

Media Release

Flamatt, Switzerland – August 16, 2018

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 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 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 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%).

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

The Group's strongest sales growth 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). In local-currency terms 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 to be in line with the strong prior year. In the medium and long term, Comet sees the growth



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drivers for sales of semiconductor production 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 – 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 reason 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 initiated 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 preceding 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 divesting 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. The total cost of divesting the company in Davenport, including the impairment charges already recognized in the first half of the year, is expected to have an 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 are being published on August 16, 2018 and presented at 10:00 a.m. CEST of the same day at the media and analyst conference in Zurich (location: SIX Convention Point, Pfingstweidstrasse 110, 8005 Zurich).

Conference call in English

A conference call in English will be held today, August 16, 2018 at 4:00 p.m. CEST, with René Lenggenhager, CEO, and Markus Portmann, CFO. To participate, please register to access the webcast or 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) 207 107 0613 (UK)
+1 (1) 631 570 5613 (USA)

Investor Day

The Comet Group's annual Investor Day will be held on November 13, 2018 in Flamatt, Switzerland.

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November 13, 2018	Investor Day
March 14, 2019	Publication Full Year Results 2018
April 25, 2019	General assembly

The Comet Group

The Comet Group is a globally leading, innovative Swiss technology company focused on the x-ray, radio frequency and ebeam businesses. With premium high-tech components and systems, we enable customers in numerous industries to both enhance the quality of their products and make their manufacturing more efficient and eco-friendly. Our innovative solutions under the Comet, Yxlon and ebeam brands are in demand for applications such as non-destructive testing and security inspection, the coating and treatment of surfaces, and non-contact sterilization.

Based in Flamatt, Switzerland, the Comet Group has a presence in all world markets. We employ more than 1,400 people worldwide, including over 500 in Switzerland. Besides production facilities in China, Denmark, Germany, Switzerland and the USA, we maintain various subsidiaries in the USA, China, Japan and Korea. Comet (COTN) is listed on the SIX Swiss Exchange.