HALF-YEAR REPORT 2017:

VAT continues to ramp up production capacity in Switzerland, Malaysia and Romania to meet the opportunities of a high-growth market, maintain and expand its market leadership, and ensure the highest levels of customer service.

Q2 2017 highlights
- VAT captured the business opportunities presented by ongoing favorable market conditions; quick response to customer demands
- Orders up 55%; net sales increase 35%

Half-year 2017 highlights
- Increasing demand for manufacturing equipment in the semiconductor industry and technology advances in displays continue to drive growth
- Order intake up 45% to CHF 372 million; net sales increase by 39% to CHF 326 million
- Adjusted EBITDA plus 33% to CHF 98 million; adjusted EBITDA margin at 30.1% despite costs related to investments in future growth

Outlook 2017
- Sales growth of around 30% expected at constant FX
- Adjusted EBITDA margin to be maintained approximately at the same level as in 2016
- CAPEX to be around 6% of net sales

PASSION. PRECISION. PURITY.

Key Figures

In CHF million	6M 2017	6M 2016	Change
Order intake	372.0	256.9	+44.8%
Order backlog as of June 30, 2017, and December 31, 2016	167.9	122.1	+37.5%
Net sales	326.4	235.5	+38.6%
Gross profit	206.4	148.3	+39.2%
Gross profit margin	63.2%	63.0%	
EBITDA	95.3	67.8	+40.6%
Adjusted EBITDA[1]	98.2	73.9	+32.9%
Adjusted EBITDA margin	30.1%	31.4%	
EBIT	78.2	52.7	+48.3%
EBIT margin	23.9%	22.4%	
Net income[2]	59.5	24.2	+145.7%
Net income margin	18.2%	10.3%	
Basic earnings per share (in CHF)[2]	1.99	0.87	+128.7%
Diluted earnings per share (in CHF)[2]	1.99	0.87	+128.7%
Cash flow from operating activities	71.5	59.5	+20.2%
CAPEX[3]	17.6	6.6	+166.7%
CAPEX margin	5.4%	2.8%	
Free cash flow[4]	54.1	53.7	+0.7%
Free cash flow margin	16.6%	22.8%	
Free cash flow conversion rate[5]	56.8%	79.2%	

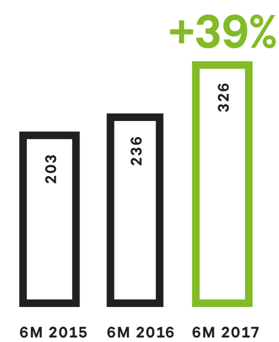
In CHF million	2017 as of June 30	2016 as of Dec 31	
Total assets	915.8	883.4	+3.7%
Total liabilities	437.2	372.8	+17.3%
Equity[6]	478.6	510.6	–6.3%
Net debt[7]	194.0	133.9	+44.9%
Number of employees	1,746	1,278	+468

1 Adjusted EBITDA excludes one-off items.
2 2016 includes interest cost on shareholder loan.
3 CAPEX contain purchases of property, plant equipment and intangible assets.
4 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
5 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
6 Equity in 2016 includes a shareholder loan of CHF 405.1 million as at December 31, 2016.
7 Net debt in 2016 is calculated excluding the shareholder loan of CHF 405.1 million as at December 31, 2016.

Net sales
in CHF million

326.4

Net sales development
in CHF million



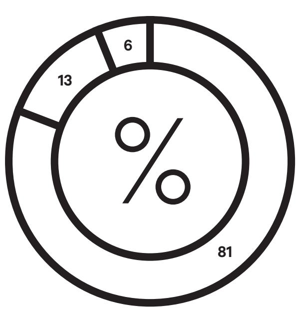
Adjusted EBITDA
in CHF million

98.2

Adjusted EBITDA margin
in %

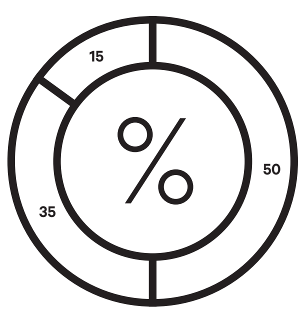
30.1

Net sales
by segment



81 VALVES
13 GLOBAL SERVICE
6 INDUSTRY

Net sales
by region



50 ASIA
35 AMERICAS
15 EMEA

Free cash flow
in CHF million

54.1

Based on its proven market leadership, VAT continued to show sustainable growth in the second quarter and the first six months of 2017

Strong Q2 2017 confirms robustness of underlying markets

VAT continued to post strong results in the second quarter of the year as it captured significant business opportunities in a high-growth market. Customer investments in capacity expansions in semiconductors and displays, as well as VAT's ability to quickly respond to customer demands and to ramp up manufacturing output, were key drivers of VAT's strong growth.

Order intake in Q2 of 2017 was CHF 190.2 million, a plus of 55% compared with the previous year's period. Group net sales in the quarter were CHF 161.9 million, an increase of 35.4%.

Key market drivers continue to be positive

During the first six months of 2017, demand for new fabrication equipment in the semiconductor market and technology advances in displays continued, confirming the key market factors that drove growth already in 2016.

Growth in demand for high-performance semiconductors remained strong, driven by megatrends such as digitalization, cloud computing, Internet of Things and e-mobility. Combined with increasingly complex production processes for microprocessors, miniaturization and the higher number of production steps needed, for example, in 3D NAND memory devices, high-end vacuum valves remain mission-critical components in a fast-growing market.

In the display business, customers continued to expand their manufacturing capacity for organic light-emitting diode (OLED) displays, especially for smartphones. The transition from liquid crystal displays (LCD) to OLED screens in these devices is in full swing and is expected to continue, as current production capacity is still not sufficient to cover the strong demand. In addition, display customers are gradually investing in manufacturing capacity for new large-screen LCD televisions, which require Gen 10.5 substrate surfaces of up to nearly 10 square meters. This is driving demand for VAT's new transfer valves of up to 4 meters in width.

All business segments are growing

In the first half of 2017, VAT's order intake was CHF 372 million, an increase of 44.8% compared with the previous year. The order backlog at the end of June was CHF 167.9 million, or 37.5% higher than at the end of 2016.

Order growth was highest in the Valves segment, with a plus of 52.7% to CHF 297.9 million in the first six months of the year compared with the same period in 2016. Global Service increased orders by 20.4% in the first six months to CHF 53.6 million, while the Industry segment recorded orders of CHF 20.5 million, a growth of 18.5%.

Group net sales of CHF 326.4 million for the first six months were 38.6% higher than a year ago. The positive foreign exchange impact on net sales amounted to around one percentage point.

Net sales increased most in the Valves segment, up 47.9% to CHF 263.8 million. Valves now represent 81% of the Group's net sales. It was followed by the Industry segment with a plus of 16.5% to CHF 19.1 million, corresponding to about 6% of total net sales. The Global Service segment posted 6.4% higher net sales of CHF 43.5 million, and now accounts for around 13% of the Group's net sales.

In the Valves segment, all business units posted higher results. The Modules business unit posted the highest percentage change, followed by Semiconductors and Display & Solar. In absolute terms, the biggest growth contributor was the Semiconductors business unit, followed by Display & Solar.

The segment Global Service saw good demand for its spare parts business which now represents about 55% of total segment net sales. Service activities also grew in the quarter while the retrofit business posted lower result. However, several inquiries for large-scale retrofits highlight the positive business outlook for the coming quarters.

In the Industry segment, growth is driven both by edge-welded bellows and the mechanical components business.

Investments in current and future growth slow down EBITDA expansion

The strong growth in net sales during the first six months of 2017 was also reflected in the gross profit, which increased by CHF 58.1 million, or 39.2%, to CHF 206.4 million. The gross margin increased slightly from 63.0% a year earlier to 63.2%, despite higher costs for certain materials and components related to tightening market demand.

Adjusted EBITDA for the first half of the year improved by 32.9% to CHF 98.2 million. The adjusted EBITDA margin decreased to 30.1% compared with 31.4% in the same period last year, mainly driven by higher costs associated with the ramp-up of the entire supply chain and investments in additional capacity in Switzerland, Romania and Malaysia.

For the first six months, VAT reported net finance costs of CHF 6.8 million, a significant decrease compared to CHF 19.9 million a year earlier. This is the result of the substantially improved financing structure of the Group, mainly the absence of the former shareholder loan and the cost-efficient refinancing of the former senior secured credit facility in September 2016.

In the second half of the year, VAT intends to unwind the financing structure that was set up by the former private equity owners, by merging its no longer needed subsidiaries VAT LUX III S.à r.l. and VAT Management S.à r.l. As VAT LUX III S.à r.l. had its functional currency in US dollars, a recycling of translation reserves in the amount of approximately CHF 35 million at the current USD/CHF exchange rate is required. This onetime non-cash transaction would be reflected in the finance cost line and therefore impact the Group's net income and earnings per share. Total comprehensive income for the period, total equity and free cash flow will not be affected.

The effective tax rate for the first six months of 2017 was 16.7%, an almost 10 percentage point reduction compared to 26.3% a year earlier. This is the result of the refinancing of debt and the conversion of the shareholder loan into equity in March 2016. The full-year tax rate is expected to return to a level of 18% to 20%.

VAT realized a net income attributable to shareholders of CHF 59.5 million in the first six months of 2017. The improvement was the result of higher operating profits coupled with lower net finance costs and a lower tax rate.

On June 30, 2017, VAT's net debt amounted to CHF 194.0 million, representing a leverage ratio expressed as net debt to EBITDA of 1.1 times on a last 12 months (LTM) basis.

The reason for the increase compared with the end of 2016 is mainly the dividend payment of CHF 120 million in May 2017. The equity ratio on June 30, 2017, amounted to 52.3%.

Free cash flow generation on track

One of VAT's key performance indicators is free cash flow, which amounted to CHF 54.1 million during the first six months, in line with management expectations and roughly the same level as a year ago, despite higher capital expenditure and the build-up of working capital resulting from the high growth rates.

Net trade working capital increased by CHF 11.7 million to CHF 115.1 million compared to the level at December 31, 2016, a common development during times of high growth. The free cash flow margin was 16.6% and the free cash flow conversion rate was 56.8% of EBITDA.

At the end of June 2017, VAT had 1,746 employees worldwide, an increase of 307, or 21.3%, compared with the end of 2016 and 36.6% more than a year ago, reflecting the strong growth of our business.

Outlook for the rest of 2017

Business conditions in VAT's markets have not changed fundamentally over the last several months. Long-term growth drivers such as digitalization, cloud computing, Internet of Things and e-mobility are becoming even more prominent in our daily lives. Leading digital device and display manufacturers continue to invest in fabrication expansion and technology upgrades, and VAT expects to remain a main beneficiary of these developments for the rest of 2017 and beyond.

For the full year 2017, VAT now expects to grow net sales by around 30% at constant foreign exchange rates, versus the previous guidance of at least 20%. The company still expects to maintain its adjusted EBITDA margin at approximately the same level as in 2016, as the benefits of strong net sales growth are offset by significant investments in future growth. Capital expenditure for the full year is now expected to be around 6% of net sales, compared to around 5% as previously communicated and temporarily above the target level of 4% of net sales, as the expansion of the plant in Malaysia is being further accelerated.

Investing in future growth

The market for semiconductors and displays has seen unprecedented growth over the last 18 months. This has created challenges all along the value chain. VAT continues to focus on technology innovation and product quality, working closely together with customers and suppliers to ensure it can meet all of its customers' needs. In line with this approach, the company continues to accelerate its efforts to ramp up production capacity in Switzerland, Malaysia and Romania in order to improve delivery times. This will remain a priority into 2018.

This is not only done by hiring more employees, but also by looking at additional ways to optimize its existing footprint, broaden the supplier base and expand the production space in Penang, Malaysia. This expansion is well underway and is expected to be completed by Q3 2018. In Haag, the company has outsourced welding activities to an experienced and trusted partner, allowing VAT to free up production space for additional machines and to optimize production lines. In addition, we added two office floors on top of an existing building. In Romania, several expansion and optimization measures have been introduced as well.

All of the above measures are geared at securing and expanding VAT's market leadership in a demanding, high-growth and fast-changing market. Key to VAT's continuing success remains its trusted relationships with customers, built on technology innovation, reliability of performance and proven product quality delivered from a competitive global footprint.

Dr. Martin Komischke	Heinz Kundert
Chairman of the Board	Chief Executive Officer

Key Figures Valves

In CHF million	Q2 2017	Q2 2016	Change	6M 2017	6M 2016	Change
Order intake	153.6	91.0	+68.8%	297.9	195.1	+52.7%
Net sales	131.1	89.9	+45.8%	263.8	178.3	+47.9%
Inter-segment sales	9.2	9.2	0.0%	17.6	18.2	–3.2%
Segment net sales	140.3	99.1	+41.6%	281.4	196.5	+43.2%
Segment EBITDA				80.8	62.9	+28.4%
Segment EBITDA margin[1]				28.7%	32.0%	
Segment net operating assets				566.2	564.2	+0.4%
of which net trade working capital				85.7	84.9	+0.9%

Key Figures Global Service

In CHF million	Q2 2017	Q2 2016	Change	6M 2017	6M 2016	Change
Order intake	26.2	22.8	+14.9%	53.6	44.5	+20.4%
Net sales	21.7	21.4	+1.4%	43.5	40.9	+6.4%
Inter-segment sales						
Segment net sales	21.7	21.4	+1.4%	43.5	40.9	+6.4%
Segment EBITDA				19.4	17.8	+9.0%
Segment EBITDA margin[1]				44.5%	43.5%	
Segment net operating assets				124.0	118.7	+4.5%
of which net trade working capital				16.4	9.4	+74.5%

Key Figures Industry

In CHF million	Q2 2017	Q2 2016	Change	6M 2017	6M 2016	Change
Order intake	10.3	8.6	+19.8%	20.5	17.3	+18.5%
Net sales	9.1	8.3	+9.6%	19.1	16.4	+16.5%
Inter-segment sales	5.4	2.7	100.0%	11.4	5.4	111.1%
Segment net sales	14.5	11.0	31.8%	30.6	21.8	+40.6%
Segment EBITDA				6.8	4.6	+47.9%
Segment EBITDA margin[1]				22.1%	21.0%	
Segment net operating assets				71.7	67.4	+6.5%
of which net trade working capital				13.2	9.3	+41.9%

1 Segment EBITDA as a percentage of Segment net sales

Consolidated income statement

January 1 – June 30 In CHF thousand	Note	2017 unaudited	2016 unaudited
Net sales	**4**	**326,449**	**235,535**
Raw materials and consumables used		–140,827	–89,868
Changes in inventories of finished goods and work in progress		20,770	2,613
Personnel expenses	5, 7	–76,846	–57,404
Other income		1,641	1,291
Other expenses	5	–35,878	–24,408
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**95,309**	**67,759**
Depreciation and amortization		–17,131	–15,048
Earnings before interest and taxes (EBIT)[1]		**78,178**	**52,711**
Finance income		232	2,014
Finance costs	5	–7,012	–21,945
Earnings before income taxes		**71,399**	**32,780**
Income tax expenses	5	–11,941	–8,609
Net income attributable to owners of the Company		**59,458**	**24,171**
Earnings per share (in CHF)			
Basic earnings per share		1.99	0.87
Diluted earnings per share		1.99	0.87

1 Interest includes other items reported in the financial results.

Consolidated statement of comprehensive income

January 1 – June 30 In CHF thousand	Note	2017 unaudited	2016 unaudited
Net income attributable to owners of the Company		59,458	24,171
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	9	9,654	–9,471
Related tax	9	–1,680	1,648
Subtotal		**7,974**	**–7,823**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		8,286	–1,930
Related tax		–1,442	335
Currency translation adjustments		12,032	3,922
Subtotal		**18,876**	**2,327**
Other comprehensive income for the period (net of tax)		**26,850**	**–5,496**
Total comprehensive income for the period attributable to owners of the Company		**86,308**	**18,675**

Consolidated balance sheet

In CHF thousand	Note	30.06.2017 unaudited	31.12.2016 audited
Assets			
Cash and cash equivalents		62,733	62,642
Trade and other receivables		100,369	94,353
Receivables under finance lease		2,483	2,483
Derivative financial instruments	10	3,885	1,485
Prepayments and accrued income		2,671	651
Financial assets at fair value through profit and loss		30	30
Inventories		79,591	56,587
Current tax assets		128	1,148
Current assets		**251,889**	**219,379**
Property, plant and equipment		123,036	116,128
Investment properties		4,270	4,382
Intangible assets and goodwill		523,568	530,500
Long-term loans		96	217
Trade and other receivables		2,446	1,253
Receivables under finance lease		5,075	6,175
Derivative financial instruments	10	142	199
Deferred tax assets		5,313	5,197
Non-current assets		**663,945**	**664,050**
Total assets		**915,834**	**883,429**

In CHF thousand	Note	30.06.2017 unaudited	31.12.2016 audited
Liabilities			
Trade and other payables		68,199	50,617
Loans and borrowings	8	96,716	36,505
Provisions		1,073	1,248
Derivative financial instruments	10	104	6,145
Accrued expenses and deferred income		19,311	18,068
Liabilities from government grants		450	444
Current tax liabilities		20,556	17,540
Current liabilities		**206,410**	**130,566**
Loans and borrowings	8	160,000	160,000
Derivative financial instruments	10	0	995
Liabilities from government grants		1,214	1,421
Other non-current liabilities		192	165
Deferred tax liabilities		50,699	51,197
Defined benefit obligations		18,705	28,436
Non-current liabilities		**230,810**	**242,214**
Total liabilities		**437,220**	**372,780**
Equity			
Share capital		3,000	3,000
Share premium		373,823	493,745
Remeasurements of defined benefit obligations	9	–8,865	–16,839
Other reserves		2,455	2,455
Hedging reserves		3,249	–3,595
Translation reserves		–31,079	–43,111
Treasury shares		–807	–4,950
Retained earnings		136,838	79,943
Total equity attributable to owners of the Company		**478,614**	**510,649**
Total liabilities and equity		**915,834**	**883,429**

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Remeasurements of DBO[1]	Other reserves	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of 01.01.2016	**30**	**87,530**	**–9,310**	**0**	**–106**	**–38,692**	**0**	**9,737**	**49,189**
Net income attributable to owners of the Company								24,171	24,171
Total comprehensive income for the period attributable to owners of the Company			–7,823		–1,595	3,922			–5,496
Incorporation of VAT Group AG	100								100
Effect of business restructuring	2,870	411,223							414,093
Own shares acquired							–4,950		–4,950
Reclassification		–2,455		2,455					0
Transaction costs (net of tax)		–2,477							–2,477
Share-based payments (net of tax)								947	947
Equity as of 30.06.2016 unaudited	**3,000**	**493,821**	**–17,133**	**2,455**	**–1,701**	**–34,770**	**–4,950**	**34,855**	**475,578**
VAT Group AG Equity as of 01.01.2017	**3,000**	**493,745**	**–16,839**	**2,455**	**–3,595**	**–43,111**	**–4,950**	**79,943**	**510,649**
Net income attributable to owners of the Company								59,458	59,458
Total comprehensive income for the period attributable to owners of the Company			7,974		6,844	12,032			26,850
Dividend payment		–119,923							–119,923
Share-based payments (net of tax)[2]							4,143	–2,563	1,580
Equity as of 30.06.2017 unaudited	**3,000**	**373,823**	**–8,865**	**2,455**	**3,249**	**–31,079**	**–807**	**136,838**	**478,614**

1 DBO: Defined benefit obligations
2 Refer to note 7

Consolidated statement of cash flows

January 1 – June 30 In CHF thousand	Note	2017 unaudited	2016 unaudited
Net income attributable to owners of the Company		**59,458**	**24,171**
Adjustments for:			
Depreciation and amortization		17,131	15,048
(Profit)/loss from disposal of property, plant and equipment		19	298
Change in defined benefit liability		–75	–29
Net impact from foreign exchange		1,975	–4,390
Income tax expenses	5	11,941	8,609
Net finance costs		6,780	15,836
Transaction costs in connection with the IPO[1]		0	5,271
Other non-cash effective adjustments		1,349	731
Change in trade and other receivables		–8,188	–13,707
Change in prepayments and accrued income		–901	–89
Change in inventories		–24,454	394
Change in trade and other payables		15,962	12,547
Change in accrued expenses and deferred income		1,436	2,367
Change in provisions		–174	233
Cash generated from operations		**82,258**	**67,290**
Income taxes paid		–10,740	–7,750
Cash flow from operating activities		**71,518**	**59,540**
Purchases of property, plant and equipment		–16,139	–5,320
Proceeds from sale of property, plant and equipment		34	634
Purchases of intangible assets		–1,464	–1,269
Loans granted or repaid		115	72
Interest received		34	40
Other finance income received		2	1
Cash flow from investing activities		**–17,417**	**–5,842**
Proceeds from the issue of ordinary shares		0	100
Purchase of own shares		0	–4,950
Transaction costs in connection with the IPO[1]		0	–5,271
Proceeds from borrowings	8	115,000	0
Repayments of borrowings	8	–45,539	–38,794
Dividend paid		–119,923	0
Interest paid		–2,436	–6,177
Other finance expenses paid		–443	–209
Cash flow from financing activities		**–53,341**	**–55,301**
Net increase/(decrease) in cash and cash equivalents		**760**	**–1,603**
Cash and cash equivalents at beginning of period		62,642	80,601
Effect of movements in exchange rates on cash held		–669	618
Cash and cash equivalents at end of period		**62,733**	**79,616**

1 Includes stamp tax and consulting fees.

Notes to the consolidated interim financial statements

1. General information

VAT Group AG ("the Company") was incorporated in Switzerland on February 25, 2016. The registered office of the Company is Seelistrasse 1, 9469 Haag, Switzerland.

The consolidated interim financial statements as at and for the six-month period ended June 30, 2017, comprise VAT Group AG and all companies under its control (together referred to as "VAT" or "Group").

The Group develops, manufactures and sells vacuum valves for the semiconductor, displays, photovoltaics and vacuum-coating industries as well as for the industrial and research sector.

These consolidated interim financial statements were authorized for issue by the Group's Board of Directors on August 23, 2017.

2. Changes in the scope of consolidation

As part of the simplification of legal structure the subsidiaries VAT Holding S.à r.l. and VAT LUX II S.à r.l. were merged into VAT Management S.à r.l., effective June 1, 2017. The merger of those subsidiaries did not have a financial impact.

3. Basis of accounting of half-year report

The consolidated interim financial statements of the Group are presented in a condensed form and have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2016 (last annual consolidated financial statements of VAT Group AG). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and translations that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. A number of standards have been modified on miscellaneous points with effect from January 1, 2017. None of these amendments had a material effect on the Group's financial statements. The sales of the Group are not subject to significant seasonal variations during the current financial year.

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates. Estimates and underlying assumptions are reviewed frequently. Revisions to estimates are recognized prospectively. Important estimates and assumptions with related uncertainties primarily affect intangible assets and goodwill, property, plant and equipment, income taxes and employee benefits.

4. Segment information

As set out in the annual consolidated financial statements of VAT Group AG for the year ended December 31, 2016, the segment reporting is performed in accordance with the segment structure approved by the Board of Directors on October 1, 2015. The segment information is presented as provided to the Board of Directors and the Group Executive Committee in their role as Chief Operating Decision Maker (CODM).

The Group is divided into and managed on the basis of three reporting segments. The segments are identified based on the products and services provided: Valves, Global Service and Industry. The segment information provided to the CODM is measured in a manner consistent with that of the financial statements. Sales between segments are carried out at arm's length and are eliminated on consolidation.

Information about reportable segments

January 1–June 30, 2017 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Net sales	263,805	43,495	19,149	326,449		326,449
Inter-segment sales	17,573		11,442	29,015	–29,015	0
Segment net sales	**281,378**	**43,495**	**30,591**	**355,464**	**–29,015**	**326,449**
Segment EBITDA	**80,784**	**19,360**	**6,751**	**106,895**	**–11,586**	**95,309**

January 1–June 30, 2016 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Net sales	178,310	40,877	16,438	235,535		235,535
Inter-segment sales	18,176		5,406	23,583	–23,583	0
Segment net sales	**196,486**	**40,877**	**21,754**	**259,118**	**–23,583**	**235,535**
Segment EBITDA	**62,932**	**17,769**	**4,564**	**85,265**	**–17,506**	**67,759**

As of June 30, 2017 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Segment assets	615,589	125,981	75,852	817,422	4,270	821,692
Segment liabilities	49,383	1,979	4,104	55,466	252	55,719
Segment net operating assets	**566,206**	**124,001**	**71,747**	**761,956**	**4,018**	**765,973**
of which net trade working capital	85,735	16,393	13,222	115,350	–252	115,098

As of December 31, 2016 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Segment assets	595,235	124,396	71,296	790,927	4,382	795,309
Segment liabilities	31,039	5,696	3,916	40,651	209	40,860
Segment net operating assets	**564,196**	**118,700**	**67,380**	**750,276**	**4,173**	**754,449**
of which net trade working capital	84,936	9,393	9,318	103,648	–209	103,438

Net operating assets by reportable segment include trade receivables, inventories, property, plant and equipment, investment properties, intangible assets and goodwill as well as trade payables. Intangible assets and goodwill are allocated to the segments based on quotes defined as a result of the purchase price allocation.

Reconciliation of segment results to income statement and balance sheet

Income statement

January 1–June 30 In CHF thousand	2017	2016
Segment EBITDA	106,895	85,265
Corporate and eliminations	–11,586	–17,506
Depreciation and amortization	–17,131	–15,048
Finance costs net	–6,780	–19,931
Earnings before income taxes	**71,399**	**32,780**

Assets

In CHF thousand	30.06.2017	31.12.2016
Segment assets	817,422	790,927
Corporate and eliminations	4,270	4,382
Cash and cash equivalents	62,733	62,642
Other assets[1]	31,409	25,478
Assets	**915,834**	**883,429**

Liabilities

In CHF thousand	30.06.2017	31.12.2016
Segment liabilities	55,466	40,651
Corporate and eliminations	252	209
Loans and borrowings	256,716	196,505
Other liabilities[2] and provisions	124,786	135,415
Liabilities	**437,220**	**372,780**

1 The main positions included in other assets are other receivables, receivables under finance lease and current and deferred tax assets.
2 The main positions included in other liabilities are other payables, derivative financial instruments, accrued expenses and deferred income, deferred tax liabilities and defined benefit obligations.

5. Profit and loss information

Profit for the half-year includes the following significant items that reflect a major change compared to the previous year:

Due to strong growth in demand, net sales and raw materials and consumables used increased substantially. In that respect, other expenses increased due to higher distribution, maintenance, energy and R&D expenses. Furthermore, VAT enhanced its number of employees by 468 full-time equivalents compared to June 30, 2016, which led to higher personnel costs.

The finance costs decreased substantially due to the conversion of the term loan borrowing facility (TLB) to a new syndicated five-year revolving credit facility (RCF) in September 2016 (note 8).

Income tax expenses are recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six-month period June 30, 2017, is 18.0%, compared to 19.2% for the six-month period ended June 30, 2016. The lower tax rate in 2017 is the result of the new Group structure and the conversion of the shareholder loan into equity on March 23, 2016.

6. Dividend

In CHF thousand	2017	2016
Dividends paid	119,923	0

The Board of Directors proposed a dividend in the amount of CHF 4.00 per share for the financial year 2016. The dividend was approved and paid out in May 2017.

7. Share-based payments

VAT Group granted a discretionary share-based IPO bonus to its employees in April 2016. The vesting date of the IPO bonus fell on the first anniversary of the initial public offering. The grant was subject to service conditions, and the number of shares to be granted to each employee represented approximately one month's salary determined on the basis of the offer price. VAT Group granted 90,674 shares on April 14, 2017.

Additionally, members of the Board receive 30% of total compensation in restricted shares. VAT Group granted 1,390 shares for the period 2016/17 and 378 shares for the term 2017/18 were allocated.

Starting in June 2017, a new long-term incentive plan (LTIP) was established for the Group's senior management.

These programs are accounted for as equity-settled share-based payment compensation. A total amount of CHF 1.6 million was recognized directly in equity.

8. Loans and borrowings

In 2016, VAT Group AG signed a syndicated five-year revolving credit facility (RCF) of USD 300.0 million. The outstanding loan as of June 30, 2017, amounts to CHF 256.7 million. The movement of the outstanding loan in financial year 2017 was mainly driven by a repayment of CHF 45.5 million, raising of CHF 115.0 million as well as foreign exchange effects in the amount of CHF 9.5 million. The RCF is subject to the financial covenant "net senior debt/EBITDA" ratio, with which the Group complied with for the six-month period 2017.

The carrying amount as of June 30, 2017, includes financing costs of CHF 2.0 million, which will be recognized in profit and loss over the remaining duration of the credit facility.

9. Retirement benefit obligation

An actuarial gain, net of tax, of CHF 8.0 million (June 30, 2016, loss: CHF 7.8 million) was recognized through comprehensive income in the six-month period ended June 30, 2017. The 2017 actuarial gain mainly arises from a positive return on plan assets.

10. Derivative financial instruments

The following table shows the carrying amounts of the derivatives, which are the only financial instruments measured at fair value material to VAT Group.

Derivative financial instruments

In CHF thousand	Measurement principle	30.06.2017	31.12.2016
Interest hedge	FVLP – Level 2[1]	0	3
Derivatives held for hedging	FVLP – Level 2[1]	4,027	1,681
Derivative assets		**4,027**	**1,684**
of which:			
Current derivative assets		3,885	1,485
Non-current derivative assets		142	199
Derivatives held for hedging	FVLP – Level 2[1]	–104	–7,140
Derivative liabilities		**–104**	**–7,140**
of which:			
Current derivative liabilities		–104	–6,145
Non-current derivative liabilities		0	–995

1 The fair values of the derivatives held by VAT Group are based on market/broker quotes. Similar contracts are traded in an active market and quotes reflect the actual transactions in similar instruments. If all significant inputs required for the valuation of an instrument are observable, the instrument is included in level 2.

Cash flow hedges on foreign exchange contracts

As of June 30, 2017 In CHF thousand	Fair value	Nominal amount
Cash flow hedges	3,923	130,623

On June 30, 2017, the cash flow hedge reserve included net unrealized gains of CHF 3.2 million, net of tax, on derivatives designated as cash flow hedges. Net gains of CHF 0.1 million were reclassified to earnings in 2017. The maturity of derivatives classified as a cash flow hedge was between 6–18 months.

11. Principal exchange rates

The following table summarizes the principal exchange rates for translation purposes.

	Average exchange rates in CHF		Closing exchange rates in CHF		
	01.01.–30.06.2017	01.01.–30.06.2016	30.06.2017	31.12.2016	30.06.2016
1 Euro	1.08	1.10	1.09	1.07	1.09
100 Japanese Yen	0.89	0.88	0.85	0.87	0.95
100 Korean Won	0.09	0.08	0.08	0.08	0.08
1 Malaysian Ringgit	0.23	0.24	0.22	0.23	0.24
1 US Dollar	1.00	0.98	0.96	1.02	0.98

12. Events occurring after the end of the reporting period

There are no events occuring after the end of the reporting period that warrant disclosure.

Shareholder Information

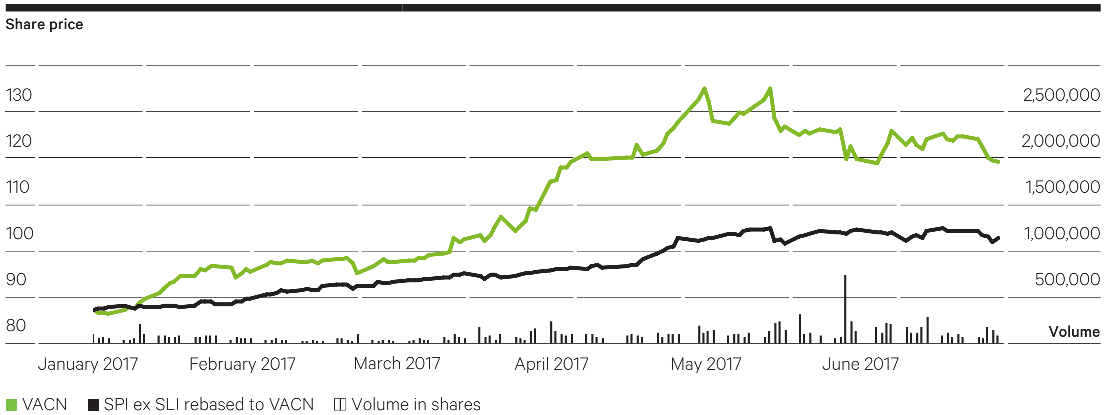
VAT's share price appreciated some 36% during the first six months of the year, driven by the good operational results reported for the full year 2016 and the first quarter of 2017. By comparison, the Swiss Leader Index traded 18% higher over the same period. In addition to the share price increase, VAT shareholders also received a 4.00 Swiss franc dividend per registered share out of reserves from capital contributions.

VAT Group AG is committed to open and transparent communication with shareholders, financial analysts, customers, suppliers and all other stakeholders. VAT communicates material developments in its businesses in a timely manner and in compliance with the rules of the SIX Swiss Exchange. In line with this policy, VAT issued an unscheduled earnings release on July 25, 2017, where it not only announced the order intake, net sales and adjusted EBITDA figures for the first six months of the year, but also updated its full year 2017 guidance for net sales and capital expenditure to reflect the company's latest estimates.

VAT's major shareholders

During the first six months of the year, the free float of VAT shares, according to the SIX Swiss Exchange calculation methods, increased from 63% at the end of 2016 to 72% on June 30, 2017. The increase resulted from the placement of about 9% of the outstanding shares owned by Partners Group and Capvis to institutional shareholders on May 30, 2017, at a price of 120 Swiss francs per registered share. After this transaction, Partners Group and Capvis remain the largest shareholders in VAT, together holding approximately 28% of the VAT share capital.

Share price development



Stock exchange listing

Ticker symbol	VACN (SIX); VACN.S (Reuters); VACN SW (Bloomberg)	Security type	Registered share
Valor number	31 186 490	Nominal Value	CHF 0.10 per share
ISIN	CH0311864901	Free Float	72%
Market Capitalization as of June 30, 2017	CHF 3.58 bn	Number of shares outstanding	30,000,000
Exchange	SIX Swiss Exchange (International Reporting Standard)	Segment	Mid & Small Cap Swiss shares

Financial calendar

Date	Event
2017	
Tuesday, October 17, 2017	Q3 2017 trading update
2018	
Monday, March 12, 2018	Full-year results 2017
Tuesday, April 17, 2018	Q1 2018 trading update
Thursday, May 17, 2018	Annual General Meeting

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Forward-looking Statement
Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the company to be materially different from those expressed or implied by such forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the company’s ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the performance, security and reliability of the company’s information technology systems, political, economic and regulatory changes in the countries in which the company operates or in economic or technological trends or conditions. As a result, investors are cautioned not to place undue reliance on such forward-looking statements.

Except as otherwise required by law, VAT disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this report.

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OUTLOOK 2017:

Leading digital device and display manufacturers continue to expand fabrication and upgrade technology. VAT expects to benefit from these developments for the rest of 2017 and beyond.

VAT expects to grow net sales by around 30% at constant foreign exchange rates. It also expects to maintain its adjusted EBITDA margin at approximately the same level as in 2016. Capital expenditure for the full year is expected to be around 6% of net sales.

VAT

PASSION. PRECISION. PURITY.