Comet Holding AG
Half-Year Report
2019

COMETGROUP
Technology with Passion

The Comet Group

The Comet Group is a global technology leader based in Switzerland. For more than 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 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, 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 deliver lasting value-added for our customers and partners.

Results for the first half of 2019

Difficult market environment weighs on first-half results – Cost reduction measures executed – Strategic direction set

First half of 2019

- Sales decrease of 23.8% to CHF 177.0 million
- EBITDA margin reduction from 13.8% to 4.8%
- Increase in operating cash flow margin from 2% to 8%
- High equity ratio of 48.8%

Outlook

- Moderate recovery in semiconductor market expected in 2020
- Strengthening of the two core businesses, plasma control and x-ray technology
- Repositioning of x-ray systems business (Yxlon)
- Development of strategic options for ebeam business
- Measures to substantially boost efficiency

In the first half of 2019, as expected, the Comet Group experienced a sharp cyclical reduction in revenue in the semiconductor market. Compared to the strong first half of 2018, the Group registered a decrease of 23.8% in consolidated net sales to CHF 177.0 million. The first restructuring measures in the X-Ray Systems and ebeam divisions, already initiated in 2018, had a positive impact, but were not able to counterbalance the effects of the revenue drop in the Plasma Control Technologies division. Management implemented a Group-wide, further package of measures to lower the cost base, while purposefully continuing the program of investment in projects of strategic significance for the future. Operating earnings at EBITDA level were CHF 8.5 million (H1 2018: CHF 32.1 million) and the EBITDA margin was 4.8% (H1 2018: 13.8%). The Group's net loss of CHF 3.1 million in the first half of the year represented a significant change from the year-earlier result (H1 2018: net income of CHF 14.5 million). With the first-time application of IFRS 16, the prior-year comparative results were also adjusted accordingly, raising the EBITDA margin for the first half of 2018 by 1.1 percentage points and increasing net income for that period by CHF 0.1 million.

The consolidated equity ratio at June 30, 2019 continues to be high at 48.8%. With this and its healthy liquidity level, the Comet Group remains on a robust financial footing.

Segment results

PCT: Bottom of cyclical market downturn reached – New, innovative generator presented to key accounts

Amid the continued downswing in the semiconductor market, sales of the Plasma Control Technologies division (PCT) declined by 40.9% from the strong year-earlier period to CHF 73.1 million, or (as expected) by 17.6% sequentially from the second half of 2018. Management adjusted costs in line with current demand, but continued the investment in the new radio frequency (RF) power generator and other new products. The presentation of the innovative generator to key customers met with strong interest and heralds an important milestone.

As reported by the Semiconductor Industry Association (SIA), the first half of the year witnessed a stabilization in memory chip prices and brought an unexpected rise in deliveries. Comet therefore expects that the semiconductor cycle has reached bottom and the company is preparing for the gradual recovery of demand in 2020. As a result of the market situation in combination with the existing cost structures and the consciously maintained investment in new products, EBITDA operating earnings declined to CHF 3.2 million (H1 2018: CHF 30.9 million).

IXS: Slight growth and significant earnings improvement

The improvement program launched in the prior year in the X-Ray Systems division (IXS) has been bearing fruit. Sales increased by 3.5% to CHF 67.3 million. Despite the uncertain macroeconomic environment, IXS was able to grow sales of its x-ray and computed tomography (CT) systems in the aerospace, automotive and electronics markets. A significant contribution was also made by recent product innovations like the proprietary, innovation-award-winning Geminy software platform for CT systems, which enables synergies between the product groups while cutting complexity. The division's EBITDA operating earnings rose significantly to CHF 3.5 million (H1 2018: CHF 0.4 million). The high new orders and the operational improvements are cause for optimism regarding target achievement in 2019.

IXM: Sales down for market reasons – Continuing high EBITDA profitability

The Industrial X-Ray Modules division (IXM) in the first half of 2019 had to contend with a slowdown in its core markets of non-destructive testing and security inspection, but was able to maintain its high market share. In the oil and gas sector in the USA, customer investment fell considerably from the exceptionally high level of the prior year. As well, customers in the security inspection space temporarily reduced their capital expenditures for freight and baggage screening. Sales eased by 9.8% year-over-year to CHF 36.8 million. The cost-saving measures taken were not able to make up for the effects of the sales decrease and a changed product mix. EBITDA operating earnings were CHF 7.8 million (H1 2018: CHF 10.6 million). The EBITDA margin remained high at 21.1% (H1 2018: 25.9%).

EBT: Improvement from year-earlier level – Reduction of risks and costs initiated

Last year's focusing of the ebeam business through the disposal of the US systems arm had a positive impact in the first half of 2019. The ebeam Technologies division significantly reduced its EBITDA loss from the year-ago level of CHF 7.5 million to CHF 3.0 million. Sales in the remaining business of components and modules reached CHF 7.0 million (H1 2018: CHF 9.6 million).

Strategic focus on core business

As an outcome of its strategic review, the Comet Group has decided to realign itself. It will focus on the core business – plasma control and industrial x-ray technology – and is exploring strategic options for the ebeam business. It is also reorienting the x-ray systems business, where it will concentrate on profitable growth markets for innovative standardized systems. A Group-wide priority is to adjust structures, processes and costs and make them more flexible in order to boost profitability and more effectively buffer future market volatility. As well, Comet its reducing the size of its Executive Committee from seven to six members by removing the Human Resources position at this level of management.

Strengthening of the Plasma Control Technologies core business
Comet plans to further expand its position in the semiconductor market and leverage the upside drivers of progressive digitalization and big data. The aim is to exploit the potential to the fullest through new products and applications with existing and new customers, especially in Asia. An important requirement for this is the further successful development of the new generator, which was recently unveiled to a small group of customers. In addition, the service business is being expanded.

Reorientation of the x-ray systems business
The Comet Group also sees attractive potential in the industrial x-ray business, as a vendor of inspection systems for safety-sensitive components and as a manufacturing partner for the predictive improvement of production processes by means of data analytics, artificial intelligence and machine learning. By offering modular, standardized systems, the x-ray systems activities will be focused on high-growth market segments, particularly the electronics, aerospace and automotive sectors. The x-ray module business still remaining with YxIon will be transferred to Comet. Throughput times are to be further reduced in order to strongly raise profitability. The service business, which is being strongly expanded, is also to play a major role in the profit growth.

Expansion of x-ray module business
Comet also sees very high potential in the x-ray modules activities and plans to step up their expansion. The most important strategic thrust for this is the continual broadening of the product portfolio to enable applications such as the inspection of ever smaller components, 3D-printed parts and composite materials and the efficient examination of products in-process in the manufacturing line.

Expanding in Asia
The share of the Asia business will continue to grow. To support this growth, Comet will push ahead with the expansion of sales, service and operations in this region.

Outlook

While the effects of geopolitical tensions remain difficult to predict, Comet believes that the bottom of the semiconductor cycle has been reached and demand will recover in 2020 both in the semiconductor market and the x-ray sector. For the full year 2019 the Group expects sales of between CHF 350 million and CHF 370 million and an EBITDA margin of 7.0% to 8.5%.

Publication of the half-year report

The detailed half-year results and the Group's strategic direction will be presented today at 10:00 a.m. CEST at the media and analyst conference in Zurich.

Conference call in English

At 4:15 p.m. CEST today, a conference call in English will be held with Comet Group Chairman and CEO Heinz Kundert and Chief Financial Officer Beat Malacarne.
To participate, please dial in 10 minutes before the conference:

+41 (0)58 310 50 00 (Europa)
+44 (0)203 059 58 62 (UK)
+1 (1)631 570 56 13 (USA)

Consolidated statement of income (unaudited)

In thousands of CHF	**2019**	2018	Change	
	Six months to June 30	Six months to June 30 [1]	Absolute	%
Net sales	176,959	232,381	(55,422)	–23.8%
Cost of sales	(112,589)	(138,534)	25,945	–18.7%
Gross profit	**64,370**	**93,847**	**(29,477)**	**–31.4%**
Other operating income	2,317	2,631	(314)	–12.0%
Development expenses	(25,488)	(27,596)	2,108	–7.6%
Marketing and selling expenses	(26,623)	(34,556)	7,933	–23.0%
General and administrative expenses	(15,808)	(16,713)	905	–5.4%
Operating (loss)/income	**(1,232)**	**17,612**	**(18,845)**	**–107.0%**
Financing expenses	(4,329)	(5,665)	1,336	–23.6%
Financing income	2,079	4,818	(2,739)	–56.9%
(Loss)/income before tax	**(3,483)**	**16,765**	**(20,248)**	**–120.8%**
Income tax	375	(2,293)	2,668	–116.4%
Net (loss)/income	**(3,108)**	**14,472**	**(17,580)**	**–121.5%**
Earnings per share in CHF, diluted and basic	(0.40)	1.87	(2.27)	–121.5%
Operating (loss)/income	**(1,232)**	**17,612**	**(18,845)**	**–107.0%**
Amortization	2,366	7,937	(5,571)	–70.2%
EBITA	**1,133**	**25,549**	**(24,416)**	**–95.6%**
Depreciation	7,379	6,558	821	12.5%
EBITDA	**8,513**	**32,107**	**(23,595)**	**–73.5%**

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

Consolidated statement of comprehensive income (unaudited)

In thousands of CHF	**2019**	2018	Change	
	Six months to June 30	Six months to June 30 [1]	Absolute	%
Net (loss)/income	(3,108)	14,472	(17,580)	–121.5%
Other comprehensive income				
Foreign currency translation differences	(760)	380	(1,141)	–299.9%
Total items that will be reclassified to the income statement on realization	**(760)**	**380**	**(1,141)**	**–299.9%**
Actuarial (losses)/gains on defined benefit plans	(2,716)	1,150	(3,866)	–336.1%
Income tax	381	144	237	164.6%
Total items that will not subsequently be reclassified to the income statement	**(2,334)**	**1,294**	**(3,628)**	**–280.4%**
Total other comprehensive income	**(3,095)**	**1,674**	**(4,769)**	**–284.9%**
Total comprehensive income	**(6,203)**	**16,146**	**(22,349)**	**–138.4%**

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

Consolidated balance sheet (unaudited)

In thousands of CHF

Assets	June 30, 2019	%	Dec. 31, 2018 [1]	%	Change	June 30, 2018 [1]
Cash and cash equivalents	43,680		43,007		673	32,601
Trade and other receivables	60,847		63,943		(3,096)	72,898
Other financial assets	191		26		165	6
Tax receivables	3,328		2,893		435	2,815
Inventories	86,492		91,090		(4,598)	112,765
Prepaid expenses	4,566		5,109		(543)	5,050
Total current assets	**199,104**	**53.1%**	**206,068**	**54.2%**	**(6,965)**	**226,135**
Property, plant and equipment	115,772		113,591		2,181	107,110
Right-of-use assets	9,955		12,055		(2,100)	14,537
Intangible assets	40,934		40,827		107	44,090
Financial assets	212		209		3	356
Deferred tax assets	9,009		7,516		1,493	9,798
Total non-current assets	**175,882**	**46.9%**	**174,198**	**45.8%**	**1,684**	**175,891**
Total assets	**374,986**	**100.0%**	**380,266**	**100.0%**	**(5,280)**	**402,025**

Liabilities and shareholders' equity						
Current debt	17,173		9,469		7,704	9,559
Trade and other payables	30,715		34,919		(4,204)	34,888
Contract liabilities	25,407		19,991		5,416	30,639
Other financial liabilities	188		379		(191)	662
Tax payables	1,727		870		857	2,608
Accrued expenses	20,866		20,407		459	24,386
Current provisions	10,978		12,080		(1,101)	9,811
Total current liabilities	**107,054**	**28.5%**	**98,114**	**25.8%**	**8,940**	**112,553**
Long-term debt	70,320		72,506		(2,186)	75,030
Non-current provisions	46		47		(1)	49
Employee benefit plan liabilities	14,594		11,307		3,287	8,092
Deferred tax liabilities	–		–		–	2,049
Total non-current liabilities	**84,960**	**22.7%**	**83,860**	**22.1%**	**1,100**	**85,220**
Total liabilities	**192,015**	**51.2%**	**181,974**	**47.9%**	**10,041**	**197,773**
Capital stock	7,764		7,760		4	7,760
Additional paid-in capital	11,184		18,496		(7,312)	18,496
Retained earnings	188,775		196,027		(7,252)	199,923
Foreign currency translation differences	(24,752)		(23,991)		(760)	(21,927)
Total equity attributable to shareholders of Comet Holding AG	**182,971**	**48.8%**	**198,292**	**52.1%**	**(15,321)**	**204,252**
Total liabilities and shareholders' equity	**374,986**	**100.0%**	**380,266**	**100.0%**	**(5,280)**	**402,025**

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

Consolidated statement of cash flows (condensed and unaudited)

In thousands of CHF	**2019 Six months to June 30**	2018 Six months to June 30 [1]	Change
Net (loss)/income	**(3,108)**	**14,472**	**(17,580)**
Change in net cash provided by/(used in) operating activities	17,502	(10,268)	27,770
Net cash provided by operating activities	14,394	4,204	10,190
Net cash (used in) investing activities	(8,480)	(17,406)	8,926
Net cash (used in) financing activities	(4,972)	(14,848)	9,875
Net increase/(decrease) in cash and cash equivalents	**942**	**(28,049)**	**28,991**
Foreign currency translation differences on cash and cash equivalents	(269)	231	(500)
Net cash and cash equivalents at January 1	43,007	60,420	(17,412)
Net cash and cash equivalents at June 30	**43,680**	**32,601**	**11,079**

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

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 shareholders' equity
December 31, 2017	**7,754**	**29,303**	**186,748**	**(22,257)**	**201,548**
Restatement [1]	–	–	(1,798)	(50)	(1,848)
January 1, 2018 restated [1]	**7,754**	**29,303**	**184,950**	**(22,307)**	**199,700**
Net income			14,472		14,472
Other comprehensive income			1,294	380	1,674
Total comprehensive income			**15,766**	**380**	**16,146**
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**	**199,923**	**(21,927)**	**204,252**
December 31, 2018 [1]	**7,760**	**18,496**	**196,027**	**(23,991)**	**198,292**
Net loss			(3,108)		(3,108)
Other comprehensive income			(2,334)	(760)	(3,095)
Total comprehensive income			**(5,442)**	**(760)**	**(6,203)**
Distribution to shareholders of Comet Holding AG		(7,760)	(1,552)		(9,312)
Increase in capital (for stock compensation)	4	448	(421)		31
Share-based payments			163		163
June 30, 2019	**7,764**	**11,184**	**188,775**	**(24,752)**	**182,971**

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

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, 2019 presents the consolidated financial statements of Comet Holding AG and its directly or indirectly controlled subsidiaries ("Comet", the "Group"). 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 2018 annual consolidated financial statements. 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 2018 consolidated financial statements, except for the changes set out below.

With effect from January 1, 2019, Comet has applied the following new or adjusted IFRS/IAS for the first time:

- IFRS 16 – Leases
- IAS 19 – Employee Benefits (amendment): Plan Amendment, Curtailment or Settlement
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs, 2015-2017 Cycle

Except for IFRS 16, Leases, the new or amended standards and interpretations had no material effect on these interim financial statements.

Basis of consolidation

The basis of consolidation at June 30, 2019 was unchanged from that at December 31, 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, 2019	Dec. 31, 2018	June 30, 2018	**2019**	2018
USA	USD	1	0.976	0.985	0.994	1.000	0.966
Eurozone	EUR	1	1.109	1.126	1.158	1.130	1.170
China	CNY	1	0.142	0.143	0.150	0.147	0.152
Japan	JPY	100	0.906	0.894	0.898	0.909	0.889
Denmark	DKK	1	0.149	0.151	0.155	0.151	0.157
Republic of Korea	KRW	1,000	0.845	0.885	0.893	0.873	0.898

New accounting rules becoming effective in subsequent periods

- IFRS 3 – Business Combinations (amendment): Definition of a Business
- IAS 1 – Presentation of Financial Statements (amendment): Definition of Material
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (amendment): Definition of Material

The future application of these adjusted accounting rules is likely to have no, or no significant, impacts on the Group's financial position, results of operations and cash flows.

02 IFRS 16 – Leases

IFRS 16, which replaces IAS 17, contains accounting rules for all leases. 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. It excludes contracts that are within the scope of other IFRS standards, and those which were already treated as finance leases under IAS 17 and IFRIC 4.

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

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

Effect on items of the consolidated statement of income:

In thousands of CHF		Six months to June 30, 2018		
	Note	Reported	Adjustment	Restated
Net sales		232,381	–	232,381
Cost of sales	02.1	(138,894)	360	(138,534)
Gross profit		**93,487**	**360**	**93,847**
Other operating income		2,631	–	2,631
Development expenses		(27,596)	–	(27,596)
Marketing and selling expenses	02.1	(34,588)	32	(34,556)
General and administrative expenses	02.1	(16,810)	97	(16,713)
Operating income		**17,124**	**488**	**17,612**
Financing expenses	02.1	(5,306)	(359)	(5,665)
Financing income		4,818	–	4,818
Income before tax		**16,635**	**130**	**16,765**
Income tax	02.1	(2,270)	(23)	(2,293)
Net income		**14,365**	**107**	**14,472**
Operating income		**17,124**	**488**	**17,612**
Depreciation, amortization and impairment	02.1	12,403	2,092	14,495
EBITDA		**29,527**	**2,580**	**32,107**

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

Effect on items of the consolidated balance sheet:

In thousands of CHF		June 30, 2018			December 31, 2018		
	Note	Reported	Adjustment	Restated	Reported	Adjustment	Restated
Assets							
Total current assets		226,135	–	226,135	206,068	–	206,068
Property, plant & equipment		107,110	–	107,110	113,591	–	113,591
Right-of-use assets	02.1	–	14,537	14,537	–	12,055	12,055
Deferred tax assets	02.1	9,309	489	9,798	7,063	453	7,516
Other assets, not affected by IFRS 16		44,445	–	44,445	41,036	–	41,036
Total assets		**386,999**	**15,026**	**402,025**	**367,759**	**12,507**	**380,266**
Liabilities							
Total current debt		5,045	4,514	9,559	5,000	4,469	9,469
Of which lease liabilities	02.1	45	4,514	4,559	–	4,469	4,469
Total accrued expenses	02.1	24,386	–	24,386	20,316	91	20,407
Total non-current debt		62,772	12,258	75,030	62,812	9,694	72,506
Of which lease liabilities	02.1	–	12,258	12,258	–	9,694	9,694
Other liabilities, not affected by IFRS 16		88,798	–	88,798	79,593	–	79,593
Total liabilities		**181,001**	**16,772**	**197,773**	**167,721**	**14,253**	**181,974**
Equity							
Retained earnings	02.1	201,614	(1,691)	199,923	197,758	(1,731)	196,027
Foreign currency translation differences	02.1	(21,873)	(55)	(21,927)	(23,976)	(15)	(23,991)
Other equity, not affected by IFRS 16		26,257	–	26,257	26,256	–	26,256
Total equity		**205,998**	**(1,746)**	**204,252**	**200,038**	**(1,746)**	**198,292**

Effect on items of the consolidated statement of cash flows:

		Six months to June 30, 2018		
In thousands of CHF	Note	Reported	Adjustment	Restated
Net income	**02.1**	**14,365**	**107**	**14,472**
Change in net cash provided by/(used in) operating activities		(12,383)	2,115	(10,268)
Net cash provided by operating activities	02.1	1,982	2,222	4,204
Net cash (used in) investing activities		(17,406)	–	(17,406)
Net cash (used in) financing activities	02.1	(12,625)	(2,222)	(14,848)
Net decrease in cash and cash equivalents		**(28,049)**	**–**	**(28,049)**
Foreign currency translation differences on cash and cash equivalents		231	–	231
Net cash and cash equivalents at January 1		60,420	–	60,420
Net cash and cash equivalents end of period		**32,601**	**–**	**32,601**

02.1 Impact of initial application of IFRS 16

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

For Comet, the initial retrospective application at January 1, 2018 resulted in the recognition of right-of-use assets from leases of CHF 14.3 million and of lease liabilities of CHF 16.6 million. At June 30, 2018, the right-of-use assets from leases were CHF 14.5 million and the lease liabilities were CHF 16.8 million. The full retrospective method has the effect of “front-loading” expenses, i.e., of shifting them to an earlier point in time, compared to the treatment of operating leases under the superseded IAS 17. Depreciation is generally applied on a straight-line basis over the term of the lease, while the interest expense declines with the amortization of the lease liability over time. For Comet, at January 1, 2018, this effect led to a reduction of CHF 1.8 million in retained earnings (at June 30, 2018, the effect was a reduction of CHF 1.7 million). It also resulted in the recognition of a deferred tax asset of CHF 0.5 million at January 1, 2018 and June 30, 2018. Over the six-month period from January 1 to June 30, 2018, the application of IFRS 16 generated an increase of CHF 2.6 million in EBITDA (with an increase of 1.1% in EBITDA margin). In the statement of cash flows for the first half of 2018, the effect was an increase of CHF 2.2 million in net cash provided by operating activities, and a decrease of CHF 2.2 million in net cash used in financing activities.

The table below shows the movement in lease assets and liabilities from December 31, 2018 to June 30, 2019.

Six months to June 30, 2019

	Right-of-use assets				Lease liabilities
In thousands of CHF	Buildings	Equipment	Other assets	Total	
December 31, 2018	**11,428**	**610**	**17**	**12,055**	**14,162**
Additions	17	149	–	166	166
Disposals	(63)	–	–	(63)	(63)
Depreciation, amortization and impairment	(1,892)	(227)	(5)	(2,124)	–
Interest expenses					(292)
Repayment of lease liabilities					(1,958)
Foreign currency translation differences	(70)	(9)	–	(79)	(146)
June 30, 2019	**9,420**	**523**	**12**	**9,955**	**11,870**

02.2 Measurement policies under IFRS 16

Initial recognition of leases
At the inception of every contract, Comet assesses whether it contains a lease. A lease exists only if the contract gives Comet the right of use to an asset for a period of time and substantially all of the economic benefit from the asset accrues to Comet. For all leases, Comet separates lease components from non-lease components. Leases with a term of one year or less, and those of a low value (with a value when new of less than CHF 5,000) are not recognized; the expenses for these are recognized directly in the income statement.

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

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

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

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

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

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

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

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

Discount rate

Comet uses the incremental borrowing rate to discount the lease payments. This interest rate is determined by reference to a risk-free bond from the currency area where the underlying leased asset is located. Moreover, the determination of the rate takes into account the start year of the lease as well as the lease term.

In arriving at the incremental borrowing rate, Comet considers its own credit risk. This is quantified as the average of the risk premiums of interest-bearing debt financing obtained in the recent past. The calculation of the incremental borrowing rate is updated at regular intervals or when a material event requires it.

Impairment test

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

The rights of use, together with goodwill and the other intangible assets with indefinite useful lives, are tested for impairment annually at September 30.

03 Seasonality and other material influences on business

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

04 Segment reporting

Comet is managed on the basis of the four operating divisions described below, 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 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 airport security inspection.
- The **ebeam Technologies (EBT)** division develops, manufactures and markets compact ebeam sets for the treatment of surfaces in the food and printing industries.

Segment operating income represents all revenues and expenses attributable to a particular division. The only 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 debt and all income tax assets and liabilities. These unallocated assets and liabilities are reported in the "Corporate" column.

04.1 Operating segments

Six months to June 30, 2019

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	73,080	67,119	29,732	7,028	0	–	176,959
Intersegment sales	–	133	7,068	–	(7,202)	–	–
Total net sales	**73,080**	**67,252**	**36,801**	**7,028**	**(7,202)**	**–**	**176,959**
Earnings							
Segment operating income	(248)	474	5,185	(3,794)	(1,374)	–	242
Unallocated costs	–	–	–	–	–	(1,475)	(1,475)
Operating loss	**(248)**	**474**	**5,185**	**(3,794)**	**(1,374)**	**(1,475)**	**(1,232)**
Financing expenses							(4,329)
Financing income							2,079
Loss before tax							**(3,483)**
Income tax							375
Net loss							**(3,108)**
EBITDA	**3,165**	**3,457**	**7,751**	**(3,011)**	**(1,374)**	**(1,475)**	**8,513**
EBITDA in % of sales	4.3%	5.1%	21.1%	−42.8%			4.8%
Segment assets at June 30, 2019	**103,152**	**109,835**	**85,899**	**19,830**	**–**	**56,270**	**374,986**
Segment liabilities at June 30, 2019	**25,951**	**60,432**	**12,825**	**2,895**	**–**	**89,911**	**192,015**

Six months to June 30, 2018 [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	123,560	64,727	34,483	9,611	0	–	232,381
Intersegment sales	–	246	6,294	–	(6,540)	–	–
Total net sales	**123,560**	**64,973**	**40,777**	**9,611**	**(6,540)**	**–**	**232,381**
Earnings							
Segment operating income	28,649	(2,651)	8,535	(14,621)	(1,235)	–	18,677
Unallocated costs	–	–	–	–	–	(1,064)	(1,064)
Operating income	**28,649**	**(2,651)**	**8,535**	**(14,621)**	**(1,235)**	**(1,064)**	**17,612**
Financing expenses							(5,665)
Financing income							4,818
Income before tax							**16,765**
Income tax							(2,293)
Net income							**14,472**
EBITDA	**30,948**	**377**	**10,555**	**(7,474)**	**(1,235)**	**(1,064)**	**32,107**
EBITDA in % of sales	25.0%	0.6%	25.9%	–77.8%			13.8%
Segment assets at December 31, 2018	**109,198**	**108,349**	**90,479**	**18,601**	**–**	**53,638**	**380,266**
Segment liabilities at December 31, 2018	**25,989**	**50,509**	**17,610**	**3,304**	**–**	**84,563**	**181,974**

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

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 and South Korea. Net sales are allocated to countries on the basis of customer location.

Net sales by region

In thousands of CHF	**2019 Six months to June 30**	2018 Six months to June 30
Europe	41,001	44,189
USA	70,287	120,668
Asia	58,647	60,522
Rest of world	7,025	7,002
Total	**176,959**	**232,381**

05 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).

	June 30, 2019			December 31, 2018 [1]		
In thousands of CHF	Carrying amount		Fair value	Carrying amount		Fair value
Financial assets	FVTPL [2]	At amortized cost		FVTPL [2]	At amortized cost	
Trade receivables, net		53,143	*		53,382	*
Derivatives	191		191	26		26
Non-current financial assets		212	*		209	*
Total	**191**	**53,356**		**26**	**53,592**	
Of which current assets	191	53,143		26	53,382	
Of which non-current assets		212			209	
Financial liabilities	FVTPL [2]	At amortized cost		FVTPL [2]	At amortized cost	
Current debt		17,173	17,127		9,469	9,478
Total financial liabilities		28,850	*		32,991	*
Derivatives	188		188	379		379
Non-current financial liabilities		70,320	71,599		72,506	72,827
Total	**188**	**116,343**		**379**	**114,966**	
Of which current liabilities	188	46,023		379	42,461	
Of which non-current liabilities		70,320			72,506	

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

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

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

06 Financing income and expenses

In thousands of CHF	**Six months to June 30, 2019**	Six months to June 30, 2018 [1]
Net interest expense	(1,024)	(710)
Net foreign currency translation (losses)	(1,226)	(137)
Net financial result	**(2,250)**	**(847)**

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

07 Financing

07.1 Debt

In the first half of 2019, Comet obtained current debt financings of CHF 5.0 million and EUR 2.5 million in the capital market. The interest rates range between 0.8% and 1.0%.

07.2 Shareholders' equity

Distribution to shareholders
The Annual Shareholder Meeting on April 25, 2019 resolved to pay a distribution to shareholders of CHF 1.20 per share (prior year: CHF 1.50; each share has a par value of CHF 1.00). Of this distribution of CHF 1.20 per share, CHF 1.00 came from the distributable paid-in capital reserve and CHF 0.20 came from retained earnings. Comet Holding AG paid the distribution, which totaled CHF 9.3 million, on May 2, 2019.

Authorized capital for equity-based compensation
In payment of retainers to the Board of Directors and of 2018 profit-sharing compensation to the members of the Executive Committee, 4,326 shares with a par value of CHF 1.00 per share were issued in the first half of 2019 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 198,912 shares or CHF 198,912.

08 Events after the balance sheet date

There have been no events after the balance sheet date with a material effect on the information in this half-year report.

09 Release of the half-year report for publication

At its meeting on August 9, 2019, 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.

Comet Holding AG
Herrengasse 10
3175 Flamatt
Switzerland

T +41 31 744 90 00
F +41 31 744 90 90

More information
can be found on
our website at
www.comet-group.com