

Media Release

Flamatt, Switzerland, March 14, 2019

Comet Group demonstrates resilience: Solid results in a difficult environment

- Sales of CHF 436.4 million and EBITDA margin of 8.7% both at upper end of expectations
- Successful implementation of measures to raise profitability
- Excluding one-time effects of these measures: net income of CHF 24.3 million, EBITDA margin of 11.1%, and ROCE of 11.1%
- Equity ratio of 54.4%; low net debt with leverage ratio of 0.7 (net debt to EBITDA)
- Adjustment of prior-year data to reflect IFRS 15 accounting standard
- Election proposals for Annual Shareholder Meeting: Christoph Kutter as Board member and Chairman of the Board, and Patrick Jany as Board member
- Dividend proposal of CHF 1.20 per share

With sales of CHF 436.4 million in 2018, the Comet Group, despite a strong contraction in the semiconductor market, virtually matched the record 2017 level of CHF 443.4 million. At the first signs of a cycle change in the middle of 2018, the Group took corrective measures to improve earnings performance in individual businesses, completing these initiatives by the end of 2018. It adjusted production capacity in line with the semiconductor market downturn, divested the ebeam systems manufacturer in Davenport, Iowa, USA, and executed a sweeping earnings improvement program in the X-Ray Systems business whose effects, as already announced, will unfold in 2019. At the same time, the Group continued to invest in future revenue drivers to ensure sustained business development. Excluding the one-off costs of CHF 10.5 million associated with the corrective measures, the Comet Group realized EBITDA operating earnings of CHF 48.3 million and an EBITDA margin of 11.1% (2017: 14.3%). Net income was CHF 12.3 million, or CHF 24.3 million (2017: CHF 35.3 million) excluding one-time effects. The return on capital employed (ROCE) before one-off costs was 11.1%.

The consolidated equity ratio increased from 51.7% to 54.4%. Despite high investment in the facility expansion in Flamatt, the Group was able to keep the leverage ratio (net debt to EBITDA) at a low level of 0.7 (2017: 0.1). The Comet Group thus remains on a very sound financial footing.

PCT: Solid performance despite market downswing – Continued investments in the future

After several years of strong growth and record-high sales in the first half of 2018, Plasma Control Technologies (PCT) saw an unexpectedly strong contraction in the market for semiconductor equipment beginning in mid-year that led to a sales reduction of 28% in the second half of the year compared to the first six months. Despite this sharp decrease, the PCT division, which is one of the world's leading vendors of RF power products, was able to close the full year with sales of CHF 212.2 million, in line with the prior year (2017: CHF 213.0 million). Comet swiftly adjusted production capacity in line with the semiconductor market downturn and at the same time continued to invest in the development of the RF power generator, which will open up a new, attractive market. In combination with shifts in the product mix, this resulted in an EBITDA operating earnings figure of CHF 41.8 million (2017: CHF 55.7 million).



Technology with Passion

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IXS: Product portfolio renewal gains traction and is accelerated – Earnings improvement measures completed

After a subdued first six months, the X-Ray Systems division (IXS) began to gain traction with new products, especially in the electronics market. IXS also achieved growth in inspection systems for research on new materials and for the tire market, while sales decreased in the market for the inspection of wheels and castings as a result of not yet completed product innovations. This led to an overall sales figure of CHF 135.7 million (2017: CHF 139.8 million). In response to the weak results at IXS in the first half of the year and delays in the further development of product innovations, the Comet Group carried out a comprehensive program, under the interim divisional leadership of Matthias Barz and then under Thomas Wenzel as the division's new President, to improve earnings and focus on the renewal of the product portfolio. As previously announced, the impacts of this program will make themselves felt in 2019. High investments in product portfolio development together with one-off costs for the earnings improvement program resulted in a 2018 EBITDA operating loss of CHF 1.5 million (2017: profit of CHF 8.2 million).

IXM: Profitable growth, expansion of the position in the core market of non-destructive testing

The X-Ray Modules division (IXM), led since January 2018 by Stephan Haferl, continued to expand its position in its core market of non-destructive testing and posted sales of CHF 81.2 million (2017: CHF 78.8 million). Particularly in the USA, the division was able to win business with its robust, portable Smart Evo x-ray solutions for pipeline inspection in the oil and gas sector, more than making up for the market slowdown experienced in security inspection. The investments of the previous years in the innovative iVario™ generator also paid dividends: Numerous customers integrated the new product within a few months of its introduction. Growth was achieved especially in EBITDA operating earnings. Even with one-off costs for the facility expansion in Flamatt and productivity reductions in the pre-manufacturing of input products due to the slowing of some customers' business, the division boosted its EBITDA by 11.6% to CHF 20.0 million.

EBT: Realignment brings focus and lower cost base

The fiscal year for the ebeam Technologies (EBT) division was marked by its realignment and the divestiture of the manufacturer of customized large systems in the USA. The results of the previous years' investments in the systems business in Davenport, Iowa, did not meet expectations. The Comet Group decided to refocus the division and divested the loss-making ebeam systems subsidiary. The divestiture was completed more rapidly and with a slightly lower impact on net income than expected, thanks to the transfer to a local technology group that took over the operational business, the great majority of the employees, and the obligations to customers. The division's sales declined by 32.2% to CHF 20 million (2017: CHF 29.5 million). As a result of one-time costs, the loss at EBITDA level rose to CHF 20.2 million (2017: loss of CHF 16.2 million), of which CHF 14.5 million was due to the now-divested ebeam systems business. Through its realignment to focus on the attractive module business, EBT will be able to reduce its cost base substantially overall in 2019.

Strengthened management team

Under CEO René Lenggenhager, the Comet Group not only laid the groundwork for improved profitability in the EBT and IXS segments. It also strengthened the management team in 2018 at the Executive Committee level by filling vacant positions: In January 2018, Stephan Haferl became President of the X-Ray Modules

division and Prisca Hafner assumed the role of the Group's Chief Human Resources Officer, and in November of the year, Thomas Wenzel took over as President of the X-Ray Systems division from interim manager Matthias Barz. As well, the responsibility for business-specific tasks in the operations sphere was delegated to the divisions and the role of Chief Operations Officer was thus eliminated. The resulting structure creates direct, faster decision paths and enables more agile action attuned to customer needs.

Outlook for 2019

The Comet Group is in a sound position and, after implementing earnings improvement measures in 2018, enters fiscal year 2019 with a strong balance sheet and low net debt. As well, results in 2019 will benefit from the absence of last year's non-recurring expenses of about CHF 10.5 million. The underlying drivers of business remain intact.

Currently the visibility in the semiconductor market – especially regarding the demand trend for 3D NAND memory chips, a major market for the Comet Group – continues to be very limited for all market participants and at present does not allow a Group-level forecast to be issued for 2019. For the Plasma Control Technologies division, amid the continuing weak demand for 3D NAND chips coupled with high inventories, the Comet Group expects sales in the first six months of 2019 to be about 10-20% lower than in the second half of 2018; a prediction for the second half of 2019 is not yet possible. With strong new orders for new products such as the FF 20 CT and FF 35 CT, the X-Ray Systems division anticipates a slight year-over-year increase in sales for the full year 2019 and an EBITDA margin of approximately 6%. In the X-Ray Modules division, the Group expects slight sales growth for 2019 in line with that of 2018. As a result of existing contracts with key accounts and further investment in new applications, the ebeam Technologies division is projected to post 2019 sales of about CHF 15 million with an EBITDA loss of not more than CHF 5 million.

Dividend proposal of CHF 1.20 per share

At the Annual Shareholder Meeting on April 25, 2019, the Board of Directors will propose a dividend of CHF 1.20 per share (2018: CHF 1.50). Of this total, CHF 1.00 per share is to be paid from the remaining distributable paid-in capital, exempt from Swiss anticipatory tax, and CHF 0.20 per share is to be distributed as a regular dividend. Based on the underlying net income of CHF 24.3 million, the total proposed dividend represents a payout ratio of 38% (2018: 33%).

Charting of future direction is underway

As the Group's current strategy period to 2020 is approaching its end, the Board of Directors instructed management in 2018 to further develop the strategy with a view to the next period. In 2019 the Board will carefully consider the resulting proposals. Key themes will include the development of further geographic markets, applications and products; strongly customer-focused marketing; enhancing speed and agility in management and processes; and, crucially, the digitalization of products, processes and services, and building-up of the data analytics expertise in the Group.

Nominations for election to the Board of Directors

After 14 years as a Board member and 12 years as Chairman of Comet Holding AG, Hans Hess will not be standing for re-election, as already announced in February 2018. During his tenure, he has played a key role

in directing the company's impressive development and growth and been instrumental in strong value generation.

Following a comprehensive search process for the succession, the Board of Directors is proposing and recommending Christoph Kutter, Director of the Fraunhofer Institute for Microsystems and Solid State Technologies (EMFT), Munich, to shareholders as non-executive and independent Chairman of the Board. Dr. Kutter has 17 years of international strategic and operational experience in the semiconductor industry and possesses wide-ranging technology expertise in components, systems and software. The Board of Directors is very confident that Christoph Kutter is exceedingly well qualified to lead Comet into the future as its Chairman and add value to the company.

With twelve years of service on the Board, Lucas Grolimund, chairman of the Audit Committee, is also not standing for re-election, as already announced in February 2019. As successor to Lucas Grolimund, the Board is proposing and recommending that shareholders elect Patrick Jany, Chief Financial Officer of Clariant, as an independent member of the Board of Directors. Provided he is elected, Patrick Jany will assume the chairmanship of the Audit Committee from Lucas Grolimund.

Business items submitted by Veraison

On January 8, 2019, Veraison submitted various business items for the Annual Shareholder Meeting on April 25, 2019 (media release of January 8, 2019). The Board of Directors has carefully reviewed these items. The Board rejects the motion to elect Heinz Kundert as a Board member and as Chairman of the Board. In its existing members Franz Richter and Gian-Luca Bona, the Board already includes proven experts in the semiconductor market and semiconductor technology, and it wants to further reinforce this expertise with the election of Christoph Kutter proposed by the Board. Moreover, the Board, in a thorough search process during 2018 that also included Heinz Kundert as a candidate, has assessed and selected Christoph Kutter as the candidate it considers best suited for the chairmanship of the Board and is therefore proposing him as the new Chairman at the 2019 Annual Shareholder Meeting.

Veraison also proposes various amendments to the Bylaws (Articles of Association) of the Company. After a thorough evaluation, the Board of Directors recommends to the Annual Shareholder Meeting that 10% of voting rights continue to be required for calling an Extraordinary Shareholder Meeting; supports the proposal by Veraison to reduce the threshold for placing business items on the agenda to 3% of voting rights; and recommends that the deadline for such submissions of 45 days before the Shareholder Meeting be kept unchanged.

The Board of Directors will explain and support its position in detail in the invitation to the Annual Shareholder Meeting.

Media and analyst conference

The detailed financial results for 2018 will be presented today at the media and analyst conference at 10:00 a.m. in Zurich (location: Restaurant Au Premier, Bahnhofplatz 15, Alcina Room ("Raum Alcina"), 8001 Zurich).

Conference call in English

A conference call in English will be held today, March 14, 2019, starting at 4:00 p.m. CET, with René Lenggenhager, CEO, and Markus Portmann, CFO. To participate, please register for access to the webcast, or dial in 10 minutes before the scheduled start of the call using one of the following telephone numbers:

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Key dates

April 25, 2019 Annual Shareholder Meeting

August 15, 2019 Publication of half-year results

November 21, 2019 Investor Day

The Comet Group

The Comet Group is a global technology leader based in Switzerland with a strong technology platform focused on x-ray, radio frequency (RF) power and ebeam. Drawing on its combined core competencies of high vacuum, high voltage, materials science, and application and data-processing expertise, the Comet Group provides customers with innovative solutions for faster, more efficient processes and safer products in a wide range of markets.

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 about 1,300 people worldwide, including approximately 500 in Switzerland. Besides production facilities in China, Denmark, Germany, Switzerland and the USA, we maintain various other subsidiaries in the USA, China, Japan and Korea. Comet (COTN) is listed on the SIX Swiss Exchange.