Media Release

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RECORD 2017 RESULTS ON GROWING DEMAND AND EXPANDING MARKET SHARE; MEGATRENDS TO DRIVE GROWTH IN 2018

Q4 2017

- Strong demand for high-vacuum valves and services
- Q4 order intake up 11% year-on-year; net sales increase 40%

Full year 2017

- Net sales up 36% to CHF 692 million; order intake up 31% to CHF 736 million
- Adjusted EBITDA of CHF 215 million; adjusted EBITDA margin at 31.1%
- Net income of CHF 116 million, up 72%; adjusted for the recycling of non-cash translation reserves of CHF 38.3 million, net income is CHF 154 million, up 129%
- Free cash flow of CHF 109 million despite significant growth-related investments
- Leverage ratio of net debt to EBITDA of 0.7 times
- Dividend proposal of CHF 4.00 per share
- Libo Zhang and Heinz Kundert nominated to succeed Alfred Gantner and Ulrich Eckhardt as members of the Board of Directors

Outlook 2018

- Net sales growth of 15% to 20% expected at constant foreign exchange rates
- EBITDA margin to progress towards target of 33% by 2020
- Substantial increase of net income and earnings per share (EPS) expected

Q4 2017

In CHF million	2017	2016	Change
Order intake	**185.8**	168.1	+10.6%
Net sales	**199.1**	142.7	+39.5%

Full year 2017

In CHF million	2017	2016	Change
Order intake	**736.2**	561.9	+31.0%
Net sales	**692.4**	507.9	+36.3%
EBITDA	**212.2**	149.6	+41.9%
Adjusted EBITDA[1]	**215.1**	158.1	+36.1%
Adjusted EBITDA margin	**31.1%**	31.1%	-
Net income[2]	**115.7**	67.2	+72.1%
Basic earnings per share (EPS, in CHF)	**3.86**	2.43	+58.8%
Free cash flow[3]	**108.5**	128.1	-15.3%
Dividend per share (in CHF)[4]	**4.00**	4.00	-
Number of employees	**1’946**	1'439	+507

[1] Adjusted EBITDA excludes one-off items
[2] 2017 includes recycling of non-cash translation reserves of CHF 38.3 million for unwinding the financing structure set up by the former private equity owners
[3] Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities
[4] Proposal of the Board of Directors to its shareholders at the AGM on May 17, 2018; to be paid out of reserves from capital contributions

Q4 2017 marks seventh consecutive quarter of year-on-year growth in orders and net sales since IPO in 2016

With increasing orders and net sales in the fourth quarter 2017, VAT recorded its seventh consecutive quarter of growth on a year-on-year basis since its listing on the SIX Swiss Exchange in April 2016. Order intake was CHF 185.8 million, up 10.6% from the fourth quarter of 2016. The order backlog at year-end amounted to CHF 165.6 million, a plus of 35.6%. The backlog at year-end represented approximately three months of 2017 sales, about the same level as at the end of 2016. Net sales in the quarter reached CHF 199.1 million, representing an increase of 39.5% year-on-year.

Full-year 2017 marked by strong demand for vacuum technology on the back of unprecedented market growth

Compared to 2016, all VAT markets continued to accelerate their growth in 2017. The underlying growth drivers, such as technology advances in semiconductors and displays, stimulated new customer investments in manufacturing equipment. VAT fully leveraged its leading market position in high-end vacuum valves, taking advantage of the broadest product offering in the industry to outgrow the competition.

In the semiconductor market, ongoing technological innovations entered the stage of mass production. These require evermore complex production processes, miniaturization and additional production steps under the cleanest conditions possible. VAT valves and services are mission-critical to maintaining these contamination-free environments. As a result, high levels of customer investments in state-of-the-art manufacturing equipment to produce high-performance semiconductors drove strong sales growth in VAT's Valves segment in 2017.

VAT's Display & Solar business also experienced a strong 2017 as demand for additional manufacturing capacity for OLED displays, mainly for smartphones, continued to grow. The production of these high-resolution displays, with much improved coloration and lower energy consumption, requires more demanding manufacturing processes in high-vacuum environments.

All business segments contribute to growth

Total order intake in 2017 amounted to CHF 736.2 million, up 31.0% from the previous year. With an increase of 36.3% over the previous year, net sales for the Group reached CHF 692.4 million. Currency movements had virtually no impact on the change in net sales in 2017.

Profitability remains on a high level despite significant investments in future growth

The strong growth in VAT's net sales also led to a significantly higher gross profit of CHF 431.9 million, up 35.8% compared with 2016. Despite significantly higher costs associated with growth and a negative impact of about 1.4 percentage points resulting from increased outsourcing, where personnel, operating and depreciation costs are included in material cost, VAT maintained its gross margin at around the same level as in 2016.

Adjusted EBITDA for the year improved by 36.1% to CHF 215.1 million while the adjusted EBITDA margin remained unchanged at 31.1% compared to 2016. Excluding IPO bonus-related adjustments of CHF 2.9 million, reported EBITDA of CHF 212.2 million grew 41.9% compared to 2016, when IPO-related adjustments amounted to CHF 8.5 million. Significant costs associated with investments in expected future growth negatively impacted the positive margin development. However, VAT's EBIT grew by 51.1% to CHF 178.7 million, representing an EBIT margin of 25.8%, a full 2.5 percentage points higher than in 2016.

Below the EBIT line, VAT continued to benefit from an improved financial position, reflecting a markedly stronger balance sheet structure following the IPO in 2016, and lower interest costs from the USD 300-million syndicated five-year revolving credit facility established in September of 2016. Adjusted for the recycling of non-cash translation reserves in the amount of CHF 38.3 million for unwinding the financing structure set up by the former private equity owners,[1] VAT's finance net declined from minus CHF 33.4 million in 2016 to minus CHF 6.2 million in 2017.

The effective tax rate in 2017 was 14.1%, below the Group's tax target range of between 18% to 20%. This resulted from a combination of several positive factors, such as the US tax reform and the accessibility of loss carry-forwards in Malaysia and Romania. While some of these factors are estimated to have positive impacts in the future, VAT expects higher tax rates of around 18% to 20% and in line with its previous guidance going forward.

As a result of higher operating results, a stable finance net and a lower effective tax rate, VAT realized net income attributable to shareholders in 2017 of CHF 115.7 million, an increase of 72%. Adjusted for the recycling of non-cash translation reserves in the amount of CHF 38.3 million for unwinding the financing structure set up by the former private equity owners, net income was CHF 154 million, an increase of 129%.

On December 31, 2017, VAT's net debt amounted to CHF 143.7 million, representing a leverage ratio expressed as Net Debt to EBITDA of 0.7 times. The equity ratio at year-end amounted to 56.3%.

Free cash flow impacted by higher investments and trade working capital build-up

One of VAT's key performance indicators is free cash flow, which in 2017 amounted to CHF 108.5 million, down 15.3% compared to the previous year. This was partly the result of the growth-related build-up of net trade working capital of CHF 35.7 million to CHF 139.2 million, an increase of 34.5%. However, net trade working capital as a percentage of net sales was 20.1%, virtually unchanged compared to 2016. Cash flow from operating activities was higher than in 2016 despite the higher trade working capital.

Another use of cash in 2017 was a CHF 28.4 million increase in capital expenditures to CHF 47.6 million. This is primarily the result of our capacity expansions in Switzerland and Malaysia. Capital expenditures in 2017 represented 6.9% of Group net sales.

As a result, the free cash flow margin as a percentage of net sales was 15.7% and the free cash flow conversion rate was 51.1% of EBITDA.

At the end of 2017, VAT had 1,946 employees worldwide, an increase of 507, or 35.2%, compared with the end of 2016, reflecting the strong business growth.

[1] VAT unwound the financing structure that was set up by the former private equity owners, by merging its no longer needed subsidiary VAT LUX III S.à r.l. into VAT Management S.à r.l., effective November 30, 2017. As VAT LUX III S.à r.l. had its functional currency in US Dollars, a recycling of translation reserves in the amount of CHF 38.3 million was required. This onetime non-cash transaction is reflected in finance costs and therefore impacts the Group's net income and earnings per share. Total comprehensive income for the period, total equity and free cash flow are not affected.

At its Annual General Meeting on May 17, 2018, VAT's Board of Directors is proposing a dividend for the business year ending December 31, 2017, of CHF 4.00 per share to be paid out of reserves from capital contributions. That amounts to a total dividend amount of CHF 120 million, or 115% of VAT's free cash flow to equity. This is above the stated dividend policy of paying up to 100% of free cash flow to equity to shareholders and reflects the company's confidence in its cash generation capabilities based on expectations of future business development and an improvement in the free cash flow conversion rate once the current capital expenditure peak is over.

Outlook 2018

VAT expects the megatrends that drove growth in 2017 – ever-increasing digitalization, device interconnectivity and the Internet of Things – will continue in 2018. The era of Big Data, augmented by rapid advances in artificial intelligence (AI), is gaining momentum, leading the company into a new phase of sustainable growth. This new phase will be enabled by the ongoing technological progress in data processing (logic) semiconductors, continuous investments in memory semiconductors to meet exploding storage needs, and the proliferation of advanced displays, such as OLED screens with curved form factors needed for virtual reality and augmented reality applications. To address this growing market demand, the leading digital device and display manufacturers will continue to invest in fabrication expansion and technology upgrades, which in turn drive ever-greater demand for advanced manufacturing technologies, including mission-critical vacuum components.

As the world market and technology leader for advanced high-vacuum valves, VAT expects to continue to benefit from these developments.

For 2018, VAT expects to grow full-year net sales by 15% to 20% at constant foreign exchange rates. The mid-term EBITDA margin target of 33% by 2020 remains in place and the company expects to show progress toward this goal in 2018 as the result of improved productivity.

As a result of the expected sales growth in 2018, higher EBITDA margin, lower finance costs and a slightly higher effective tax rate, net income and earnings per share (EPS) are also expected to grow substantially.

Accelerated capacity expansions, mainly in Malaysia and Romania, require capital expenditures to remain at around 7% of net sales in 2018 before returning to the level of about 4% of net sales in the following years.

Changes to the Board of Directors of VAT Group AG

Alfred Gantner, member of the Board of VAT since 2014 and Vice-Chairman since March 2016, and Ulrich **Eckhardt**, also member of the Board of VAT since 2014, have decided not to stand for re-election at the upcoming VAT Group AG Annual General Meeting (AGM),, following the complete sale of the participation in VAT by Partners Group and Capvis during 2017 and in January 2018. The Board of Directors has acknowledged their decision with regret and thanks them for their great contribution to VAT's development during their tenure as Board members and as private equity owners from the beginning of 2014 until early 2018.

"During the private equity ownership period, both Alfred Gantner and Ulrich Eckhardt have been instrumental in the successful transformation of VAT from a family-owned company to a publicly listed corporation," said Martin Komischke, Chairman of VAT Group . "They guided the organization with many important strategic and operational initiatives up to the next level of performance and shaped VAT so that it today can exercise its clear and undisputed market leadership in a much bigger way. Increasing VAT's efficiency and long-term competitiveness, while maintaining strong internal bonds of a proud heritage, is a key achievement rarely seen in such a transformation. "

Following VAT's selection process, **Dr. Libo Zhang**, CFO at the Borgward Group AG, Germany, has been nominated as a new Director of the VAT Board.

"With Ms. Libo Zhang, we have been able to bring an outstanding professional to the Board," Komischke said. "She has a wealth of experience in many different industries, functions and geographies and has demonstrated in all her previous positions a great entrepreneurial approach. Her financial expertise and experience in international cooperation in Asia are great assets that will help VAT to further strengthen its ties in the Asian region, one of our most important markets."

Prior to her appointment as Chief Financial Officer of the Borgward Group AG, a traditional German car brand and today part of the Chinese Beiqi Foton Motor company, Zhang had her own consultancy company, specializing in the support of foreign start-up and medium sized companies in China. She also served as the managing director and CFO of the Far East operations of the SGL Carbon Co. Ltd in Shanghai. Zhang holds a PhD in economy (rer.pol.) from the Georg-August University of Göttingen, Germany.

In addition, **Heinz Kundert,** CEO of VAT Group until March 12, 2018, has been nominated as a new VAT Group Board member, as previously announced.

"After his successful role as CEO, we are very pleased that Heinz has agreed to join VAT's Board of Directors," Komischke said. "He has led VAT through the process of becoming a publicly listed company and has steered the company through the recent unprecedented growth. His deep understanding of the semiconductor industry, are of great value to VAT."

The other members of the Board, Martin Komischke, Chairman, Hermann Gerlinger, Urs Leinhäuser and Karl Schlegel will be standing for re-election at the company's AGM on May 17, 2018, when shareholders will vote on each person nominated for election to the Board of Directors of VAT Group AG.

With the proposed new Board composition, VAT is confident it has the necessary experience and skill set to lead its future growth and build on its outstanding track record.

Segment results Q4 and full-year 2017

VALVES

in CHF million	Q4 2017	Q4 2016	Change	2017	2016	Change
Order intake	**152.7**	139.7	+9.3%	590.6	443.3	33.2%
Net sales	**159.7**	116.4	+37.2%	554.2	394.6	40.4%
Inter-segment sales	**12.7**	3.8	+234.2%	41.1	32.2	+39.5%
Segment net sales	**172.4**	120.2	+43.4%	**595.3**	426.8	+39.5%
Segment EBITDA				188.6	129.3	+45.9%
EBITDA margin				31.7%	30.3%	

In the fourth quarter 2017, VAT's largest segment, Valves, reported an order intake of CHF 152.7 million, a plus of 9.3% over the same quarter in 2016. Net sales in the period increased 37.2% to CHF 159.7 million. The relatively low order growth reflects the timing of orders in the quarter, especially in Displays, and is expected to recover at the beginning of 2018.

For the full year 2017, net sales in the Valves segment grew to CHF 554.2 million in 2017, an increase of 40.5% compared to the previous year. All business units posted higher net sales. Growth was strongest in the Modules business, followed by Semiconductors, General Vacuum and the Display & Solar business unit. Segment EBITDA rose by 45.9% to CHF 188.6 million and the EBITDA margin climbed to 31.7%. Costs associated with substantial investments to expand capacity were more than offset by strong sales of higher-margin products.

GLOBAL SERVICE

in CHF million	Q4 2017	Q4 2016	Change	2017	2016	Change
Order intake	**21.5**	20.9	+2.9%	103.6	85.0	+21.9%
Net sales	**28.6**	20.4	+40.2%	98.7	81.9	+20.5%
Inter-segment sales	**-**	-	-	-	-	-
Segment net sales	**28.6**	20.4	+40.2%	98.7	81.9	+20.5%
Segment EBITDA				47.6	40.5	+17.7%
EBITDA margin				48.2%	49.4%	

Global Service increased its order intake in the fourth quarter by 2.9% to CHF 21.5 million, mainly reflecting the timing of large service orders earlier in the year. Net sales amounted to CHF 28.6 million, an increase of 40.2% compared to the same quarter in the previous year.

Net sales for the full year 2017 increased 20.5% to reach CHF 98.7 million. Growth was strongest for spare parts, while service and retrofit sales also increased. Segment EBITDA rose 17.7% to CHF 47.6 million. The EBITDA margin amounted to 48.2%, a decrease of 0.8 percentage points compared to 2016. Costs related to investments in the expansion of the Global Service offerings more than offset the positive impact from the change in the business mix as the spare parts business grew faster than the retrofit or service center activities.

INDUSTRY

in CHF million	Q4 2017	Q4 2016	Change	2017	2016	Change
Order intake	**11.6**	7.5	+54.7%	42.0	33.6	+25.0%
Net sales	**10.8**	5.9	+83.1%	39.5	31.4	+25.7%
Inter-segment sales	**6.0**	4.6	+30.4%	22.6	15.4	+32.8%
Segment net sales	**16.8**	10.5	+60.0%	62.1	46.8	+32.8%
Segment EBITDA				13.4	10.3	+29.2%
EBITDA margin				21.5%	22.1%	

In the Industry segment, order intake in the fourth quarter increased by 54.7% to CHF 11.6 million. Net sales reached CHF 10.8 million, an increase of 83.1% compared to the same quarter a year earlier.

For 2017, net sales in the Industry segment were CHF 39.5 million, an increase of 25.7% compared with the year before. Internal sales (not included in the net sales number) to the Valves segment grew even faster, up 46.8% to CHF 22.6 million, reflecting large customer investments in semiconductor manufacturing equipment. Sales to the automotive sector increased as well but at a slower pace, while sales to other markets grew at a good pace.

Segment EBITDA rose by 29.2% to CHF 13.4 million. The segment EBITDA margin amounted to 21.5%, slightly lower than in 2016 as a result of the strong growth in inter-segment sales.

Additional information

The analyst presentation of the results and the 2017 annual report are available on VAT's website at www.vatvalve.com.

VAT will host a media and investor event today in Zurich at 10 a.m. CET. The event can be followed over a webcast or via conference call. Participants of the conference call will also be able to join the moderated Q&A session.

Please follow the link below to access the webcast:

Live Webcast

For the conference call please dial:
+41 58 310 50 00 (Europe)
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Financial calendar

Q1 2018 Trading update	Tuesday, April 17, 2018
Annual General Meeting	Thursday, May 17, 2018
Ex-date	Tuesday, May 22, 2018
Dividend payment	Thursday, May 24, 2018
Half-year 2018 results	Friday, August 24, 2018
Q3 2018 trading update	Thursday, October 25, 2018
Full-year 2018 results	Friday, March 8, 2019

ABOUT VAT

VAT is the leading global developer, manufacturer and supplier of high-end vacuum valves. VAT vacuum valves are mission-critical components for advanced manufacturing processes of innovative products used in daily life such as portable devices, flat screen monitors or solar panels. VAT is organized into three different reporting segments: Valves, Global Service and Industry offering high-end vacuum valves, multi-valve modules, edge-welded bellows and related value-added services for an array of vacuum applications. VAT Group is a global player with over 2'000 employees and main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2017 amounted to CHF 692 million.

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.