjustments	283	–	283
Defined benefit cost recognized in other comprehensive income	**(3,385)**	**(39)**	**(3,425)**
Benefits paid-in/deposited	5,474	(5,454)	20
Employee contributions	(2,051)	2,051	–
Employer contributions	–	2,712	2,712
Foreign currency translation differences	77	(45)	33
December 31	**(88,042)**	**74,268**	**(13,774)**
Reported as an asset			–
Reported as a liability			(13,774)

For the defined benefit plans in Switzerland, the board of directors of the pension fund decided in 2019 and in 2018 to reduce the pension conversion rates with effect from the year 2022 and 2021, respectively. These plan amendments led to a negative past service cost (i.e., they resulted in income) and a corresponding reduction in the defined benefit obligation. The positive pre-tax effect of CHF 0.6 million was distributed across the 2019 operating income of the divisions as follows: PCT: CHF 0.2 million; IXM: CHF 0.3 million; EBT: CHF 0.1 million (2018: PCT: CHF 0.2 million; IXM: CHF 0.3 million; EBT: CHF 0.1 million.)

The average duration of the defined benefit obligation was 12.4 years.

Fiscal year 2018

In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	**Net carrying amount recognized in balance sheet**
January 1	**(82,536)**	**75,428**	**(7,108)**
Current service cost	(3,636)	–	(3,636)
Past service cost	613	–	613
Administration cost, excl. cost of managing plan assets	(41)	–	(41)
Current service cost	**(3,064)**	**–**	**(3,064)**
Interest (expense)/income	(517)	461	(57)
Defined benefit cost recognized in the income statement	**(3,581)**	**461**	**(3,120)**
Return on plan assets, excluding interest income	–	(290)	(290)
Actuarial gain arising from changes in financial assumptions	731	–	731
Actuarial gain arising from changes in demographic assumptions	1,053	–	1,053
Actuarial loss arising from experience adjustments	(2,407)	–	(2,407)
Defined benefit cost recognized in other comprehensive income	**(623)**	**(290)**	**(913)**
Benefits paid-in/deposited	4,387	(4,364)	23
Employee contributions	(2,173)	2,173	–
Employer contributions	–	1,152	1,152
Foreign currency translation differences	74	(47)	28
December 31	**(84,452)**	**74,513**	**(9,939)**
Reported as an asset			–
Reported as a liability			(9,939)

Key figures by country

	Switzerland		Germany	
In thousands of CHF	**2019**	2018	**2019**	2018
Present value of defined benefit obligation	(85,969)	(82,505)	(2,072)	(1,947)
Fair value of plan assets	73,116	73,297	1,152	1,216
Net carrying amount recognized in the balance sheet	**(12,854)**	**(9,207)**	**(920)**	**(732)**
Defined benefit cost recognized in the income statement	(3,164)	(3,109)	(11)	(11)
Defined benefit cost recognized in other comprehensive income	(3,195)	(913)	(230)	–

The employer contributions to the plans in Switzerland for fiscal year 2020 are expected to amount to CHF 2.8 million.

Major categories of plan assets

In thousands of CHF	2019	2018
Cash and cash equivalents	–	13,629
Total plan assets at fair value (quoted market price)	**–**	**13,629**
Assets from insurance contract	74,268	60,884
Total assets without a quoted market price	**74,268**	**60,884**
Total plan assets	**74,268**	**74,513**

As the base plan and (since January 1, 2019) the supplemental plan are managed under a fully insured model, all investment risk is carried by the pension fund, or ultimately by the insurer. The plan assets are therefore reported as the item "assets from insurance contract". At December 31, 2018, the plan assets were held in cash and cash equivalents, in preparation for the change-over of the supplemental plan to the fully insured model.

Companies of the Comet Group do not make loans to the pension plans and do not utilize any real estate held by the plans.

Sensitivities

The following table presents an analysis of how the reported present value of the defined benefit obligation would change in response to hypothetical changes in the actuarial assumptions.

Sensitivity of present value of defined benefit obligation to different scenarios

	Switzerland		Germany	
In thousands of CHF	2019	2018	2019	2018
Discount rate: 0.25% decrease	88,712	84,964	2,143	2,011
Discount rate: 0.25% increase	83,412	80,206	2,006	1,887
Expected rate of salary growth: 0.25% decrease	85,839	82,374	2,072	1,947
Expected rate of salary growth: 0.25% increase	86,086	82,637	2,072	1,947
Life expectancy: 1-year increase	86,803	83,177	2,171	2,040
Life expectancy: 1-year decrease	85,138	81,832	1,974	1,855

25.2 Defined contribution plans

The contributions paid to defined contribution plans in the fiscal year amounted to CHF 6.1 million (prior year: CHF 6.3 million).

25.3 Length-of-service awards

Comet grants length-of-service awards to its employees after a certain number of years of service, in the form of lump-sum payments that increase in amount with the number of years of employment. The provision for this item changed as follows in the year under review:

In thousands of CHF	2019	2018
Provision at January 1	1,368	1,330
Current service cost	192	202
Interest cost	16	12
Benefits paid	(135)	(137)
Actuarial losses/(gains)	64	(13)
Foreign currency translation differences	(29)	(26)
Provision at December 31	**1,476**	**1,368**

26 Equity capital structure and shareholders

26.1 Capital stock

The capital stock at January 1, 2019 was CHF 7,759,882, divided into 7,759,882 registered shares with a par value of CHF 1.00 per share.

In fiscal year 2019 the capital stock was increased by 4,326 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 4,326 shares from this portion of authorized capital, Comet Holding AG at December 31, 2019 thus had a new total of CHF 7,764,208 of capital stock, divided into 7,764,208 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in.

At its meeting on August 9, 2019 the Board of Directors established that the capital increase from authorized capital for equity-based compensation was properly performed. The information in the commercial register, and the Bylaws of Comet Holding AG, were updated to reflect the change in capital stock.

	2019		2018	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	7,759,882	7,759,882	7,753,658	7,753,658
Increase in capital from the portion of authorized capital designated for equity compensation	4,326	4,326	6,224	6,224
December 31	7,764,208	7,764,208	7,759,882	7,759,882

At the balance sheet date, Comet Holding AG held no treasury stock (prior year: nil).

26.2 Authorized capital for equity compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only as equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). In such a capital increase, stock is issued to Executive Committee members and/or Board members of Comet Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors.

In May 2019, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,679 shares of stock in payment of CHF 153,948 of fixed retainers due for fiscal year 2018. In addition, as part of their compensation for 2019, the members of the Board of Directors were granted a total of 835 shares in payment of CHF 76,561 of fixed retainers due for the period from January 1, 2019 to the 2019 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 91.69 per share.

Members of the Executive Committee were granted a total of 1,812 shares in payment of CHF 166,142 of profit-sharing compensation due for fiscal year 2019. The fully paid shares were applied to the compensation due at a price of CHF 91.69 per share.

As a result of these grants of a total of 4,326 shares made in 2019, the Company's unissued authorized capital for equity-based compensation showed the following movement:

		2019		2018
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	203,238	203,238	209,462	209,462
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(4,326)	(4,326)	(6,224)	(6,224)
December 31	198,912	198,912	203,238	203,238

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 198,912, or 2.6% of the existing capital stock.

26.3 Authorized capital for other capital increases

At December 31, 2019, 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 Aktienkapital"). The Board of Directors is authorized, at any time until April 26, 2020, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 1,400,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 18% of the existing capital stock. Increases by way of firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of Comet Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

26.4 Significant shareholders

At December 31, 2019 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with voting rights in excess of 3% of the Comet capital stock recorded in the Swiss commercial register of companies):

Beneficial owner	Direct shareholder	Share of voting rights as disclosed by shareholders
Haldor Foundation	Tringle Investment Pte Ltd	10.13%
N/A	VERAISON SICAV – Engagement Fund	9.99%
Pictet Asset Management SA (Direction de Fonds)		5.07%
UBS Fund Management (Switzerland AG)		3.63%

The Company has not been notified of nor is aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge there were no voting pool agreements.

27 Off-balance sheet transactions

27.1 Contingent liabilities

As a global company, Comet is exposed to numerous legal risks. These can include, especially, risks relating to product liability, patent law, export regulations, 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 the business trajectory 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 under provisions.

In 2006 Comet sold a property in Switzerland that is listed in the register of contaminated sites. Until September 2019 the site was monitored and inspected using test drilling. The monitoring activities were concluded with the final report of November 2019. No exceedance of concentrations and no deterioration of groundwater quality were detected and the site is thus no longer classified as requiring monitoring. No site reclamation is therefore necessary. Comet would be liable only if, in the event of new construction, contaminated excavated material were to require disposal. In Comet's estimation, based on current knowledge, no significant costs are likely to result.

27.2 Other off-balance sheet obligations

As part of its operating activities, Comet had purchase obligations at the balance sheet date totaling CHF 16.6 million, of which CHF 10.7 million were current in nature and CHF 5.9 million mature in the five-year period that begins in 2021. The payment obligations arise from off-balance sheet offtake agreements with suppliers, most of which are set out in master agreements.

There were no investment or capital commitments at December 31, 2019.

28 Financial instruments

28.1 Classes of financial instruments

Fiscal year 2019

In thousands of CHF	Financial assets		Financial liabilities		
	FVTPL [1]	At amortized cost	FVTPL [1]	At amortized cost	Fair value
Cash and cash equivalents		60,255			*
Trade receivables, net		54,323			*
Derivatives	271		41		230
Financial assets		367			*
Current debt				12,000	12,042
Trade and other payables				34,398	*
Non-current debt (fixed rate)				59,893	60,870
Total	**271**	**114,945**	**41**	**106,291**	
Interest income/(expense)	–	108	–	(1,999)	
Gain/(loss) on derivatives	636	–	(1,104)	–	
Change in impairment and losses on trade receivables		102			
Total net gain/(loss) recognized in the income statement	**636**	**211**	**(1,104)**	**(1,999)**	

[1] At fair value through profit or loss.
* The carrying amount approximates fair value.

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

The only financial instruments that the Comet Group recognized at fair value are derivatives held for currency hedging. The measurement of the derivatives falls into Level 2 of the fair value measurement hierarchy under IFRS 13.

Fiscal year 2018 [1]

In thousands of CHF	Financial assets		Financial liabilities		
	FVTPL [2]	At amortized cost	FVTPL [2]	At amortized cost	Fair value
Cash and cash equivalents		43,007			*
Trade receivables, net		53,382			*
Derivatives	26		379		(353)
Financial assets		209			*
Current debt				5,000	5,009
Trade and other payables				32,991	*
Non-current debt (fixed rate)				62,812	63,133
Total	**26**	**96,599**	**379**	**100,803**	
Interest income/(expense)	–	30	–	(1,585)	
Gain/(loss) on derivatives	647	–	(1,702)	–	
Change in impairment and losses on trade receivables		467			
Total net gain/(loss) recognized in the income statement	**647**	**497**	**(1,702)**	**(1,585)**	

[1] Restated for IFRS 16 (see note 2.2).
[2] At fair value through profit or loss.
* The carrying amount approximates fair value..

28.2 Fair values of financial instruments

The only differences between fair values and carrying amounts occurred in fixed-rate debt. For the CHF 60 million bond, the quoted market price is used as the fair value (Level 1). The fair values of the other items of fixed-rate debt 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 the most recently obtained or refinanced loans.

29 Management of financial risks

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

29.1 Capital management

The primary goal of capital management is to manage equity and debt 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 reference to net debt and the equity ratio, with the aim of ensuring that the capital structure covers the business risks and assures the Group's lasting financial flexibility.

In thousands of CHF	**2019**	2018 [1]
Current debt	16,635	9,469
+ Non-current debt	68,647	72,506
./. Cash and cash equivalents	60,255	43,007
Net debt	**25,027**	**38,967**
EBITDA	39,974	42,966
Debt ratio (net debt in relation to EBITDA)	**0.6**	**0.9**
Shareholders' equity	195,948	198,292
Equity ratio (equity in % of total assets)	**50.0%**	**52.1%**

[1] Debt including lease liabilities. Restated for IFRS 16 (see note 2.2).

29.2 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.

29.2.1 Market risk

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

Exchange rate risk
With its worldwide activities and strong focus on exports, Comet has particularly high exposure to exchange rate risks, as revenues and costs often do not arise in the same currency. The currency risk from operations is reduced by purchasing and selling in local currency where possible, an approach known as natural hedging. In addition, to protect against fluctuation in exchange rates, significant foreign currency orders in the X-Ray Systems division are already hedged on receipt of the order, using forward exchange contracts. The Industrial X-Ray Modules, ebeam Technologies and Plasma Control Technologies divisions non-selectively hedge a large portion of the expected cash flows in foreign currency up to a one-year time horizon, by means of forward exchange contracts. 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 2019

	Increase in exchange rate in %	Effect on income before tax in thousands of CHF	Effect on equity in thousands of CHF
EUR/CHF	+10	+3,135	+325
USD/CHF	+10	+2,571	+726

Fiscal year 2018

	Increase in exchange rate in %	Effect on income before tax in thousands of CHF [1]	Effect on equity in thousands of CHF [1]
EUR/CHF	+10	+1,272	+1,059
USD/CHF	+10	+857	+1,379

[1] Restated for IFRS 16 (see note 2.2).

A reduction in exchange rates by 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 in the refinancing of current debt. All loans are measured at amortized cost; consequently, in the year under review and the prior year, changes in market interest rates did not have an effect on the carrying amounts of the loans, nor therefore on income before tax or on equity. The fair values of non-current debt, based on the current interest rate situation, are presented on an indicative basis in note 28.1.

29.2.2 Credit risk

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

Banking transactions: Comet 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 most important counterparties at the balance sheet date:

		2019		2018
In thousands of CHF	**Rating***	**Balance**	Rating*	Balance
Bank A	A+	25,973	A+	23,434
Bank B	AAA	2,499	AAA	42
Bank C	A	6,659	A	2,458
Bank D	n/a	4,519	n/a	16
Bank E	A-	10,284	A-	6,157
Bank F	A+	5,045	A+	5,093
Other counterparties		5,276		5,807
Total bank deposits		**60,255**		**43,007**

* 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. Payment terms vary according to the market and customer. The credit limits for and payments received from each customer are monitored by the individual Group companies; 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 recognition of impairment on doubtful accounts. Receivables and contract assets are written off only when payment is highly unlikely to be forthcoming. Detailed information on impairment of receivables and contract assets and its movement in the year can be found in note 13.

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

29.2.3 Liquidity risk

Comet defines liquidity risk as the risk that, at any time, the Group 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. Ensuring solvency also includes active working capital management. The Group's credit quality is safeguarded by monitoring the leverage ratio of net debt to EBITDA. 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 2019

In thousands of CHF	Carrying amount	Payments due by period			
		Total	2020	2021–2024	After 2024
Debt	71,893	74,388	13,263	61,125	–
Lease liabilities	13,389	14,493	5,093	7,449	1,950
Financial liabilities	34,398	34,398	34,398	–	–
Derivatives with negative fair values	41	41	41	–	–
Total	**119,722**	**123,320**	**52,796**	**68,574**	**1,950**

Fiscal year 2018 [1]

In thousands of CHF	Carrying amount	Payments due by period			
		Total	2019	2020–2023	After 2023
Debt	67,812	71,627	6,275	65,352	–
Lease liabilities	14,162	16,296	5,452	10,844	–
Financial liabilities	32,991	32,991	32,991	–	–
Derivatives with negative fair values	379	379	379	–	–
Total	**115,345**	**121,293**	**45,098**	**76,196**	**–**

[1] Restated for IFRS 16 (see note 2.2).

The item "debt" represents the principal amounts of current and non-current debt as well as 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 assumed is the earliest possible.

The contract amounts of open derivative positions are presented in note 14.3.

30 Share-based payments

Main elements of the compensation system

The remuneration of the members of the Executive Committee consists of fixed compensation and a performance-based component. The total compensation takes into account the recipient's position and level of responsibility.

The profit-sharing remuneration of the members of the Executive Committee consists of annually paid compensation under a short-term incentive plan (STIP) and a long-term incentive plan (LTIP). Two-thirds of the compensation under the STIP is paid in cash and one-third of it is paid in stock. The compensation under the LTIP is paid only in stock. The total variable compensation (STIP and LTIP combined) is capped by an upper limit. The profit-sharing compensation of employees who are not members of the Executive Committee is paid only in cash.

Share-based compensation of the members of the Board of Directors

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which two-thirds is paid in cash and one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold.

Share-based compensation of the members of the Executive Committee

In addition to the fixed compensation, the members of the Executive Committee can earn a performance-related, STIP pay component, of which one-third is paid in stock. The balance of the STIP amount is paid in cash. Additionally, further stock compensation can be granted, under the LTIP. The stock transferred under the STIP is subject to a holding period of three years from the date of the award. Stock transferred under the LTIP does not have a holding period.

Calculation of grant price for share awards

The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting.

Expenses recorded

The expense recognized for share-based payments in the year under review was CHF 0.3 million (prior year: CHF 0.3 million). The amount included CHF 0.1 million for stock already awarded to the Board of Directors in 2019.

31 Compensation of the Board of Directors and Executive Committee

The expense for compensation of the members of the Executive Committee and Board of Directors can be analyzed as follows:

in thousands of CHF	2019	2018
Cash compensation, including short-term employee benefits	3,724	4,064
Contributions to post-employment benefit arrangements	387	416
Expense for share-based payments	309	349
Total compensation	**4,420**	**4,830**

Related party transactions
In the fiscal year there were no transactions with related parties (prior year: purchase of consulting services in the amount of CHF 8 thousand).

32 Events after the balance sheet date

On February 3, 2020, the subsidiary Comet Technologies Malaysia Sdn. Bhd. was founded in Penang, Malaysia. The company is wholly owned by Comet Holding AG. There have been no other events after the balance sheet date with a material effect on the amounts in the consolidated financial statements.

33 Proposed distribution to shareholders

The Board of Directors will propose at the Shareholder Meeting to pay shareholders a distribution of CHF 1.00 per share from retained earnings. In the prior year, Comet paid a distribution of CHF 1.00 per share from distributable paid-in capital and of CHF 0.20 per share from retained earnings. The total amount of the proposed distribution is CHF 7.8 million (prior year: CHF 9.3 million).

34 Release of the consolidated financial statements for publication

The Board of Directors released these financial statements on March 12, 2020 for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 23, 2020 for approval.

Building a better working world

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To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, 12 March 2020

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Comet Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 35 to 92) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment of intangible assets – goodwill and other

Risk	The group reviews the carrying amount of its cash generating units annually or more frequently if any impairment indicators are present with respect to goodwill or other intangible assets with indefinite useful life (trademarks). The impairment assessment involves performing a comparison of the estimated recoverable amount (fair value or higher net present value of each cash-generating unit) to its carrying amount. These annual impairment tests were significant to our audit because the balances for goodwill and trademarks of CHF 27.6 million as of 31 December 2019 are material to the financial statements. Furthermore, the underlying estimations to the impairment assessment are complex and any impairment of goodwill, trademarks or other intangible and tangible assets can have a material impact on the net income of the Comet Group. The valuation also depends on assumptions regarding the future development of the business and on judgments made by management. The impairment tests are complex and described in Note 20. The recoverable amount calculated via discounted cash flow analysis that is based on various assumptions such as future cash flows, terminal value growth rates, inflation rate and discount rate (WACC) of each cash-generating unit. These assumptions are determined by management and are therefore considered to be material judgments.
Our audit approach	We assessed the assumptions made in the impairment tests and involved our own valuation specialists to test the accuracy of the impairment calculation. We compared the terminal value growth rate as well as the inflation rate with externally available data and also checked the clerical accuracy of the model. In addition, we evaluated the estimates made by management in previous years in terms of the actual income generated, as well as assessed management's process for identifying possible impairments. Moreover, we evaluated the disclosures regarding impairment testing on goodwill and intangible assets with indefinite useful life with regard to the assumptions made. Our audit procedures did not lead to any reservations concerning the measurement of intangible assets – goodwill and other.

Recognition of provisions resulting from claims

Risk	As outlined in notes 24 and 27.1 of the consolidated financial statements, Comet is exposed to potential claims and litigation in a variety of areas and counterparties. These areas include a former owner of a group company, tax authorities, other authorities and other third parties. Provisions, particularly for individual claims made against Comet, involve a high level of judgment as it is often uncertain if, when and to what extent such claims result in cash outflows. A provision has been raised based on management's best estimate of the likely outflow.
Our audit approach	We assessed Comet's process for identifying and monitoring new or pending claims. We inquired with both financial and legal staff, as well as outside attorneys that were engaged by Comet. Moreover, we read minutes of the Board of Directors and the Audit Committee and discussed open cases with management. Finally, we read legal letters that were provided by external attorneys or other parties that supported Comet in such cases. For recurring claims such as warranties, we assessed the provision based on the historical accuracy to assess the amount recorded in the current year. We also assessed the accounting for any change in the current year. Our audit procedures did not lead to any reservations concerning the completeness and measurement of the provisions resulting from claims.

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

Ernst & Young Ltd

ROLAND RUPRECHT Licensed audit expert (Auditor in charge)	PHILIPPE WENGER Licensed audit expert

Separate Financial Statements of Comet Holding AG

Contents

Statement of income

In thousands of CHF	2019	%	2018	%
Dividend income	15,855		20,164	
Other financing income	2,434		2,612	
Total income	**18,289**	**100.0%**	**22,776**	**100.0%**
Financing expenses	(1,254)		(2,255)	
Other operating expenses	(2,873)		(2,842)	
Amortization of rights to trademarks and names, FeinFocus	–		(523)	
Income tax	(118)		–	
Total expenses	**(4,245)**	**23.2%**	**(5,620)**	**24.7%**
Net income for the year	**14,044**	**76.8%**	**17,156**	**75.3%**

Balance sheet

In thousands of CHF	Note	Dec. 31, 2019	%	Dec. 31, 2018	%
Assets					
Cash and cash equivalents		455		114	
Trade receivables from subsidiaries		3		14	
Prepaid expenses		115		196	
Total current assets		**573**	**0.3%**	**324**	**0.2%**
Non-current financial assets - loans	3	118,466		113,484	
Investments in subsidiaries	2	75,431		75,431	
Intangible assets		–		–	
Total non-current assets		**193,897**	**99.7%**	**188,915**	**99.8%**
Total assets		**194,470**	**100.0%**	**189,239**	**100.0%**
Liabilities and shareholders' equity					
Current trade payables to non-Group entities		4		106	
Current trade payables to shareholders and governing bodies		297		262	
Accrued expenses		1,346		1,232	
Non-current interest-bearing liabilities	8	60,000		60,000	
Total liabilities		**61,647**	**31.7%**	**61,600**	**32.6%**
Capital stock	5	7,764		7,760	
Statutory capital reserve		1,093		8,434	
Statutory earnings reserve		4,967		4,967	
Retained earnings brought forward		104,955		89,323	
Net income for the year		14,044		17,156	
Total retained earnings		**118,999**		**106,479**	
Total shareholders' equity		**132,823**	**68.3%**	**127,639**	**67.4%**
Total liabilities and shareholders' equity		**194,470**	**100.0%**	**189,239**	**100.0%**

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 separate financial statements of Comet Holding AG at and for the year ended December 31, 2019 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 Accounting principles

These separate financial statements were prepared in accordance with the principles of the applicable Swiss Accounting Law (Title 32 of the Swiss Code of Obligations).

Receivables and loans
Receivables and loans are stated at nominal amounts less any necessary write-downs.

Non-current financial assets and investments in subsidiaries
Investments in subsidiaries are recognized at historical cost less necessary impairment; they are individually tested annually for impairment.

2 Investments in subsidiaries

Comet Holding AG directly held the following companies at December 31, 2019:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2019	2018
Comet Holding AG	Flamatt, Switzerland	CHF	7,764,208	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%
Comet Technologies USA, Inc.	Shelton, CT, USA	USD	1,000	100%	100%
Comet Technologies Korea Co. Ltd.	Suwon, Korea	KRW	500,000,000	100%	100%
Yxlon International GmbH	Hamburg, Germany	EUR	110,000	100%	100%
Yxlon International A/S	Taastrup, Denmark	DKK	601,000	100%	100%
Yxlon International 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%

* Comet Holding AG also holds 100% of the voting rights in all companies.

3 Non-current financial assets – loans

Loans to subsidiaries were as follows:

In thousands of CHF	**2019**	2018
Comet AG	76,089	71,555
Comet Technologies USA, Inc.	20,209	22,153
Yxlon International GmbH	19,399	16,785
Yxlon International A/S	1,522	2,991
Yxlon International KK	1,247	–
Total loans to subsidiaries	**118,466**	**113,484**

4 Listing and shareholders

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

Ticker symbol	COTN
Security number	36082699
ISIN	CH0360826991
Closing price at December 31, 2019	CHF 122.60
Market capitalization at December 31, 2019	CHF 952 million

Assorted data on the stock of Comet Holding AG is provided on page 32 of the annual report.

Listed and non-listed Group companies
Comet Holding AG has no publicly traded subsidiaries. The companies consolidated in the Comet Group are presented in note 2, "Investments in subsidiaries".

Registered shareholders
At December 31, 2019, Comet Holding AG had 3,932 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 5,121). Of the total issued registered stock, 100% (prior year: 100%) represented free float. Comet Holding AG held no treasury stock at December 31, 2019 (prior year: nil). The structure of share ownership size classes among the shareholders of record at December 31, 2019 was as follows:

Number of shares	Number of shareholders
1 to 1,000	3,558
1,001 to 10,000	325
10,001 to 50,000	38
50,001 to 100,000	7
More than 100,000	4

This analysis includes only the stock of shareholders who were registered in the share register. At December 31, 2019 the shares of unregistered owners amounted to 31% of the total (prior year: 27%).

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, 2019 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with voting rights in excess of 3% of the Comet capital stock recorded in the Swiss commercial register of companies):

Beneficial owner	Direct shareholder	Share of voting rights as disclosed by shareholders
Haldor Foundation	Tringle Investment Pte Ltd	10.13%
N/A	VERAISON SICAV – Engagement Fund	9.99%
Pictet Asset Management SA (Direction de Fonds)		5.07%
UBS Fund Management (Switzerland AG)		3.63%

The Company has not been notified of nor is aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge there were no voting pool agreements.

Reportable changes during fiscal year 2019

In the fiscal year, three reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Cross-shareholdings

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

5 Equity capital structure

Capital stock
The capital stock at January 1, 2019 was CHF 7,759,882, divided into 7,759,882 registered shares with a par value of CHF 1.00 per share.

In fiscal year 2019 the capital stock was increased by 4,326 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 4,326 shares from this portion of authorized capital, Comet Holding AG at December 31, 2019 thus had a new total of CHF 7,764,208 of capital stock, divided into 7,764,208 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in.

At its meeting on August 9, 2019 the Board of Directors established that the capital increase from authorized capital for equity-based compensation was properly performed. The information in the commercial register, and the Bylaws of Comet Holding AG, were updated to reflect the change in capital stock.

	2019		2018	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	7,759,882	7,759,882	7,753,658	7,753,658
Increase in capital from the portion of authorized capital designated for equity compensation	4,326	4,326	6,224	6,224
December 31	7,764,208	7,764,208	7,759,882	7,759,882

At the balance sheet date, Comet Holding AG held no treasury stock (prior year: nil).

Authorized capital for equity compensation
Under section 3b of its Bylaws, a portion of the Company’s unissued authorized capital is designated for use only as equity-based compensation (in German this portion is known as “bedingtes Aktienkapital”). In such a capital increase, stock is issued to Executive Committee members and/or Board members of Comet Holding AG. With respect to this portion of authorized capital, the other shareholders’ pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors.

In May 2019, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,679 shares of stock in payment of CHF 153,948 of fixed retainers due for fiscal year 2018. In addition, as part of their compensation for 2019, the members of the Board of Directors were granted a total of 835 shares in payment of CHF 76,561 of fixed retainers due for the period from January 1, 2019 to the 2019 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 91.69 per share.

Members of the Executive Committee were granted a total of 1,812 shares in payment of CHF 166,142 of profit-sharing compensation due for fiscal year 2019. The fully paid shares were applied to the compensation due at a price of CHF 91.69 per share.

As a result of these grants of a total of 4,326 shares made in 2019, the Company's unissued authorized capital for equity-based compensation showed the following movement:

		2019		2018
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	203,238	203,238	209,462	209,462
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(4,326)	(4,326)	(6,224)	(6,224)
December 31	198,912	198,912	203,238	203,238

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 198,912, or 2.6% of the existing capital stock.

Authorized capital for other capital increases
At December 31, 2019, in addition to shares outstanding and to unissued authorized capital for equity-based compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). The Board of Directors is authorized, at any time until April 26, 2020, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 1,400,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 18% of the existing capital stock. Increases by way of firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of Comet Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

6 Disclosure of shareholdings of the Board of Directors and Executive Committee

The ownership interests in Comet Holding AG held by current members of the Board of Directors and Executive Committee are disclosed below. This disclosure includes all persons who held positions on the Board of Directors or Executive Committee for all or part of the year under review, regardless of whether they still did so at the balance sheet date. The shareholdings shown include those of respective related parties.

	Total number of shares		Of which: number of shares subject to holding periods ending on			Freely disposable	**Share of voting rights**	
	2019	2018	4/20/2020	4/26/2021	4/26/2022		**2019**	2018
Hans Hess Chairman of the Board (until April 25, 2019)	**37,941**	37,222	543	489	719	36,190	**0.5%**	0.5%
Heinz Kundert Chairman of the Board (since April 25, 2019) / Chief Executive Officer (since June 21, 2019)	**3,564**	–	–	–	–	3,564	**0.0%**	–
Lucas A. Grolimund Vice Chairman and member of the Board (until April 25, 2019)	**10,224**	9,865	271	244	359	9,350	**0.1%**	0.1%
Rolf Huber Vice Chairman (since April 25, 2019) and member of the Board	**13,964**	13,605	271	244	359	13,090	**0.2%**	0.2%
Gian-Luca Bona Member of the Board	**6,024**	5,665	271	244	359	5,150	**0.1%**	0.1%
Mariel Hoch Member of the Board	**874**	515	271	244	359	–	**0.0%**	0.0%
Franz Richter Member of the Board	**874**	515	271	244	359	–	**0.0%**	0.0%
René Lenggenhager Chief Executive Officer (until June 21, 2019)	**6,452**	6,024	–	461	322	5,669	**0.1%**	0.1%
Markus Portmann Chief Financial Officer (until May 31, 2019)	**1,182**	2,943	709	357	116	–	**0.0%**	0.0%
Thomas Wenzel President of X-Ray Systems division (since December 1, 2018)	**73**	73	–	–	–	73	**0.0%**	0.0%
Michael Kammerer President of Plasma Control Technologies division	**1,469**	1,877	691	656	122	–	**0.0%**	0.0%
Stephan Haferl President of X-Ray Modules division (since January 1, 2018)	**277**	151	–	–	104	173	**0.0%**	0.0%
Eric Dubuis Chief Information Officer	**1,353**	1,170	504	279	90	480	**0.0%**	0.0%
Prisca Hafner CHRO (until June 21, 2019)	**100**	180	–	–	100	–	**0.0%**	0.0%

The Board members Patrick Jany and Christoph Kutter (who both joined the Board on April 25, 2019) and the 2019 interim CFO Beat Malacarne did not own stock of Comet Holding AG at December 31, 2019.

Each 10,000 registered shares of Comet Holding AG, of a par value of CHF 1.00 per share, represented 0.1288% of all voting power (prior year: 0.1289%). The members of the Board of Directors and Executive Committee held an aggregate total of 1.1% of voting rights (prior year: 1.1%). No material changes in ownership interests arose after the balance sheet date of December 31, 2019.

7 Options, conversion rights and treasury stock

Comet Holding AG has not issued any conversion rights or stock options.

In fiscal year 2019 and the prior year, Comet Holding AG held no treasury stock.

8 Bond

On April 20, 2016, Comet Holding AG issued a bond in the amount of CHF 60 million (denomination: CHF 5,000). The term of the bond is five years and it matures on April 20, 2021. The fixed coupon over the term is 1.875%, payable annually on April 20.

Listing: SIX Swiss Exchange (security number 32061943, ISIN number CH0320619437, ticker symbol COT16).

9 Guarantees and pledged assets

The Group is taxed as a single entity for purposes of value-added taxation, and Comet Holding AG therefore has joint and several liability for the value-added tax obligations of its Swiss subsidiary.

10 Number of full-time equivalents

The annual average number of full-time equivalents in 2019 and 2018 was less than 10.

11 Events after the balance sheet date

On February 3, 2020, the subsidiary Comet Technologies Malaysia Sdn. Bhd. was founded in Penang, Malaysia. The company is wholly owned by Comet Holding AG. There have been no other events after the balance sheet date with a material effect on the amounts in the financial statements.

12 Release of the separate financial statements for publication

The Board of Directors released these annual financial statements on March 12, 2020 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 23, 2020.

Board of Directors' proposal for the appropriation of retained earnings

1 2019 retained earnings

In thousands of CHF	2019
Earnings brought forward	104,955
Net income for the year	14,044
Retained earnings available for distribution	**118,999**

2 Proposal for the appropriation of retained earnings

At the Annual Shareholder Meeting the Board of Directors will propose to pay a dividend of CHF 1.00 per share from retained earnings.

Provided this dividend is approved, it will result in the following movement in retained earnings:

In thousands of CHF	2019
Retained earnings at December 31, 2019	**118,999**
Dividend payment of CHF 1.00 per share	(7,764)
Retained earnings carried forward	**111,235**

Provided the proposal is approved, the dividend of CHF 1.00 per entitled share will be paid on April 29, 2020 with deduction of Swiss withholding tax.

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To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, 12 March 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Comet Holding Ltd., which comprise the balance sheet, income statement and notes (pages 99 to 106), for the year ended 31 December 2019.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of investments and loans	
Risk	As the parent company of the Group, the company holds investments in various subsidiaries. Furthermore, the parent company uses intragroup loans to fund a number of subsidiaries. Investments and loans each amount to approx. 40% resp. 60% of total assets and are therefore material. By definition, amounts recognized on the balance sheet are subject to an impairment risk. When there are indications of possible impairments, management prepares the required calculations and, if applicable, records a depreciation or allowance. The calculations are based in part on simplified principles, especially when management considered the risk of an impairment to be low.
Our audit approach	We reviewed the calculations performed by management, which were based on statutory financial statements or assessments in connection with the consolidated financial statements. For more complex cases, we involved our valuation specialists in checking particularly the plausibility of the discount rates used. Our audit procedures did not lead to any reservations concerning the measurement of the investments and loans.

Building a better working world

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 para. 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.

Ernst & Young Ltd

ROLAND RUPRECHT Licensed audit expert (Auditor in charge)	PHILIPPE WENGER Licensed audit expert

Corporate Governance 2019

Contents

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

This corporate governance report describes the management structure and control principles in place at the top organizational levels of the Comet Group. The key elements are defined in the Company's Bylaws and in its organizational regulations (the Management Organization Manual).

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

The disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC) are fully met.

Group structure and ownership

Structure of the operating activities of the Comet Group

Plasma Control Technologies PCT	X-Ray Systems IXS	Industrial X-Ray Modules IXM	ebeam Technologies EBT

The Group's commercial activities are divided into four divisions: Plasma Control Technologies (PCT), X-Ray Systems (IXS), Industrial X-Ray Modules (IXM) and ebeam Technologies (EBT). Financial reporting is segmented along these divisional lines. The financial data for the individual divisions is found in the segment reporting within the notes to the consolidated annual financial statements, beginning on page 54 of this annual report.

Listed Group company: Comet Holding AG

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

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Closing price at December 31, 2019	CHF 122.60
Market capitalization at December 31, 2019	CHF 952 million

Assorted data on the stock of Comet Holding AG is provided on page 32 of the annual report.

Non-listed Group companies

Comet Holding AG has no publicly traded subsidiaries.

Basis of consolidation

The following companies' results were consolidated in the accounts of the Comet Group at December 31, 2019:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2019	2018
Comet Holding AG	Flamatt, Switzerland	CHF	7,764,208	100%	100%
Comet AG	Flamatt, Switzerland	CHF	2,000,000	100%	100%
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Capital structure

Capital stock

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In fiscal year 2019 the capital stock was increased by 4,326 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 4,326 shares from this portion of authorized capital, Comet Holding AG at December 31, 2019 thus had a new total of CHF 7,764,208 of capital stock, divided into 7,764,208 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in.

At its meeting on August 9, 2019 the Board of Directors established that the capital increase from authorized capital for equity-based compensation was properly performed. The information in the commercial register, and the Bylaws of Comet Holding AG, were updated to reflect the change in capital stock.

		2019		2018
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January 1	7,759,882	7,759,882	7,753,658	7,753,658
Increase in capital from the portion of authorized capital designated for equity compensation	4,326	4,326	6,224	6,224
December 31	7,764,208	7,764,208	7,759,882	7,759,882

At the balance sheet date, Comet Holding AG held no treasury stock (prior year: nil).

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 as equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). In such a capital increase, stock is issued to Executive Committee members and/or Board members of Comet Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors.

In May 2019, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,679 shares of stock in payment of CHF 153,948 of fixed retainers due for fiscal year 2018. In addition, as part of their compensation for 2019, the members of the Board of Directors were granted a total of 835 shares in payment of CHF 76,561 of fixed retainers due for the period from January 1, 2019 to the 2019 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 91.69 per share. Members of the Executive Committee were granted a total of 1,812 shares in payment of CHF 166,142 of profit-sharing compensation due for fiscal year 2019. The fully paid shares were applied to the compensation due at a price of CHF 91.69 per share.

As a result of these grants of a total of 4,326 shares made in 2019, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2019		2018	
	Number of shares	**Par value in CHF**	**Number of shares**	**Par value in CHF**
January 1	203,238	203,238	209,462	209,462
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(4,326)	(4,326)	(6,224)	(6,224)
December 31	198,912	198,912	203,238	203,238

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 198,912, or 2.6% of the existing capital stock.

Authorized capital for other capital increases

At December 31, 2019, 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 Aktienkapital"). The Board of Directors is authorized, at any time until April 26, 2020, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 1,400,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 18% of the existing capital stock. Increases by way of firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of Comet Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

Changes in shareholders' equity

Over the last three years the shareholders' equity of Comet Holding AG showed the following movements:

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Free reserve	Retained earnings	Total share-holders' equity
December 31, 2016	**7,745**	**4,967**	**27,521**	**–**	**74,510**	**114,743**
Net income	–	–	–	–	14,788	14,788
Distribution from distributable paid-in capital	–	–	(9,295)	–	–	(9,295)
Increase in capital stock	8	–	1,007	–	25	1,040
December 31, 2017	**7,754**	**4,967**	**19,233**	**–**	**89,323**	**121,276**
Net income	–	–	–	–	17,156	17,156
Distribution from distributable paid-in capital	–	–	(11,630)	–	–	(11,630)
Increase in capital stock	6	–	831	–	–	837
December 31, 2018	**7,760**	**4,967**	**8,434**	**–**	**106,479**	**127,639**
Net income	–	–	–	–	14,044	14,044
Distribution from distributable paid-in capital and retained earnings	–	–	(7,760)	–	(1,552)	(9,312)
Increase in capital stock	4	–	420	–	28	452
December 31, 2019	**7,764**	**4,967**	**1,093**	**–**	**118,999**	**132,823**

The corresponding information for the prior two fiscal years is found on page 106 of the annual report 2017 and page 112 of the annual report 2018. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 38 of this annual report.

Stock

The Company's capital stock at December 31, 2019 consisted of 7,764,208 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in. With the exception of any treasury stock held by the Company, every share carries dividend rights. Each share represents one vote at the Shareholder Meeting, provided that the shareholder is recorded in the share register.

Participation certificates

The Company has not issued any participation certificates.

Dividend right certificates

The Company has not issued any dividend right certificates.

Convertible bonds and options

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

Bond

On April 20, 2016, Comet Holding AG issued a bond in the amount of CHF 60 million (with a denomination of CHF 5,000). The term of the bond is five years and it matures on April 20, 2021. The fixed coupon over the term is 1.875%, payable annually on April 20. Listing: SIX Swiss Exchange (security number 32061943, ISIN number CH0320619437, ticker symbol COT16).

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 on behalf of the Comet Group by Devigus Engineering AG. For the purposes of the legal relationship with the Company, shareholders or beneficial owners of shares are recognized as such only if they are registered in the share register. Purchasers of registered stock or of beneficial rights with respect to registered stock are upon their request recorded as voting shareholders in the share register by the Board of Directors if the purchasers state explicitly that they have acquired, and will hold, the stock or beneficial interest for their own account. Registration in the share register requires evidence of the acquisition of full legal title to the shares or evidence of the establishment of beneficial ownership. For the purpose of this condition, nominee shareholders (nominees) are deemed to be those persons who do not explicitly state in their registration application that they hold the shares for their own account. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies. Where legal entities or groups with joint legal status are connected by capital, voting rights, management or in some other manner, they are deemed to constitute a single nominee, as are all natural persons, legal entities or groups with joint legal status that by agreement, as a syndicate or in any other way act in a coordinated manner in circumventing the nominee rules. The Company may, after hearing the affected party, void registrations in the share register with retroactive effect from the date of registration if they were based on false information given by the purchaser. The purchaser must be informed of the deletion immediately. The Board of Directors determines the details of the application of these provisions and makes the arrangements necessary to ensure compliance with them. In special cases, the Board may approve exceptions to the nominee rules. In the year under review, no applications for such special treatment were received.

Management transactions

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

Board of Directors

The Board of Directors has ultimate responsibility for supervising the top-level operational management personnel 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, 2019 the Board of Directors of Comet Holding AG had the following seven members:

Name	Nationality	Position on the Board	Member since	Elected until
Heinz Kundert	Swiss	Chairman and executive member	2019	2020
Rolf Huber Dipl. Ing. Agr. ETH	Swiss	Vice Chairman and non-executive member	2008	2020
Gian-Luca Bona Prof. Dr. sc. nat. ETH	Swiss	Non-executive member	2012	2020
Mariel Hoch Lawyer	Swiss	Non-executive member	2016	2020
Patrick Jany Business Administration, ESCP Paris	German	Non-executive member	2019	2020
Christoph Kutter Prof. Dr. rer. nat.	German	Non-executive member	2019	2020
Franz Richter Dr. Ing. RWTH	German	Non-executive member	2016	2020

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

Additional information on the members of the Board of Directors

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

Heinz Kundert
(b. 1952, Swiss citizen)

Education
Degree in industry management from Institute of Technology in Architecture (ITA), Zurich; degree in marketing and general management from University of St. Gallen (HSG)

Professional experience
1981 to 1991: regional director Asia, Balzers AG; 1991 to 1999: division manager, Semiconductor and Data Storage, Balzers AG; 1999 to 2002: COO of Oerlikon-Bührle; 2002 to 2004: CEO of Unaxis AG; 2005 to 2015: VP of SEMI Intl. USA and president of SEMI Europe; 2015 to 2018: CEO of VAT Group

Rolf Huber
(b. 1965, Swiss citizen)

Education
Dipl. Ing. Agr. master's degree in agronomy from Swiss Federal Institute of Technology, 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; from 2014 was CEO and since 2017 is chairman of H2 Energy AG, Glattpark/Zurich

Gian-Luca Bona
(b. 1957, Swiss citizen)

Education
Dipl. Phys. master's degree in physics from Swiss Federal Institute of Technology (ETH), Zurich and Dr. sc. nat. doctorate in physics from ETH, Zurich

Professional experience
1987 to 2002: IBM Research Laboratory, Rüschlikon; 2002: IBM Watson Research Center, Yorktown Heights, NY; 2003 to 2004: research manager, Photonics Networks, IBM Research Laboratory, Rüschlikon; 2004 to 2008: research functional manager, Science and Technology, IBM Almaden Research Center, San José, CA; 2008 to 2009: director of tape storage solutions, IBM, Tucson, AZ; since September 2009: CEO of Empa (the Swiss Materials Science & Technology Laboratory) and professor of photonics at the Swiss Federal Institutes of Technology (ETH, Zurich and EPF, Lausanne).

Mariel Hoch
(b. 1973, Swiss and German citizen)

Education
Admitted to the Zurich bar in 2005; Dr. iur doctorate in law from University of Zurich and Lic. iur degree in law from University of Zurich

Professional experience
Partner at the law firm Bär & Karrer AG, Zurich

Patrick Jany
(b. 1968, German citizen)

Education
Degree in business administration from École Supérieure de Commerce de Paris (ESCP)

Professional experience
1990 to 2006: Various positions at Sandoz, later Clariant, including CFO for ASEAN region, head of country organization of Clariant Mexico, and head of corporate development; since 2006: CFO and member of the Executive Committee of Clariant AG

Christoph Kutter
(b. 1964, German citizen)

Education
Dr. rer. nat. degree in physics from University of Konstanz, Germany

Professional experience
Until 2012: Various management positions at Infineon Technologies AG; since 2012: director of Fraunhofer Institute for Microsystems and Solid State Technologies (EMFT), Munich, Germany; also since 2012: professor for Polytronic Systems at Bundeswehr University Munich

Franz Richter
(b. 1955, German citizen)

Education
Dipl. Ing. master's degree in physics from Technische Hochschule Darmstadt, Germany; doctorate in mechanical engineering from Rheinisch-Westfälische Technische Hochschule Aachen, Germany

Professional experience
1985 to 1988: researcher at Carl Zeiss, Oberkochen, Germany; 1988 to 1990: researcher at Fraunhofer Institute for Laser Technology, Aachen, Germany; 1990 to 2004: various positions at Süss MicroTec, Garching, Germany, including CEO from 1998 to 2004 and again since fall 2016; from 2005 to 2007: president of Semiconductor Equipment segment, Unaxis, OC Oerlikon, Pfäffikon; 2007 to 2016: CEO and co-founder of Thin Materials, Eichenau, Germany

Operational management functions

At the balance sheet date of December 31, 2019, Board Chairman Heinz Kundert was also interim CEO of the Comet Group and interim president of the ebeam Technologies (EBT) division. No other members of the Board of Directors held operational management positions in the Comet Group. In the three years immediately preceding the year under review, none of the current Board members was a member of the Executive Committee of the Comet Group.

Related party transactions

The Board members had no material business relationships with the Comet Group.

Activities and interests outside the Group

Section 27 of the Bylaws, which have been revised for compliance with the OAEC and approved by the Shareholder Meeting, specifies the allowable number of other, external positions that members of the Board of Directors may hold on top management or supervisory bodies, as follows:

- Members of the Board of Directors may each not hold more than five external positions on top management or supervisory bodies of listed (i.e., exchange-traded) companies and not more than seven such external positions in non-listed companies.
- Members of the Board of Directors may each not hold more than ten such positions in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by Comet Holding AG, or positions controlled by it, are not subject to restriction.

At December 31, 2019 the members of the Board of Directors had the following positions on top management or supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations:

Heinz Kundert
Board vice chairman, VAT Group, Haag; board member, Variosystems AG, Steinach; advisory board member, Fraunhofer Group for Microelectronics, Berlin, Germany.

Gian-Luca Bona
Board member, Bobst Group SA, Mex, Switz.; board member, Technopark Zürich Foundation; member, ETH Board (the board of the Swiss Federal Institutes of Technology); chairman, glaTec technology center, Dübendorf; board member, Innovation Park Zurich foundation; advisory council member, German Federal Institute for Materials Research and Testing (BAM), Berlin

Mariel Hoch
Board member and member of the audit and risk committee and compensation committee, SIG Combibloc Group AG, Neuhausen am Rheinfall; board member and member of the audit committee, Komax Holding AG; board member, MEXAB AG; board member, The Schörling Foundation, Lucerne; co-chair, Human Rights Watch Committee, Zurich

Franz Richter
Chief executive officer, Süss MicroTec SE, Garching, Germany; board member, Meyer Burger Technology AG, Thun; advisory board chairman, Fraunhofer Institute for Reliability and Microintegration (IZM), Berlin, Germany; board chairman, Scint-X Technologies AB, Kista, Sweden

Board elections and terms

Under the Bylaws of Comet Holding AG, its Board of Directors must have at least five members. The Board members are elected by the Annual Shareholder Meeting for a one-year term. They are individually elected when standing for election or re-election. The Shareholder Meeting also elects one member of the Board of Directors as the Chairman of the Board, and elects the members of the Nomination & Compensation Committee.

The term of office ends at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted. 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.

The maximum age for membership on the Board is 70 years. Every Board member must retire from the Board on the day of the Annual Shareholder Meeting held in the year in which he or she reaches 70 years of age.

The Bylaws are in accordance with the legal requirements of the OAEC.

Internal organization

Except for the election of the Board Chairman and the members of the Compensation Committee by the Shareholder Meeting, the Board of Directors constitutes itself at its first meeting after its election or re-election by the Shareholder Meeting. The Board appoints its Vice Chairman, the members of the other Board committees and the Board Secretary. The Secretary need not be a member of the Board. The Board meets at the invitation of the meeting's chairman as often as business requires, or when requested by a Board member in writing for a stated purpose. The Board has a quorum when the majority of members are present.

The Board passes its resolutions and performs its elections by an absolute majority of votes cast. In the event of an equality of votes, the chairman of the meeting has the casting vote. Resolutions on a motion may alternatively be reached in writing if no Board member objects to this method. Minutes must be kept of the deliberations and resolutions and be signed by the meeting chairman and the Board Secretary. The minutes are submitted to the Board for approval at its next meeting. The Bylaws are in accordance with the legal requirements of the OAEC.

Functioning of the full Board of Directors
A total of six regular meetings of the full Board were held in the year, as well as several teleconferences. In addition, several meetings of the Board committees were held. An overview of the meetings of the Board of Directors and the members in attendance is found on page 127.

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, other management staff and specialists of the Comet Group regularly attend Board meetings to report on particular projects in their area of responsibility. As well, external advisors are consulted as required to deal with specific matters. The Board receives monthly written financial reports on the current business performance.

Board committees
In fiscal year 2019 the Board committees had the following members:

Committee	Members
Nomination & Compensation Committee (NCC)	Rolf Huber (Committee chairman)
	Mariel Hoch
Audit Committee (AC)	Lucas A. Grolimund (Committee chairman; until April 2019)
	Patrick Jany (Committee chairman; from April 2019)
	Hans Hess (until April 2019)
	Franz Richter (from April 2019)
Technology Committee (TC)	Gian-Luca Bona (Committee chairman)
	Franz Richter (until April 2019)
	Christoph Kutter (from April 2019)

Every committee normally consists of at least two members of the Board. The members of the Nomination & Compensation Committee (NCC) are elected anew every year by the Annual Shareholder Meeting. The members of the other committees are elected by the Board from among the Board members for a term of one year. Every committee normally meets at least twice per year, or as often as business requires. Reports to the full Board are made orally or in writing as required.

The committees' principal function is to prepare decision support for the full Board in special subject areas. At the regular meetings or as required, the full Board is kept informed of the activities of the individual committees. The overall responsibility for the tasks assigned to the committees remains with the full Board, which decides as a body on all proposals.

Nomination & Compensation Committee
The Nomination & Compensation Committee is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. In the year under review these members were Rolf Huber (chairman) and Mariel Hoch.
The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of Board members and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the full Board of Directors. The Committee has the following responsibilities in particular:

- Attend to the compensation policy for the remuneration of the Board of Directors and Executive Committee and to the compensation structure of the Comet Group
- Produce the proposed compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

Additional responsibilities may be assigned to the Committee as required. The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may hold additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

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 the internal controls; evaluate the coordination of external and internal auditing, and review the performance and compensation of the external independent auditors
- Evaluate the effectiveness of risk management
- Review the rolling multi-year plan, the quarterly rolling forecast and the accuracy of the latter
- Review the financial reporting to shareholders and the public
- Issue directions to the internal audit function and, as may be required on a case-by-case basis by the resulting findings, issue directions to the Executive Committee

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

Technology Committee
The Technology Committee provides support to the full Board in matters of technology. The Committee has the following responsibilities in particular:
- Monitor international developments in technology and evaluate the emerging trends for their relevance to the Comet Group
- Assess the Group's internal research and development activities
- Ensure the Group holds at least one technology day or equivalent event per year

The Committee meets as often as business requires. In the year, the appraisal of technology sector developments, as well as the development measures taken by the Group, were regularly discussed with the division presidents in the course of the Board's scheduled meetings and the Committee meetings.

Overview of the meetings of the Board of Directors and the members in attendance

Name	February		March		April		June	August		November	December
	Tel	BoD	AC	BoD	Before AGM	After AGM	2 days	Tel	BoD	2 days	
Heinz Kundert	--	--	--	--	--	x	x	x	x	x	x
Christoph Kutter	--	--	--	--	--	x	x	y	x	x	x
Patrick Jany	--	--	--	--	--	x	x	x	x	tel.	x
Mariel Hoch	x	x	y	x	x	x	x	y	x	x	tel.
Rolf Huber	x	x	y	x	x	x	x	y	x	x	x
Gian-Luca Bona	x	x	y	x	x	x	x	y	x	tel.	x
Franz Richter	x	x	y	x	x	x	x	x	x	x	x
Lucas Grolimund	x	x	x	x	x	--	--	--	--	--	--
Hans Hess	x	x	x	x	x	--	--	--	--	--	--

BoD: Regular meeting of the Board
Tel: Conference call
AC: Audit Committee
AGM: Annual Shareholder Meeting
tel: Attended by call
x: Attended
y: Not a member of the committee
−−: Not a member of the Board at that time

Division of authority

The Board of Directors is responsible for the overall direction and management of the Group and for the supervision of its most senior operational 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 scope of authority are set out in the Company's organizational regulations (its Management Organization Manual). In particular, the Board of Directors has the authority to:

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

The Board of Directors has delegated all operational 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 parameters set by the Board of Directors. In particular, the CEO has the authority to:

- Manage the Comet Group, implement the Board's strategic directions and decisions, and ensure timely and appropriate reporting to the Board
- Develop business targets within the general objectives established by the Board and present proposals for the rolling forecasts and for the strategic multi-year planning
- Request items of business to be placed on the agenda of Board meetings, prepare such business for transaction by the Board, and ensure 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 Group's liquidity
- The members of the Executive Committee report to the CEO

Monitoring and control with respect to the Executive Committee

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

Management information system
The monthly financial reporting by the Executive Committee on the current course of business and important transactions gives the full Board of Directors the information needed to properly discharge its responsibilities. The standardized internal reporting of the Comet Group consists of the IFRS-based consolidated balance sheet, statement of income and cash flow statement, as well as detailed management reporting. Complementing the monthly consolidated financial statements and a comprehensive range of financial ratios, the management reporting presents and comments upon additional information such as new orders and order backlog, staffing levels and accounts past due, provided in table and chart form. This data is presented both by division and on a consolidated basis for the Group and is compared to the prior year and the rolling forecast. The resulting insights and actions are discussed monthly by the Executive Committee. All monthly financial statements are submitted to the Board of Directors, which discusses them at its meetings.

As a longer-term control tool, a rolling multi-year plan is prepared annually for the subsequent three years. In addition, every quarter, management generates a rolling forecast for the following five quarters.
These forward-looking control tools, which are accompanied by detailed commentary and documented with charts, enable the Board to continually evaluate the financial effectiveness of the adopted business strategy and then to take action if and as required.

Internal audit
Since 2006 the internal audit function is performed on a consulting basis by Robert Kruijswijk, who is based in Elgg, Switzerland. His compensation is determined by the amount of work performed. In the year under review, Robert Kruijswijk carried out various special audits at a number of locations. The reporting is based on the audit priorities newly approved by the Board each year. The nature of the coordination and cooperation between the internal audit function and the external audit firm, complete with the identification of the respective responsibilities, has been specified in writing and approved by the Board.

The following processes were audited in the fiscal year:
- Purchasing process and warehousing at IXS in Hamburg
- Key finance processes and central services in Flamatt
- Corporate communications and central marketing in Flamatt
- New building in Flamatt
- Key processes in human resources in Flamatt
- Key processes at IXM in Denmark
- Key processes at PCT in San José, CA, USA
- Special audit of staff and expense accounts in Shelton, CT, USA
- Marketing at all divisions
- Compliance with data privacy provisions at Corporate and at IXS, Hamburg

The internal auditor reports directly to the Audit Committee of the Board of Directors, at least twice per year and more frequently as required. On completion of each special audit, an audit report is prepared and is discussed with the Executive Committee and the national lead personnel responsible (typically the local company presidents responsible for the relevant business) and/or the persons directly affected by the audit, in order to initiate the implementation of the planned measures. The internal auditor then prepares a final audit report for the Board of Directors, with a corresponding action plan.

Risk management system

Risk management includes the annual evaluation of strategy by the Board and the assessment by the Executive Committee of insurance cover, of the general business risks and of the major balance sheet items. The approach to risk management is described in a risk strategy approved by the Board and is specified in a written risk management procedure for implementation by the Executive Committee. Under the direction of the CFO, the significant risks in the individual business areas and departments are identified in quarterly working group sessions and systematically described and categorized in a risk matrix. The risks are assessed using a risk rating based on the probability of occurrence and the potential severity of loss, as well as by calculating potential absolute financial risk. For the risks classified as important, action plans are formulated to minimize the probability and/or potential severity of loss. The Executive Committee of the Comet Group regularly reviews the effectiveness of the actions taken and decides on a potential updating of the risk portfolio. Newly identified risks are added to the portfolio and action plans are formulated to manage them.

In the fiscal year, several meetings were held on the subject of risk management, with specialist support by the General Counsel of the Comet Group, who is also Corporate Risk Manager. Through separate reports, the Audit Committee at each of its meetings is kept advised of the current assessment of the Group's risks.

Internal control system
In the fiscal year, where required, the Comet Group further expanded, trained or documented the existing system of internal control (the "internal control system"). The internal control system is in use at all levels of the enterprise and in all significant locations.

The significant risks and controls are in accordance with the objectives and quality requirements established by the Board of Directors. The staff members responsible for the internal control system have been designated Group-wide, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in the respective processes and are periodically tested for effectiveness, logical sense, and efficiency. This approach ensures that risks are detected at an early stage and that the necessary countermeasures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of bookkeeping and the timeliness and dependability of financial reporting.

In the year-end audit, the independent auditor audits the internal control system of the Comet Group in terms of risks related to financial reporting and provides a report on the findings to the Board's Audit Committee.

Executive Committee

The Executive Committee – the Group's most senior management below the Board level – is responsible for the operational management of the Comet Group within the powers delegated to it. Markus Portmann, CFO of the Comet Group, left the company at May 31, 2019. In June 2019 it was announced that René Lenggenhager, CEO of the Comet Group and interim President of the EBT division, as well as Prisca Hafner, Chief Human Resources Officer of the Comet Group, were leaving Comet effective June 21, 2019. As of December 31, 2019, the Comet Group's Executive Committee had the following five members.

Heinz Kundert
(b. 1952, Swiss citizen)
Interim Group CEO & interim President of EBT division since June 21, 2019

Education
Degree in industry management from Institute of Technology in Architecture (ITA), Zurich; degree in marketing and general management from University of St. Gallen (HSG)

Professional experience
1981 to 1991: regional director Asia, Balzers AG; 1991 to 1999: division manager, Semiconductor and Data Storage, Balzers AG; 1999 to 2002: COO of Oerlikon-Bührle; 2002 to 2004: CEO of Unaxis AG; 2005 to 2015: VP of SEMI Intl. USA and president of SEMI Europe; 2015 to 2018: CEO of VAT Group

Eric Dubuis
(b. 1964, Swiss citizen)
Chief Information Officer since Oct. 17, 2005

Education
Lic. phil. nat. degree in applied mathematics from University of Berne; Dr. phil. nat. doctorate in computer science from University of Berne; Executive MBA from University of Rochester, NY, USA

Professional experience
1998 to 2000: MTS and technical manager, Lucent Technologies, Bell Labs, NJ, USA; previously: various positions in software development; 2000 to 2003: director, Xebeo Communications, Inc., NJ; 2003 to 2005: senior software engineer, Akadia AG, Switzerland

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

Education
Eidg. dipl. Einkäufer degree in procurement, SVME; MBA in strategy and procurement management from University of Birmingham, UK

Professional experience
1997 to 2000: head of purchasing and logistics, Von Roll Betec AG, Switzerland; 2000 to 2002: head of purchasing and logistics, Swisscom Solutions AG, Switzerland; 2002 to 2007: head of purchasing and supplier quality assurance, automotive, Saia-Burgess AG, Switzerland / Johnson Electric, Hong Kong

Stephan Haferl
(b. 1972, Swiss and Norwegian citizen)
President of X-Ray Modules division since Jan. 1, 2018

Education
Dr. sc. tech. doctorate in mechanical and process engineering from ETH Zurich; Advanced Management Program, Wharton Business School, University of Pennsylvania, PA, USA

Professional experience
2002 to 2007: various management positions at the Bartec Group, Switzerland From 2007: various management positions in Comet's X-Ray Technology business (VP of Supply Chain, VP of R&D, General Manager of Industrial X-Ray Technologies (IXT))

Thomas Wenzel
(b. 1965, German citizen) President of X-Ray Systems division since Dec. 1, 2018

Education
Dipl. Informatiker degree in computer science (University of Erlangen, Germany); Dr. Ing. doctorate in materials science and materials engineering (Saarland University, Germany)

Professional experience
Until 2008 was group leader, development of x-ray inspection systems and, from then until 2015, department head, Process-Integrated Test Systems, Fraunhofer Development Center for X-Ray Technology, Germany; from 2015: at Comet as Technology Scout and Senior CT Expert

Activities and interests outside the Group

Section 27 of the Bylaws, which have been revised for compliance with the OAEC and approved by the Shareholder Meeting, specifies the allowable number of other, external positions that members of the Executive Committee may hold on top management or supervisory bodies, as follows:
- Members of the Executive Committee may each not hold more than one external position on the top management or supervisory body of an exchange-traded (i.e., listed) company and not more than four such external positions in non-listed companies.
- Not more than ten such positions may be held in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by Comet Holding AG, or positions controlled by it, are not subject to restriction.

At December 31, 2019, Heinz Kundert held the following positions outside the Comet Group: Board vice chairman, VAT Group, Haag; board member, Variosystems AG, Steinach; advisory board member, Fraunhofer Group for Microelectronics, Berlin, Germany.

At December 31, 2019, Stephan Haferl was also a board member of Belimed AG, Zug. The other members of the Executive Committee did not hold positions outside the Comet Group on management or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations at the balance sheet date. Some members of the Executive Committee held board positions at subsidiaries of the Comet Group.

Related party transactions

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

Interim management contracts

No interim management contracts existed in the Comet Group.

Compensation, stock ownership and loans

OAEC-related provisions in the Bylaws

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663c of the Swiss Code of Obligations is provided in the notes to the separate financial statements of Comet Holding AG from page 149 of this report.

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of compensation for approval to the Annual Shareholder Meeting:

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting, consisting of an annual variable element under a short-term incentive plan (STIP) and a multi-year variable element under a long-term incentive plan (LTIP).

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, Comet Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

The Bylaws of the Company do not contain specific provisions on the granting of loans, other credit and pension benefits to members of the Board of Directors and Executive Committee or their related parties.

The composition of the performance-based compensation is governed by section 24 of the Bylaws as follows:

- The aggregate amount of variable compensation paid to all members of the Executive Committee of the Comet Group is based on a percentage of the consolidated net income of the Comet Group.
- Part of the aggregate amount (between 50% and 75%) is paid out annually in cash (short-term incentive).
- Part of the aggregate amount (between 25% and 50%) is paid out annually in stock of the Company with a three-year holding period (short-term incentive).
- This annually determined number of shares with a holding period can, depending on the degree of achievement of medium-term performance targets, be supplemented with additional shares that are not subject to a holding period (long-term incentive). The evaluation of achievement of these medium-term performance targets takes into account the degree of target achievement in a peer group of comparable companies.
- The Nomination & Compensation Committee specifies the details in a written regulation that requires the approval of the full Board.

The terms and procedures of stock compensation settlement are governed by section 25 of the Company's Bylaws as follows:

- The grant price of the stock is calculated as the average share price of Comet Holding AG in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting.
- The Board of Directors may terminate the current holding periods early (for example, in the event of a change of control).

Decision authority and responsibility for compensation

The design and regular review and evaluation of the compensation system are the responsibility of the Nomination & Compensation Committee (NCC).

Subject to the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors once annually prepares the compensation proposals, as follows:

Decision on	CEO	NCC	Board of Directors	Shareholder Meeting
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of the Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed compensation of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Fixed compensation of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm verifies whether the quantitative disclosures on compensation, loans and other credit made in the compensation report pursuant to sections 14–16 OAEC comply with the law and the OAEC.

Market comparison criteria
The Comet Group strives for market levels of compensation, and compensation packages are periodically evaluated by specialized consulting firms against benchmarks. This applies to the compensation both of the Board and of the Executive Committee. The Nomination & Compensation Committee periodically compares the mix of the individual components of remuneration and the amount of total compensation with the respective industry environment and, taking its findings into account, submits proposals to the Board of Directors.

Structure of the compensation system

With effect from January 1, 2017, the Board of Directors of Comet Holding AG established a revised compensation system that applies worldwide. This framework governs the profit-sharing compensation for all employees eligible to participate in the short-term incentive plan (STIP). The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The Board of Directors itself receives only a fixed retainer.

Compensation system for employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and all employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

Calculation of total profit-sharing pool

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2019 the percentage rate was determined according to the following model (unchanged from the prior year):

Sales growth	Percentage of net income
Less than 5%	15%
5% – 15%	Linear increase between 15% and 25%
More than 15%	25%

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the Comet Group), using a general allocation formula. Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is evaluated in the sole discretion of the Board and CEO, at the end of the fiscal year. The unused portion of the individual allocation pool is also distributed by the general allocation formula.

Compensation groups and calibration

The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of Comet Holding AG. For each employee the percentage share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and gross annual base salary.

The Board of Comet Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the Comet Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted if appropriate.

Precondition for payment of profit-sharing compensation

A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the Comet Group is still able to report positive consolidated net income.

Compensation system for the Board of Directors

Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.

Responsibility and procedure

The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2014. The compensation details are specified in a Board-approved compensation plan in the form of a regulation.

Fixed retainer

For their work on the Board of Directors, the Board members receive a fixed retainer. A flat expense allowance is paid, in cash.

Stock compensation

Two-thirds of the fixed retainer is paid in cash and one-third is paid in shares of stock. The stock awarded is subject to a holding period of three years during which it cannot be sold.

Overview of compensation

In CHF

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

Additionally, the actual employer contributions to social security plans are paid.

Joining and departure of Board members

Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in a Board-approved regulation. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term profit-sharing plan (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term profit-sharing plan (STIP)	Annual payment in stock (with holding period)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Long-term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with interests of shareholders	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. Hay Group has no other engagements with the Comet Group.

The profit-sharing compensation is based on the regulations approved by the Board of Directors. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

Fixed compensation

All members of the Executive Committee receive fixed compensation that is paid monthly, as well as a flat expense allowance. The fixed compensation is determined by the individual's amount of responsibility, role, performance, experience and skills, and by local market conditions. These elements of compensation are paid in cash.

Short-term profit-sharing compensation (STIP)

In addition to the fixed compensation, the Comet Group's employee profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold. The balance of the STIP amount is paid in cash.

Calculation of short-term profit-sharing compensation (STIP)
An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\textbf{Gross base salary of employee × multiplier × 100}}{\textbf{Total weighted gross salaries of all staff}^{1}} = \textbf{\% share of total profit-sharing pool}$$

[1] Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation
% share of total profit-sharing pool × amount of profit-sharing pool actually being distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit. Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, which in turn proposes them to shareholders for ratification at the Annual Shareholder Meeting in a binding vote as part of the total compensation of the Executive Committee.

Joining and departure of Executive Committee members

Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

Terms of employment

The members of the Executive Committee have employment agreements with a notice period of not more than nine months. There is no entitlement to termination benefits of any kind.

Disbursement of profit-sharing compensation

The members of the Executive Committee receive one-third of their short-term profit-sharing compensation in stock. The balance of the STIP amount is paid in cash. A precondition for paying any profit-sharing compensation is that consolidated net income is still positive after the accrual of this compensation.

Long-term profit-sharing compensation (LTIP)

The aim of the long-term incentive plan (LTIP), which was introduced in fiscal year 2017, is to tie the CEO and the other members of the Executive Committee more closely to the company and to align part of their compensation more tightly with the achievement of long-term corporate targets. Stock transferred under the LTIP does not have a holding period.

Structure of the LTIP

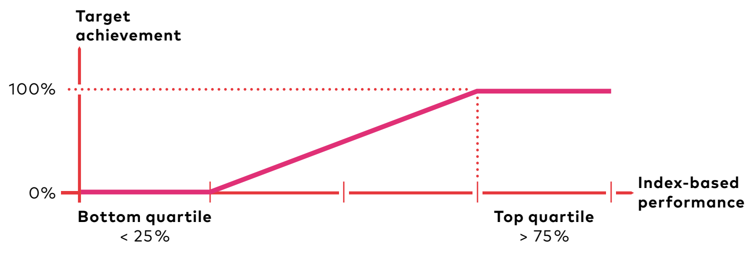
The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year inasmuch as the STIP performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:

- a growth target (T1) and
- a profitability target (T2)

Target achievement is measured relative to a group of comparable listed Swiss manufacturing companies.

Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result is in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). When the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets (T_1 and T_2, in percent) multiplied by the average annual value of the stock (VS) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor C:

$$LTIP = (T_1 + T_2)_s * V_s * C$$

Growth target T_1: The growth target is a specified three-year compound annual growth rate (CAGR) of sales for the respective last three years. The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is thus measured by the average CAGR of the Comet Group over the last three years in relation to the results of the peer group.

Profitability target T_2: The profitability target is a specified average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is thus measured by the average ROCE/WACC ratio of the Comet Group over the last three years in relation to the results of the peer group.

Calibration factor C: The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the long-term incentive corresponds to the performance of the company and the purpose of the LTIP. When doing so, the Board ensures the adjustment is fair to all participants.

Calculation of the value for both V_s of the average annual amount of STIP stock transferred: The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan (STIP) over the last three years.

That value of transferred STIP stock is measured as of the time of its transfer. For determining the amount of LTIP stock to be transferred in year n, the underlying average annual value of STIP stock, V_S, is calculated as follows:

$$V_s = \frac{1}{3}(V_{n-2} + V_{n-1} + V_n)$$

Where V_{n-2} represents the value of the stock transferred in year n-2, V_{n-1} represents the value of the stock transferred in year n-1, and V_n represents the value of the stock transferred in year n.

Determination of target achievement

Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a time lag, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

Intra-year joining or departure
The amount of stock to be transferred under the LTIP is based on the amount of stock already actually transferred under the STIP short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

Disbursement of the LTIP
The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

Changes of control
In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee of the Comet Group. The upper limit thus caps the individual's combined total of short-term (STIP) and long-term (LTIP) profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

Calculation of grant price for stock awards to the Board of Directors and Executive Committee

The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting. The stock transferred to the Executive Committee members under the STIP, and the stock transferred to the Board members, is subject to a holding period of three years from the date of the award during which it cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. The stock transferred to the Executive Committee members under the LTIP does not have a holding period.

Shareholders' participation rights

Shareholders' participation rights (such as rights with respect to voting), are set down in the Swiss Code of Obligations, and this legal framework is supplemented by provisions in the Bylaws of the Company. The Bylaws of Comet Holding AG, which have been adjusted to reflect the legal requirements under the OAEC, can be found on the Company's website at www.comet-group.com/investors/corporate-governance.

Registration in the share register

In accordance with section 12 of the Bylaws, in the notice of the Shareholder Meeting the Board of Directors announces the record date (at which registration in the share register is required for participation in and voting at the meeting) and the details of the written and electronic proxies and instructions.

The share register is closed to new entries from then until and including the day of the Shareholder Meeting. No exception to this rule was made in the year under review nor at any previous Shareholder Meeting. Shareholders who sell their stock before the Shareholder Meeting are not entitled to vote the shares sold.

Voting rights restrictions

Each share that is registered carries one vote, subject to the provisions on nominee shareholders in section 5 of the Bylaws. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies.

Proxy voting

At the Annual Shareholder Meeting, the shareholders elect an independent proxy. The term of office of the independent proxy is one year, ending at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted.

The Board of Directors ensures that the shareholders have the ability to also use electronic means to authorize and instruct the independent proxy.

A shareholder may be represented at the Shareholder Meeting by the independent proxy, by the shareholder's legal representative or – under a written power of attorney – by another shareholder entitled to vote. Powers of attorney and instructions may be given in writing or, to the independent proxy, may also be given electronically.

Quorums under the Bylaws

Except as otherwise required by law, the Shareholder Meeting passes resolutions and conducts its voting by an absolute majority of the votes represented, excluding blank or invalid ballots. A second round of voting, if any, is decided by a relative majority. The Bylaws of Comet Holding AG do not provide for resolutions that would require a different type of majority in order to be passed, with the exception of resolutions named in section 704 of the Swiss Code of Obligations.

Calling of the Shareholder Meeting	The Shareholder Meeting is called by the Board of Directors or, if necessary, by the independent auditors. Notice of the Shareholder Meeting is sent to the shareholders of record by mail at least 20 days before the meeting date.
Placing business on the Shareholder Meeting agenda	Shareholders' requests under section 699 para. 3 of the Swiss Code of Obligations to place business on the Meeting agenda, and the actual shareholder proposal involved, must be submitted to the Board of Directors in writing no later than 45 days before the Shareholder Meeting in question.

Changes of control and takeover defenses

Requirement to make a public tender offer	Under section 32 para. 1 of the Stock Exchange Act (BEHG), any party whose shareholding reaches 33⅓% or more of all voting rights must make a public tender offer. The Bylaws of Comet Holding AG contain neither an opting-up clause nor an opting-out clause; this means that they neither raise this percentage threshold, nor waive the requirement of a tender offer.
Provisions on changes of control	With respect to members of the Board of Directors and the Executive Committee, there are no contractual obligations of unusually long duration, nor provisions for termination benefits, that would result from a change of control. Under the stock ownership plan, the Board of Directors may in its discretion decide to early-terminate the holding period for the stock awarded as performance-based compensation. In all cases, the holding period automatically ends at the time of termination of employment if the termination is the result of a change of control.

Auditors

Duration of independent auditors' engagement and tenure of lead audit partner	Ernst & Young AG (EY), Berne, have been the independent auditors of Comet Holding AG since 1999. The lead audit partner, Roland Ruprecht, has been responsible for the engagement since fiscal year 2017. The rotation cycle for the lead audit partner at EY is seven years. The independent audit firm is elected by the Shareholder Meeting for one fiscal year at a time.

Audit fees

EY received the following compensation for services in connection with auditing the consolidated financial statements and as the independent audit firm for most Group companies:

In thousands of CHF	2019	2018
Audit fees	358	359

Including the other audit firms, the total audit fees in the year under review amounted to CHF 428 thousand (prior year: CHF 435 thousand). The audit fees are set annually upon discussion with the Audit Committee and are based on the audit scope at the individual Group companies, any special in-depth audits, and the auditing of protection against specifically identified risks.

Other fees

In the fiscal year, EY received the following compensation for consulting services in connection with accounting and tax matters:

In thousands of CHF	2019	2018
Audit-related consulting services	22	16
Tax consulting services	255	103
Total consulting services	**277**	**118**

Monitoring of the independent auditors by the Board of Directors

The Audit Committee of the Board of Directors annually reviews the performance, compensation and independence of the audit firm. The Committee also examines the scope of the independent audit, reviews action plans developed to resolve any issues identified in the audit, and recommends candidate independent auditors to the Board to propose for election by the Shareholder Meeting. The Board has not specified a fixed rotation cycle. In selecting the external auditors, particular importance is attached to independence and documented experience.

After the first six months of the year, the Audit Committee at its meeting discusses the unaudited half-year results with the independent auditors. In addition, the annual financial statements are planned and the auditing costs for the fiscal year are approved. Additional meetings are held as needed. After the audit of the annual financial statements, the Audit Committee convenes for a meeting at which it discusses the audited annual report for the fiscal year with the independent auditors. The audit firm reports its findings on the basis of a comprehensive report to the Board of Directors and through the reports of the independent auditors to the Shareholder Meeting. The CEO, CFO and internal auditor take part in the meetings of the Audit Committee. During the year under review the Audit Committee held two meetings.

Communication policy

The Comet Group informs its shareholders, the media, financial analysts and other stakeholders with the greatest possible transparency and based on the principle of equal treatment. The Group publishes annual reports and half-year reports that are prepared in compliance 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 Exchange Regulation (a division of the SIX Swiss Exchange) are published immediately.

Key dates

The dates of the most important publications and events are given below:

End of fiscal year	December 31, 2019
Annual results press conference	March 19, 2020
Publication of annual report	March 19, 2020
Annual Shareholder Meeting	April 23, 2020
End of first half of fiscal year	June 30, 2020
Publication of half-year report	August 13, 2020

Publication media

Comet Holding AG publishes semiannual media releases to update investors on its business and financial results. The printed annual report is sent to shareholders on request after they receive the notice of the Annual Shareholder Meeting. For disclosure announcements for stock exchange purposes, Comet Holding AG uses the electronic publication platform operated by the SIX Swiss Exchange. The Group's website at www.comet-group.com offers a wealth of information, including details of the Comet Group's business activities and access to the annual report, media releases, presentations for press conferences, and the Bylaws of Comet Holding AG. As well, anyone may register on the website to automatically receive all press releases in electronic form.

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Compensation Report 2019

Contents

1 Introduction

This compensation report conforms to the transparency requirements of section 663c of the Code of Obligations and the corporate governance information standards of SIX Exchange Regulation (a division of the SIX Swiss Exchange).

The compensation report discloses the compensation of the members of the Board of Directors and Executive Committee for fiscal years 2018 and 2019. In addition, the shareholdings of the Board and Executive Committee (disclosed in accordance with the Swiss Code of Obligations) are presented in the notes to the separate financial statements of Comet Holding AG on page 105, and the expense for compensation (disclosed in accordance with International Financial Reporting Standards) is presented in the consolidated financial statements of Comet Holding AG on page 92.

The annual report was prepared in full compliance with the disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC).

2 OAEC-related provisions under the Bylaws

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits to the Annual Shareholder Meeting for approval its proposal for the maximum aggregate amounts of compensation of the Board of Directors and of the Executive Committee.

3 Compensation policy

3.1 Principles

The compensation system is designed to attract and retain excellent management and specialist staff.

The Comet Group seeks to set compensation levels that reflect the individual levels of skills and responsibility in the Group and that bear comparison with other employers competing with it for talent. This aim is supported by a fair system of remuneration designed to match levels of pay offered by listed peer companies. No signing (hiring) bonuses or termination benefits are provided.

To promote the focus on corporate strategy and closer ties to the Group, a profit-sharing system is in place, which is based on criteria determined by the Board of Directors. The profit-sharing compensation of the Executive Committee members is in the form of a short-term and a long-term performance-based element and is paid partly in shares of Comet stock. The other employees are paid their profit-sharing compensation entirely in cash. The compensation system for the Board of Directors does not have a performance-based element.

The compensation elements thus take into account short-term and long-term aspects of sustainable company performance and development. The Comet Group is confident that its remuneration architecture creates an effective link between compensation and performance that generates lasting value for shareholders.

3.2 Compensation of the Board of Directors

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which two-thirds is paid in cash and one-third is paid in stock. The stock is subject to a holding period of three years from the date of the award during which it cannot be sold. The reported compensation includes the cash portion of the retainer, the value of the stock portion, and the employer contributions to social security plans.

3.3 Compensation of the Executive Committee

The remuneration of the members of the Executive Committee consists of fixed compensation and a performance-based component. The total compensation takes into account the recipient's position and level of responsibility. The profit-sharing remuneration of the members of the Executive Committee consists of compensation under a short-term incentive plan (STIP) and a long-term incentive plan (LTIP). Two-thirds of the compensation under the STIP is paid in cash and one-third of it is paid in stock. The compensation under the LTIP is paid only in stock. The total variable compensation (STIP and LTIP combined) is capped by an upper limit. Employer contributions to social security plans are presented separately. The members of the Executive Committee have employment agreements with a notice period of not more than nine months. No signing (hiring) bonuses or termination benefits are provided.

3.4 Stock ownership plan (STIP and LTIP)

The Company's stock ownership plan for the Executive Committee members consists of the STIP and LTIP and is designed to heighten the commitment of the CEO and the other Executive Committee members to the Comet Group. The requirement for this group of individuals to draw part of their profit-sharing compensation as stock is detailed in a separate regulation. The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting. The stock transferred under the STIP is subject to a holding period of three years from the date of the award, during which it cannot be sold. However, all other shareholder rights are effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. The stock awarded under the LTIP does not have a holding period. Except as otherwise required by law, in the event of an attempted change of control of Comet Holding AG, the holding period on stock ends when a public tender offer is validly made.

3.5 Shareholders' say on pay

Compensation-related provisions are specified in the Bylaws and documented in corresponding regulations of the Comet Group.

Under the OAEC and the Bylaws of Comet Holding AG, the amounts of the respective aggregate compensation of the Board of Directors and Executive Committee require shareholder approval in a binding vote at the Shareholder Meeting. Specifically, under section 21 of the Bylaws of Comet Holding AG, shareholders vote on the following:

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

The prospectively binding voting in combination with retroactive approval of the performance-related remuneration give shareholders an extensive "say on pay".

4 Determination of compensation

4.1 Decision authority and responsibility for compensation

The design and regular review and evaluation of the compensation system are the responsibility of the Nomination & Compensation Committee (NCC).

Subject to the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors once annually prepares the compensation proposals, as follows:

Decision on	CEO	NCC	Board of Directors	Shareholder Meeting
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of the Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed compensation of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Fixed compensation of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm verifies whether the quantitative disclosures on compensation, loans and other credit made in the compensation report pursuant to sections 14–16 OAEC comply with the law and the OAEC.

4.2 Nomination & Compensation Committee (NCC)

The Nomination & Compensation Committee is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. In the year under review these members were Rolf Huber (chairman) and Mariel Hoch.

The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of Board members and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the full Board of Directors.

The Committee has the following responsibilities in particular:
- Attend to the compensation policy for the remuneration of the Board of Directors and Executive Committee and to the compensation structure of the Comet Group
- Produce the proposed compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

Additional responsibilities may be assigned to the Committee as required. The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may hold additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

In the year under review the Committee, besides several telephone conferences, held two physical meetings, both of which were attended by both of its members. The meetings were also partly attended, in an advisory role, by the CEO and the head of Corporate Human Resources.

4.3 Market comparison criteria

The Comet Group strives for market levels of compensation, and compensation packages are periodically evaluated by specialized consulting firms against benchmarks. This applies to the compensation both of the Board and of the Executive Committee. The Nomination & Compensation Committee periodically compares the mix of the individual components of remuneration and the amount of total compensation with the respective industry environment and, taking its findings into account, submits proposals to the Board of Directors.

5 Structure of the compensation system

With effect from January 1, 2017, the Board of Directors of Comet Holding AG established a revised compensation system that applies worldwide. This framework governs the profit-sharing compensation for all employees eligible to participate in the short-term incentive plan (STIP) and long-term incentive plan (LTIP). The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The Board of Directors itself receives only a fixed retainer.

5.1 Compensation system for employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and all employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

5.1.1 Calculation of total profit-sharing pool

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group’s rate of sales growth compared with the prior year. For fiscal year 2019 the percentage rate was determined according to the following model, unchanged from the prior year:

Sales growth	Percentage of net income
Less than 5%	15%
5% – 15%	Linear increase between 15% and 25%
More than 15%	25%

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the Comet Group), using a general allocation formula. Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is evaluated in the sole discretion of the Board and CEO, at the end of the fiscal year. The unused portion of the individual allocation pool is also distributed by the general allocation formula.

5.1.2 Compensation groups and calibration

The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier together with the gross annual base salary represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of Comet Holding AG. For each employee the percentage share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and gross annual base salary.

The Board of Comet Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the Comet Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted if appropriate.

5.1.3 Precondition for payment of profit-sharing compensation

A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the Comet Group is still able to report positive consolidated net income.

5.2 Compensation system for the Board of Directors

Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.

5.2.1 Responsibility and procedure

The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2014. The compensation details are specified in a Board-approved compensation plan in the form of a regulation.

5.2.2 Fixed retainer

For their work on the Board of Directors, the Board members receive a fixed retainer. A flat expense allowance is paid, in cash.

5.2.3 Stock compensation

Two-thirds of the fixed retainer is paid in cash and one-third is paid in shares of stock. The stock awarded is subject to a holding period of three years during which it cannot be sold.

Overview of compensation

In CHF

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

Additionally, the actual employer contributions to social security plans are paid.

5.2.4 Joining and departure of Board members

Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

5.3 Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in a Board-approved regulation. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- Prospectively, the fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- Retrospectively, the performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, Comet Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term profit-sharing (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term profit-sharing plan (STIP)	Annual payment in stock (with holding period)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Long-term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with interests of shareholders	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

5.3.1 Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. Hay Group has no other engagements with the Comet Group.

The profit-sharing compensation is based on the regulations approved by the Board of Directors. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

5.3.2 Fixed compensation

All members of the Executive Committee receive fixed compensation that is paid monthly, as well as a flat expense allowance. The fixed compensation is determined by the individual's amount of responsibility, role, performance, experience and skills, and by local market conditions. These elements of compensation are paid in cash.

5.3.3 Short-term profit-sharing compensation (STIP)

In addition to the fixed compensation, the Comet Group's employee profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold. The balance of the STIP amount is paid in cash.

Calculation of short-term profit-sharing compensation (STIP)
An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\textbf{Gross base salary of employee} \times \textbf{multiplier} \times \textbf{100}}{\textbf{Total weighted gross salaries of all staff}^{1}} \textbf{ = \% share of total profit-sharing pool}$$

[1] Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation
% share of total profit-sharing pool × amount of profit-sharing pool actually being distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit. Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, which in turn proposes them to shareholders for ratification at the Annual Shareholder Meeting in a binding vote as part of the total compensation of the Executive Committee.

Joining and departure of Executive Committee members
Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

Terms of employment
The members of the Executive Committee have employment agreements with a notice period of not more than nine months. There is no entitlement to termination benefits of any kind.

Disbursement of profit-sharing compensation
The members of the Executive Committee receive one-third of their short-term profit-sharing compensation in stock. The balance of the amount is paid in cash. A precondition for paying any profit-sharing compensation is that consolidated net income is still positive after the accrual of this compensation.

5.3.4 Long-term profit-sharing compensation (LTIP)

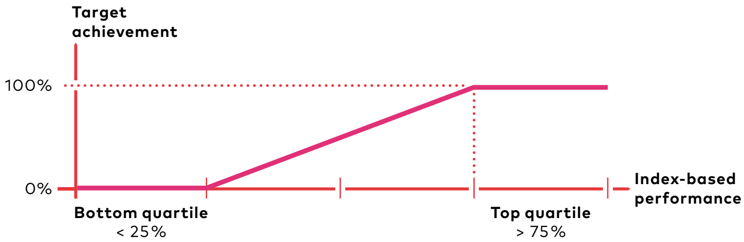
The aim of the long-term incentive plan (LTIP), which was introduced in fiscal year 2017, is to tie the CEO and the other members of the Executive Committee more closely to the company and to align part of their compensation more tightly with the achievement of long-term corporate targets. Stock transferred under the LTIP does not have a holding period.

Structure of the LTIP
The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year inasmuch as the STIP performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:
- a growth target (T1) and
- a profitability target (T2)

Target achievement is measured relative to a group of comparable listed Swiss manufacturing companies.

Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result is in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). When the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets (T1 and T2, in percent) multiplied by the average annual value of the stock (VS) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor C:

$$LTIP = (T_1 + T_2)_s * V_s * C$$

Growth target T_1: The growth target is a specified three-year compound annual growth rate (CAGR) of sales for the respective last three years. The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is thus measured by the average CAGR of the Comet Group over the last three years in relation to the results of the peer group.

Profitability target T_2: The profitability target is a specified average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is thus measured by the average ROCE/WACC ratio of the Comet Group over the last three years in relation to the results of the peer group.

Calibration factor C: The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the long-term incentive corresponds to the performance of the company and the purpose of the LTIP. When doing so, the Board ensures the adjustment is fair to all participants.

Calculation of the value V_S of the average annual amount of STIP stock transferred:
The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan (STIP) over the last three years. That value of transferred STIP stock is measured as of the time of its transfer.

For determining the amount of LTIP stock to be transferred in year n, the underlying average annual value of STIP stock, V_S, is calculated as follows:

$$V_s = \frac{1}{3}(V_{n-2}+V_{n-1}+V_n)$$

Where V_{n-2} represents the value of the stock transferred in year n-2, V_{n-1} represents the value of the stock transferred in year n-1, and V_n represents the value of the stock transferred in year n.

Determination of target achievement
Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a time lag, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

Intra-year joining or departure
The amount of stock to be transferred under the LTIP is based on the amount of stock already actually transferred under the STIP short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

Disbursement of the LTIP
The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

Changes of control
In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

5.3.5 Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee of the Comet Group. The upper limit thus caps the individual's combined total of short-term (STIP) and long-term (LTIP) profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

6 Disclosure of compensation of the Board of Directors and Executive Committee

The following disclosures represent all compensation to the members of the Board of Directors and Executive Committee and their related parties1 for fiscal years 2018 and 2019, disclosed in accordance with the Ordinance Against Excessive Compensation at Listed Companies (OAEC).[1] Further details on the included individuals and their positions in the Group are provided in the corporate governance section of this annual report.

1 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.

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

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer. The compensation of the Board of Directors is set at the Annual Shareholder Meeting for a period of one year. As the Board's term of office does not match the fiscal year, the compensation stated in the annual report may differ from the pre-set amount.

The 2019 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 870,000 (prior year: CHF 800,000) for the term of office ending at the 2020 Annual Shareholder Meeting. The actual compensation in fiscal year 2019 was CHF 818,943. The amount of the Board's compensation was thus almost the same as in the prior year.

Fiscal year 2019

	Total cash compensation (1)	Stock compensation (2)	**Total before social security contributions**	Total expenses for long-term benefits	**Total compensation**
1/1/2019 to 4/25/2019					
Hans Hess, Chairman	44,000	–	**44,000**	3,954	**47,954**
Lucas A. Grolimund, Vice Chairman	22,000	–	**22,000**	1,977	**23,977**
4/25/2019 to 12/31/2019					
Heinz Kundert, Chairman	88,000	66,000	**154,000**	11,309	**165,309**
Patrick Jany, member	44,000	33,000	**77,000**	6,443	**83,443**
Christoph Kutter, member	44,000	33,000	**77,000**	–	**77,000**
1/1/2019 to 12/31/2019					
Rolf Huber, member; Vice Chairman from April 25, 2019	66,000	33,000	**99,000**	8,420	**107,420**
Gian-Luca Bona, member	66,000	33,000	**99,000**	8,420	**107,420**
Mariel Hoch, member	66,000	33,000	**99,000**	8,420	**107,420**
Franz Richter, member	66,000	33,000	**99,000**	–	**99,000**
Board of Directors, total	506,000	264,000	**770,000**	48,943	**818,943**

Fiscal year 2018

	Total cash compensation (1)	Stock compensation (2)	**Total before social security contributions**	Total expenses for long-term benefits (3)	**Total compensation**
Hans Hess, Chairman	132,000	66,041	**198,041**	16,328	**214,369**
Lucas A. Grolimund, Vice Chairman	66,000	33,020	**99,020**	8,281	**107,301**
Gian-Luca Bona, member	66,000	33,020	**99,020**	8,281	**107,301**
Mariel Hoch, member	66,000	33,020	**99,020**	8,281	**107,301**
Rolf Huber, member	66,000	33,020	**99,020**	8,281	**107,301**
Franz Richter, member	66,000	33,020	**99,020**	8,281	**107,301**
Board of Directors, total	462,000	231,142	**693,142**	57,733	**750,875**

(1) The compensation consists of a fixed retainer; two-thirds of it is paid in cash and disclosed in this item.
(2) This item represents the one-third of the fixed retainer which must be drawn in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
(3) This item represents employer contributions to the old age and survivors and unemployment insurance plans as well as contributions to the family allowance fund. For Board members, the Comet Group does not pay pension fund contributions, short-term disability insurance premiums or accident insurance premiums.

Related party transactions
In the fiscal year there were no transactions with related parties (prior year: purchase of consulting services in the amount of CHF 8 thousand).

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

A total of nine persons served as Executive Committee members during the fiscal year. On average for the fiscal year, this represented 8.6 full-time equivalents (prior year: 9.2). The compensation of the members of the Executive Committee for which an expense was accrued is presented in the table below.

The 2018 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 3,500,000 for the fixed compensation for fiscal year 2019. The actual aggregate fixed compensation (including proportionate social security contributions and benefits in kind) reported for fiscal year 2019 was CHF 2,856,123.

In addition, for the prior fiscal year 2018, the 2019 Annual Shareholder Meeting retrospectively approved the proposed aggregate amount of CHF 417,705 for profit-sharing compensation of the Executive Committee (including proportionate social security contributions). This was paid out in May 2019, including 43% that was paid in stock (prior year: 37%).

in CHF		Executive Committee total (1)		Highest compensation René Lenggenhager, CEO (2)	
Fiscal year		**2019**	2018	**2019**	2018
	Footnote				
Fixed compensation	(3)	2,284,101	2,816,243	480,000	480,000
Short-term incentive compensation (STIP), cash portion	(4)	190,112	217,291	61,767	59,072
Total cash compensation		**2,474,213**	**3,033,534**	**541,767**	**539,072**
Short-term incentive compensation (STIP), stock portion	(5)	95,055	108,012	30,884	29,536
Long-term incentive compensation (LTIP)	(6)	5,021	58,704	1,840	9,788
Total stock compensation		**100,076**	**166,716**	**32,724**	**39,324**
Total benefits in kind	**(7)**	**12,553**	**195,615**	**6,300**	**6,300**
Total expenses for long-term benefits	**(8)**	**592,666**	**731,503**	**164,858**	**164,190**
Total compensation		**3,179,508**	**4,127,368**	**745,649**	**748,886**

(1) The Executive Committee had the following members, some of whom served for only part of the year: Heinz Kundert, René Lenggenhager, Eric Dubuis, Stephan Haferl, Prisca Hafner, Michael Kammerer, Markus Portmann and Thomas Wenzel, as well as Beat Malacarne, who was interim CFO for five and a half months.
(2) René Lenggenhager, CEO until June 21, 2019, was the member of management with the highest individual compensation. In the table above, his compensation is both disclosed separately and included in the total compensation of the Executive Committee.
(3) For their work the members of the Executive Committee receive a fixed compensation component, which is paid in cash. This item comprises the fixed compensation of all Executive Committee members who served during all or part of the fiscal year, as well as the compensation of Matthias Barz, who as an interim manager led the IXS division for five months. This item also includes any other one-time cash compensation, such as length-of-service awards.
(4) This item includes the portion of the short-term performance-related (STIP) compensation paid in cash, which is calculated based on the criteria of the compensation system.
(5) This item represents the portion of the short-term performance-related (STIP) compensation paid in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
(6) This item represents the long-term performance-related (LTIP) compensation, all of which is paid in stock. The effective transfer of the stock occurs in the subsequent year.
(7) A GA travel card for the use of Swiss public ground transportation was paid for one member of the Executive Committee.
(8) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV), to the family allowance fund (FAK), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

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. The aggregate profit-sharing compensation (including proportionate social security contributions) reported for fiscal year 2019 is CHF 323,385. Before the 2019 profit-sharing compensation is paid to the members of the Executive Committee, the proposal for it by the Board of Directors must be approved by shareholders at the 2020 Annual Shareholder Meeting (retrospective approval).

6.3 Former members of the Board of Directors and Executive Committee (including related parties)

Former members of the Executive Committee are those members who were no longer active in the fiscal year but who, as a result of notice periods under their employment contracts, still received compensation. As no former members were reported for 2018, no such compensation is shown for 2018.

in CHF		Executive Committee total (1)
Fiscal year		**2019**
Fixed compensation		171,667
Short-term incentive compensation (STIP), cash portion	(2)	13,437
Total cash compensation		**185,104**
Short-term incentive compensation (STIP), stock portion	(3)	6,719
Long-term incentive compensation (LTIP)	(4)	0
Total stock compensation		**6,719**
Total benefits in kind	**(5)**	**68,831**
Total expenses for long-term benefits	**(6)**	**53,100**
Total compensation		**313,754**

(1) In the fiscal year, compensation was paid to former Executive Committee members Detlef Steck and Thomas Polzer.
(2) This item includes the portion of the short-term performance-related (STIP) compensation paid in cash, which is calculated based on the criteria of the compensation system.
(3) This item represents the portion of the short-term performance-related (STIP) compensation paid in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
(4) This item represents the long-term performance-related (LTIP) compensation, all of which is paid in stock. The effective transfer of the stock occurs in the subsequent year.
(5) One member of the Executive Committee was reimbursed for expenses in connection with an international equalization of tax and of social security benefits, as well as receiving an amount towards additional travel and living expenses.
(6) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV), to the family allowance fund (FAK), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

6.4 Supplementary information on compensation

In the fiscal year, no signing bonuses were paid to present or former members of the Board of Directors or of the Executive Committee and no termination benefits were granted or paid.

No loans or other credit were granted in the year under review. No loans or other credit were outstanding at the balance sheet date. The Comet Group has not provided any guarantees or other security. Board members did not receive benefits in kind. No material changes related to compensation have occurred after the balance sheet date of December 31, 2019.

6.5 Interim management contracts

There were no interim management contracts in the fiscal year.

7 Disclosure of shareholdings of the Board of Directors and Executive Committee

At the end of the fiscal year, the members of the Board of Directors and Executive Committee held a combined total of 1.1% of the outstanding shares of Comet Holding AG (prior year: 1.1%).

A detailed analysis of the shareholdings of the members of the Board of Directors and Executive Committee is presented in the notes to the separate financial statements of Comet Holding AG on page 105.

8 Proposals to the 2020 Annual Shareholder Meeting for compensation of the Board of Directors and Executive Committee

At the 2020 Annual Shareholder Meeting the Board of Directors will propose the following three resolutions for the compensation of the Board and the Executive Committee:

- Prospective approval of the total compensation of the Board of Directors for the term from the 2020 to the 2021 Annual Shareholder Meeting
- Prospective approval of the fixed compensation of the Executive Committee for fiscal year 2021 (being the next fiscal year after the year of the Annual Shareholder Meeting)
- Retrospective approval of the performance-based compensation of the Executive Committee for fiscal year 2019 (being the last fiscal year before the year of the Annual Shareholder Meeting)

The detailed proposals and the supporting reasoning will be delivered to shareholders with the notice of the 2020 Annual Shareholder Meeting.

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To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, 12 March 2020

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Comet Holding Ltd. for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in Section 06 – Disclosure of compensation of the Board and Executive Committee on pages 159 to 164 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2019 of Comet Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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Licensed audit expert
(Auditor in charge)

PHILIPPE WENGER
Licensed audit expert

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