Comet Holding AG
Half-Year Report
2018

COMET GROUP
Technology with Passion

The Comet Group

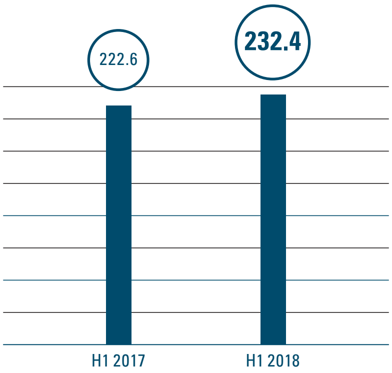
The Comet Group is a globally leading Swiss technology company focused on the x-ray, radio frequency and ebeam businesses. For 70 years, we have been developing and manufacturing innovative high-tech components and systems.

With pioneering solutions for a wide range of industries, we support customers in improving and evolving their products and processes. As a result, we help bring greater safety and security, mobility, sustainability and efficiency to many areas of life. Our high-performance x-ray systems for non-destructive testing and inspection make vehicles safer and airport security checks more reliable. Plasma control modules from Comet are important in the efficient fabrication of computer chips with ever higher storage capacity. And thanks to our innovative ebeam technology, manufacturers are saving one-third of production costs for the sterilization of packaging while also improving their energy balance.

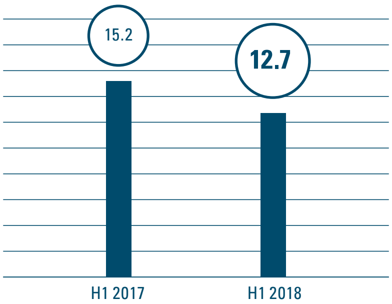
With our leading-edge products under the Comet, Yxlon and ebeam brands, we are always challenging the limits of the physically possible. Our highly skilled experts work closely with customers in Europe, the Americas and Asia and with well-known research institutions worldwide. The resulting tailored solutions generate lasting value-added for our customers and partners.

Sales growth in first half of year

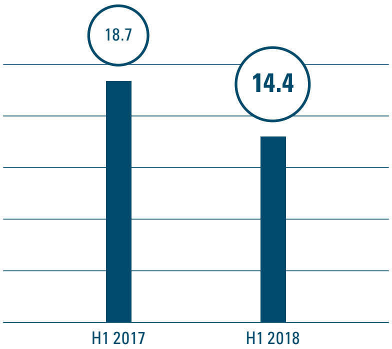
NET SALES IN CHF MILLION



EBITDA MARGIN[1] IN %



NET INCOME
IN CHF MILLION



[1] Earnings before interest, tax, depreciation and amortization

Comet Group: Sales growth in first half of year – One-time write-down lowers net income

- 4.4% growth in sales from the strong year-earlier period to CHF 232.4 million (H1 2017: CHF 222.6 million)
- EBITDA margin of 12.7% was below year-earlier level (H1 2017: 15.2%)
- Net income of CHF 14.4 million was down from year ago due to one-time effects (H1 2017: CHF 18.7 million)
- Profit improvement program being implemented in the X-Ray Systems division (IXS)
- Closure of the Davenport site in Iowa, USA – refocusing on the promising ebeam components and modules business in Flamatt, Switzerland
- Prior-year data restated to reflect the new IFRS 15 accounting standard
- Reiterating the expectations for 2018 of CHF 440-460 million in sales and a 10-12% EBITDA margin

In the first six months of 2018 the Comet Group achieved sales growth of 4.4% to CHF 232.4 million compared to the record year-earlier level (H1 2017: CHF 222.6 million). The largest contribution came from the business with high-end radio frequency (RF) power solutions for the semiconductor market and with x-ray modules for non-destructive testing. The EBITDA margin decreased to 12.7% (H1 2017: 15.2%). This was primarily because of a disappointing business performance in X-Ray Systems and in custom large ebeam systems in the USA. The Comet Group has initiated corrective action in response. It is divesting the manufacturer of large ebeam systems in Davenport, Iowa, and implementing a comprehensive program to boost profit in the x-ray systems business.

As a result of this and of an impairment test, non-current assets were written down by CHF 6 million. The impairment charge in connection with the divestiture of the Davenport plant reduced net income by CHF 4.6 million, to CHF 14.4 million (H1 2017: CHF 18.7 million). Without the effect of the ebeam systems business divestiture, net income would have been CHF 19.0 million, slightly above the record year-earlier level. The facility expansion in Flamatt was completed as planned, creating urgently needed space for the further development and growth of the business and for raising the efficiency of production processes. The Group's equity ratio improved to 53.2% despite the substantial capital investment (H1 2017: 52.0%).

Segment results

PCT: Further profitable growth achieved in semiconductor market – Growth prospects intact despite short-term project postponements

The Group's strongest sales increase was attained by Plasma Control Technologies (PCT). Continuing its growth trend, in the first six months the division's sales rose by 15.3% to CHF 123.6 million (H1 2017: CHF 107.2 million). Measured in local currencies, the increase was 17.9%. The main driver remained the sales of high-end RF solutions for the fabrication of memory chips with key accounts in the semiconductor market in the USA. The PCT division also did well with vacuum capacitors for the production of flat panel displays, increasing its sales from the year-ago period.

To round out the product portfolio by developing a modular, highly flexible and precise RF systems solution and create the foundation for growth after 2020, PCT continued to invest in research and development as well as the expansion of the Smart Lab in Flamatt. The EBITDA margin of 24.4% (H1 2017: 29.2%) reflected this intensified investment activity.

Owing to the unexpected short-term postponement of some projects, PCT now expects sales for the full year 2018 in line with the strong prior year. In the medium and long term, Comet sees the growth drivers for sales of semiconductor technology as intact, and the Group is confident that, going forward, it will be able to tap new market segments with the innovative products currently in development.

IXS: Weak first half of year – Profit improvement measures underway

The X-Ray Systems division (IXS) registered a sales decrease of 11% (or 14.4% in local currencies) in the first half of the year to CHF 65.0 million from the strong first six months of the prior year. The reasons lay in sharply lower sales of systems for research on new materials and for the inspection of castings and wheels. A positive trend prevailed in the business with systems for electronics and tire inspection. The overall revenue reduction, coupled with high investments in product portfolio development, led to an EBITDA deficit of CHF 0.9 million (H1 2017: positive EBITDA earnings of CHF 6.6 million).

The Comet Group launched a sweeping profit improvement program and in this context transferred the management of the division to Matthias Barz on an interim basis. The goal is to achieve an EBITDA margin for 2019 comparable to 2017 of about 6%.

An important success factor for this is the continual advancement of the product range through R&D. IXS marked a further milestone in this regard in the first half of the year with the successful launch of the FF 85 CT model. As well, with the newly introduced Cougar and Cheetah Evo systems for electronics component inspection, which have been available since the beginning of the year, IXS was able to attract substantial orders that will feed through to sales in the second half of 2018. For the latter half of the year, the division is projecting sales growth of approximately 10% compared to the first six months.

IXM: Solid growth and pronounced margin improvement in core business of non-destructive testing

The Industrial X-Ray Modules division (IXM), led since January by Stephan Haferl, successfully expanded its position in its core business of non-destructive testing in the first half of the year. Sales rose 9.4% to CHF 40.8 million (H1 2017: CHF 37.3 million). In local-currency terms the sales growth was 6.0%. Especially in the USA, the division was able to win business with its robust, portable Smart Evo x-ray solutions for pipeline inspection and benefit from the investment-friendly environment. The investments of the previous years in the innovative iVario generator also contributed to the positive results. The solid sales growth led to an improvement in EBITDA operating earnings from the year-ago reporting period. The EBITDA margin expanded to 25.1% (H1 2017: 17.6%). For the second half of the year, the division anticipates sales slightly above the level of the first half.

EBT: Refocusing on OEM components and modules business – Closure of site in Davenport, Iowa

In the first half of 2018, EBT, the ebeam Technologies division, registered sales of CHF 9.6 million (H1 2017: CHF 14.8 million). The results of the prior year's investments in the large-systems business in Davenport, Iowa in the USA did not meet expectations. Despite measures such as the revision of the product portfolio, sales in the systems business declined. The division's resulting EBITDA loss was CHF 7.7 million (H1 2017: loss of CHF 8.3 million).
The Comet Group is therefore realigning the ebeam business, as previously announced, and is parting with the US manufacturer of customized large systems in Davenport, Iowa. The Group has initiated the phased closing of the Davenport site. This involves about 60 employees in the USA and is to be completed by the end of the year. As previously announced, the total cost for the divestiture of the company in Davenport, including the impairment charges already recognized in the first half of the year, will have a one-time effect of approximately CHF 10 million on 2018 net income.

Going forward, the Comet Group will focus on the OEM components and modules business, which offers long-term promise, and will place these activities on a new and attractive footing. The continuing business includes the compact ebeam engines, which allow industrial processes to be made more eco-friendly and productive. In this area Comet, working hand in hand with partners such as Bühler, Uteco, Bell Food Group and Tetra Pak, achieved progress in all projects in the first half of 2018. The Comet Group intends to continue to invest in the ebeam OEM business and is planning to develop additional applications. For 2019 in this continuing business, the Group thus expects sales of about CHF 15 million with a reduced EBITDA loss of approximately CHF 5 million.

Outlook for 2018

The Comet Group boasts three innovative technologies with attractive growth potential. The Board and management are confident that, with the initiated profit improvement program and the closure of the ebeam systems business in Davenport, key conditions have been created for achieving future profitable growth in the x-ray systems and ebeam businesses as well. The Group reiterates the recently revised guidance for 2018 of CHF 440-460 million in sales and of an EBITDA margin of 10-12%.

Media and analyst conference

The detailed half-year results will be presented on August 16, 2018 at 10:00 a.m. CEST at the media and analyst conference in Zurich (SIX Convention Point, Pfingstweidstrasse 110, 8005 Zurich).

Conference call in English

As well, a conference call in English will be held August 16, 2018, at 4:00 p.m. CEST, with René Lenggenhager, CEO, and Markus Portmann, CFO. To participate, please dial in 10 minutes before the scheduled start of the call, using one of the following telephone numbers:

+41 (0)58 310 50 00 (Europe)
+44 (0)203 059 58 62 (UK)
+1 (1)631 570 5613 (USA)

Consolidated balance sheet (unaudited)

In thousands of CHF

Assets	June 30, 2018	%	Dec. 31, 2017 [1]	%	Change	June 30, 2017 [1]
Cash and cash equivalents	32,601		60,420		(27,818)	47,026
Trade and other receivables	72,898		64,574		8,324	65,193
Other financial assets	6		277		(272)	511
Tax receivables	2,815		2,660		155	1,381
Inventories	112,765		102,825		9,939	94,761
Prepaid expenses	5,050		4,555		495	7,173
Total current assets	**226,135**	**58.4%**	**235,311**	**60.4%**	**(9,177)**	**216,045**
Property, plant and equipment	107,110		95,056		12,054	74,666
Intangible assets	44,090		51,647		(7,557)	50,119
Financial assets	356		239		117	230
Deferred tax assets	9,309		7,536		1,773	9,021
Total non-current assets	**160,864**	**41.6%**	**154,478**	**39.6%**	**6,387**	**134,036**
Total assets	**386,999**	**100.0%**	**389,789**	**100.0%**	**(2,790)**	**350,082**

Liabilities and shareholders' equity						
Current debt	5,045		2,132		2,913	2,169
Trade and other payables	65,527		71,716		(6,190)	56,190
Other financial liabilities	662		2		660	0
Tax payables	2,608		3,131		(522)	5,679
Accrued expenses	24,386		25,758		(1,373)	20,917
Current provisions	9,811		10,140		(329)	8,441
Total current liabilities	**108,039**	**27.9%**	**112,879**	**29.0%**	**(4,841)**	**93,398**
Long-term debt	62,772		65,733		(2,961)	65,726
Non-current provisions	49		54		(5)	55
Employee benefit plan liabilities	8,092		8,438		(346)	6,609
Deferred tax liabilities	2,049		1,137		912	2,281
Total non-current liabilities	**72,963**	**18.9%**	**75,362**	**19.3%**	**(2,399)**	**74,671**
Total liabilities	**181,001**	**46.8%**	**188,241**	**48.3%**	**(7,240)**	**168,069**
Capital stock	7,760		7,754		6	7,754
Additional paid-in capital	18,496		29,304		(10,808)	29,314
Retained earnings	201,614		186,749		14,865	171,224
Foreign currency translation differences	(21,873)		(22,259)		386	(26,279)
Total equity attributable to shareholders of Comet Holding AG	**205,998**	**53.2%**	**201,548**	**51.7%**	**4,450**	**182,013**
Total liabilities and shareholders' equity	**386,999**	**100.0%**	**389,789**	**100.0%**	**(2,790)**	**350,082**

[1] Restated for IFRS 15 (see note 1).

Consolidated statement of income (unaudited)

In thousands of CHF	2018 Six months to June 30	2017 Six months to June 30 [1]	Change Absolute	Change %
Net sales	232,381	222,624	9,757	4.4%
Cost of sales	(138,894)	(134,358)	(4,536)	3.4%
Gross profit	**93,487**	**88,267**	**5,221**	**5.9%**
Other operating income	2,631	1,635	996	60.9%
Development expenses	(27,596)	(22,303)	(5,293)	23.7%
Marketing and selling expenses	(34,588)	(26,720)	(7,867)	29.4%
General and administrative expenses	(16,810)	(12,843)	(3,967)	30.9%
Operating income	**17,124**	**28,034**	**(10,911)**	**–38.9%**
Financing expenses	(5,306)	(4,259)	(1,047)	24.6%
Financing income	4,818	1,890	2,928	154.9%
Income before tax	**16,635**	**25,665**	**(9,030)**	**–35.2%**
Income tax	(2,270)	(7,014)	4,743	–67.6%
Net income	**14,365**	**18,651**	**(4,287)**	**–23.0%**
Earnings per share in CHF, diluted and basic	1.85	2.41	(0.56)	–23.1%
Operating income	**17,124**	**28,034**	**(10,911)**	**–38.9%**
Amortization	7,937	1,816	6,121	337.0%
EBITA	**25,061**	**29,851**	**(4,790)**	**–16.0%**
Depreciation	4,466	3,968	497	12.5%
EBITDA	**29,527**	**33,819**	**(4,293)**	**–12.7%**

[1] Restated for IFRS 15 (see note 1).

Consolidated statement of comprehensive income (unaudited)

In thousands of CHF	2018 Six months to June 30	2017 Six months to June 30 [1]	Change Absolute	Change %
Net income	14,365	18,651	(4,287)	–23.0%
Other comprehensive income				
Foreign currency translation differences	386	(1,341)	1,727	–128.8%
Total items that will be reclassified to the income statement on realization	**386**	**(1,341)**	**1,727**	**–128.8%**
Actuarial gains/(losses) on defined benefit plans	1,150	1,775	(625)	–35.2%
Income tax	144	(256)	400	–156.3%
Total items that will not subsequently be reclassified to the income statement	**1,294**	**1,519**	**(225)**	**–14.8%**
Total other comprehensive income	**1,680**	**178**	**1,502**	**842.1%**
Total comprehensive income	**16,045**	**18,829**	**(2,784)**	**–14.8%**

[1] Restated for IFRS 15 (see note 1).

Consolidated statement of cash flows (condensed and unaudited)

In thousands of CHF	**2018 Six months to June 30**	2017 Six months to June 30	Change
Net cash provided by/(used in) operating activities	1,982	(260)	2,242
Net cash (used in) investing activities	(17,406)	(14,066)	(3,339)
Net cash (used in) financing activities	(12,625)	(13,172)	547
Net decrease in cash and cash equivalents	**(28,049)**	**(27,498)**	**(551)**
Foreign currency translation differences on cash and cash equivalents	231	(308)	539
Net cash and cash equivalents at January 1	60,420	74,832	(14,413)
Net cash and cash equivalents at June 30	**32,601**	**47,026**	**(14,425)**

Consolidated statement of changes in equity (unaudited)

	Equity attributable to shareholders of Comet Holding AG				
In thousands of CHF	Capital stock	Additional paid-in capital	Retained earnings	Foreign currency translation differences	Total share-holders' equity
December 31, 2016 [1]	**7,745**	**37,576**	**151,556**	**(24,938)**	**171,940**
Net income			18,651		18,651
Other comprehensive income			1,519	(1,341)	178
Total comprehensive income			**20,170**	**(1,341)**	**18,829**
Distribution to shareholders of Comet Holding AG		(9,295)			(9,295)
Increase in capital (for stock compensation)	8	1,033	(926)		114
Share-based payments			424		424
June 30, 2017	**7,754**	**29,314**	**171,224**	**(26,279)**	**182,013**
December 31, 2017 [1]	**7,754**	**29,304**	**186,749**	**(22,259)**	**201,548**
Net income			14,365		14,365
Other comprehensive income			1,294	386	1,680
Total comprehensive income			**15,659**	**386**	**16,045**
Distribution to shareholders of Comet Holding AG		(11,630)			(11,630)
Increase in capital (for stock compensation)	6	823	(909)		(80)
Share-based payments			116		116
June 30, 2018	**7,760**	**18,496**	**201,614**	**(21,873)**	**205,998**

[1] Restated for IFRS 15 (see note 1).

Notes to the interim consolidated financial statements
(condensed and unaudited)

01 Significant accounting policies

The half-year report for the six months ended June 30, 2018 presents the consolidated financial statements of Comet Holding AG and its directly or indirectly controlled subsidiaries. The report was prepared in accordance with IAS 34, Interim Financial Reporting, which forms part of the International Financial Reporting Standards (IFRS). The half-year report does not contain all the information included in the annual accounts and should therefore be read in conjunction with the annual consolidated financial statements for 2017. The half-year report has not been audited by the independent auditors.

Changes in accounting policies

The accounting principles applied in the half-year report are those described in the 2017 consolidated financial statements, except for the changes set out below.

With effect from January 1, 2018, the Comet Group has applied the following new or revised IFRS/IAS for the first time:

- IFRS 2 – Amendment – Classification and Measurement of Share-based Payment Transactions
- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs, published February 2018

The application of the other new or amended standards and interpretations had no effect on these interim financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and the associated interpretations, and provides accounting guidance for all sales revenue from contracts with customers. It excludes contracts that are within the scope of other IFRS standards. The new standard establishes a five-step model for the recognition of revenue from contracts with customers. Companies must exercise judgment in considering the contract terms and all relevant facts and circumstances (including implied contract terms). The Comet Group has elected to use the full retrospective approach for the adoption of IFRS 15.

Effect on items of the consolidated balance sheet:

In thousands of CHF		June 30, 2017			December 31, 2017		
	Note	Reported	Adjustment	Restated	Reported	Adjustment	Restated
Assets							
Trade and other receivables	a)	72,415	(7,222)	65,193	76,677	(12,103)	64,574
Inventories	a)	88,176	6,585	94,761	93,910	8,915	102,825
Prepaid expenses		6,675	498	7,173	3,410	1,144	4,555
Of which Contract costs	c)	–	498	498	–	1,144	1,144
Deferred tax assets		8,702	319	9,021	7,218	317	7,536
Total assets		**349,901**	**181**	**350,082**	**391,515**	**(1,727)**	**389,789**
Liabilities							
Trade and other payables		52,230	3,961	56,190	66,667	5,049	71,716
Of which Contract liabilities	a), b)	–	26,692	26,692	–	29,171	29,171
Of which Prepayments by customers	b)	23,229	(23,229)	–	25,266	(25,266)	–
Of which Sales commissions	c)	3,335	498	3,832	3,529	1,144	4,674
Deferred tax liabilities		3,200	(919)	2,281	3,030	(1,893)	1,137
Total liabilities		**165,027**	**3,042**	**168,069**	**185,085**	**3,156**	**188,241**
Equity							
Retained earnings		174,139	(2,915)	171,224	191,350	(4,601)	186,749
Foreign currency translation differences		(26,333)	54	(26,279)	(21,977)	(282)	(22,259)
Total equity		**184,874**	**(2,861)**	**182,013**	**206,430**	**(4,883)**	**201,548**

Effect on items of the consolidated statement of income:

In thousands of CHF		Six months to June 30, 2017			Year to December 31, 2017		
	Note	Reported	Adjustment	Restated	Reported	Adjustment	Restated
Revenue from contract with customers	a)	214,907	7,717	222,624	438,355	5,015	443,371
Cost of sales	a)	(129,246)	(5,112)	(134,358)	(257,943)	(4,552)	(262,495)
Gross profit		**85,661**	**2,606**	**88,267**	**180,412**	**464**	**180,875**
Other operating income	a)	2,673	(1,039)	1,635	6,580	(2,487)	4,093
Development expenses	a)	(23,082)	779	(22,303)	(48,967)	1,865	(47,102)
Marketing and selling expenses		(26,720)	–	(26,720)	(57,006)	–	(57,006)
General and administrative expenses		(12,843)	–	(12,843)	(30,123)	–	(30,123)
Operating income		**25,688**	**2,346**	**28,034**	**50,895**	**(158)**	**50,737**
Financing expenses		(4,259)	–	(4,259)	(6,971)	–	(6,971)
Financing income		1,890	–	1,890	6,086	–	6,086
Income before tax		**23,319**	**2,346**	**25,665**	**50,010**	**(158)**	**49,852**
Income tax		(6,230)	(784)	(7,014)	(14,551)	34	(14,516)
Net income		**17,089**	**1,562**	**18,651**	**35,460**	**(124)**	**35,336**

The effects on other comprehensive income and on the consolidated statement of cash flows are immaterial.

a) Revenue from contracts with customers

Sale of products
Revenue from the sale of products (including spare parts) 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. Generally, the customer acquires control at delivery of the product or spare part. This applies to the PCT and IXT divisions and the engineering business of the EBT division. Here the adoption of IFRS 15 thus had no impact on the amount and timing of revenue recognition.

Sale of systems
In the systems business, customers are supplied with comprehensive and sometimes complex systems. Besides this equipment itself, the segment also provides services such as installation and complete integration into customers' processes. Under the new accounting standard these services are no longer regarded as separable, as they form an integral part of the delivery. Revenue from the sale of systems is thus 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 when the customer has taken delivery of and accepted the system. This applies to the IXS division and the systems business of the EBT division. Here the introduction of IFRS 15 has led to a shift in the timing of revenue recognition. Previously, revenue was booked when the risks and rewards incident to the transferred goods passed to the customer, based on the agreed Incoterms. Under IFRS 15, revenue is recognized only after acceptance by the customer. Revenue is thus as a rule recorded later under the new standard. In the case of systems already delivered (with the risks and rewards thus having passed to the customer) for which there was not yet a certificate of acceptance, revenue was retrospectively restated. Correspondingly, the related cost of sales was also retrospectively adjusted. As a result of the restatement, some sales and cost of sales were shifted from 2016 to 2017 and some from 2017 to 2018. For the full year 2017 this resulted in a net increase in adjusted sales and cost of sales, as the positive effect of the amount postponed from 2016 was greater than the amount shifted to 2018.

Sale of services
Comet provides services related to products and systems. Warranty obligations that provide 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. The treatment of warranty obligations did not result in a change in the amount or timing of revenue recognition.

Sale of prototypes
Income from customers for research and development services is re-evaluated under IFRS 15. About two-thirds of the amount for customer contributions to development projects previously reported as other operating income is now classified as sales of prototypes.

b) Advance payments by customers and contract liabilities
Prepayments by customers were reclassified to contract liabilities.

c) Contract costs and sales commissions
Under IFRS 15, the sales commissions owed for agent activities are recognized at contract inception. As these represent incremental costs directly attributable to obtaining a contract, they are capitalized 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 or systems to the customer.

IFRS 9 – Financial Instruments
IFRS 9 introduced new guidance for the classification and measurement of financial assets and liabilities, the recognition of impairment losses, and hedge accounting. At January 1, 2018 there were no available-for-sale financial assets, held-to-maturity investments, or financial instruments at fair value through other comprehensive income. The financial assets and liabilities previously classified as at fair value through profit or loss continue to meet the criteria of this category. Consequently, the classification of financial instruments to the appropriate categories under IFRS 9 had no effect on the accounting treatment of assets and liabilities.

Under IFRS 9 the impairment of financial assets – including, specifically, trade receivables measured at amortized cost – is assessed using an expected credit loss model; previously, the incurred loss model was used. This change did not have any material impacts on Comet's financial assets.

New accounting rules becoming effective in subsequent periods
IFRS 16 – Leases
From January 1, 2019, Comet will apply IFRS 16, Leases, for the first time. Based on Comet's understanding to date, this will result in the following adjustments:
Under the new guidance, lessees will be required to recognize most leases on their balance sheet and employ a right-of-use model to do so. Under this new model, at the inception of the lease, the lessee recognizes a right-of-use asset for the usage right, and a liability for the payment obligation to the lessor. The right-of-use asset is depreciated over the shorter of the term of the lease or the expected useful life. The lease payments are incurred for the right to use the leased asset over the term of the lease. Comet will be affected by the new accounting guidance especially in its existing rental agreements for the use of buildings and in its vehicle leases. The impacts of the application of the new standard from 2019 on the balance sheet and income statement are described in the most recent annual report.

Basis of consolidation
There were no changes in the basis of consolidation at June 30, 2018.

Estimates
The preparation of the half-year report requires assumptions and estimates by management, which were made on the basis of the best knowledge and of all information available at the time. Adjustments to assumptions and estimates can have a material impact on future results, as such adjustments are recognized in the reporting period during which the assumptions and estimates change.

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

					Closing rate		Average rate Six months to June 30
Foreign currency translation			June 30, 2018	Dec. 31, 2017	June 30, 2017	**2018**	2017
USA	USD	1	0.994	0.975	0.957	0.966	0.995
Eurozone	EUR	1	1.158	1.169	1.095	1.170	1.077
China	CNY	1	0.150	0.150	0.141	0.152	0.145
Japan	JPY	100	0.898	0.868	0.855	0.889	0.885
Denmark	DKK	1	0.155	0.157	0.147	0.157	0.145
Republic of Korea	KRW	1,000	0.893	0.916	0.838	0.898	0.872

02 Seasonality and other material influences on business

The business volume of the Comet Group's divisions does not follow a regular seasonal pattern. Details on the business performance by division are provided in the first part of this report.

For the defined benefit plans in Switzerland, the board of directors of the pension fund (a foundation) has decided to reduce the pension conversion rates from the year 2021. This plan amendment leads to a negative past service cost (i.e., it results in income) and a corresponding reduction in the defined benefit obligation. The positive pre-tax effect of CHF 0.6 million is distributed across the 2018 operating income of the divisions as follows: PCT: CHF 0.2 million; IXM: CHF 0.3 million; EBT: CHF 0.1 million.

03 Segment reporting

The Group is managed on the basis of the four operating divisions described below, which are delineated based on the products and services offered. For financial reporting purposes the divisions are also referred to here as "operating segments" or "segments".

- The **Plasma Control Technologies** 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** division develops, manufactures and markets x-ray systems and services for non-destructive testing using x-ray and microfocus technology and computed tomography.

- The **Industrial X-Ray Modules** division develops, manufactures and markets highly compact x-ray sources and portable x-ray modules for non-destructive testing, steel metrology and airport security inspection.
- The **ebeam Technologies** division develops, manufactures and markets highly compact ebeam sets and whole ebeam systems for the treatment of surfaces in the food and printing industries.

Segment operating income represents all revenues and expenses attributable to a particular division, i.e., segment. The only expenses and revenues not allocated to segments are those of Comet Holding AG, certain government grants, and net financial items and income taxes. These unallocated expenses and revenues are reported in the "Corporate" column.

The segment assets and liabilities represent all operating items. The following balance sheet items are not allocated to operating segments: the assets and liabilities of Comet Holding AG, all cash and cash equivalents, all current and long-term debt and all income tax assets and liabilities. These unallocated assets and liabilities are reported in the "Corporate" column.

03.1 Operating segments

Six months to June 30, 2018

In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)	Elimination of interseg-ment sales	Corporate	Consolidated
Net sales							
External net sales	123,560	64,727	34,483	9,611	0	0	232,381
Intersegment sales	0	246	6,294	0	(6,540)	0	0
Total net sales	**123,560**	**64,973**	**40,777**	**9,611**	**(6,540)**	**0**	**232,381**
Earnings							
Segment operating income	28,528	(2,970)	8,501	(14,636)	(1,235)	0	18,188
Unallocated costs	0	0	0	0	0	(1,064)	(1,064)
Operating income	**28,528**	**(2,970)**	**8,501**	**(14,636)**	**(1,235)**	**(1,064)**	**17,124**
Financing expenses							(5,306)
Financing income							4,818
Income before tax							**16,635**
Income tax							(2,270)
Net income							**14,365**
EBITDA	**30,146**	**(890)**	**10,247**	**(7,677)**	**(1,235)**	**(1,064)**	**29,527**
EBITDA in % of sales	24.4%	–1.4%	25.1%	–79.9%			12.7%
Additions to non-current assets							
Property, plant and equipment	9,233	607	4,627	2,509	0	0	16,976
Intangible assets	278	176	190	33	0	0	677
Segment assets at June 30, 2018	**137,919**	**105,694**	**76,435**	**22,847**	**0**	**44,102**	**386,999**
Segment liabilities at June 30, 2018	**28,308**	**49,037**	**15,317**	**13,375**	**0**	**74,965**	**181,001**

Six months to June 30, 2017 [1]

In thousands of CHF	Plasma Control Technologies (PCT)	X-Ray Systems (IXS)	Industrial X-Ray Modules (IXM)	ebeam Technologies (EBT)	Elimination of interseg-ment sales	Corporate	Consolidated
Net sales							
External net sales	107,180	72,722	27,947	14,776	0	0	222,624
Intersegment sales	0	266	9,320	0	(9,586)	0	0
Total net sales	**107,180**	**72,988**	**37,267**	**14,776**	**(9,586)**	**0**	**222,624**
Earnings							
Segment operating income	29,794	5,101	4,804	(9,359)	(1,529)	0	28,811
Unallocated costs	0	0	0	0	0	(776)	(776)
Operating income	**29,794**	**5,101**	**4,804**	**(9,359)**	**(1,529)**	**(776)**	**28,034**
Financing expenses							(4,259)
Financing income							1,890
Income before tax							**25,665**
Income tax							(7,014)
Net income							**18,651**
EBITDA	**31,248**	**6,600**	**6,553**	**(8,276)**	**(1,529)**	**(776)**	**33,819**
EBITDA in % of sales	29.2%	9.0%	17.6%	–56.0%			15.2%
Additions to non-current assets							
Property, plant and equipment	1,682	786	4,119	6,551	0	0	13,138
Intangible assets	274	272	343	77	0	0	966
Segment assets at June 30, 2017	**103,056**	**92,139**	**62,717**	**34,843**	**0**	**57,327**	**350,082**
Segment liabilities at June 30, 2017	**23,555**	**40,994**	**13,548**	**13,199**	**0**	**76,772**	**168,069**

[1] Restated for IFRS 15 (see note 1).

03.2 Geographic information

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

Net sales by region

In thousands of CHF	**2018 Six months to June 30**	2017 Six months to June 30 [1]
Europe	44,189	45,152
USA	120,668	105,405
Asia	60,522	63,276
Rest of world	7,002	8,791
Total	**232,381**	**222,624**

[1] Restated for IFRS 15 (see note 1).

04 Financial instruments

The following table shows the carrying amounts and fair values of financial instruments held at the balance sheet date, by category (excluding cash and cash equivalents).

In thousands of CHF	June 30, 2018 Carrying amount		June 30, 2018 Fair value	December 31, 2017, restated [1] Carrying amount		December 31, 2017, restated [1] Fair value
Financial assets	FVTPL	At amortized cost		Held for trading	Loans and receivables	
Trade receivables		62,354	*		58,290	*
Derivatives	6		6	511		511
Financial assets		356	*		230	*
Total	**6**	**62,710**		**511**	**58,520**	
Of which current assets	6	62,354		511	58,290	
Of which non-current assets		356			230	
Financial liabilities	FVTPL	At amortized cost		Held for trading	At amortized cost	
Current debt		5,045	5,117		2,169	2,251
Trade and other payables		33,299	*		28,176	*
Derivatives	662		662	0		0
Non-current financial liabilities		62,772	64,685		65,726	68,933
Total	**662**	**101,116**		**0**	**96,071**	
Of which current liabilities	662	38,344		0	30,345	
Of which non-current liabilities		62,772			65,726	

[1] Restated for IFRS 15 (see note 1).
* The carrying amount approximates fair value.

The classification of financial instruments to the categories required by IFRS 9 had no effect on Comet's accounting treatment of assets and liabilities. Existing financial instruments held for trading continue to be measured at fair value through profit or loss; the measurement at amortized cost also remains unchanged.

The application of the expected credit loss model for financial assets had no material impact compared to the incurred loss model used previously.

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

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

05 Financing income and expenses

In thousands of CHF	Six months to June 30, 2018	Six months to June 30, 2017
Net interest expense	(351)	(777)
Net foreign currency translation (losses)	(137)	(1,592)
Net financial result	**(488)**	**(2,369)**

06 Impairment in EBS business

For the ebeam Systems (EBS) business, there were indications of asset impairment owing to lower profitability projections as of the six-month balance sheet date, and an impairment test was therefore performed at June 30, 2018. The possible need for an impairment charge was assessed by determining the recoverable amount of the cash generating unit (CGU). An impairment charge is recognized if the recoverable amount is less than the carrying amount. The CGU is the EBS business.

The impairment test showed the need for an impairment charge on the assets of the EBS CGU. 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), using a pre-tax discount rate (WACC) of 11.8%. 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 2019 to 2021. The impairment expense of CHF 6.0 million represents the write-down of certain property, plant and equipment and intangible assets in the EBS business to their recoverable amount. The expense is disclosed in the statement of income under cost of sales (CHF 2.2 million), development expenses (CHF 0.2 million) and marketing and selling expenses (CHF 3.6 million).

Goodwill and other intangible assets with indefinite useful lives are reviewed for impairment annually at September 30. As there was no indication of impairment in the first half of the year other than that discussed above, no other impairment test was performed, i.e., the corresponding cash generating units were not measured.

07 Contractual obligations

The facility expansion in Flamatt is being carried out through a general contractor. Comet thus entered into an obligation to procure the deliverables defined in the contract. At the end of the first half of the year the amount of this obligation remaining was CHF 2.3 million. The obligation is payable according to construction progress and is then capitalized as assets under construction. Occupancy of the new premises is planned for the fourth quarter of 2018.

08 Financing

08.1 Debt

In the first half of 2018 there were no material financing transactions.

08.2 Shareholders' equity

Distribution to shareholders

The Annual Shareholder Meeting on April 26, 2018 approved a distribution to shareholders of CHF 1.50 (prior year: CHF 1.20) per share from distributable paid-in capital (each share has a par value of CHF 1.00). Comet Holding AG paid the distribution, which totaled CHF 11.6 million, on May 3, 2018.

Authorized capital for purposes other than equity-based compensation

The authorized capital for purposes other than equity-based compensation, amounting to 1,400,000 registered shares with a par value of CHF 1.00 per share, was renewed for a further period of two years ending April 26, 2020. With this renewal, the Board of Directors maintains the flexibility to rapidly exploit strategically attractive opportunities in the current economic environment through partial use of equity.

Authorized capital for equity-based compensation

In payment of retainers to the Board of Directors and of 2017 profit-sharing compensation to the members of the Executive Committee, 6,224 shares with a par value of CHF 1.00 per share were issued in the first half of 2018 from authorized capital designated for equity compensation. As a result, at the end of the reporting period, the remaining unissued authorized capital for equity-based compensation amounted to 203,238 shares or CHF 203,238.

09 Events after the balance sheet date

As published in the media release on July 4, 2018, Comet is divesting the US manufacturer of large custom systems in Davenport, Iowa. This decision was reached at the meeting of the Board of Directors on July 3, 2018. A detailed restructuring plan is currently being prepared for the approval of the Board; the related costs will be incurred in the second half of the year.

10 Release of the half-year report for publication

At its meeting on August 9, 2018, the Board of Directors approved these interim financial statements for publication.

Disclaimer

This document contains forward-looking statements about the Comet Group that may be subject to uncertainty and risk. Readers should therefore be aware that actual future outcomes or events may differ from such statements. Forward-looking statements in this document are projections of possible future developments. All forward-looking statements are made on the basis of information available to Comet at the time of preparation of this document. The Comet Group assumes no obligation whatsoever to update or revise forward-looking statements in this document, whether as a result of new information, future results or otherwise.

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