Comet Group Consolidated Financial Statements

Contents

The complete 2020 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	2020	%	2019	%
Net sales	3/4	395,816		371,606	
Cost of sales		(238,249)		(228,763)	
Gross profit		**157,567**	**39.8%**	**142,843**	**38.4%**
Other operating income	5	5,428	1.4%	5,051	1.4%
Development expenses	7	(53,220)	– 13.4%	(48,693)	– 13.1%
Marketing and selling expenses		(43,369)	– 11.0%	(49,843)	– 13.4%
General and administrative expenses		(31,063)	– 7.8%	(29,419)	– 7.9%
Gain on disposal of businesses	8	3,986	1.0%	—	—
Operating income		**39,329**	**9.9%**	**19,939**	**5.4%**
Financing expenses	10	(8,657)	– 2.2%	(6,738)	– 1.8%
Financing income	10	2,816	0.7%	2,162	0.6%
Income before tax		**33,487**	**8.5%**	**15,363**	**4.1%**
Income tax	11	(5,827)	– 1.5%	(3,336)	– 0.9%
Net income		**27,661**	**7.0%**	**12,027**	**3.2%**
Earnings per share in CHF, diluted and basic	12	3.56		1.55	
Operating income		**39,329**	**9.9%**	**19,939**	**5.4%**
Amortization	9	4,526	1.1%	4,602	1.2%
EBITA		**43,855**	**11.1%**	**24,541**	**6.6%**
Depreciation	9	14,761	3.7%	15,433	4.2%
EBITDA		**58,616**	**14.8%**	**39,974**	**10.8%**

Consolidated statement of comprehensive income

In thousands of CHF	Note	2020	2019
Net income		27,661	12,027
Other comprehensive income			
Foreign currency translation differences		(2,618)	(2,286)
Total items that will be reclassified to the income statement on realization		**(2,618)**	**(2,286)**
Actuarial gains/losses on defined benefit plans	26	1,392	(3,425)
Income tax	11	(181)	361
Total items that will not subsequently be reclassified to the income statement		**1,211**	**(3,064)**
Total other comprehensive income		**(1,407)**	**(5,350)**
Total comprehensive income		**26,254**	**6,677**

Consolidated balance sheet

In thousands of CHF	Note	Dec. 31, 2020	%	Dec. 31, 2019	%
Assets					
Cash and cash equivalents		74,681		60,255	
Trade and other receivables	13	61,784		62,627	
Other assets	14	1,813		271	
Tax receivables		1,168		609	
Inventories	15	94,188		85,184	
Prepaid expenses	16	4,674		8,296	
Total current assets		**238,308**	**55.5%**	**217,243**	**55.5%**
Property, plant and equipment	17	112,629		115,702	
Right-of-use assets	18	20,610		11,682	
Intangible assets	19	43,862		38,318	
Other assets – non-current financial assets	14	3,209		367	
Deferred tax assets	11	10,653		8,397	
Total non-current assets		**190,963**	**44.5%**	**174,467**	**44.5%**
Total assets		**429,271**	**100.0%**	**391,710**	**100.0%**
Liabilities and shareholders' equity					
Current debt	22	59,976		12,000	
Current lease liabilities	18	4,198		4,635	
Trade and other payables	23	37,289		36,609	
Contract liabilities	3	43,421		28,273	
Other financial liabilities	14	1,471		41	
Tax payables		4,399		2,480	
Accrued expenses	24	21,429		18,470	
Current provisions	25	8,466		9,346	
Total current liabilities		**180,649**	**42.1%**	**111,853**	**28.6%**
Non-current debt	22	—		59,893	
Non-current lease liabilities	18	17,644		8,754	
Non-current provisions	25	69		11	
Employee benefit plan liabilities	26	14,808		15,250	
Deferred tax liabilities	11	1,145		—	
Total non-current liabilities		**33,666**	**7.8%**	**83,909**	**21.4%**
Total liabilities		**214,315**	**49.9%**	**195,762**	**50.0%**
Capital stock	27	7,768		7,764	
Additional paid-in capital		11,631		11,184	
Retained earnings		224,452		203,277	
Foreign currency translation differences		(28,895)		(26,277)	
Total equity attributable to shareholders of Comet Holding AG		**214,956**	**50.1%**	**195,948**	**50.0%**
Total liabilities and shareholders' equity		**429,271**	**100.0%**	**391,710**	**100.0%**

Consolidated statement of cash flows

In thousands of CHF	Note	2020	2019
Net income		27,661	12,027
Income tax	11	5,827	3,336
Depreciation, amortization and impairment	9	19,287	20,035
Net interest expense	10	1,838	1,890
Share-based payments		518	301
Losses on disposal of property, plant and equipment		199	94
Losses on disposal of intangible assets		7	—
Gain on disposal of businesses	8	(3,986)	—
Other non-cash expense or (income)		1,860	1,044
Change in provisions	25	(52)	(2,563)
Change in other working capital		10,789	12,575
Taxes paid		(6,903)	(50)
Net cash provided by operating activities		**57,045**	**48,688**
Inflow from disposal of businesses	8	7,542	—
Outflow from acquisitions	20	(8,391)	—
Purchases of property, plant and equipment	17	(12,635)	(16,419)
Purchases of intangible assets	19	(931)	(2,202)
Disposals of property, plant and equipment	17	321	99
Purchase/disposals of other assets		(1,379)	(163)
Interest received		77	108
Net cash (used in) investing activities		**(15,396)**	**(18,577)**
Proceeds from bank debt	22	—	5,000
Repayment of debt	22	(12,000)	(1,000)
Repayment of lease liabilities	18	(4,715)	(4,867)
Interest paid		(1,847)	(1,901)
Distribution to shareholders of Comet Holding AG	34	(7,764)	(9,312)
Net cash (used in) financing activities		**(26,326)**	**(12,080)**
Net increase/(decrease) in cash and cash equivalents		15,323	18,031
Foreign currency translation differences on cash and cash equivalents		(897)	(784)
Net cash and cash equivalents at January 1		60,255	43,007
Net cash and cash equivalents at December 31		**74,681**	**60,255**

Consolidated statement of changes in equity

In thousands of CHF	Note	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total shareholders' equity
		Equity attributable to shareholders of Comet Holding AG				
January 1, 2019		**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	34		(7,760)	(1,552)		(9,312)
Increase in capital (for stock compensation)	27	4	448	(503)		(51)
Share-based payments	31/32			342		342
December 31, 2019		**7,764**	**11,184**	**203,277**	**(26,277)**	**195,948**
Net income				27,661		27,661
Other comprehensive income				1,211	(2,618)	(1,407)
Total comprehensive income				**28,872**	**(2,618)**	**26,255**
Distribution to shareholders of Comet Holding AG	34			(7,764)		(7,764)
Increase in capital (for stock compensation)	27	4	447	(363)		88
Share-based payments	31/32			431		431
December 31, 2020		**7,768**	**11,631**	**224,452**	**(28,895)**	**214,956**

Notes to the consolidated financial statements

01 Nature of the business activities

The Comet Group ("Comet", the "Group") is one of the world's leading vendors of x-ray and radio frequency (RF) power technology. With high-quality components, systems and services, marketed under the "Comet" and "Yxlon" brands, the Group helps its customers optimize the quality, reliability and efficiency of their products and processes. Yxlon x-ray systems for non-destructive inspection are supplied to end customers in the electronics, automotive, aerospace 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 semiconductor, automotive and aerospace industries as well as the security sector. Under the ebeam brand, Comet also developed, manufactured and marketed compact ebeam sets for the treatment of surfaces in the food and printing industries. Comet sold the ebeam lamp business to Tetra Pak eBeam Systems SA, Pully, Switzerland, effective November 30, 2020 (see notes 4 and 8).

02 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.

02.1 Changes in accounting policies

Revised and new accounting rules
With effect from January 1, 2020, Comet has applied the following new or adjusted IFRS/IFRIC for the first time:

- IFRS 3 – Business Combinations (amendment): Definition of a Business
- IAS 1 – Presentation of Financial Statements, and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (amendments): Definition of Material
- IFRS 7 – Financial Instruments: Disclosures, IFRS 9 – Financial Instruments, and IAS 39 – Financial Instruments: Recognition and Measurement (amendments): Interest Rate Benchmark Reform
- Conceptual Framework for Financial Reporting (revision, issued March 29, 2018)
- IFRS 16 – Leases (amendment): Covid-19-Related Rent Concessions

On May 28, 2020, the International Accounting Standards Board (IASB) published an amendment to IFRS 16 concerning Covid-19-related rent concessions. Lessees have the option to waive the assessment of whether a rent concession related to Covid-19 represents a lease modification as defined in IFRS 16. Instead, the lessee may treat such lease concessions as if they were not a modification and recognize the effect as a variable lease payment in profit or loss. The amendment is effective from June 1, 2020 and applies to rent concessions granted until and including June 30, 2021. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. Comet has applied this practical expedient. This provided a relief effect of CHF 0.1 million in income before tax in the year under review.

The new or amended standards and interpretations had no material effect on the Group's financial position, results of operations and cash flows.

02.2 New accounting rules becoming effective in subsequent periods

Standard	Expected impact	Effective date	Planned adoption by Comet
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	(1)	Jan. 1, 2021	Fiscal year 2021
IAS 37 – Provisions, contingent liabilities and contingent assets: Onerous Contracts, Cost of Fulfilling a Contract (Amendments to IAS 37)	(1)	Jan. 1, 2022	Fiscal year 2022
IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	(1)	Jan. 1, 2022	Fiscal year 2022
IFRS 3 – Business combinations: Reference to the Conceptual Framework (Amendments to IFRS 3)	(1)	Jan. 1, 2022	Fiscal year 2022
IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	(1)	Jan. 1, 2023	Fiscal year 2023

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

02.3 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 notes 19 to 21): 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 25) 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 26): 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 26.

Impacts of Covid-19

The effects of the Covid-19 crisis on the global economy as a whole and on Comet's markets remain uncertain. With respect to these impacts, Comet has critically reviewed the assumptions and estimates that affect the financial position, results of operations and cash flows. In this review, no relevant changes have been identified that would have a material impact on these financial statements. Comet is able to meet its contractual and financial obligations in full.

In connection with the Covid-19 pandemic, Comet received one-time government assistance in the year under review. This consisted mainly of reductions in social security contributions. The positive effect on income before tax was CHF 0.9 million. The assistance received has been recognized as offsets within the corresponding expense items in the consolidated income statement.

02.4 Consolidation

02.4.1 Basis of consolidation

Effective December 31, 2020, Comet acquired sole ownership of the software developer Object Research Systems (ORS) Inc., based in Montreal, Canada. The related information is provided in note 20.

As well, two subsidiaries, Comet Technologies Malaysia Sdn. Bhd., Penang, Malaysia, and Comet Solutions Taiwan Ltd., Hsinchu County, Taiwan, were founded in the year under review. The companies are wholly owned by Comet Holding AG.

The consolidated financial statements thus comprise the accounts of the companies listed below:

Company	Registered office	Equity interest in %	
		2020	2019
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%
Comet Technologies Denmark A/S[1]	Taastrup, Denmark	100%	100%
Yxlon International KK	Yokohama, Japan	100%	100%
Yxlon (Beijing) X-Ray Equipment Trading Co. Ltd.	Beijing, China	100%	100%
Comet Technologies Malaysia Sdn. Bhd.	Penang, Malaysia	100%	–
Object Research Systems (ORS) Inc.	Montreal, Canada	100%	–
Comet Solutions Taiwan Ltd.	Hsinchu County, Taiwan	100%	–

[1] Renamed to "Comet Technologies Denmark A/S" from "Yxlon International A/S".

02.4.2 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 cash generating units 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, 2020**	Dec. 31, 2019	**2020**	2019
USA	USD	1	0.882	0.968	0.939	0.994
Eurozone	EUR	1	1.084	1.085	1.070	1.113
China	CNY	1	0.135	0.139	0.136	0.144
Japan	JPY	100	0.855	0.891	0.879	0.912
Denmark	DKK	1	0.146	0.145	0.144	0.149
Republic of Korea	KRW	1,000	0.812	0.838	0.796	0.853
Malaysia	MYR	1	0.220	–	0.222	–
Canada	CAD	1	0.692	–	0.692	–
Taiwan	TWD	100	3.141	–	3.166	–

02.5 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 and IXM divisions and the sale of systems (including services such as installation) by the IXS division. Revenue from the sale of goods, including 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.

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).

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.

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 standard 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 costs of maintenance and repair that do not increase asset values are 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

Right-of-use assets and lease liabilities
As a lessee, Comet recognizes leases on the basis of a right-of-use model. At the inception of every contract, Comet assesses whether it includes a lease, separating 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 by calculating the present value of the lease payments, plus initial direct costs, plus estimated costs for dismantling, removal and restoration, less lease incentives received. The lease liabilities correspond to the present value of the discounted payment obligations. For discounting the lease payments, Comet uses the interest rate implicit in the lease. In doing so, the currency area in which the leased asset is located and the Comet-specific credit risk are taken into account. 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.

Comet's leases may include renewal options. These are included in the calculations 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):

	Maximum extension
Buildings and warehouses	3 years
Plant and equipment	2 years
Other tangible assets	1 year

In the event of a material modification, 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 recognized through profit or loss.

Where Comet is the lessor, the lease is accounted for either as an operating or a finance lease, depending on its terms.

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 generally 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 ac-

countable 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.

03 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Geographic region										
Europe	7,878	9,236	29,116	34,192	21,363	26,689	12,137	12,448	70,494	82,564
USA	157,125	109,230	12,886	18,866	13,718	22,446	553	1,218	184,281	151,760
Asia	59,516	33,099	58,021	75,462	11,493	13,814	1,611	1,097	130,641	123,472
Rest of world	200	169	6,426	10,826	3,478	2,096	297	718	10,401	13,810
Total	**224,718**	**151,734**	**106,449**	**139,346**	**50,052**	**65,045**	**14,598**	**15,481**	**395,816**	**371,606**

Sales split by market sector

In thousands of CHF	2020	2019
PCT		
Semiconductor	192,232	127,716
Flat panel	18,613	8,627
Others	13,872	15,391
Total PCT	**224,718**	**151,734**
IXS		
Automotive	35,430	52,889
Electronics	34,972	41,692
Science & new materials	21,825	16,377
Aerospace	10,508	20,758
Others	3,715	7,630
Total IXS	**106,449**	**139,346**
IXM		
Non-destructive testing	32,380	43,320
Security	8,151	11,253
Others	9,522	10,472
Total IXM	**50,052**	**65,045**
Total EBT	**14,598**	**15,481**
Total net sales	**395,816**	**371,606**

Comet sold the ebeam lamp business to Tetra Pak eBeam Systems SA, Pully, Switzerland, effective November 30, 2020 (see note 8). Assets and liabilities having a future value in use and remaining with Comet after the divestiture were allocated to other divisions of the Group according to their intended use, and the ebeam Technologies (EBT) division was dissolved with effect from January 1, 2021.

Unsatisfied performance obligations

The aggregate amount of the transaction prices allocated to performance obligations that were unsatisfied or partly unsatisfied at December 31, 2020 was CHF 166 million (prior year: CHF 138 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. This is expected generally to 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 2020 from contract liabilities existing at the beginning of the reporting period amounted to CHF 18.4 million (prior year: CHF 14.7 million). Material changes in contract balances result from the receipt of customer payments and the invoicing of satisfied performance obligations.

04 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 examination, steel metrology, and security inspection.
- The **ebeam Technologies (EBT)** division developed, manufactured and marketed compact ebeam sets for the treatment of surfaces in the food and printing industries. Comet sold the ebeam lamp business to Tetra Pak eBeam Systems SA, Pully, Switzerland, effective November 30, 2020 (see note 8). Assets and liabilities having a future value in use and remaining with Comet after the divestiture were allocated to other divisions of the Group according to their intended use, and the EBT segment was dissolved with effect from January 1, 2021.

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, 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.

04.1 Operating segments

Fiscal year 2020 In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)[1]	Elimination of intersegment sales	Corporate	Consolidated
Net sales							
External net sales	224,718	106,449	50,052	14,598	—	—	395,816
Intersegment sales	—	314	11,351	—	(11,665)	—	—
Total net sales	**224,718**	**106,762**	**61,403**	**14,598**	**(11,665)**	**—**	**395,816**
Earnings							
Segment operating income/(loss)	41,781	(6,677)	3,997	2,242	156	—	41,498
Unallocated costs	—	—	—	—	—	(2,169)	(2,169)
Operating income	**41,781**	**(6,677)**	**3,997**	**2,242**	**156**	**(2,169)**	**39,329**
Financing expenses							(8,657)
Financing income							2,816
Income before tax							**33,487**
Income tax							(5,827)
Net income							**27,661**
EBITDA	**49,338**	**(1,009)**	**8,956**	**3,344**	**156**	**(2,169)**	**58,616**
EBITDA in % of sales	22.0%	– 0.9%	14.6%	22.9%			14.8%
Assets and liabilities at Dec. 31, 2020							
Segment assets	129,908	124,183	83,828	—	—	91,351	429,271
Segment liabilities	(44,235)	(86,261)	(16,793)	—	—	(67,025)	(214,315)
Net assets	**85,673**	**37,923**	**67,035**	**—**	**—**	**24,326**	**214,956**
Other segment information							
Capital expenditure	11,823	11,369	3,669	254	—	—	27,115
Depreciation and amortization	7,557	5,669	4,959	1,102	—	—	19,287
Change in provisions	700	(353)	(35)	(364)	—	—	(52)
Other non-cash expense/(income)	646	(495)	359	(102)	14	1,438	1,860
Number of employees at year end	679	431	293	—	—	—	1,403

[1] Comet sold the ebeam lamp business effective November 30, 2020. The EBT segment was dissolved with effect from January 1, 2021.

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

Reconciliation of aggregate segment assets and liabilities to consolidated results

In thousands of CHF	**2020**	2019
Operating segments' assets	337,919	322,062
Total cash and cash equivalents	74,681	60,255
Other assets	4,791	271
Tax receivables	1,168	609
Deferred tax assets	10,653	8,397
Comet Holding AG's receivables from third parties	60	115
Total assets	**429,271**	**391,710**
Operating segments' liabilities	(147,289)	(119,998)
Current and non-current debt	(59,976)	(71,893)
Derivatives used for foreign exchange hedging	(45)	(41)
Tax payables	(4,399)	(2,480)
Deferred tax liabilities	(1,145)	—
Comet Holding AG's payables to third parties	(1,461)	(1,350)
Total liabilities	**(214,315)**	**(195,762)**

04.2 Geographic information

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

Net sales by region

In thousands of CHF	2020	2019
Switzerland	11,581	11,446
Germany	26,914	32,821
Rest of Europe	31,998	38,297
Total Europe	**70,494**	**82,564**
Total North America	**186,057**	**151,760**
China	55,101	57,287
Japan	21,775	24,175
Rest of Asia	53,765	42,010
Total Asia	**130,641**	**123,472**
Rest of world	8,625	13,810
Total	**395,816**	**371,606**

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

In thousands of CHF	2020	2019
Switzerland	108,786	115,218
Germany	48,343	39,951
North America	14,053	6,958
Rest of world	5,918	3,575
Total	**177,101**	**165,702**

04.3 Sales with key accounts

In the year under review, the Plasma Control Technologies division recorded sales of CHF 128 million with its largest customer, which represented 32.4% of Group sales (prior year: CHF 84 million and 22.7%, respectively).

05 Other operating income

In thousands of CHF	2020	2019
Customers' contributions to development projects	2,039	1,623
Government grants	227	142
Income from the development of prototypes	3,134	3,166
Miscellaneous income	28	120
Total other operating income	**5,428**	**5,051**

06 Staff costs and staff count

06.1 Staff costs

In thousands of CHF	2020	2019
Wages and salaries	125,669	117,106
Employee benefits	20,505	20,810
Total staff costs	**146,174**	**137,917**

06.2 Staff count

	2020	2019
Number of employees (year-end)	1,403	1,330
Average full-time equivalents during the year	1,325	1,261

07 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.

08 Gain on disposal of businesses

Effective November 30, 2020, Comet sold the ebeam lamp business (part of the EBT division) to Tetra Pak eBeam Systems SA, Pully, Switzerland. The following assets and liabilities were transferred as an asset group to the new owner:

In thousands of CHF	Carrying amount at Nov. 30, 2020
Prepaid expenses	256
Inventories	1,266
Property, plant and equipment	2,492
Total assets	**4,015**
Accrued expenses	(246)
Provisions	(474)
Total liabilities	**(720)**
Total net assets	**3,295**
Cash payment from new owner	7,542
Liability for purchase price adjustment	(261)
Gain on disposal of businesses	**3,986**

The gain of CHF 4.0 million on the disposal is taxable. The expected tax rate is 13% and the tax effect is therefore CHF 0.5 million.

Comet did not divest any businesses in the prior year.

09 Amortization, depreciation and impairment

In thousands of CHF	2020	2019
Amortization of intangible assets	4,526	4,602
Depreciation of right-of-use assets	4,280	4,433
Depreciation of property, plant and equipment	10,481	10,537
Total amortization and depreciation	**19,287**	**19,572**
Impairment of property, plant and equipment	—	463
Total impairment	**—**	**463**

10 Financing income and expenses

In thousands of CHF	2020	2019
Interest expense	1,916	1,999
Losses on derivatives used for currency hedging	1,642	1,104
Foreign currency translation losses	5,099	3,635
Total financing expenses	**8,657**	**6,738**

In thousands of CHF	2020	2019
Interest income	77	108
Gains on derivatives used for currency hedging	2,155	636
Foreign currency translation gains	584	1,418
Total financing income	**2,816**	**2,162**

In thousands of CHF	2020	2019
Net interest expense	1,838	1,890
Net foreign currency translation losses or (gains)	4,002	2,685

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	2020	2019
Current income tax expense in respect of the current year	9,791	4,694
Current income tax expense in respect of prior years	(1,161)	(662)
Deferred income tax expense or (credit)	(2,802)	(696)
Total income tax expense	**5,827**	**3,336**

11.2 Reconciliation of tax expense

In thousands of CHF	2020	2019
Income before tax	33,487	15,363
Expected income tax at base tax rate of 24% (prior year: 24%)	8,037	3,687
Effect of tax rates other than base tax rate	(625)	671
Effect of tax relief from canton of Comet AG	(351)	(399)
Effect of non-tax-deductible expenses	215	202
Effect of change in tax rate on deferred income tax	121	(128)
Recognition and offset of tax loss carry-forwards not recognized in prior years	(248)	—
Effect of credits for R&D and domestic manufacturing	(435)	(382)
Effect of income tax from other periods	(1,161)	(662)
Effect of non-refundable withholding tax	201	277
Other effects	74	70
Income tax reported in the income statement	**5,827**	**3,336**
Effective income tax rate in % of income before tax	17.4%	21.7%

The expected income tax rate represents the Group's experience-based long-term tax rate and takes into account the local income tax rates of the individual Group companies.

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 2020 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:

		2020		2019
In thousands of CHF	Assets	Liabilities	Assets	Liabilities
Financial instruments	46	(95)	41	(58)
Receivables	4,272	(854)	2,121	(985)
Inventories	5,420	(2,370)	4,312	(1,426)
Property, plant and equipment	266	(461)	267	(625)
Right-of-use assets	—	(6,286)	1	(2,376)
Intangible assets	353	(2,466)	0	(3,184)
Trade payables and other liabilities	323	(498)	851	(420)
Lease liabilities	6,535	—	3,802	—
Accrued expenses	1,797	—	1,243	(0)
Provisions	886	—	894	(1)
Employee benefit plan liabilities	1,577	—	1,748	(0)
Tax loss carryforwards, and tax credits for R&D and domestic manufacturing	1,061	—	2,192	—
Total gross deferred tax of Group companies	**22,537**	**(13,030)**	**17,473**	**(9,076)**
Netting of deferred tax by Group companies	(11,885)	11,885	(9,076)	9,076
Amounts in the consolidated balance sheet	**10,653**	**(1,145)**	**8,397**	**—**

The deferred tax assets and liabilities were measured at local tax rates, ranging from 13% to 33%. No deferred tax liabilities were established for temporary differences of CHF 85.2 million (prior year: CHF 68.0 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, Korea, Taiwan and Canada. 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	**2020**	2019
Net asset at January 1	**8,397**	**7,516**
Origination and reversal of temporary differences recognized in the income statement	3,360	2,549
Recognition of deferred tax assets on loss carryforwards and R&D credits	83	451
Use of tax loss carryforwards	(641)	(2,304)
Deferred tax credit in the income statement	**2,802**	**696**
Deferred tax liability related to the acquisition of a subsidiary	(1,019)	—
Origination and reversal of temporary differences recognized in other comprehensive income	(181)	361
Foreign currency translation differences	(490)	(177)
Net asset at December 31	**9,508**	**8,397**
Reported as assets	10,653	8,397
Reported as liabilities	(1,145)	—

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, 2020, tax loss carryforwards stood at CHF 3.2 million (prior year: CHF 5.0 million). Including tax credits for R&D and domestic manufacturing, the resulting deferred tax assets were CHF 1.1 million (prior year: CHF 2.2 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.

	2020	2019
Weighted average number of shares outstanding	7,766,108	7,762,845
Net income in thousands of CHF	27,661	12,027
Net income per share in CHF, diluted and basic	3.56	1.55

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	2020	2019
Trade receivables, gross	51,232	54,818
Impairment of trade receivables	(933)	(495)
Trade receivables, net	**50,299**	**54,323**
Refundable sales taxes and value-added taxes	2,415	4,392
Prepayments to suppliers	1,206	2,097
Contract assets	5,561	–
Sundry receivables	2,303	1,815
Total other receivables	**11,485**	**8,304**
Total trade and other receivables	**61,784**	**62,627**

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

In thousands of CHF	2020	2019
January 1	**495**	**614**
Added	575	128
Released	(116)	(230)
Foreign currency translation differences	(21)	(17)
December 31	**933**	**495**

The impairment test of trade receivables performed in light of the effects of the Covid-19 pandemic identified a moderately higher risk of default in the year under review.

At the balance sheet date, complete impairment was recognized on CHF 0.7 million (prior year: CHF 0.4 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 2020
In thousands of CHF

	Expected loss rate	Gross carrying amount Dec. 31, 2020	Expected credit loss Dec. 31, 2020	Net carrying amount Dec. 31, 2020
Trade receivables		**51,232**	**933**	**50,299**
Not past due	0.4%	48,257	180	48,077
Over 30 days past due, impairment recognized	1.0%	1,261	13	1,248
Over 60 days past due, impairment recognized	1.0%	463	4	458
Over 90 days past due, impairment recognized	38.4%[1]	179	69	110
Over 120 days past due, impairment recognized	2.0%	74	1	72
Over 150 days past due, impairment recognized	67.0%[1]	998	666	333

1 Individual impairment allowances included.

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.

14 Other assets (including financial assets) and financial liabilities

14.1 Other assets, including financial assets

In thousands of CHF	2020	2019
Other assets at fair value through profit or loss		
Derivatives used for foreign exchange hedging	394	271
Total other assets at fair value through profit or loss	**394**	**271**
Other assets at amortized cost		
Lease receivable	1,465	—
Restricted cash – post-combination compensation	1,506	—
Restricted cash – purchase price holdback for warranties	1,426	—
Other non-current financial assets	231	367
Total other assets at amortized cost	**4,628**	**367**
Total other assets	**5,022**	**638**
Total current	1,813	271
Total non-current	3,209	367

14.2 Other financial liabilities

In thousands of CHF	2020	2019
Other financial liabilities at fair value through profit or loss		
Derivatives used for foreign exchange hedging	45	41
Total other financial liabilities at fair value through profit or loss	**45**	**41**
Other financial liabilities at amortized cost		
Liability for purchase price holdback for warranties	1,426	—
Total other financial liabilities at amortized cost	**1,426**	**—**
Total other financial liabilities	**1,471**	**41**
Total current	1,471	41

14.3 Derivative financial instruments

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

In thousands of CHF	**2020**	2019
USD forward exchange contracts		
Contract amounts	11,728	14,741
Positive fair values	394	176
Negative fair values	1	12
JPY forward exchange contracts		
Contract amounts	2,181	5,248
Positive fair values	—	93
Negative fair values	11	24
CNY forward exchange contracts		
Contract amounts	1,239	902
Positive fair values	—	2
Negative fair values	33	5

The gains and losses from foreign exchange contracts are recognized as financing income or expense (see note 29). 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.

14.4 Other assets at amortized cost

Lease receivables
As part of the divestiture of the ebeam lamp business, property, plant and equipment is leased with a financing component to Tetra Pak eBeam Systems SA (non-variable rent payments). In connection with this, equipment with a residual carrying amount of CHF 1.5 million has been reclassified from property, plant and equipment to other assets. In the year under review, this lease contract had no impact on the income statement.

Lease receivable maturity analysis In thousands of CHF	2021	2022 – 2025	After 2025	Total lease receivable
Undiscounted lease payments	181	621	737	1,539
Interest portion	(12)	(42)	(19)	(74)
Net investment lease	**169**	**578**	**718**	**1,465**

Restricted cash
In relation to the acquisition of Object Research Systems (ORS) Inc., an agreement for compensation of CHF 1.5 million in the post-combination period was concluded with key ORS personnel as a separate transaction. There is also a purchase price holdback of CHF 1.4 million for warranties regarding acquired software technology. For the settlement of these elements, cash was transferred to an escrow account, thus restricting access to these funds (see note 20).

14.5 Other financial liabilities at amortized cost

As part of the acquisition of Object Research Systems (ORS) Inc., a purchase price holdback of CHF 1.4 million was agreed for warranties regarding the acquired software technology (also see explanations in note 14.4).

15 Inventories

In thousands of CHF	**2020**	2019
Raw materials and semi-finished products	37,646	41,639
Work in process	16,198	17,128
Finished goods	40,344	26,417
Total inventories	**94,188**	**85,184**

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 4.7 million (prior year: CHF 4.6 million).

The sale of the ebeam lamp business resulted in a decrease of CHF 1.3 million in inventories. Note 8 provides further information on this transaction.

16 Prepaid expenses

In thousands of CHF	**2020**	2019
Contract costs	1,754	1,164
Other prepaid expenses	2,920	7,132
Total prepaid expenses	**4,674**	**8,296**

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 2.4 million were recognized in the income statement (prior year: CHF 3.4 million).

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

17 Property, plant and equipment

Fiscal year 2020
In thousands of CHF

	Real estate	Plant and equipment	Other tangible assets	Assets under construction	Total property, plant and equipment
Cost					
January 1, 2020	**96,236**	**94,832**	**18,262**	**9,940**	**219,269**
Acquisition of a subsidiary	—	34	—		34
Additions	1,965	4,260	883	5,473	12,581
Commissioning of assets under construction	15	5,428	2,182	(7,625)	—
Reclassifications	—	683	(683)		—
Disposals	(528)	(9,725)	(2,551)		(12,804)
Foreign currency translation differences	(7)	(919)	(501)	180	(1,247)
December 31, 2020	**97,681**	**94,593**	**17,593**	**7,968**	**217,834**
Accumulated depreciation					
January 1, 2020	**28,524**	**61,519**	**13,524**	**—**	**103,568**
Additions	2,479	5,827	2,176		10,482
Reclassifications	—	18	(18)		—
Disposals	(310)	(5,734)	(1,867)		(7,911)
Foreign currency translation differences	(4)	(631)	(299)		(934)
December 31, 2020	**30,689**	**60,998**	**13,517**	**—**	**105,204**
Carrying amount					
January 1, 2020	67,712	33,312	4,738	9,940	115,702
December 31, 2020	**66,991**	**33,595**	**4,076**	**7,968**	**112,629**

The disposals of plant and equipment included costs of CHF 4.7 million and cumulative depreciation of CHF 2.2 million associated with the divestiture of the ebeam lamp business (see note 8).

Also in connection with the sale of the ebeam lamp business, property, plant and equipment with a financing component is leased to Tetra Pak eBeam Systems SA (with non-variable rent payments). As a result, plant and equipment with a residual carrying amount of CHF 1.5 million has been reclassified to other assets. This reclassification did not lead to an outflow of funds in the consolidated cash flow statement.

The disposals of other tangible assets in the fiscal year included the reclassification of CHF 0.5 million (prior year: CHF 0.1 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, 2020 and December 31, 2019, all real estate liens (mortgage notes in the amount of CHF 30.0 million) were held within the Group.

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**

18 Right-of-use assets and lease liabilities

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

Fiscal year 2020	Right-of-use assets				Lease liabilities
In thousands of CHF	Buildings	Equipment	Other assets	Total	
January 1, 2020	**11,033**	**640**	**9**	**11,682**	**13,389**
Acquisition of a subsidiary	69	–	–	69	69
Additions	13,207	387	10	13,604	13,604
Disposals	(316)	—	—	(316)	(343)
Depreciation, amortization and impairment	(3,878)	(393)	(9)	(4,280)	—
Accretion of interest	—	—	—	—	446
Repayment of lease liabilities	—	—	—	—	(5,160)
Foreign currency translation differences	(142)	(8)	—	(149)	(162)
December 31, 2020	**19,973**	**626**	**11**	**20,610**	**21,842**

The non-current lease liabilities largely have remaining maturities of two to ten years. The expected future lease payments are presented in note 30.

The increase in right-of-use assets and in lease liabilities is related mainly to the extension of the lease for the Hamburg site.

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 2019

In thousands of CHF	Right-of-use assets Buildings	Equipment	Other 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 composition of the lease expenses in fiscal 2020 and 2019 is shown below:

In thousands of CHF	**2020**	2019
Depreciation, amortization and impairment	4,280	4,433
Interest expenses	446	573
Expenses for short-term leases	51	103
Expense for low-value leases	4	7
Expense for variable lease payments not included in the measurement of lease liabilities	29	40
Total lease expenses	**4,809**	**5,155**

Comet has lease agreements containing extension and termination options (see note 2.5). At December 31, 2020, 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, 2020 amounted to CHF 5.8 million due within the subsequent five years (prior year: CHF 6.4 million) and to CHF 11.8 million for option periods of more than five years (prior year: CHF 11.8 million).

19 Intangible assets

Fiscal year 2020 In thousands of CHF	Goodwill and trademarks	Customer lists	Technology	Software	Other intangible assets	Total intangible assets
Cost						
January 1, 2020	**27,615**	**20,382**	**2,357**	**24,613**	**34**	**75,000**
Acquisition of a subsidiary	4,780	1,793	2,667	—	—	9,241
Additions	—	—	—	843	88	931
Disposals	—	—	—	(169)	—	(169)
Foreign currency translation differences	(11)	(445)	(1)	(64)	(0)	(521)
December 31, 2020	**32,385**	**21,730**	**5,023**	**25,222**	**122**	**84,482**
Accumulated amortization						
January 1, 2020	**0**	**17,138**	**1,737**	**17,774**	**34**	**36,683**
Additions	—	1,254	273	2,998	—	4,525
Disposals	—	—	—	(152)	—	(152)
Foreign currency translation differences	—	(396)	2	(42)	(0)	(436)
December 31, 2020	**0**	**17,996**	**2,012**	**20,578**	**34**	**40,620**
Carrying amount						
January 1, 2020	27,615	3,244	620	6,839	0	38,318
December 31, 2020	**32,385**	**3,734**	**3,012**	**4,644**	**88**	**43,862**

The categories "goodwill and trademarks", "customer lists" and "technology" were capitalized in connection with business combinations. More details on the acquisition in the year under review are presented in note 20.

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.

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**

20 Acquisitions

20.1 Acquisitions in 2020

At December 31, 2020, Comet acquired sole ownership of Object Research Systems (ORS) Inc., Montreal, Canada. ORS is a leading provider of 3D visualization and analysis solutions for research and industrial applications. Through the acquisition, Comet has expanded its expertise in machine learning and artificial intelligence. The subsidiary is reported under the Group's IXS division.

20.2 Acquisitions in 2019

In fiscal year 2019, no companies were acquired or divested, and there were no changes in the ownership interests that the Group controlled in companies.

20.3 Acquired net assets

The assets and liabilities identified within Object Research Systems (ORS) Inc. at the acquisition date are shown in the following table.

In thousands of CHF	Fair value at acquisition date
Cash and cash equivalents	488
Trade receivables	152
Other receivables	11
Tax receivables	459
Property, plant and equipment	34
Right-of-use assets	69
Intangible assets – brand name	2
Intangible assets – technology	2,667
Intangible assets – client relationships	1,793
Total assets	**5,677**
Trade payables	(8)
Other payables	(235)
Accrued expenses	(78)
Short term lease liabilities	(23)
Deferred taxes	(1,019)
Non-current lease liabilities	(46)
Total liabilities	**(1,408)**
Total identified net assets, at fair value	**4,268**
Total consideration transferred	9,046
Goodwill, capitalized	4,778

The measurement of the assets and liabilities will be completed within fiscal year 2021.

The purchase was treated as a share deal and therefore no deferred taxes on the goodwill arose at the acquisition date. In the future, deferred taxes are expected to be incurred on the intangible assets capitalized (i.e., on technology and client relationships).

20.4 Purchase price

In thousands of CHF	Cash flow from acquisition
Non-contingent consideration	7,620
Purchase price holdback at date of acquisition	1,426
Total consideration	**9,046**
Liability for purchase price adjustment	(167)
Cash and cash equivalents acquired	(488)
Net cash outflow on acquisition	**8,391**

The non-contingent consideration was paid in cash, with the exception of the liability for purchase price adjustment at the balance sheet date. As part of the acquisition, a purchase price holdback of CHF 1.4 million was agreed for warranties regarding the acquired software technology. This purchase price holdback was paid into an escrow account (see note 14).

To ensure the full transfer of expertise, arrangements for contingent compensation of CHF 1.5 million were agreed with key personnel. This is deemed compensation for post-combination services and is therefore not counted as part of the consideration for the acquisition. Cash for the payment of this contingent compensation was likewise transferred to an escrow account (see note 14).

20.5 Effect on consolidated results

The 2020 consolidated income statement does not include any sales or net income from the acquisition, as the transaction closed on December 31, 2020.

If the acquisition had been completed one year earlier, at January 1, 2020, additional sales of CHF 1.6 million and a net loss of CHF 0.5 million from the subsidiary would have been recognized by the Comet Group in fiscal 2020.

20.6 Transaction costs

The transaction costs of CHF 0.3 million incurred are recognized in general and administrative expenses.

21 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, 2020. 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 2021 to 2023. 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% to 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.

In connection with the acquisition of Object Research Systems (ORS) Inc. effective December 31, 2020, the X-Ray Systems (IXS) division recognized goodwill in the amount of CHF 4.8 million. This goodwill was not tested for impairment.

Carrying amount of the assets tested

	X-Ray Systems (IXS) CGU		Industrial X-Ray Technology (IXT) CGU		Total	
In thousands of CHF	**2020**	2019	**2020**	2019	**2020**	2019
Goodwill	23,341	18,573	6,873	6,873	30,214	25,446
Trademarks (Yxlon)	2,171	2,169	–	0	2,171	2,169
Total carrying amount	**25,512**	**20,742**	**6,873**	**6,873**	**32,385**	**27,615**

Assumptions applied in the valuation model

	X-Ray Systems (IXS) CGU		Industrial X-Ray Technology (IXT) CGU	
	2020	2019	**2020**	2019
Discount rate (WACC) before tax	12.0%	12.5%	11.1%	11.4%
Growth rate of terminal value	1.0%	1.5%	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 (2021 to 2023):

- Growth assumptions: Sales revenue is projected by product group and region. Based on the recovering situation of 2020 as the starting point, the average annual rate of sales growth is assumed to be 17% for IXS (prior year: 7%) and 12% for IXT (prior year: 11%).
- Gross margins: Gross margins in the medium term are expected to average approximately 37% for IXS (prior year: 38%) and 44% for IXT (prior year: 46%). 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 2020 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.

22 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; Swiss security number 32061943). Its effective interest rate is 2%. In the first half of 2020 the bond, which is due April 20, 2021 and was recognized at CHF 60 million in the balance sheet at December 31, 2020, was reclassified from non-current to current debt. The Group did not have non-current debt at December 31, 2020.

At the end of the fiscal year under review, Comet had undrawn credit facilities of CHF 58.5 million (prior year: CHF 46.6 million). Of this total, CHF 6.2 million (prior year: CHF 4.3 million) was reserved for hedging transactions.

22.1 Movement in debt

Fiscal year 2020 In thousands of CHF	Jan. 1, 2020	Cash flows	Reclassif. from non-current to current	Unwinding of discount, and remeasurement	Foreign currency translation differences	Dec. 31, 2020
Current debt	12,000	(12,000)	59,893	83	—	59,976
Non-current debt	59,893	—	(59,893)	—	—	—
Total debt	**71,893**	**(12,000)**	**—**	**83**	**—**	**59,976**

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**

23 Trade and other payables

In thousands of CHF	**2020**	2019
Trade payables	26,733	26,306
Sundry payables	4,985	3,889
Sales commissions	4,890	4,204
Total financial liabilities	**36,608**	**34,398**
Sales tax and value-added tax	681	2,211
Total other payables	**681**	**2,211**
Total trade and other payables	**37,289**	**36,609**

24 Accrued expenses

In thousands of CHF	2020	2019
Accrued staff costs	8,613	5,733
Other accrued expenses	12,816	12,737
Total accrued expenses	**21,429**	**18,470**

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.

25 Provisions

Fiscal year 2020 In thousands of CHF	Warranties	Other provisions	Total provisions
January 1, 2020	**7,113**	**2,244**	**9,357**
Added	6,235	1,225	7,460
Used	(4,342)	(450)	(4,792)
Released	(2,710)	(482)	(3,192)
Foreign currency translation differences	(295)	(2)	(297)
December 31, 2020	**6,000**	**2,535**	**8,535**
Of which:			
January 1, 2020			
Current provisions	7,113	2,233	9,346
Non-current provisions	–	11	11
December 31, 2020			
Current provisions	6,000	2,466	8,466
Non-current provisions	–	69	69

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.

The divestiture of the ebeam lamp business resulted in a decrease of CHF 0.5 million in warranty provisions in the year under review. The provision was transferred to the new owner with the entire asset group. Further information on the disposal is provided in note 8.

The additions to "other provisions" were related to the ongoing restructuring of the IXS division.

26 Employee benefits

26.1 Defined benefit plans

Comet 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	
	2020	2019	**2020**	2019
Discount rate at January 1	0.20%	0.70%	0.60%	1.60%
Discount rate at December 31	0.15%	0.20%	0.40%	0.60%
Expected rate of salary increases	1.00%	1.00%	–	–
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 2020 In thousands of CHF	Present value of defined benefit obligation	Fair value of plan assets	**Net carrying amount recognized in balance sheet**
January 1	**(88,042)**	**74,268**	**(13,774)**
Current service cost	(3,561)	–	(3,561)
Administration cost, excl. cost of managing plan assets	(43)	–	(43)
Current service cost	**(3,604)**	**—**	**(3,604)**
Interest (expense)/income	(179)	147	(32)
Defined benefit cost recognized in the income statement	**(3,782)**	**147**	**(3,636)**
Return on plan assets, excluding interest income	–	248	248
Actuarial loss arising from changes in financial assumptions	(463)	–	(463)
Actuarial gain arising from experience adjustments	1,607	–	1,607
Defined benefit cost recognized in other comprehensive income	**1,144**	**248**	**1,392**
Benefits paid-in/deposited	15,903	(15,880)	24
Employee contributions	(2,049)	2,049	—
Employer contributions	–	2,654	2,654
Foreign currency translation differences	2	(1)	1
December 31	**(76,823)**	**63,484**	**(13,340)**
Reported as an asset			—
Reported as a liability			(13,340)

The average duration of the defined benefit obligation was 12.7 years.

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 losses arising from changes in financial assumptions	(3,668)	–	(3,668)
Actuarial gains 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 had decided in 2019 to reduce the pension conversion rates with effect from the year 2022. 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.

Key figures by country

	Switzerland		Germany	
In thousands of CHF	**2020**	2019	**2020**	2019
Present value of defined benefit obligation	(74,829)	(85,969)	(1,994)	(2,072)
Fair value of plan assets	62,381	73,116	1,103	1,152
Net carrying amount recognized in the balance sheet	**(12,448)**	**(12,854)**	**(892)**	**(920)**
Defined benefit cost recognized in the income statement	(3,631)	(3,164)	(5)	(11)
Defined benefit cost recognized in other comprehensive income	1,382	(3,195)	10	(230)

The employer contributions to the plans in Switzerland for fiscal year 2021 are expected to amount to CHF 3.5 million.

Major categories of plan assets

In thousands of CHF	**2020**	2019
Assets from insurance contract	63,484	74,268
Total plan assets without a quoted market price	**63,484**	**74,268**

As the base plan and 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".

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	**2020**	2019	**2020**	2019
Discount rate: 0.25% decrease	77,294	88,712	2,059	2,143
Discount rate: 0.25% increase	72,529	83,412	1,932	2,006
Expected rate of salary growth: 0.25% decrease	74,704	85,839	1,994	2,072
Expected rate of salary growth: 0.25% increase	74,947	86,086	1,994	2,072
Life expectancy: 1-year increase	75,601	86,803	2,089	2,171
Life expectancy: 1-year decrease	74,055	85,138	1,900	1,974

26.2 Defined contribution plans

The contributions paid to defined contribution plans in the fiscal year amounted to CHF 5.7 million (prior year: CHF 6.1 million).

26.3 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	2020	2019
Provision at January 1	1,476	1,368
Current service cost	181	192
Interest cost	5	16
Benefits paid	(143)	(135)
Actuarial losses/(gains)	(46)	64
Foreign currency translation differences	(5)	(29)
Provision at December 31	**1,468**	**1,476**

27 Equity capital structure and shareholders

27.1 Capital stock

The capital stock at January 1, 2020 was CHF 7,764,208, divided into 7,764,208 registered shares with a par value of CHF 1.00 per share.

In fiscal year 2020 the capital stock was increased by 3,679 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 3,679 shares from this portion of authorized capital, Comet Holding AG at December 31, 2020 thus had a new total of CHF 7,767,887 of capital stock, divided into 7,767,887 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in.

At its meeting on June 26, 2020 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.

	2020		2019	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	7,764,208	7,764,208	7,759,882	7,759,882
Increase in capital from the portion of authorized capital designated for equity compensation	3,679	3,679	4,326	4,326
December 31	7,767,887	7,767,887	7,764,208	7,764,208

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

27.2 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 2020, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,751 shares of stock in payment of CHF 176,028 of fixed retainers due for fiscal year 2019. In addition, as part of their compensation for 2020, the members of the Board of Directors were granted a total of 873 shares in payment of CHF 87,763 of fixed retainers due for the period from January 1, 2020 to the 2020 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 100.53 per share.

Members of the Executive Committee were granted a total of 1,055 shares in payment of CHF 106,059 of profit-sharing compensation due for fiscal year 2019. The fully paid shares were applied to the compensation due at a price of CHF 100.53 per share.

As a result of these grants of a total of 3,679 shares made in 2020, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2020		2019	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	198,912	198,912	203,238	203,238
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(3,679)	(3,679)	(4,326)	(4,326)
December 31	195,233	195,233	198,912	198,912

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 195,233, or 2.5% of the existing capital stock.

27.3 Authorized capital for other capital increases

At December 31, 2020, 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 Annual Shareholder Meeting on April 23, 2020 authorized the Board of Directors to increase the capital stock, at any time until April 23, 2022, by a maximum of CHF 0.8 million by issuing up to 800,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 10.3% 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.

27.4 Significant shareholders

At December 31, 2020 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with voting rights representing 3% or more 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%
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 3% or more of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

28 Off-balance sheet transactions

28.1 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.

28.2 Other off-balance sheet obligations

As part of its operating activities, Comet had purchase obligations at the balance sheet date totaling CHF 17.5 million (prior year: CHF 16.6 million), of which CHF 9.4 million were current in nature (prior year: CHF 10.7 million) and CHF 8.1 million mature in the five-year period that begins in 2022 (prior year: CHF 5.9 million). 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, 2020 (prior year: nil).

29 Financial instruments

29.1 Classes of financial instruments

Fiscal year 2020
In thousands of CHF

	Financial assets		Financial liabilities		
	FVTPL[1]	At amortized cost	FVTPL[1]	At amortized cost	Fair value
Cash and cash equivalents		74,681			*
Trade and other receivables, net		52,602			*
Contract assets		5,561			*
Derivatives	394		45		349
Other assets – financial assets, excluding derivatives		3,122			*
Current debt, fixed rate				59,976	60,180
Trade and other payables				36,608	*
Liability for purchase price holdback for warranties				1,426	*
Lease liabilities				21,842	*
Total	**394**	**135,966**	**45**	**119,852**	
Interest income or (expense)	—	77	—	(1,916)	
Gain or (loss) on derivatives	2,155	—	(216)	—	
Change in impairment and losses on trade receivables		(438)			
Total net gain or (loss) recognized in the income statement	**2,155**	**(361)**	**(216)**	**(1,916)**	

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 Comet 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 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 and other receivables, net		56,138			*
Derivatives	271		41		230
Non-current financial assets		367			*
Current debt				12,000	12,042
Trade and other payables				34,398	*
Lease liabilities				13,389	*
Non-current debt, fixed rate				59,893	60,870
Total	**271**	**116,760**	**41**	**119,680**	
Interest income or (expense)	—	108	—	(1,999)	
Gain or (loss) on derivatives	636	—	(1,104)	—	
Change in impairment and losses on trade receivables		102			
Total net gain or (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.

29.2 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). At the end of 2019, the fair values of the other items of fixed-rate debt were determined by discounting the future cash flows at the interest rate prevailing at the year-end. The interest rate spreads used were those of the most recently obtained or refinanced loans (at December 31, 2020, there was no fixed-rate debt other than the bond).

30 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.

30.1 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	2020	2019
Current debt	64,174	16,635
+ Non-current debt	17,644	68,647
./. Cash and cash equivalents	74,681	60,255
Net debt	**7,137**	**25,027**
EBITDA	58,616	39,974
Debt ratio (net debt in relation to EBITDA)	**0.1**	**0.6**
Shareholders' equity	214,956	195,948
Equity ratio (equity in % of total assets)	**50.1%**	**50.0%**

30.2 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.

30.2.1 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 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 2020

	Increase in exchange rate in %	Effect on income before tax in thousands of CHF	Effect on equity in thousands of CHF
EUR / CHF	+10	+1,619	+542
USD / CHF	+10	+4,059	+661

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

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 current debt, based on the current interest rate situation, are presented on an indicative basis in note 29.1.

30.2.2 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:

In thousands of CHF	Rating *	2020 Balance	Rating *	2019 Balance
Bank A	A+	31,620	A+	25,973
Bank B	AAA	4,271	AAA	2,499
Bank C	A	7,467	A	6,659
Bank D	n/a	4,045	n/a	4,519
Bank E	A-	15,411	A-	10,284
Bank F	A+	7,564	A+	5,045
Other counterparties		4,303		5,276
Total bank deposits		**74,681**		**60,255**

* 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.

30.2.3 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 2020
In thousands of CHF

	Carrying amount	Payments due by period			
		Total	2021	2022 – 2025	After 2025
Debt	59,976	61,125	61,125	—	—
Lease liabilities	21,842	24,544	5,655	8,207	10,682
Financial liabilities	36,608	36,608	36,608	—	—
Other financial liabilities	1,471	1,471	1,471	—	—
Total	**119,897**	**123,748**	**104,859**	**8,207**	**10,682**

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	—	—
Other financial liabilities	41	41	41	—	—
Total	**119,722**	**123,320**	**52,796**	**68,574**	**1,950**

Comet has secured follow-up financing for the bond maturing on April 20, 2021. The Group's funding security is thus ensured.

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.

31 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 0.4 million (prior year: CHF 0.3 million). The amount included CHF 0.1 million for stock already awarded to the Board of Directors in 2020.

32 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	**2020**	2019
Cash compensation, including short-term employee benefits	2,634	3,724
Contributions to post-employment benefit arrangements	234	387
Expense for share-based payments	431	309
Total compensation	**3,299**	**4,420**

Related party transactions
In the fiscal year there were no transactions with related parties (prior year: nil).

33 Events after the balance sheet date

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

34 Proposed distribution to shareholders

The Board of Directors will propose at the Annual Shareholder Meeting to pay a dividend of CHF 1.30 per share from retained earnings. In the prior year, Comet paid a dividend of CHF 1.00 per share from retained earnings. The total amount of the proposed distribution is CHF 10.1 million (prior year: CHF 7.8 million).

35 Release of the consolidated financial statements for publication

On March 12, 2021, the Board of Directors released these financial statements for publication. The Board will present the financial statements to the Annual Shareholder Meeting on April 22, 2021 for approval.

Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, March 12, 2021

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 2020 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 52 to 102) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* 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) with its carrying amount. These annual impairment tests were significant to our audit because the balances for goodwill and trademarks of CHF 32.4 million as of 31 December 2020 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 21. The recoverable amount calculated via discounted cash flow analysis 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 response	We assessed the assumptions made in the impairment tests and discussed them with management. We 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 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 the acquisition Object Research Systems Inc.

Risk	According to Note 20, Comet acquired Object Research Systems (ORS) Inc. during the current business year. Acquisitions are complex transactions, as they include fair value measurement of assets and liabilities, including identification of intangible assets that have previously not been recognized on the balance sheet. The transaction involves unconditional purchase price retentions, for which purchase prices to be paid at a later date must also be estimated at the time of acquisition. Depending on the significance of the transaction, these valuations are performed by Comet or by involving external specialists. The residual value in the form of the difference between purchase price and acquired net assets represents goodwill. Goodwill is not systematically amortized but reviewed for impairment at least annually.
Our audit response	Our work included, among other things, comparing the purchase prices with the underlying contracts, taking into account unconditional purchase price retentions. Based on the financial statements at the closing date, we evaluated the reconciliation of carrying amounts to fair values. For the audit of the material intangible assets in particular, we involved internal valuation specialists to evaluate the completeness and valuation. Finally, we also assessed the disclosure of the newly acquired company in Note 20. Our audit procedures did not lead to any reservations concerning the recognition of the acquisition Object Research Systems, Inc.

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	2020	%	2019	%
Dividend income	14,482		15,855	
Other financing income	2,260		2,434	
Total income	**16,742**	**100.0%**	**18,289**	**100.0%**
Financing expenses	(1,697)		(1,254)	
Other operating expenses	(2,523)		(2,873)	
Income tax	—		(118)	
Total expenses	**(4,219)**	**25.2%**	**(4,245)**	**23.2%**
Net income for the year	**12,522**	**74.8%**	**14,044**	**76.8%**

Balance sheet

In thousands of CHF	Note	Dec. 31, 2020	%	Dec. 31, 2019	%
Assets					
Cash and cash equivalents		655		455	
Trade receivables from subsidiaries		88		3	
Prepaid expenses		60		115	
Total current assets		**804**	**0.4%**	**573**	**0.3%**
Non-current financial assets – loans	3	112,401		118,466	
Investments in subsidiaries	2	86,632		75,431	
Total non-current assets		**199,033**	**99.6%**	**193,897**	**99.7%**
Total assets		**199,836**	**100.0%**	**194,470**	**100.0%**
Liabilities and shareholders' equity					
Current trade payables to non-Group entities		—		4	
Current trade payables to shareholders and governing bodies		344		297	
Current interest-bearing liabilities		60,000		—	
Accrued expenses		1,461		1,346	
Non-current interest-bearing liabilities	8	—		60,000	
Total liabilities		**61,805**	**30.9%**	**61,647**	**31.7%**
Capital stock	5	7,768		7,764	
Statutory capital reserve		1,540		1,093	
Statutory earnings reserve		4,967		4,967	
Retained earnings brought forward		111,235		104,955	
Net income for the year		12,522		14,044	
Total retained earnings		123,757		118,999	
Total shareholders' equity		**138,031**	**69.1%**	**132,823**	**68.3%**
Total liabilities and shareholders' equity		**199,836**	**100.0%**	**194,470**	**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, 2020 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.

01 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.

02 Investments in subsidiaries

Comet Holding AG directly held the following companies at December 31, 2020:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2020	2019
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%
Comet Technologies Denmark A/S[1]	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 Technologies Malaysia Sdn. Bhd.	Penang, Malaysia	MYR	3,000,000	100%	–
Object Research Systems (ORS) Inc.	Montreal, Canada	CAD	15,001,000	100%	–
Comet Solutions Taiwan Ltd.	Hsinchu County, Taiwan	TWD	5,000,000	100%	–

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

1 Company renamed to "Comet Technologies Denmark A/S" from "Yxlon International A/S".

03 Non-current financial assets – loans

Loans to subsidiaries were as follows:

In thousands of CHF	2020	2019
Comet AG	77,063	76,089
Comet Technologies USA, Inc.	14,080	20,209
Yxlon International GmbH	14,792	19,399
Comet Technologies Denmark A/S	2,059	1,522
Yxlon International KK	—	1,247
Comet Technologies Malaysia Sdn Bhd	4,407	—
Total loans to subsidiaries	**112,401**	**118,466**

04 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
Swiss security number	36082699
ISIN	CH0360826991
Closing price at December 31, 2020	CHF 198.20
Market capitalization at December 31, 2020	CHF 1,540 million

Assorted data on the stock of Comet Holding AG is provided on page 17 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, 2020, Comet Holding AG had 3,853 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 3,932). Of the total issued registered stock, 100% (prior year: 100%) represented free float. Comet Holding AG held no treasury stock at December 31, 2020 (prior year: nil). The structure of share ownership size classes among the shareholders of record at December 31, 2020 was as follows:

Number of shares	Number of shareholders
1 to 1,000	3,482
1,001 to 10,000	313
10,001 to 50,000	48
50,001 to 100,000	5
More than 100,000	5

This analysis includes only the stock of shareholders who were registered in the share register. At December 31, 2020 the shares of unregistered owners amounted to 36% of the total (prior year: 31%).

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%, 33 ⅓%, 50% and 66 ⅔% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 2020 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with voting rights of 3% or more 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%
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 3% or more of its shares. To the best of the Company's knowledge, there were no voting pool agreements.

Reportable changes during fiscal year 2020

In the fiscal year, 14 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.

05 Equity capital structure

Capital stock

The capital stock at January 1, 2020 was CHF 7,764,208, divided into 7,764,208 registered shares with a par value of CHF 1.00 per share.

In fiscal year 2020 the capital stock was increased by 3,679 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 3,679 shares from this portion of authorized capital, Comet Holding AG at December 31, 2020 thus had a new total of CHF 7,767,887 of capital stock, divided into 7,767,887 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in.

At its meeting on June 26, 2020 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.

	2020		2019	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	7,764,208	7,764,208	7,759,882	7,759,882
Increase in capital from the portion of authorized capital designated for equity compensation	3,679	3,679	4,326	4,326
December 31	7,767,887	7,767,887	7,764,208	7,764,208

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 2020, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,751 shares of stock in payment of CHF 176,028 of fixed retainers due for fiscal year 2019. In addition, as part of their compensation for 2020, the members of the Board of Directors were granted a total of 873 shares in payment of CHF 87,763 of fixed retainers due for the period from January 1, 2020 to the 2020 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 100.53 per share.

Members of the Executive Committee were granted a total of 1,055 shares in payment of CHF 106,059 of profit-sharing compensation due for fiscal year 2020. The fully paid shares were applied to the compensation due at a price of CHF 100.53 per share.

As a result of these grants of a total of 3,679 shares made in 2020, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2020		2019	
	Number of shares	**Par value in CHF**	Number of shares	Par value in CHF
January 1	198,912	198,912	203,238	203,238
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(3,679)	(3,679)	(4,326)	(4,326)
December 31	195,233	195,233	198,912	198,912

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 195,233, or 2.5% of the existing capital stock.

Authorized capital for other capital increases
At December 31, 2020, in addition to shares outstanding and 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 to increase the capital stock, at any time until April 23, 2022, by a maximum of CHF 0.8 million by issuing up to 800,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 10.3% 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.

06 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			Freely disposable	Share of voting rights	
	2020	2019	4/26/2021	4/26/2022	4/24/2023		**2020**	2019
Heinz Kundert Chairman of the Board (since April 25, 2019) / Chief Executive Officer (until August 31, 2020)	**4,220**	3,564	–	–	656	3,564	**0.1%**	0.0%
Rolf Huber Vice Chairman (since April 25, 2019) and member of the Board	**14,292**	13,964	244	359	328	13,361	**0.2%**	0.2%
Gian-Luca Bona Member of the Board	**6,352**	6,024	244	359	328	5,421	**0.1%**	0.1%
Mariel Hoch Member of the Board	**1,202**	874	244	359	328	271	**0.0%**	0.0%
Patrick Jany Member of the Board (since April 25, 2019)	**2,713**	–	–	–	328	2,385	**0.0%**	–
Christoph Kutter Member of the Board (until April 23, 2020)	**328**	–	–	–	328	–	**0.0%**	–
Franz Richter Member of the Board (until April 23, 2020)	**1,202**	874	244	359	328	271	**0.0%**	0.0%
Kevin Crofton Chief Executive Officer (since September 1, 2020)	**8,000**	–	–	–	–	8,000	**0.1%**	–
Lisa Pataki Chief Financial Officer (since October 1, 2020)	**–**	–	–	–	–	–	**–**	–
Thomas Wenzel President of X-Ray Systems division (until April 30, 2021)	**158**	74	–	–	83	75	**0.0%**	0.0%
Michael Kammerer President of Plasma Control Technologies division	**1,051**	1,469	656	122	116	157	**0.0%**	0.0%
Stephan Haferl President of X-Ray Modules division	**367**	277	–	104	99	164	**0.0%**	0.0%
Eric Dubuis Chief Information Officer (until January 31, 2021)	**455**	1,353	279	90	86	–	**0.0%**	0.0%
Keighley Peters Chief Information Officer (since December 28, 2020)	**–**	–	–	–	–	–	**–**	–

Each 10,000 registered shares of Comet Holding AG, of a par value of CHF 1.00 per share, represented 0.1287% of all voting power (prior year: 0.1288%). The members of the Board of Directors and Executive Committee held an aggregate total of 0.5% of voting rights (prior year: 1.1%). No material changes in ownership interests arose after the balance sheet date of December 31, 2020.

07 Options, conversion rights and treasury stock

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

In fiscal year 2020 and the prior year, Comet Holding AG held no treasury stock.

08 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.

The listing is on the SIX Swiss Exchange (Swiss security number 32 061 943, ISIN number CH0320619437, ticker symbol COT16).

As the bond matures in April 2021, it was reclassified from non-current to current debt in the first half of 2020. Comet Holding AG has also secured the follow-up financing for the bond. The Group's funding security is thus ensured.

09 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 number of employees of Comet Holding AG in 2020 and 2019 in terms of the annual average number of full-time equivalents was less than 10.

11 Events after the balance sheet date

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

12 Release of the separate financial statements for publication

The Board of Directors released these annual financial statements on March 12, 2021 for publication and will present them to shareholders for approval at the Annual Shareholder Meeting on April 22, 2021.

Board of Directors' proposal for the appropriation of retained earnings

01 Retained earnings in 2020

In thousands of CHF	2020
Earnings brought forward	111,235
Net income for the year	12,522
Retained earnings available for distribution	**123,757**

02 Proposal for the appropriation of retained earnings

At the Annual Shareholder Meeting the Board of Directors will propose to pay a dividend of CHF 1.30 per share from retained earnings.

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

In thousands of CHF	2020
Retained earnings at December 31, 2020	**123,757**
Dividend payment of CHF 1.30 per share	(10,098)
Retained earnings carried forward	**113,659**

Provided the proposal is approved, the dividend of CHF 1.30 per entitled share, less 35% withholding tax, will be paid on April 28, 2021.

Building a better working world

Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, March 12, 2021

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 income statement, balance sheet and notes (pages 108 to 115), for the year ended 31 December 2020.

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 2020 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	The company holds as parent of the group 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, these 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 an allowance. The calculations are based in part on simplified principles, especially when management considered the risk of an impairment to be low.
Our audit response	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.

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