

COMET Holding AG
Half-Year Report

2015

The COMET Group

Technology

The COMET Group is one of the world's leading vendors of x-ray, radio frequency (RF) and ebeam technology. With high-quality components, systems and services, the Group helps its customers maximize the quality, reliability and efficiency of their products and processes.

Organization

COMET AG was founded in 1948. Based in Flamatt, Switzerland, the Group has a presence in all world markets. COMET's stock (COTN) is listed on the SIX Swiss exchange. COMET, YXLON and ebeam – each of the Group's three strong brands serves different markets.

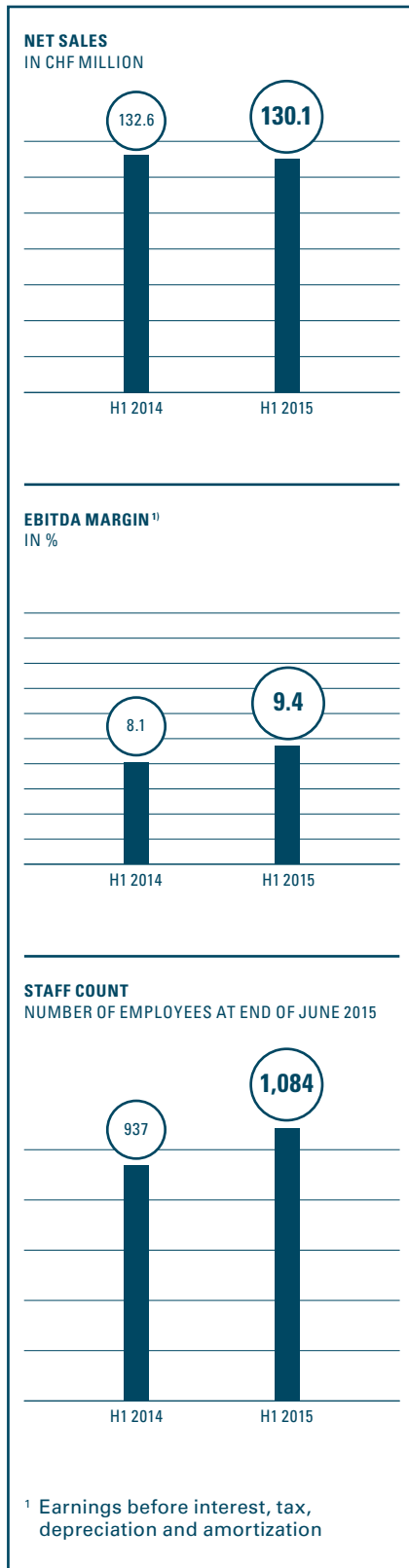
Customers

YXLON x-ray systems for non-destructive testing are supplied to end customers in the automotive, aerospace and electronics sectors.

Under the COMET brand, the company builds high-quality, high-tech components and modules, such as x-ray sources, vacuum capacitors, RF generators and impedance matching networks. These products are in demand by manufacturers in the automotive, aerospace, semiconductor and solar industries as well as in airport security applications.

Under its "ebeam" brand, the Group offers very compact ebeam modules and systems currently used, for example, in the non-contact sterilization of beverage packaging.

COMET Group improves operating earnings in difficult market environment



H1 2015: COMET Group improves operating earnings in difficult market environment

- Net sales of CHF 130.1 million, 2% below H1 of prior year (new orders up 4% yoy)
- EBITDA improved by 15% and EBITDA margin strengthened to 9.4%
- Net income, at CHF 1.7 million, was down from year-earlier level, but steady in constant currencies
- Strategic milestones reached in ebeam business
- Strong second half expected
- 2015 forecast slightly increased: Sales of CHF 290-310 million and EBITDA margin of 13.5-14.5%

The COMET Group experienced very divergent trends in its markets in the first half of the year, but held its own well on balance. In the semiconductor and electronics market, COMET gained ground and achieved further growth with its innovative technologies, while low commodity prices and the partly more difficult market setting in China meant that, for the Group as a whole, the prior year's vigorous growth could not be maintained. The results were also affected by the strong Swiss franc. At Group level, sales eased by 1.9% to CHF 130.1 million (H1 2014: CHF 132.6 million). Before the effects of currency translation (-1.6%) and the acquisition of PCT Engineered Systems LLC (+2.4%), sales were 2.7% lower than a year ago. However, new orders in the first six months were up 4% year-over-year.

The COMET Group boosted its EBITDA profitability by 15% to CHF 12.3 million (H1 2014: CHF 10.7 million), thanks to a 6% reduction in operating costs. The EBITDA margin rose to 9.4% (H1 2014: 8.1%). Before currency and acquisition effects, the EBITDA margin was 8.7%. Net income, in line with expectations, was CHF 1.7 million (H1 2014: CHF 4.4 million). This includes one-time currency translation losses (already announced in March 2015) of CHF 3.5 million. On a constant-currency basis, net income would have been steady at the year-earlier level.

Net debt increased modestly as a result of the acquisition of PCT Engineered Systems, but remained low in absolute terms at just CHF 20.4 million. With an equity ratio of 58.2% (2014 year-end: 59.3%), the COMET Group continued to feature a strong balance sheet, despite the ratio's slight decrease caused by exchange rates and the low interest rates.

Segment results

PCT – Profitable growth in all markets; full pipeline

Plasma Control Technologies grew its sales by 10.3% to CHF 58 million (H1 2014: CHF 52.6 million) and delivered an EBITDA margin of 18.4% (H1 2014: 15.3%). On a constant-currency basis the segment's sales expanded by 6.1%. The top driver was the ongoing work to equip fabrication plants that produce the latest-generation, V-NAND memory chips. With its top-quality impedance matching networks designed specifically for the high-end environment, PCT offered value-added for customers and reaped the rewards of continuous development work. Through its high-performance vacuum capacitors, the segment also benefited from the brisk demand in the flat panel market, while in the laser market it received the first larger order for its generators. Promising work is underway on projects with new, predominantly Asian customers, and tests were launched with various products.

To support clients even more effectively in the extremely rapid development of technologies for the fabrication of ever more powerful memory chips, PCT opened test centers in Korea and the USA. For the second half of the year, PCT expects strong growth year-over-year based on sustained high demand from the semiconductor market, and predicts a further sequential expansion in sales compared with the first half of 2015.

IXS – Tire market contraction in China; profitability improved; expecting stronger H2

X-Ray Systems as expected saw a decrease of 18.4% in sales from the prior-year comparative period to CHF 43.3 million in the first half of 2015 (H1 2014: CHF 53.0 million), or a drop of 12.4% in constant-currency terms. The segment successfully sold systems for the inspection of electronic components with features for enhanced image resolution and expanded the service business with upgrades. The effect of these positive developments was, however, neutralized by a pronounced reduction in demand for tire inspection systems because of regulatory changes in China. Also, as anticipated, there was a lack of revenue from computed tomography (CT) systems as a result of the low order backlog related to last year's reorganization of this business.

Despite the significantly lower sales, the EBITDA profit margin widened, rising to 6.3% (H1 2014: 5.3%) on further operational improvements, a favorable product mix and positive currency effects.

To create further value-added for customers in the future through better data integration, simpler processes and high-precision measurement, IXS forged partnerships with leading companies such as Mirtec and Hexagon. For the second half of 2015, the segment is projecting significant sales growth compared to the first six months of this year. In the full year, however, the segment will not match its prior-year sales (before or after currency translation).

XET – Low commodity prices and strong CHF pose challenge; ebeam passes milestones

X-Ray & ebeam Technologies had a difficult start to 2015. On the one hand, the segment achieved growth in the airport security sector compared to the year-earlier period. In the non-destructive testing market, on the other hand, XET felt the impact of the low commodity prices, which led to reduced customer investment in inspection equipment for applications such as pipelines and sorting. As well, the strong Swiss franc weighed on sales, which are generated primarily in the euro-zone. Despite the currency effects, sales eased only mildly to CHF 34.8 million (H1 2014: CHF 35.4 million). On a currency-adjusted basis, the segment grew by 3.6%, due not least to the acquisition in April of PCT Engineered Systems LLC. The sudden appreciation of the Swiss franc in January hurt the segment's profitability and, in combination with the costs of acquiring and integrating PCT Engineered Systems, led to a negative EBITDA margin of 0.8% (H1 2014: positive margin of 4.1%).

In the ebeam business, the segment passed important strategic milestones with the launch of the ebeam-equipped E3 packaging machine by Tetra Pak at the FISPAL trade show in Brazil and the joining of forces with Bühler to tap new applications. Moreover, with the acquisition of PCT Engineered Systems LLC, COMET took a key step toward becoming a vertically integrated powerhouse for low-energy ebeam.

For the second half of the year, the segment expects significant sales growth in all business areas compared to the first six months.

Outlook: Forecast slightly raised

To reflect new circumstances – updated exchange rates of 0.95 Swiss francs per US dollar and CHF 1.06 per euro, the acquisition of PCT Engineered Systems and the current economic environment – the COMET Group is slightly raising its expectations for the full year 2015. Its outlook is for a strong and profitable second half of the year. For fiscal year 2015 the management and Board of Directors thus now assume sales of between CHF 290 million and CHF 310 million, with an EBITDA margin of 13.5% to 14.5%. As previously announced, net income this year will be lower than last year as a result of the absence of a non-recurring positive tax effect of CHF 6.1 million recorded in 2014, combined with one-time currency translation losses of CHF 3.5 million in 2015.

The COMET Group continues to see attractive growth potential in the medium and long term. In July 2015 COMET therefore applied for the construction permit to expand the manufacturing facilities at the Flamatt site.

Media and analyst conference

COMET will present the published financial results for the first half of 2015 today, August 20, 2015, at 10:00 a.m. at the media and analyst conference in Zurich (location: SIX Swiss Exchange, Convention Point, Selnastrasse 30).

Conference call in English

A conference call in English will be held today, August 20, 2015 from 3:30 p.m. to 4:15 p.m. CET, with Ronald Fehlmann, Chief Executive Officer, and Markus Portmann, Chief Financial Officer. To participate, please dial in 10 to 15 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, 2015	%	Dec. 31, 2014	%	Change	June 30, 2014
Cash and cash equivalents	18,404		18,559		(156)	19,458
Trade and other receivables	41,860		57,233		(15,373)	49,056
Other financial assets	166		13		153	65
Tax receivables	2,588		432		2,156	0
Inventories	67,338		56,621		10,717	51,891
Prepaid expenses	3,602		2,003		1,599	2,407
Total current assets	133,958	54.4%	134,862	54.8%	(904)	122,877
Property, plant and equipment	56,101		54,658		1,443	55,275
Intangible assets	48,511		46,469		2,042	45,832
Financial assets	323		379		(56)	387
Employee benefit plan assets	1,568		3,084		(1,516)	3,983
Deferred tax assets	5,600		6,459		(859)	1,634
Total non-current assets	112,103	45.6%	111,049	45.2%	1,054	107,111
Total assets	246,061	100.0%	245,911	100.0%	150	229,989
Liabilities and shareholders' equity						
Current debt	28,034		6,557		21,477	11,901
Trade and other payables	35,005		33,358		1,647	31,962
Other financial liabilities	2,202		633		1,569	37
Tax payables	186		4,951		(4,765)	4,260
Accrued expenses	14,868		14,296		572	14,192
Current provisions	5,514		6,021		(506)	5,368
Total current liabilities	85,810	34.9%	65,816	26.8%	19,994	67,720
Non-current debt	10,812		14,013		(3,201)	19,850
Non-current provisions	67		79		(12)	92
Employee benefit plan liabilities	1,766		1,949		(183)	1,751
Deferred tax liabilities	4,388		4,286		101	4,169
Total non-current liabilities	17,033	6.9%	20,327	8.3%	(3,295)	25,862
Total liabilities	102,843	41.8%	86,143	35.0%	16,699	93,582
Capital stock	7,738		7,721		17	7,721
Additional paid-in capital	45,629		52,740		(7,112)	52,751
Retained earnings	117,775		118,518		(743)	96,991
Foreign currency translation differences	(27,924)		(19,212)		(8,712)	(21,056)
Total equity attributable to shareholders of COMET Holding AG	143,218	58.2%	159,768	65.0%	(16,549)	136,407
Total liabilities and shareholders' equity	246,061	100.0%	245,911	100.0%	150	229,989

Consolidated statement of income (unaudited)

In thousands of CHF	2015 Six months to June 30	2014		Change %
		Six months to June 30	Absolute	
Net sales	130,097	132,583	(2,486)	-1.9%
Cost of sales	(81,910)	(83,845)	1,935	-2.3%
Gross profit	48,187	48,738	(551)	-1.1%
Other operating income	2,778	1,646	1,132	68.8%
Development expenses	(14,771)	(15,547)	776	-5.0%
Marketing and selling expenses	(19,257)	(19,548)	291	-1.5%
General and administrative expenses	(9,502)	(9,788)	286	-2.9%
Operating income	7,435	5,500	1,934	35.2%
Financing expenses	(7,309)	(1,532)	(5,777)	377.1%
Financing income	3,347	1,216	2,131	175.3%
Income before tax	3,473	5,184	(1,711)	-33.0%
Income tax	(1,797)	(756)	(1,041)	137.6%
Net income	1,676	4,428	(2,752)	-62.2%
Earnings per share in CHF, diluted and basic	2.17	5.75	(3.58)	-62.2%
Operating income	7,435	5,500	1,934	35.2%
Amortization	1,080	1,680	(600)	-35.7%
EBITA	8,515	7,181	1,334	18.6%
Depreciation	3,778	3,548	230	6.5%
EBITDA	12,293	10,728	1,565	14.6%

Consolidated statement of comprehensive income (unaudited)

In thousands of CHF	2015 Six months to June 30	2014		Change %
		Six months to June 30	Absolute	
Net income	1,676	4,428	(2,752)	-62.2%
Other comprehensive income				
Foreign currency translation differences	(8,712)	(738)	(7,974)	1,080.5%
Total items that will be reclassified to the income statement on realization	(8,712)	(738)	(7,974)	1,080.5%
Actuarial (losses) and gains on defined benefit plans	(1,516)	233	(1,749)	-750.8%
Income tax	258	(40)	297	-750.8%
Total items that will not subsequently be reclassified to the income statement	(1,258)	193	(1,452)	-750.8%
Total other comprehensive (loss)	(9,970)	(545)	(9,426)	1,730.7%
Total comprehensive (loss)/income	(8,295)	3,883	(12,178)	-313.6%

Consolidated statement of cash flows (condensed and unaudited)

In thousands of CHF	2015 Six months to June 30	2014 Six months to June 30	Change
Net cash provided by operating activities	5,484	12,735	(7,251)
Net cash (used in) investing activities	(14,061)	(4,481)	(9,580)
Net cash provided by/(used in) financing activities	9,529	(6,955)	16,484
Net increase in cash and cash equivalents	952	1,299	(347)
Foreign currency translation (losses) on cash and cash equivalents	(1,107)	(54)	(1,053)
Net cash and cash equivalents at January 1	18,559	18,214	346
Net cash and cash equivalents at June 30	18,404	19,458	(1,054)

Consolidated statement of changes in equity (unaudited)

In thousands of CHF	Equity attributable to shareholders of COMET Holding AG					
	Capital stock	Additional paid-in capital	Treasury stock	Retained earnings	Foreign currency translation differences	Total shareholders' equity
December 31, 2013	7,701	57,854	0	92,616	(20,318)	137,852
Net income				4,428		4,428
Other comprehensive income/(loss)				193	(738)	(545)
Total comprehensive income/(loss)				4,621	(738)	3,883
Distribution to shareholders of COMET Holding AG		(6,161)				(6,161)
Increase in capital (for stock compensation for 2013)	20	1,058		(1,021)		57
Share-based payments for 2014				775		775
June 30, 2014	7,721	52,751	0	96,991	(21,056)	136,407
December 31, 2014	7,721	52,740	0	118,518	(19,212)	159,768
Net income				1,676		1,676
Other comprehensive (loss)				(1,258)	(8,712)	(9,970)
Total comprehensive income/(loss)				417	(8,712)	(8,295)
Distribution to shareholders of COMET Holding AG		(8,493)				(8,493)
Increase in capital (for stock compensation for 2014 and 2015)	17	1,381		(1,363)		36
Share-based payments for 2015				202		202
June 30, 2015	7,738	45,629	0	117,775	(27,924)	143,218

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, 2015 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 information included in the annual accounts and should therefore be read in conjunction with the annual consolidated financial statements for 2014. 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 2014 annual consolidated financial statements, except for the changes set out below.

With effect from January 1, 2015, COMET has applied the following new or revised IFRS/IAS for the first time:

- IAS 19 – Amendments – Employee Contributions
- Annual Improvements to IFRSs, published December 2013

The first-time application of the above new or amended standards and interpretations had no effect on the balance sheet and income statement in these financial statements.

Basis of consolidation

With effect from May 1, 2015, COMET acquired sole ownership of PCT Engineered Systems LLC, Davenport, Iowa, USA. The information on this transaction is provided below in note 2, Acquisition. There were no other changes to the basis of consolidation.

The business combination was accounted for by the acquisition method. In these interim consolidated financial statements, the results of PCT Engineered Systems LLC are included for the two-month period from May 1 to June 30, 2015.

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.

Seasonality of business

The business of the X-Ray & ebeam Technologies segment and Plasma Control Technologies segment is not subject to seasonal variation. By contrast, the X-Ray Systems segment typically registers slightly higher sales in the second half of the year. As a result, in the latter half of the year the COMET Group as a whole (leaving aside macroeconomic influences) tends to report higher sales than in the first six months of the year. Details on the business performance by segment are provided in the first part of this report.

Foreign currency translation

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

Foreign currency translation			June 30, 2015	Closing rate		Average rate Six months to June 30	
				Dec. 31, 2014	June 30, 2014	2015	2014
USA	USD	1	0.931	0.990	0.891	0.948	0.891
Europe	EUR	1	1.042	1.203	1.216	1.058	1.221
China	CNY	1	0.150	0.159	0.144	0.152	0.145
Japan	JPY	100	0.761	0.828	0.879	0.789	0.870
Denmark	DKK	1	0.140	0.162	0.163	0.142	0.164
Republic of Korea	KRW	1,000	0.834	0.909	0.881	0.863	0.849

02 Acquisition

At May 1, 2015, COMET acquired sole ownership of PCT Engineered Systems LLC, Davenport, Iowa, USA. Acting as a system integrator, the company develops, manufactures and markets solutions for the curing and value-added processing of plastic films and printing inks using electron beams (ebeam). Through the acquisition, COMET gains direct access to the ebeam end-user market and expands its product portfolio. The new subsidiary has been assigned to the Group's X-Ray & ebeam Technologies segment.

02.1 Acquired net assets

The assets and liabilities identified at the acquisition date are shown in the following table.

In thousands of CHF	Fair values at acquisition date
Cash and cash equivalents	321
Trade accounts receivable	1,503
Other receivables	267
Inventories	9,836
Property, plant and equipment	1,491
Intangible assets	6,929
Total assets	20,410
Liabilities	(9,113)
Accrued expenses	(428)
Provisions	(66)
Total liabilities	(9,607)
Total identified net assets, at fair value	10,802
Total consideration transferred	10,787
Gain on bargain purchase, recognized in income	(15)

The small "bargain purchase" excess of the identified net assets over the consideration transferred results from differential cash flow projections for the acquired business and is recognized in other operating income.

For tax purposes in the USA the purchase is treated as an asset deal (purchase of assets and liabilities) and therefore no deferred taxes arise at the acquisition date.

The gross amount of the acquired trade receivables was CHF 1,521 thousand and their fair value was CHF 1,503 thousand. There were no impaired receivables and all receivables are expected to be recoverable.

02.2 Purchase price

The purchase price was paid in cash and the deferred, contingent consideration is also payable entirely in cash.

In thousands of CHF	Cash flow from acquisition
Non-contingent consideration	6,798
Contractual repayment of existing financial debt of acquiree	1,962
Fair value of contingent consideration	2,028
Total consideration	10,787
Liability for contingent consideration	(2,028)
Liability for purchase price holdback	(249)
Cash and cash equivalents acquired	(321)
Net cash outflow on acquisition	8,190

The contingent consideration is governed by an earn-out agreement under which this further conditional payment is to be made in an amount which depends on the achievement of certain new-order targets during the 12 months following the acquisition. The potential range of this consideration extends from USD 0 to USD 8.0 million. See note 04, Financial instruments, for details on the measurement of the contingent consideration.

02.3 Effects on consolidated results

The consolidated income statement for the first half of the year includes (for the period from May 1 to June 30) the acquired company's sales of CHF 3.1 million and a net loss of CHF 0.1 million.

It is not possible to say what the amount of consolidated sales or net income of the COMET Group for the first half of 2015 would have been if the acquired company had been consolidated from the beginning of the year.

02.4 Transaction costs

The transaction costs of CHF 0.5 million incurred were recognized in general and administrative expenses and are included in operating income of the X-Ray & ebeam Technologies segment.

03 Segment reporting

The Group is managed on the basis of the three operating segments described below, which are delineated based on the products and services offered.

- The **X-Ray & ebeam Technologies** segment develops, manufactures and markets metal ceramic x-ray sources and portable x-ray modules for non-destructive testing and security inspection, as well as ebeam sources and systems for the environmentally friendly sterilization of surfaces.
- The **Plasma Control Technologies** segment 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, flat screens and solar panels.
- The **X-Ray Systems** segment develops, manufactures and markets x-ray systems and services for non-destructive testing using x-ray and microfocus technology and computed tomography.

Segment operating income represents all revenues and expenses attributable to a particular segment. Only the costs and revenues of COMET Holding AG as well as net financial items and income taxes are not allocated to the segment results. These unallocated expenses and revenues are reported in the "Corporate" column.

The segment assets represent all operating assets. The following items are not allocated to operating segments: the assets of COMET Holding AG, all cash and cash equivalents, the item "other financial assets", and all current and deferred income tax assets.

Six months to June 30, 2015

In thousands of CHF

	X-Ray & ebeam Technologies	Plasma Control Technologies	X-Ray Systems	Elimination of interseg- ment sales	Corporate	Consolidated
Net sales						
External net sales	29,652	58,006	42,440	0	0	130,097
Intersegment sales	5,189	0	828	(6,017)	0	0
Total net sales	34,841	58,006	43,268	(6,017)	0	130,097
Earnings						
Segment operating (loss)/income	(2,231)	9,060	1,438	(9)	0	8,257
Unallocated costs	0	0	0	0	(823)	(823)
Operating income	(2,231)	9,060	1,438	(9)	(823)	7,435
Financing expenses						(7,309)
Financing income						3,347
Income before tax						3,473
Income tax						(1,797)
Net income						1,676
EBITDA	(287)	10,680	2,732	(9)	(823)	12,293
EBITDA in % of sales	-0.8%	18.4%	6.3%			9.4%
Additions to non-current assets						
Property, plant and equipment	3,301	1,051	776	0	0	5,128
Intangible assets	408	96	616	0	0	1,120
Segment assets at June 30, 2015	80,613	64,627	74,707	0	26,114	246,061
Segment liabilities at June 30, 2015	19,442	11,313	24,406	0	47,682	102,843

Six months to June 30, 2014

In thousands of CHF

	X-Ray & ebeam Technologies	Plasma Control Technologies	X-Ray Systems	Elimination of interseg- ment sales	Corporate	Consolidated
Net sales						
External net sales	27,587	52,587	52,410	0	0	132,583
Intersegment sales	7,814	0	602	(8,416)	0	0
Total net sales	35,401	52,587	53,012	(8,416)	0	132,583
Earnings						
Segment operating (loss)/income	(187)	6,397	867	(706)	0	6,370
Unallocated costs	0	0	0	0	(870)	(870)
Operating income	(187)	6,397	867	(706)	(870)	5,500
Financing expenses						(1,532)
Financing income						1,216
Income before tax						5,184
Income tax						(756)
Net income						4,428
EBITDA	1,452	8,050	2,802	(706)	(870)	10,728
EBITDA in % of sales	4.1%	15.3%	5.3%			8.1%
Additions to non-current assets						
Property, plant and equipment	1,914	1,228	1,352	0	0	4,495
Intangible assets	8	23	809	0	0	840
Segment assets at December 31, 2014	66,632	63,455	90,353	0	25,471	245,911
Segment liabilities at December 31, 2014	11,989	15,619	27,180	0	31,354	86,143

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, 2015		December 31, 2014		
	Carrying amount		Fair value	Carrying amount	
	Held for trading	Loans and receivables		Held for trading	Loans and receivables
Financial assets					
Trade receivables		36,418	*		49,426
Derivative financial instruments (for foreign exchange hedging)	166		166	13	
Financial assets		323	*		379
Total	166	36,741		13	49,806
Of which current assets	166	36,418		13	49,426
Of which non-current assets		323			379
Financial liabilities					
	Held for trading	At amortized cost		Held for trading	At amortized cost
Current debt		28,034	28,067		6,557
Contingent consideration	2,007		2,007		
Payables		18,267	*		24,489
Derivative financial instruments (for foreign exchange hedging)	196		196	633	
Non-current financial liabilities		10,812	12,033		14,013
Total	2,202	57,112		633	45,058
Of which current liabilities	2,202	46,301		633	31,046
Of which non-current liabilities		10,812			14,013

* The carrying amount approximates fair value.

There were no available-for-sale financial assets or held-to-maturity investments. 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).

Only derivative financial instruments held for currency hedging and the liability for contingent consideration for the acquisition of PCT Engineered Systems LLC were carried at fair value by COMET. The measurement of the derivatives falls into Level 2 and the measurement of the liability for contingent consideration represents Level 3 of the fair value measurement hierarchy under IFRS 13.

The deferred consideration specified in the purchase agreement for PCT Engineered Systems LLC, Davenport, Iowa, USA is contingent on the achievement of certain threshold values related to new orders received over a period of 12 months after the acquisition. Depending on the actual new orders booked from May 1, 2015 to April 30, 2016 and the budget margins achieved for them, a further consideration of between USD 0 and USD 8 million will become payable.

The unobservable material inputs used in the valuation were the probability of the likely new orders; the resulting contingent consideration, for which a range of USD 0 to USD 4.0 million was assumed; and the discount rate of 11.3%.

The movement in the liability for contingent consideration was as follows:

In thousands of CHF	Liability for contingent consideration
Fair value at acquisition date	2,028
Unrealized fair value adjustment January to June 2015	41
Liability at June 30, 2015	2,069

05 Financing income and expenses

In thousands of CHF	Six months to June 30, 2015	Six months to June 30, 2014
Net interest expense	(429)	(636)
Net foreign currency translation (losses)/gains	(3,533)	320
Net financial result	(3,962)	(316)

The financing expenses and financing income reported in the consolidated income statement increased as a result of the high volatility in exchange rates.

06 Impairment

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually at September 30 or when there is an indication of impairment.

As there was no indication of impairment in the first half of the year, no impairment test was performed, i.e., the corresponding cash generating units were not measured.

07 Financing

07.1 Debt

The increase in current debt was attributable mainly to the financing of the acquisition (see note 2) with current bank borrowings.

07.2 Shareholders' equity

Authorized capital for equity-based compensation

In payment of variable compensation due to the Board of Directors and management for 2014, a total of 1,651 shares were issued in the first half of the year under review from authorized capital designated for equity compensation. In addition, the members of the Board of Directors were issued an aggregate total of 84 shares for Board fees due for the period to the 2015 Annual Shareholder Meeting. As a result, at the end of the reporting period, the unissued authorized capital for equity-based compensation amounted to 22,511 shares, or CHF 225,110.

Distribution to shareholders

The Annual Shareholder Meeting on April 22, 2015 approved a distribution to shareholders of CHF 11.00 per share (prior year: CHF 8.00) from distributable paid-in capital. COMET Holding AG paid the distribution, which totalled CHF 8.5 million, on April 28, 2015.

08	Events after the balance sheet date	There have been no events after the balance sheet date with a material effect on the amounts in this half-year report.
09	Release of the half-year report for publication	At its meeting on August 13, 2015, the Board of Directors approved these interim financial statements for publication.

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Key dates

November 24, 2015	Investor Day 2015
March 17, 2016	Publication of annual report 2015

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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