Financial Statements

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided.

Consolidated financial statements for the financial year from January 1 to December 31, 2021

Consolidated income statement

January 1–December 31 In CHF thousand	Note	2021	2020 Restated[2]
Net sales	**2.1, 2.2**	**901,159**	**692,427**
Raw materials and consumables used		–362,337	–282,486
Changes in inventories of finished goods and work in progress		31,648	20,195
Personnel expenses	4.1	–201,162	–175,732
Other income	2.3	11,486	14,055
Other expenses	2.4	–72,874	–57,951
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**307,920**	**210,509**
Depreciation, amortization and impairment		–43,058	–40,700
Earnings before interest and taxes (EBIT)[1]		**264,862**	**169,809**
Finance income	5.1	239	124
Finance costs	5.1	–7,366	–15,708
Earnings before income taxes		**257,735**	**154,225**
Income tax expenses	6.1	–40,295	–26,283
Net income attributable to owners of the Company		**217,440**	**127,942**
Earnings per share (in CHF)			
Basic earnings per share	5.4	7.25	4.27
Diluted earnings per share	5.4	7.24	4.26

1 Interest includes other items as reported in the financial results
2 Refer to note 1, section Changes in accounting policies

Consolidated statement of comprehensive income

January 1–December 31 In CHF thousand	Note	2021	2020 Restated[1]
Net income attributable to owners of the Company		**217,440**	127,942
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	4.3	12,533	19,814
Related tax	6.1	–1,817	–2,873
Subtotal		**10,716**	**16,941**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		–1,948	1,715
Related tax	6.1	282	–264
Currency translation adjustments		–327	–731
Subtotal		**–1,993**	**720**
Other comprehensive income for the period (net of tax)		**8,723**	**17,661**
Total comprehensive income for the period attributable to owners of the Company		226,163	**145,603**

1 Refer to note 1, section Changes in accounting policies

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 82 ff.

Consolidated balance sheet

In CHF thousand	Note	Dec 31, 2021	Dec 31, 2020 Restated[1]	Jan 1, 2020 Restated[1]
Assets				
Cash and cash equivalents		127,152	137,871	109,822
Trade and other receivables	3.1	124,548	94,679	97,409
Other investments, including derivatives	5.5	4,610	6,871	3,184
Prepayments and accrued income		4,047	1,982	4,630
Inventories	3.2	152,763	104,749	84,231
Current tax assets		563	233	747
Current assets		**413,684**	**346,385**	**300,022**
Property, plant and equipment	3.3	158,538	146,468	162,125
Investment properties		1,723	1,773	1,823
Intangible assets and goodwill	3.4	482,746	485,778	492,199
Trade and other receivables	3.1	1,968	1,825	2,631
Other investments		861	846	831
Deferred tax assets	6.1	5,347	5,982	6,893
Non-current assets		**651,183**	**642,672**	**666,501**
Total assets		**1,064,867**	**989,057**	**966,523**

1 Refer to note 1, section Changes in accounting policies

In CHF thousand	Note	Dec 31, 2021	Dec 31, 2020 Restated[1]	Jan 1, 2020 Restated[1]
Liabilities				
Trade and other payables	3.5	79,769	48,981	66,387
Loans and borrowings	5.3	2,105	61,522	50,221
Provisions	3.7	2,520	2,615	2,242
Derivative financial instruments	5.2	932	26	53
Accrued expenses and deferred income	3.6	43,954	32,105	20,158
Current tax liabilities		30,145	22,793	17,747
Current liabilities		**159,425**	**168,042**	**156,809**
Loans and borrowings	5.3	204,837	204,817	203,867
Other non-current liabilities		2,619	265	377
Deferred tax liabilities	6.1	49,821	45,809	45,042
Defined benefit obligations	4.3	13,796	25,552	42,252
Non-current liabilities		**271,072**	**276,443**	**291,538**
Total liabilities		**430,497**	**444,484**	**448,347**
Equity				
Share capital	5.4	3,000	3,000	3,000
Share premium	5.4	6,479	73,969	133,950
Reserves		4,606	6,598	5,878
Treasury shares	5.4	–4,501	–414	–571
Retained earnings[2]		624,786	461,419	375,918
Total equity attributable to owners of the Company		**634,370**	**544,573**	**518,176**
Total liabilities and equity		**1,064,867**	**989,057**	**966,523**

1 Refer to note 1, section Changes in accounting policies
2 Includes remeasurements of DBO and other reserves

The above consolidated balance sheet should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 82 ff.

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of Jan 1, 2020, as previously reported	**3,000**	**133,950**	**2,663**	**3,215**	**–571**	**381,179**	**523,436**
Impact of change in accounting policy[1]						–5,260	–5,260
Equity restated as of Jan 1, 2020	**3,000**	**133,950**	**2,663**	**3,215**	**–571**	**375,918**	**518,176**
Net income attributable to owners of the Company						127,942	127,942
Total comprehensive income for the period attributable to owners of the Company			1,451	–731		16,941	17,661
Treasury shares acquired					–55		–55
Dividend payment		–59,981				–59,981	–119,961
Share-based payments (net of tax)					211	599	810
Equity restated as of Dec 31, 2020	**3,000**	**73,969**	**4,114**	**2,485**	**–414**	**461,419**	**544,573**

1 Refer to note 1, section Changes in accounting policies

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of Jan 1, 2021	**3,000**	**73,969**	**4,114**	**2,485**	**–414**	**461,419**	**544,573**
Net income attributable to owners of the Company						217,440	217,440
Total comprehensive income for the period attributable to owners of the Company			–1,665	–327		10,716	8,723
Treasury shares acquired					–4,344		–4,344
Dividend payment		–67,491				–67,491	–134,982
Share-based payments (net of tax)					257	2,703	2,960
Equity as of Dec 31, 2021	**3,000**	**6,479**	**2,448**	**2,158**	**–4,501**	**624,786**	**634,370**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 82 ff.

Consolidated statement of cash flows

January 1–December 31 In CHF thousand	Note	2021	2020 Restated[1]
Net income attributable to owners of the Company		**217,440**	**127,942**
Adjustments for:			
Depreciation, amortization and impairment		43,058	40,700
(Profit)/loss from disposal of property, plant and equipment		–114	12
Change in defined benefit obligations		760	3,091
Net impact from foreign exchange		824	–350
Income tax expenses	6.1	40,295	26,283
Net finance costs	5.1	7,127	15,584
Other non-cash-effective adjustments		1,082	111
Change in trade and other receivables		–31,143	–596
Change in prepayments and accrued income		–2,089	2,479
Change in inventories		–47,779	–23,540
Change in trade and other payables		33,408	–16,339
Change in accrued expenses and deferred income		7,558	12,293
Change in provisions		–93	377
Cash generated from operations		270,336	188,046
Income taxes paid		–30,546	–21,892
Cash flow from operating activities		**239,790**	**166,155**
Purchases of property, plant and equipment	3.3	–32,425	–7,811
Proceeds from sale of property, plant and equipment		327	68
Purchases of intangible assets	3.4	–10,542	–11,478
Acquisition of subsidiary, net of cash acquired	6.5	–1,586	0
Interest received		131	108
Cash flow from investing activities		**–44,095**	**–19,113**
Proceeds from borrowings	5.3	110,000	120,000
Repayments of borrowings	5.3	–170,000	–109,094
Repayments of lease liabilities	5.3	–2,433	–2,636
Purchase of own shares		–4,344	–55
Dividend paid	5.4	–134,982	–119,961
Interest paid		–3,732	–3,998
Other finance expenses paid		–1,217	–1,182
Cash flow from financing activities		**–206,707**	**–116,925**
Net increase/(decrease) in cash and cash equivalents		**–11,012**	**30,117**
Cash and cash equivalents at beginning of period		137,871	109,822
Effect of movements in exchange rates on cash held		292	–2,068
Cash and cash equivalents at end of period		**127,152**	**137,871**

1 Refer to note 1, section Changes in accounting policies

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 82 ff.

Notes to the consolidated financial statements

1. General information and accounting policies

General information

VAT Group AG (“the Company”) is a limited liability Company incorporated in accordance with Swiss law. The registered office of the Company is Seelistrasse 1, CH-9469 Haag, Switzerland.

The consolidated financial statements as at and for the year ended December 31, 2021, comprise VAT Group AG and all companies under its control (together referred to as “VAT” or “Group”).

These consolidated financial statements were authorized for issue by the Group’s Board of Directors on March 2, 2022.

Basis of accounting

The consolidated financial statements of the Group have been prepared in accordance with IFRS. The presentation currency is Swiss Francs, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis, except for items that are required to be accounted for at fair value (e.g. derivative financial instruments) and the defined benefit liability which is measured at the present value of the defined benefit obligation less the fair value of plan assets.

Details to the Group’s material accounting policies that are relevant for the understanding of these consolidated financial statements are included in the corresponding notes.

Changes in accounting policies

In 2021, the IFRS Interpretations Committee clarified how IFRS Standards apply to upfront implementation costs incurred for cloud-based software (Software as a Service/ SaaS) arrangements. The Committee concluded that the substance for many SaaS arrangements is that the entity has contracted to receive services rather than for the acquisition (or lease) of software assets. The Committee clarified that upfront implementation costs incurred in connection with such agreements should be expensed, unless the criteria for recognizing a separate (intangible) asset are met.

In response to the Committee’s agenda decision, VAT revised its accounting policy according to which upfront configuration and customization costs incurred for certain projects no longer qualify for capitalization and must be recognized as operating expenses when the services are received.

Cloud-based software arrangements are contracts under which VAT pays a fee in exchange for software services hosted by a supplier. Such contracts generally are service contracts under which VAT does not receive a software asset but that provide VAT the right to access the supplier’s application software over the contract term. The fees to obtain access to the cloud provider’s application software as well as up-front implementation costs incurred to configure or customize the software are recognized as operating expenses when the services are received, unless they relate to the development of additional software code and meet the definition of, and the recognition criteria for, an intangible asset that the Company controls (e.g. costs to create a new interface between the Company’s existing on-premise systems and the cloud-based software).

In accordance with IAS 8, this change in accounting policy has been applied retrospectively, as if the revised accounting policy had always been applied. Historical financial information has been restated to reflect the impact of the change. The following tables summarize the impact on the Group’s consolidated financial statements:

Restatement effect on consolidated balance sheet as of January 1, 2020

As of January 1, 2020 In CHF thousand	As previously reported	Adjustments	As restated
Prepayments and accrued income	4,417	212	4,630
Others	295,392		295,392
Current assets	**299,809**	**212**	**300,022**
Intangible assets and goodwill	498,564	–6,365	492,199
Others	174,302		174,302
Non-current assets	**672,866**	**–6,365**	**666,501**
Total assets	**972,675**	**–6,152**	**966,523**
Current liabilities	**156,809**		**156,809**
Deferred tax liabilities	45,934	–892	45,042
Others	246,496		246,496
Non-current liabilities	**292,430**	**–892**	**291,538**
Total liabilities	**449,239**	**–892**	**448,347**
Retained earnings	381,179	–5,260	375,918
Others	142,257		142,257
Total equity attributable to owners of the Company	**523,436**	**–5,260**	**518,176**
Total liabilities and equity	**972,675**	**–6,152**	**966,523**

Restatement effect on consolidated balance sheet as of December 31, 2020

As of December 31, 2020 In CHF thousand	As previously reported	Adjustments	As restated
Prepayments and accrued income	1,773	209	1,982
Others	**344,403**		**344,403**
Current assets	**346,176**	**209**	**346,385**
Intangible assets and goodwill	498,600	–12,822	485,778
Deferred tax assets	5,930	52	5,982
Others	150,912		150,912
Non-current assets	**655,442**	**–12,770**	**642,672**
Total assets	**1,001,619**	**–12,561**	**989,057**
Current liabilities	**168,042**		**168,042**
Deferred tax liabilities	47,591	–1,782	45,809
Others	230,634		230,634
Non-current liabilities	**278,225**	**–1,782**	**276,443**
Total liabilities	**446,266**	**–1,782**	**444,484**
Retained earnings	472,199	–10,779	461,419
Others	83,153		83,153
Total equity attributable to owners of the Company	**555,352**	**–10,779**	**544,573**
Total equity	**1,001,619**	**–12,561**	**989,057**

Restatement effect on consolidated income statement 2020

January 1 – December 31, 2020 In CHF thousand	As previously reported	Adjustments	As restated
Others	254,404		254,404
Other income	17,348	–3,293	14,055
Other expenses	–54,586	–3,365	–57,951
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**217,167**	**–6,657**	**210,509**
Depreciation, amortization and impairment	–40,897	197	–40,700
Earnings before interest and taxes (EBIT)	**176,270**	**–6,460**	**169,809**
Others	–15,584		–15,584
Earnings before income taxes	**160,686**	**–6,460**	**154,225**
Income tax expenses	–27,225	942	–26,283
Net income attributable to owners of the Company	**133,461**	**–5,519**	**127,942**
Earnings per share (in CHF)			
Basic earnings per share	4.45	–0.18	4.27
Diluted earnings per share	4.45	–0.19	4.26

Restatement effect on consolidated statement of comprehensive income 2020

January 1 – December 31, 2020 In CHF thousand	As previously reported	Adjustments	As restated
Net income attributable to owners of the Company	**133,461**	**–5,519**	**127,942**
Other comprehensive income for the period (net of tax)	**17,661**		**17,661**
Total comprehensive income for the period attributable to owners of the Company	**151,122**	**–5,519**	**145,603**

Restatement effect on consolidated statement of cash flows 2020

January 1 – December 31, 2020 In CHF thousand	As previously reported	Adjustments	As restated
Net income attributable to owners of the Company	**133,461**	**–5,519**	**127,942**
Adjustments for:			
Depreciation, amortization and impairment	40,897	–197	40,700
Income tax expenses	27,225	–942	26,283
Change in prepayments and accrued income	2,475	4	2,479
Others	–31,249		–31,249
Cash flow from operating activities	**172,809**	**–6,654**	**166,155**
Purchases of intangible assets	–18,132	6,654	–11,478
Others	–7,635		–7,635
Cash flow from investing activities	**–25,767**	**6,654**	**–19,113**
Cash flow from financing activities	**–116,925**		**–116,925**
Net increase/(decrease) in cash and cash equivalents	**30,117**		**30,117**

Other than the issue described above, the accounting policies adopted are consistent with those of the previous financial year. A number of standards have been modified on miscellaneous points with effect from January 1, 2021. None of these amendments had a material effect on the Group's financial statements.

Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, 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 the related uncertainties were primarily made in the following areas:

a) intangible assets and goodwill, see note 3.4,
b) property, plant and equipment, see note 3.3,
c) income taxes, see note 6.1,
d) employee benefits, see note 4.3,
e) provisions, see note 3.7,
f) contingent considerations, see note 5.2.

2. Operating Performance

2.1 Segment Information

Background

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).

Basis of segmentation

Starting January 1, 2021, VAT integrated the former segment Industry into the Valves segment and in particular into the business unit Advanced Industrials (formerly General Vacuum) as the type of this business organizationally fits better into this business unit. The Group now reports in two segments: Valves and the Global Service segment:

- **Valves:** The Valves segment is a global developer, manufacturer and supplier of vacuum valves for the semiconductor, displays, photovoltaics and vacuum coating industries as well as for the industrial and research sector.
- **Global Service:** Global Service provides local expert support to customers and offers genuine spare parts, repairs and upgrades.

Due to the reorganization the prior-year figures have been restated accordingly, which includes the following realignments from the former segment Industry to the segment Valves: Net sales CHF 14.8 million, segment net assets CHF 33.9 million of which net trade working capital CHF 12.6 million.

Corporate and eliminations

Inter-company transactions, balances, income and expenses between segments are eliminated and reported in the column "Corporate and eliminations." In addition, this column contains figures relating to the cross functions Corporate Research, Corporate Quality, Corporate Finance, HR and IT.

While net sales in the segment Valves only arise from sales of goods, net sales in the segment Global Service of CHF 26.8 million (prior year: CHF 19.8 million) came from sales of services.

The segment information provided to the CODM is measured in a manner consistent with that of the financial statements. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Therefore, a profit measure based on EBITDA is reported by segment. Sales between segments are carried out at arm's length and are eliminated on consolidation. Segment assets are measured in the same way as in the financial statements and allocated based on the operations of the segment and the physical location of the asset.

Information about reportable segments

January 1–December 31, 2021 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	729,183	171,976	901,159	–	901,159
Inter-segment sales	74,956	–	74,956	–74,956	–
Segment net sales	**804,140**	**171,976**	**976,115**	**–74,956**	**901,159**
Segment EBITDA	**269,695**	**77,821**	**347,516**	**–39,596**	**307,920**

January 1–December 31, 2020 In CHF thousand Restated[1]	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	565,125	127,302	692,427	–	692,427
Inter-segment sales	57,039	–	57,039	–57,039	–
Segment net sales	**622,164**	**127,302**	**749,466**	**–57,039**	**692,427**
Segment EBITDA	**198,716**	**53,209**	**251,925**	**–41,415**	**210,509**

As of December 31, 2021 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	783,456	126,798	910,254	1,723	911,977
Segment liabilities	45,708	4,526	50,233	74	50,307
Segment net operating assets	**737,749**	**122,272**	**860,021**	**1,650**	**861,670**
Of which net trade working capital	191,044	27,612	218,656	–74	218,582

As of December 31, 2020 In CHF thousand Restated[1]	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	704,387	122,581	826,968	1,773	828,741
Segment liabilities	29,162	3,166	32,328	97	32,425
Segment net operating assets	**675,226**	**119,415**	**794,641**	**1,676**	**796,316**
Of which net trade working capital	138,735	23,658	162,393	–97	162,296

1 The previously reported segment information has been restated due to a change in accounting policy (refer to note 1, section Changes in accounting policies) and as a result of the integration of the former Industry segment (see Basis of segmentation).

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–December 31 In CHF thousand	2021	2020 Restated[1]
Segment EBITDA	347,516	251,925
Corporate and eliminations	–39,596	–41,415
Depreciation, amortization and impairment	–43,058	–40,700
Finance costs net	–7,127	–15,584
Earnings before income taxes	**257,735**	**154,225**

Assets

As of December 31 In CHF thousand	2021	2020 Restated[1]
Segment assets	910,254	826,968
Corporate and eliminations	1,723	1,773
Cash and cash equivalents	127,152	137,871
Other assets[2]	25,738	22,445
Assets	**1,064,867**	**989,057**

Liabilities

As of December 31 In CHF thousand	2021	2020 Restated[1]
Segment liabilities	50,233	32,328
Corporate and eliminations	74	97
Loans and borrowings	206,942	266,338
Other liabilities[3] and provisions	173,248	145,720
Liabilities	**430,497**	**444,484**

1 Refer to note 1, section Changes in accounting policies
2 The main positions included in other assets are other receivables and deferred tax assets.
3 Only trade payables are allocated to segments.

Geographic information

Net sales

January 1–December 31 In CHF thousand	2021	2020
Switzerland	6,452	5,996
Europe excl. Switzerland	110,780	87,625
USA	303,668	224,321
Japan	108,284	103,912
Korea	86,303	79,824
Singapore	94,859	74,016
China	124,710	73,159
Asia excl. Japan, Korea, Singapore and China	59,238	36,419
Other	6,865	7,156
Total	**901,159**	**692,427**

No other individual country represented more than 10% of net sales in 2021 and 2020.

Non-current assets

As of December 31 In CHF thousand	2021	2020 Restated[1]
Switzerland	582,677	577,724
Europe excl. Switzerland	4,219	5,492
USA	2,645	3,351
Asia	53,466	47,453
Total	**643,007**	**634,019**

1 Refer to note 1, section Changes in accounting policies

Non-current assets by location include property, plant and equipment, investment properties, intangible assets and goodwill. No other individual country represented more than 10% of non-current assets in 2021 and 2020.

Major customers
Revenues from two customers of the Group's Valves and Global Service segments represented approximately 21% and 20% (prior year: two customers represented approximately 19% and 18%) of the Group's total revenues.

2.2 Revenue

In the following table, revenue from contracts with customers is disaggregated by net sales by region and reportable segments. The table also includes a disaggregation of order intake by segments.

Disaggregation of order intake and net sales

January 1 – December 31, 2021 In CHF thousand	Valves	Global Service	Total
Order intake	1,028,798	199,143	1,227,942
Net sales by region			
Asia	396,114	77,468	473,582
Americas	236,187	69,591	305,778
EMEA	96,882	24,916	121,798
Net sales	**729,183**	**171,976**	**901,159**

January 1 – December 31, 2020 In CHF thousand Restated[1]	Valves	Global Service	Total
Order intake	592,353	132,157	724,511
Net sales by region			
Asia	304,354	62,657	367,011
Americas	179,551	48,393	227,944
EMEA	81,221	16,252	97,473
Net sales	565,125	127,302	692,427

1 Refer to note 2.1, section Basis of segmentation

Accounting policies
Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Customers obtain control of the goods dependent on standard trade terms (Incoterms) or when services are rendered. The Group uses different Incoterms, generally EXW, FCA and DDP. Contracts include only standard warranty clauses and do not provide for separate purchase of warranty. Payment conditions are short term and therefore do not contain significant financing components.

2.3 Other income

January 1–December 31 In CHF thousand	2021	2020 Restated[1]
Net foreign exchange gains on operating and investing activities	201	2,085
Work performed by the entity and capitalized	9,755	10,555
Rental income from investment properties	76	77
Change in provision for impairment on trade receivables	477	182
Gains from sale of fixed assets	120	10
Other income	856	1,146
Total other income	**11,486**	**14,055**

1 Refer to note 1, section Changes in accounting policies

2.4 Other expenses

January 1–December 31 In CHF thousand	2021	2020 Restated[1]
Marketing and advertising	971	653
Distribution	11,006	7,943
Office rent	328	534
Administrative expenses	17,617	14,309
Travel expenses	1,551	1,707
Repair and maintenance	20,504	15,575
Energy and supplies	13,223	9,847
Insurance, duties and other charges	2,639	2,462
Losses from sale of fixed assets	7	22
Research and development expenses[2]	1,383	1,932
Other operating expenses	3,647	2,966
Total other expenses	**72,874**	**57,951**

1 Refer to note 1, section Changes in accounting policies
2 Includes only third-party expenses

3. Operating assets and liabilities

3.1 Trade and other receivables

As of December 31 In CHF thousand	2021	2020
Trade receivables – gross	116,380	90,706
Less provision for impairment of trade receivables	–260	–735
Trade receivables – net	**116,121**	**89,971**
Recoverable VAT and withholding tax	7,759	2,587
Deposits	1,775	1,779
Receivables from social security	482	1,533
Other	380	633
Total trade and other receivables	**126,516**	**96,503**
Thereof:		
Current trade and other receivables	124,548	94,679
Non-current other receivables	1,968	1,825

Deposits for office rent have no fixed due date and are considered to be non-current.

Accounting policies
Trade and other receivables used in the ordinary course of business are disclosed as current items in the balance sheet. A trade receivable without a significant financing component is initially measured at the transaction price. Trade and other receivables are subsequently measured at amortized cost less impairment losses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

3.2 Inventories

As of December 31 In CHF thousand	2021	2020
Raw materials and consumables	56,345	29,847
Work in progress	22,699	13,195
Semi-finished goods	36,040	34,115
Finished goods	37,679	27,591
Total inventories	**152,763**	**104,749**

In the financial year 2021, inventories of CHF 2.4 million (previous year: CHF 1.7 million) were scrapped and recognized as expense.

Accounting policies
Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.3 Property, plant and equipment

January 1–December 31, 2021 In CHF thousand	Land	Buildings	Buildings right-of-use assets	Machinery	Furniture/ fixtures	Other equipment	Other equipment right-of-use asset	Assets under construction	Total
Balance at Jan 1, 2021	**7,879**	**95,731**	**11,821**	**105,968**	**10,406**	**22,150**	**1,014**	**7,958**	**262,928**
Acquired through business combination (see note 6.5)				**17**	**3**	**1**			**20**
Additions		19		848	163	1,748		29,647	32,425
Movement non-cash			2,560				302		2,862
Disposals	–2	–10	–636	–219	–31	–2,130	–854	–15	–3,896
Transfer		179		7,770	–2,801	1,210		–6,359	0
Exchange differences	–1	–61	–71	–841	–16	–61	–9	–88	–1,148
Balance at Dec 31, 2021	**7,876**	**95,859**	**13,675**	**113,543**	**7,724**	**22,919**	**452**	**31,144**	**293,191**
Accumulated depreciation and impairment									
Balance at Jan 1, 2021	**–207**	**–24,776**	**–4,273**	**–63,889**	**–6,404**	**–16,242**	**–668**	**0**	**–116,460**
Depreciation charge	–31	–4,200	–2,566	–10,827	–1,174	–2,826	–349		–21,973
Impairment loss				**–32**	**–46**	**–281**			–360
Disposals	2	10	291	31	31	2,119	854		3,339
Transfer				**–1,352**	**1,352**				**0**
Exchange differences		33	72	654	22	14	6		801
Balance at Dec 31, 2021	**–237**	**–28,933**	**–6,476**	**–75,416**	**–6,218**	**–17,216**	**–157**	**0**	**–134,653**
Net book amount Dec 31, 2021	**7,639**	**66,925**	**7,199**	**38,127**	**1,505**	**5,702**	**296**	**31,144**	**158,538**

January 1–December 31, 2020 In CHF thousand	Land	Buildings	Buildings right-of-use assets	Machinery	Furniture/ fixtures	Other equipment	Other equipment right-of-use asset	Assets under construction	Total
Balance at Jan 1, 2020	**8,027**	**96,926**	**8,802**	**105,354**	**9,217**	**19,870**	**1,043**	**9,145**	**258,383**
Additions		9		435	452	1,460		5,455	7,811
Movement non-cash			3,412				–23		3,389
Disposals				–141	–18	–254			–414
Transfer		928		2,866	1,042	1,675		–6,511	0
Exchange differences	–149	–2,132	–392	–2,546	–287	–600	–6	–130	–6,241
Balance at Dec 31, 2020	**7,879**	**95,731**	**11,821**	**105,968**	**10,406**	**22,150**	**1,014**	**7,958**	**262,928**
Accumulated depreciation and impairment									
Balance at Jan 1, 2020	**–193**	**–20,756**	**–2,380**	**–54,463**	**–4,859**	**–13,254**	**–352**	**0**	**–96,259**
Depreciation charge	–32	–4,184	–2,349	–10,632	–1,677	–3,536	–341		–22,751
Impairment loss									0
Movement non-cash			328				25		353
Disposals				111	13	210			334
Exchange differences	18	164	127	1,095	119	339	1		1,863
Balance at Dec 31, 2020	**–207**	**–24,776**	**–4,273**	**–63,889**	**–6,404**	**–16,242**	**–668**	**0**	**–116,460**
Net book amount Dec 31, 2020	**7,671**	**70,955**	**7,548**	**42,079**	**4,002**	**5,908**	**346**	**7,958**	**146,468**

Commitments for future capital expenditures

Firm contractual commitments for future capital investment in property, plant and equipment as of December 31, 2021, aggregated CHF 24.4 million (prior year: CHF 12.3 million).

Accounting policies

Property, plant and equipment are measured at historic or manufacturing costs less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate. In case of replacements, the carrying amount of the replaced part is derecognized.

Depreciation of property, plant and equipment is calculated using the straight-line method based on the following useful lives:

Category	Useful life (in years)
Long-leased land	60
Buildings	20–40
Machinery	5–8
Furniture/fixtures	3–8
Other equipment	3–12

Land is not depreciated. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment are assessed for impairment when there is a triggering event that provides evidence that an asset may be impaired. To assess whether any impairment exists, estimates of expected future cash flows are used. Actual outcomes could vary significantly from such estimates. Factors such as changes in discount rates, the planned use of buildings, machinery or equipment or closure of facilities, the presence of competition, technical obsolescence and lower than anticipated product sales could lead to shorter useful lives or impairments.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

Leases – as a lessee

The Group leases warehouses, factory facilities and offices. Lease payments are determined in corresponding contracts. Most of these leases were entered into many years ago as combined leases of land and buildings. In addition the Group leases vehicles and IT equipment.

The Group recognizes a right-of-use asset at the lease commencement date. Some property leases contain extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

During the period ended December 31, 2021, the Group recognized CHF 2.9 million (prior year: CHF 2.7 million) of depreciation charges and CHF 0.1 million (prior year: CHF 0.1 million) of interest costs from these leases.

In 2021, expenses related to short-term leases as well as leases of low-value assets amount to CHF 0.3 million (prior year: CHF 0.5 million). Total cash outflows for leases amount to CHF 2.4 million (prior year: CHF 2.8 million).

Accounting policies

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3.4 Intangible assets and goodwill

January 1–December 31, 2021 In CHF thousand	Goodwill	Software	Acquired technology and customer relationships	Brands and trademarks	Other intangible assets	Construction in progress	Total
Balance at Jan 1, 2021	183,717	10,952	263,600	120,900	5,550	18,072	602,791
Acquired through business combination (see note 6.5)	206		6,891				7,097
Additions						10,542	10,542
Disposals		–146			–2,619		–2,765
Transfer		605			7,400	–8,004	0
Exchange differences		–26			–12	7	–30
Balance at Dec 31, 2021	183,923	11,386	270,491	120,900	10,318	20,617	617,635
Accumulated amortization and impairment							
Balance at Jan 1, 2021	0	–8,693	–105,881	0	–2,439	0	–117,013
Amortization charge		–1,235	–15,480		–1,319		–18,034
Impairment loss		–22			–2,619		–2,641
Disposals		145			2,619		2,764
Exchange differences		25			11		36
Balance at Dec 31, 2021	0	–9,780	–121,361	0	–3,746	0	–134,888
Net book value Dec 31, 2021	183,923	1,606	149,130	120,900	6,572	20,617	482,746

January 1–December 31, 2020 In CHF thousand	Goodwill	Software	Acquired technology and customer relationships	Brands and trademarks	Other intangible assets	Construction in progress	Total
Balance at Jan 1, 2020, as previously reported	183,717	11,992	263,600	120,900	3,334	15,407	598,950
Impact of change in accounting policy (see note 1)		–1,088				–6,152	–7,240
Restated balance at Jan 1, 2020	183,717	10,904	263,600	120,900	3,334	9,255	591,710
Additions						11,478	11,478
Disposals		–5			–364		–369
Transfer		83			2,579	–2,662	0
Exchange differences		–30				1	–28
Restated balance at Dec 31, 2020	183,717	10,952	263,600	120,900	5,550	18,072	602,791
Accumulated amortization and impairment							
Balance at Jan 1, 2020, as previously reported	0	–8,324	–90,573	0	–1,489	0	–100,386
Impact of change in accounting policy (see note 1)		875					875
Restated balance at Jan 1, 2020	0	–7,449	–90,573	0	–1,489	0	–99,511
Amortization charge		–1,459	–15,308		–841		–17,609
Impairment loss					–291		–291
Disposals		5			364		369
Transfer		181			–181		0
Exchange differences		30			–1		29
Restated balance at Dec 31, 2020	0	–8,693	–105,881	0	–2,439	0	–117,013
Restated net book value Dec 31, 2020	183,717	2,259	157,719	120,900	3,111	18,072	485,778

Commitments for future capital expenditures
Firm contractual commitments for future capital investment in intangible assets as of December 31, 2021, aggregated CHF 0.4 million (prior year: CHF 0.7 million).

Research and development costs
In 2021, research and development expenses amounting to CHF 45.1 million (previous year: CHF 41.5 million) were included in the items “Personnel expenses,” “Other operating expenses” and “Depreciation and amortization.” For 90 development projects, the capitalization criteria according to IAS 38.57 were met and expenses of CHF 8.6 million (previous year: CHF 9.7 million) were capitalized.

Impairment testing for goodwill and intangible assets with indefinite useful lives
The intangible assets and goodwill to be tested were allocated to and measured on cash-generating units (CGUs) at the segment levels as follows. Starting January 2021, VAT integrated the former segment Industry into the Valves segment (see also note 2.1). The allocation was adapted accordingly.

As of December 31 In CHF thousand			2021				2020
	Valves	Global Service	Total	Valves	Global Service	Industry	Total
Goodwill	148,181	35,742	183,923	139,886	35,742	8,089	183,717
Brand and trademarks	94,618	26,282	120,900	94,618	26,282	0	120,900
Total carrying amount	**242,799**	**62,024**	**304,823**	**234,504**	**62,024**	8,089	**304,617**

Goodwill and intangible assets with indefinite useful lives have been allocated to the CGUs by using the relative fair value approach based on the financial performance of those CGUs as well as management best estimate. The allocation corresponds with the lowest level at which those assets are monitored by management.

Recoverable amounts used in the impairment testing are based on the value in use and on the latest forecasts approved by management, discounting the future cash flows to be generated from the continuing use. The forecast period used for future cash flows covers the years 2022 to 2024. The discount rates used are based on the weighted average cost of capital (WACC) derived from peer groups adjusted to specific risks of the businesses concerned and the countries in which they operate. The capital costs were determined using the Capital Asset Pricing Model (CAPM). The annual impairment tests carried out supported the carrying amounts and, therefore, no need for impairment was identified.

The key assumptions used in the estimation of fair value in use were as follows:

As of December 31, 2021	Valves	Global Service
Discount rate (WACC) before tax	10.2%	10.2%
Terminal value growth rate	1.7%	1.7%

As of December 31, 2020	Valves	Global Service	Industry
Discount rate (WACC) before tax	10.8%	10.8%	10.9%
Terminal value growth rate	1.7%	1.7%	1.7%

A reasonably possible change in any of the above key assumption would not cause the recoverable amount to be less than the carrying amount.

Accounting policies

Goodwill and intangible assets

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortized.

Intangible assets, including technology and customer relationships that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives, such as brands and trademarks are measured at cost less accumulated impairment losses. The Group considers that the acquired brands and trademark have an indefinite useful life as they are well established in the respective markets and have a history of strong performance.

Acquired computer software licenses are capitalized only if criteria of IAS 38 are met. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred. Amortization is calculated using the straight-line method over the estimated useful lives and is generally recognized in the consolidated income statement.

The estimated useful lives are as follows:

Category	Useful life (in years)
Acquired technology and customer relationships	13.5–20
Brand and trademarks	indefinite
Software	3–5
Other intangible assets	3–5

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The capitalization of internally generated intangible assets is subject to the following development categories: development of own software applications or product-related development activities. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognized as intangible assets when the criteria are met. Directly attributable costs capitalized as part of the developed product include employee costs, third-party material and advisory expenses. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs recognized as assets are amortized over their estimated useful lives.

Impairment of non-financial assets

Goodwill, intangible assets that have an indefinite useful life and intangible assets not ready to use are not subject to amortization and are tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Tangible and intangible assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the value in use of the asset and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated income statement and will be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Research and development costs

The majority of the expenses are incurred in relation to basic research product management and R & D support/overheads, and these are charged directly to the income statement. Expenses directly related to development costs for new products are capitalized and amortized over a period of five years if these concern major development projects. They are reviewed at the end of each reporting period in order to verify if the capitalization criteria of IAS 38.57 are fulfilled.

3.5 Trade and other payables

As of December 31 In CHF thousand	2021	2020
Trade payables	50,307	32,425
Sales tax and other non-income tax payables	6,355	4,847
Employee benefit liabilities	4,444	6,005
Prepayments received from customers	16,185	5,253
Contingent considerations	**2,100**	**0**
Other liabilities	378	452
Total trade and other payables	**79,769**	**48,981**

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

As of December 31 In CHF thousand	2021	2020
Swiss Franc	27,564	20,395
Euro	9,536	8,376
US Dollar	26,116	12,435
Malaysian Ringgit	10,212	3,160
Romanian Leu	1,361	1,289
Chinese Yuan	3,044	978
Other currencies	1,935	2,348
Total trade and other payables	**79,769**	**48,981**

Accounting policies
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are subsequently measured at amortized cost using the effective interest method.

3.6 Accrued expenses and deferred income

As of December 31 In CHF thousand	2021	2020
Accrued expenses – personnel related	25,505	20,923
Accrued expenses – other	18,325	10,546
Deferred income	125	636
Total accrued expenses and deferred income	**43,954**	**32,105**

3.7 Provisions

January 1–December 31, 2021 In CHF thousand	Warranties	Other provisions	Total provisions
Balance at Jan 1, 2021	**2,407**	**293**	**2,700**
Additions	1,263	200	1,463
Used	–1,350		–1,350
Unused amount released		**–206**	**–206**
Exchange differences		2	2
Balance at Dec 31, 2021	**2,320**	**289**	**2,609**
Thereof:			
Current provisions	2,320	200	2,520
Non-current provisions[1]		89	89

1 Non-current provisions are included in other non-current liabilities.

Warranties

Warranty provisions cover the risk of expenses in regard to product liability claims that are expected to occur before the warranty period expires. Warranty provisions are calculated on the basis of effective warranty cases and past experience and are used as payments are made. The warranty provisions are subject to a degree of uncertainty with regard to timing and the amount to be paid.

No other significant provisions were deemed required at the reporting date.

Accounting policies

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. A provision for warranties is recognized when the underlying products or services are sold, based on effective warranty cases on historical warranty data and a weighting of possible outcomes against their associated probabilities.

4. Employees

4.1 Employee FTE and personnel expenses

January 1–December 31 In CHF thousand	2021	2020
Wages and salaries	166,784	144,657
Share-based payment	1,960	569
Social security costs	16,621	14,116
Pension costs – defined contribution plans	1,054	871
Pension costs – defined benefit plans	8,100	10,203
Other personnel expenses	6,643	5,315
Total personnel expenses	**201,162**	**175,732**
Number of employees (FTE)	2,540	2,041

4.2 Share-based payments

At December 31, 2021, the Group had the following share-based payment arrangements.

Board member share compensation (equity-settled share-based payment)
Members of the Board receive 30% of the total compensation in restricted shares. The restricted shares are subject to a three-year blocking period during which they cannot be transferred, sold, pledged or otherwise disposed of. VAT Group granted 950 shares (prior period 1,421 shares) with a fair value of CHF 276.00 per share for the period 2020/21. For the period 2021/22, the Group allocated 485 shares (prior period 911 shares).

Long-term incentive plan – LTIP (equity-settled share-based payment)
Long-term incentive plans (LTIP) are in place for the Group's management. So-called Performance Share Units (PSUs) were allocated to the management. One PSU represents a conditional right to receive a certain number of underlying shares free of charge pursuant to the vesting period of three years and performance conditions. The number of shares allocated to each PSU ranges between zero and two shares. The allocation is dependent upon achievement of the performance targets of VAT compared to a predefined peer group on the equal weighted metrics relative sales growth, relative Total Shareholder Return (TSR) and for the LTIP 2021 additionally the performance indicator Return on Invested Capital (ROIC). This LTIP is specifically designed for rewarding the performance of VAT relative to a selected peer group of companies. The inputs used in the measurement of the fair values at grant date were as follows:

	Share price at grant date	TSR fair value at grant date	Sales growth fair value at grant date	ROIC fair value at grant date	Volatility	Risk-free rate	Dividend yield
Long-term incentive plan 2019	CHF 86.30	CHF 53.55	CHF 58.08	n/a	32.1%	0.5%	7.1%
Long-term incentive plan 2020	CHF 163.55	CHF 116.57	CHF 125.62	n/a	32.2%	0.5%	2.8%
Long-term incentive plan 2021	CHF 220.80	CHF 157.91	CHF 169.80	CHF 169.80	34.5%	0.9%	2.5%

VAT Group granted 4,765 shares with a fair value of CHF 252.80 per share in 2021 from the LTIP 2018 (prior period 2,666 shares with a fair value of CHF 160.60 per share from the LTIP 2017). As of December 31, 2021, the number of outstanding Performance Share Units (PSUs) under the plan are 29,026 (prior year: 27,976).

Accounting policies
The grant date fair value of the equity-settled share-based payment arrangement granted to management (LTIP) is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

4.3 Post-employment benefits

The present value of the defined benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the defined benefit liabilities. The assumptions used in determining the net cost for pensions include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligations.

Throughout the world, the Group maintains defined contribution plans for its employees under which the relevant contributions are expensed as they accrue.

There are three defined benefit plans in place: the members of the Board of Directors of the Japanese subsidiary as well as all French employees are covered by a non-funded defined benefit plan and all Swiss entities have a funded contributory defined benefit pension plan covering their employees with the following amounts recognized in balance sheet and income statement:

Balance sheet

As of December 31 In CHF thousand	2021	2020
Japan	48	18
France	80	74
Switzerland	13,668	25,461
Net defined benefit liability in the balance sheet	**13,796**	**25,552**

Income statement

January 1–December 31 In CHF thousand	2021	2020
Japan	33	47
France	10	10
Switzerland	8,057	10,146
Pension costs – defined benefit plans	**8,100**	**10,203**

Swiss plan

The Swiss pension plan is governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The assets of the pension plan are held within a separate foundation and cannot revert to the employer. Pension plans are overseen by a regulator as well as by a state supervisory body.

The Swiss Group entities are affiliated to a semi-autonomous foundation. The Board of Trustees, which consists of employee and employer representatives in parity ratio, governs the semi-autonomous foundation. All governing and administration bodies have an obligation to act in the interests of the plan participants. They are also responsible for the investment strategy. When defining the investment strategy, they take into account the foundation's objectives, benefit obligations and risk capacity.

Plan participants, their spouse and children are insured against the financial consequences of old age, disability and death. Their benefits are defined in pension plan rules compliant with the BVG, which is specifying the minimum benefits that are to be provided. Retirement benefits are based on the accumulated retirement capital which can either be drawn as a lifelong annuity or as a lump sum payment. The annuity is calculated by multiplying the retirement capital with the currently applicable conversion rate. The accumulated retirement capital is made up of the yearly contributions towards the old-age risk by both employer and employee and the interest thereon until retirement. Contributions towards the old-age risk are based on the rules defined by the Board of Trustees of the semi-autonomous foundation. Minimum contributions and interest are defined by the BVG and the Swiss Parliament. In 2021, the minimum interest was 1.00% (prior year: 1.00%).

Some demographic risks are safeguarded through a life insurance Company (disability and death). There is a risk that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

All other actuarial risks are borne by the foundation. These risks consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in salaries and the return on plan assets) and are regularly assessed by the Board of Trustees. In case of an underfunding, various measures can be taken such as the adjustment of the pension commitment by altering the conversion rates or increasing current contributions. The BVG prescribes how employees and employer have to jointly fund potential restructurings. Since 2020, a sharing of the funding gap between employer and employee (risk sharing) is taken into account. The restructuring contributions for the employer must, at a minimum, be equal to the sum of employee contributions. Under the formal regulatory framework of the pension plan, the employer has no legal obligation to pay additional contributions to eliminate more than 60% of a funding deficit or of a structural funding shortfall. In the case of the actuarial valuation, the legal obligation is regarded as the upper limit of the employer's share of the costs of future benefits within the meaning of IAS 19.87(c).

The amounts recognized in the balance sheet are determined as follows:

As of December 31 In CHF thousand	2021	2020
Present value of defined benefit obligation	223,584	214,375
Fair value of plan assets	209,916	188,914
Net defined benefit liability	**13,668**	**25,461**

The movement in the defined benefit obligation and the plan assets over the period is as follows:

January 1–December 31 In CHF thousand	2021	2020
Opening defined benefit obligation	**214,375**	**210,188**
Service costs	7,927	10,040
Plan participants contributions	7,302	6,975
Interest expense	396	524
Remeasurement (gains)/losses	–951	–11,826
Benefits paid through pension assets	–5,465	–1,526
Closing defined benefit obligation	**223,584**	**214,375**

January 1–December 31 In CHF thousand	2021	2020
Opening fair value of plan assets	**188,914**	**168,176**
Interest income	361	436
Return on plan assets (excl. amounts in net interest)	11,582	7,988
Plan participants contributions	7,302	6,975
Employer contributions	7,302	6,975
Benefits received/(paid) through pension assets net	–5,465	–1,526
Administration expense	–80	–110
Closing fair value of plan assets	**209,916**	**188,914**

As of the reporting date, the present value of the defined benefit obligation was comprised of:

As of December 31 In CHF thousand	2021	2020
Defined benefit obligation for active employees	178,501	169,652
Defined benefit obligation for pensioners	45,083	44,723
Total defined benefit obligation	**223,584**	**214,375**

The defined benefit cost for the period is as follows:

January 1–December 31 In CHF thousand	2021	2020
Current service costs	7,927	10,040
Interest expense on defined benefit obligation	396	524
Interest income on plan assets	–361	–436
Administration expense	80	110
Total defined benefit cost/(income) recognized in income statement	**8,042**	**10,238**
Thereof:		
Employee benefit expenses	8,007	10,150
Finance expenses	35	88
Actuarial (gain)/loss arising from financial assumptions	–2,892	–10,908
Actuarial (gain)/loss arising from demographic assumptions	–4,445	–203
Actuarial (gain)/loss arising from experience adjustment	6,386	–715
Return on plan assets (excl. amounts included in net interest)	–11,582	–7,988
Total defined benefit cost/(income) recognized in OCI	–12,533	**–19,814**

The major asset categories are as follows:

As of December 31 In CHF thousand	2021	2020
Equity instruments (quoted market prices)	59,113	50,039
Debt instruments (quoted market prices)	67,993	55,871
Real estate (quoted market prices)	40,940	34,285
Alternative investments (quoted market prices)	24,414	21,671
Cash	15,414	24,268
Others	2,042	2,780
Total	**209,916**	**188,914**

The significant actuarial assumptions were as follows:

As of December 31	2021	2020
Discount rate	0.30%	0.19%
Salary growth rate	1.25%	1.25%
Pension growth rate	0.00%	0.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Switzerland. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

As of December 31	2021	2020
Retiring at the end of the reporting period:		
Male	22.57	22.72
Female	24.37	24.76
Retiring 20 years after the end of the reporting period:		
Male	24.86	24.48
Female	26.40	26.51

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Impact on defined benefit obligation 2021		Impact on defined benefit obligation 2020	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (+/– 0.25%)	–6,917	6,457	–5,798	6,034
Salary growth rate (+/– 0.25%)	992	–592	1,003	–983

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized within the balance sheet.

Expected contributions to defined benefit plans for the year ending December 31, 2022, amount to CHF 7.8 million.

The weighted average duration of the defined benefit obligation is 15.0 years (prior year: 15.9 years).

Accounting policies

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Concerning the Swiss pension plans, the formal regulations include the rules of the pension fund as well as the relevant laws, ordinances and directives concerning occupational benefit plans, in particular the provisions contained therein referring to funding and measures to be taken to eliminate pension-fund deficits. Since fiscal year 2020, risk-sharing features are considered in the formal rules when determining financial assumptions, which will limit the employer's share of the cost of future benefits and also include employees in the obligations to pay possible additional contributions in case of an underfunding.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest) are charged or credited to equity in other comprehensive income in the period in which they arise.

The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. In the income statement, the net interest expense is recognized within "Finance costs." Other expenses related to defined benefit plans are recognized within "Employee benefit expenses."

Past-service costs are recognized immediately in the consolidated income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

4.4 Related-party transactions

The following transactions were carried out with related parties:

January 1–December 31 In CHF thousand	2021	2020
Contribution to Swiss pension plan	7,302	6,975

Business transactions with related parties are based on arm's-length conditions.

Key management personnel includes members of the Group Executive Committee of VAT Group AG. The compensation paid or payable to key management personnel for employee services is shown below:

January 1–December 31 In CHF thousand	2021	2020
Short-term employee benefits	2,686	1,962
Post-employment benefits	402	104
Share-based payments	1,299	153
Total	**4,387**	**2,219**

Year-end balances arising from transactions with related parties include:

January 1–December 31 In CHF thousand	2021	2020
Other payables due to Swiss autonomous employee benefit plan	106	177
Accrued expenses and deferred income due to governing bodies	185	182
Post-employment benefit obligation (Swiss autonomous employee benefit plan)	13,668	25,461

Shares held by the Board of Directors and the Group Executive Committee are disclosed in note 4.3 of the statutory financial statements of VAT Group AG.

5. Capital and financial risk management
5.1 Finance income and costs

January 1–December 31 In CHF thousand	2021	2020
Interest income	146	123
Other finance income	93	1
Finance income	**239**	**124**
Interest expenses	–3,517	–4,083
Net foreign exchange losses on financing activities	–1,297	–9,652
Other finance expenses	–2,552	–1,973
Finance costs	**–7,366**	**–15,708**
Total finance result	**–7,127**	**–15,584**

Accounting policies
Interest income or expense is recognized using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
– the gross carrying amount of the financial asset; or
– the amortized cost of the financial liability.

5.2 Fair value estimation
The following table shows the fair values of financial assets and financial liabilities measured at fair value including their levels in the fair value hierarchy.

As of December 31 In CHF thousand	Measurement principle	Contract value		Fair value	
		2021	2020	2021	2020
Derivatives held for hedging (USD)	Level 2[1]	164,431	160,452	1,644	5,830
Derivatives held for hedging (JPY)	Level 2[1]	64,954	47,051	2,712	1,010
Derivatives held for hedging (KRW)	Level 2[1]	35,735	0	222	0
Derivative assets		**265,120**	**207,503**	**4,578**	**6,840**
Equity shares	**Level 1[2]**	**0**	**0**	**33**	**31**
Thereof:					
Current assets		265,120	207,503	4,610	6,871
Derivatives held for hedging (USD)	Level 2[1]	66,279	2,275	–930	–2
Derivatives held for hedging (JPY)	Level 2[1]	0	9,004	0	–24
Derivatives held for hedging (KRW)	Level 2[1]	1,263	0	–1	0
Derivative liabilities		**67,542**	**11,280**	**–932**	**–26**
Contingent considerations[4]	Level 3[3]	**4,488**	**0**	**–4,488**	**0**
Thereof:					
Current liabilities		69,642	11,280	–3,032	–26
Non-current liabilities		2,388	0	–2,388	0

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.
2 The fair value of equity shares are based on quoted market prices in active markets.
3 Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. This applies particularly to contingent considerations in business combinations.
4 Contingent considerations are disclosed in trade and other payables and other non-current liabilities.

The Group recorded foreign exchange contracts (derivative financial assets/liabilities) at fair value, which are Level 2 financial instruments. There were no transfers in either direction between Level 1 and Level 2 in 2021 and 2020. Contingent considerations are Level 3 financial instruments and linked to the fulfillment of certain parameters related to earn-out clauses. The calculation of the contingent considerations is based on management assessments that the criteria will be achieved at a probability of 100%. For more information refer to note 6.5.

Forward foreign exchange contracts
The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

Hedge accounting
VAT Group uses cash flow hedges to reduce and manage the economic impact of its main currency risks. As of December 31, 2021, the Group held currency forwards and non-deliverable forwards as hedging instruments (as of December 31, 2020, the Group held currency forwards). The forward contracts were denominated in the same currency as the highly probable future transactions; therefore the hedge ratio on all hedges conducted by VAT Group was 1:1 as of December 31, 2021. The hedging reserves included net unrealized gains of CHF 2.4 million, net of tax, on derivatives designated as cash flow hedges (prior year: unrealized gains of CHF 4.1 million). Net gains of CHF 0.8 million (prior year: net gains of CHF 9.1 million) were reclassified to earnings in 2021. The maturity of derivatives classified as a cash flow hedge was up to 12 months.

Accounting policies
Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The measurement of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution. VAT applies hedge accounting in accordance with IFRS 9 to hedge balance sheet items and future cash flows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item directly in the income statement, net. The effective portion of instruments designated as cash flow hedges is recognized in other comprehensive income. The ineffective portion of such instruments is recorded in financial result, net. Changes in value resulting from cash flow hedges recognized in equity through the consolidated statement of comprehensive income are reclassified in the income statement in the period in which the cash flow from the hedged transaction is recognized in the income statement. When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income is transferred to the income statement.

Fair value estimation
Financial instruments carried at fair value are analyzed by valuation method. The different levels have been defined as follows:
– quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
– observable prices for the asset or liability, either directly or indirectly (Level 2),
– inputs for the asset or liability are not based on observable market data (Level 3).

The carrying amounts of financial assets and liabilities not measured at fair value are a reasonable approximate of their fair values. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair values are based on market/broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

5.3 Loans and borrowings

The terms and conditions of outstanding loans are as follows:

As of December 31, 2021 In CHF thousand	Currency	Nominal interest rate	Year of maturity	Carrying amount
Revolving Credit Facility (RCF)	CHF	SARON + 0.95%	2023	0
Fixed-rate bond	CHF	1.50%	2023	199,716
Finance lease liability				7,226
Total loans and borrowings				**206,942**
Thereof:				
Current				2,105
Non-current				204,837

As of December 31, 2020 In CHF thousand	Currency	Nominal interest rate	Year of maturity	Carrying amount
Revolving Credit Facility (RCF)	CHF	CHF LIBOR + 0.95%	2023	58,847
Fixed-rate bond	CHF	1.50%	2023	199,503
Finance lease liability				7,988
Total loans and borrowings				**266,338**
Thereof:				
Current				61,522
Non-current				204,817

VAT Group AG maintains a syndicated five-year Revolving Credit Facility (RCF) of USD 300.0 million.

The RCF is subject to the financial covenant “net senior debt/EBITDA” ratio, with which the Group complied with for the financial year 2021. Reacting on the IBOR Transition, the reference rate of the RCF was changed from LIBOR to Alternative Reference Rates (ARRs). In the case of CHF, the reference rate was changed from LIBOR to SARON.

On May 23, 2018, VAT Group issued a fixed-rate bond with a nominal value of CHF 200.0 million, which is listed on the SIX Swiss Exchange (ISIN: CH0417086052). The bond carries a coupon rate of 1.5% and has a term of five years with a final maturity on May 23, 2023. On December 31, 2021, the market value of the bond was CHF 203.6 million (prior year CHF 203.6 million).

The carrying amounts as of December 31, 2021 include financing costs of CHF 0.3 million (prior year CHF 1.6 million), which will be recognized in profit and loss over the remaining duration of the bond.

Reconciliation of movements of liabilities to cash flows from financing activities

As of December 31 In CHF thousand	2021	Cash-effective adjustment		Non-cash-effective adjustment		2020
		Addition	Repayment	Addition[1]	Foreign exchange	
Loans and borrowings	206,942	110,000	–172,433	3,020	16	266,338
Total liabilities from financing activities	**206,942**	**110,000**	**–172,433**	**3,020**	**16**	**266,338**

1 Includes changes of finance lease liabilities and amortization of finance costs

As of December 31 In CHF thousand	2020	Cash-effective adjustment		Non-cash-effective adjustment		2019
		Addition	Repayment	Addition[1]	Foreign exchange	
Loans and borrowings	266,338	120,000	–111,729	4,346	–367	254,088
Total liabilities from financing activities	**266,338**	**120,000**	**–111,729**	**4,346**	**–367**	**254,088**

1 Includes changes of finance lease liabilities and amortization of finance costs

Accounting policies
Loans and borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The Group recognizes a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

5.4 Equity

Share capital

As of December 31, 2021, the total authorized and issued number of ordinary shares comprises 30,000,000 shares with a nominal value of CHF 0.10 each. A conditional capital increase of up to 1,500,000 shares, which is included in the articles of association of VAT Group AG, was not drawn as of December 31, 2021.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium

Shares were issued in exchange for investments in VAT Holding S.à r.l. and VAT Management S.à r.l. as well as a shareholder loan from VAT Holding S.à r.l. in the financial year 2016.

Treasury shares

VAT Group AG purchased own shares held as treasury shares at a weighted average purchase price of CHF 312.97 pursuant to the share-based payment plans as shown in note 4.2. As of December 31, 2021, the Group held 14,383 own shares (prior year: 8,327).

Dividends

VAT declared and paid following dividend half from the reserves from capital contributions and half from retained earnings.

In CHF thousand	2021	2020
Dividends paid	**134,982**	**119,961**

The Board of Directors proposed a dividend in the amount of CHF 4.50 per share for the financial year 2020 (prior year: CHF 4.00 per share). The dividend was approved and paid out in May 2021.

Earnings per share

In CHF thousand	2021	2020 Restated[1]
Basic earnings per share (in CHF)	**7.25**	**4.27**
Net profit	217,440	127,942
Weighted average number of shares outstanding (in thousands of units)	29,991	29,990

1 Refer to note 1, section Changes in accounting policies

Diluted earnings per share is calculated by dividing net income attributable to owners of the Company by the weighted average number of shares adjusted for all potentially dilutive shares. Dilutive shares arise from the share-based payments as shown in note 4.2.

In CHF thousand	2021	2020 Restated[1]
Diluted earnings per share (in CHF)	**7.24**	**4.26**
Net profit	217,440	127,942
Weighted average number of shares outstanding (in thousands of units)	30,021	30,006

1 Refer to note 1, section Changes in accounting policies

Accounting policies

Earnings per share
The number of ordinary shares for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from share-based payment programs. The dilution from share-based payment programs is determined on the basis of the number of ordinary shares that are expected to be paid out to employees from currently held treasury shares. Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant number of ordinary shares.

5.5 Financial instruments

Categories of financial instruments

The following table discloses the carrying amounts of all financial instruments for each category:

As of December 31 In CHF thousand	2021	2020
Financial assets measured at amortized cost		
Cash and cash equivalents	127,152	137,871
Trade and other receivables	118,117	91,827
Accrued income	43	36
Long-term loans	861	846
Total financial assets recorded at amortized cost	**246,173**	**230,580**
Financial assets measured at fair value		
Equity shares	33	31
Forward exchange contracts	4,578	6,840
Total financial assets measured at fair value	**4,610**	**6,871**
Financial liabilities recorded at amortized cost		
Trade and other payables	50,685	32,877
Accrued expenses	18,325	10,546
Other non-current liabilities	142	180
Loans and borrowings	199,716	258,350
Finance lease liability	7,226	7,988
Total financial liabilities recorded at amortized cost	**276,093**	**309,942**
Financial liabilities measured at fair value		
Forward exchange contracts	932	26
Other payables	2,100	0
Other non-current liabilities	2,388	0
Total financial liabilities measured at fair value	**5,420**	**26**

Accounting policies

Classification
The Group classifies non-derivative financial assets in the following categories: financial assets at fair value through profit or loss (FVTPL) and financial assets measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

A financial asset measured at amortized cost is a non-derivative financial asset if both of the following conditions are met and if it is not designated as FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The category financial assets measured at amortized cost comprise “Cash and cash equivalents”, “Trade and other receivables”, “Accrued income” and “Long-term loans” on the balance sheet.

Recognition and measurement
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Loss rates are based on actual credit loss experience over the past years and current conditions. Current conditions are reflected in the development of the country risk premium of the Group's sales region. The allowance matrix is reviewed periodically to determine an adequate impairment provision. Losses on trade and other receivables are not material. Individual impairment provisions are recorded for accounts where collection cannot be expected.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets measured at amortized cost are subsequently carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. The carrying amounts of financial assets and liabilities not measured at fair value are a reasonable approximate of their fair values.

5.6 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Foreign exchange risk The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR, JPY, KRW, CNY and MYR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group hedges its foreign exchange risk exposure from future cash flows in USD, JPY and KRW. To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The risk is monitored periodically. The foreign exchange exposure of these investments is actually not material for the Group and is not hedged.

The carrying amounts of the main Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

As of December 31, 2021 In CHF thousand	Assets	Liabilities	Net exposure
USD/CHF	280,078	200,174	79,904
EUR/CHF	32,240	20,934	11,306
JPY/CHF	65,453	27,758	37,695
KRW/CHF	8,534	1,537	6,997
CNY/CHF	14,576	2,411	12,165
MYR/CHF	2,043	12,078	–10,035

As of December 31, 2020 In CHF thousand	Assets	Liabilities	Net exposure
USD/CHF	236,123	155,706	80,417
EUR/CHF	31,481	21,180	10,300
JPY/CHF	58,744	27,122	31,622
KRW/CHF	13,037	1,378	11,658

The management's assessment for a reasonably possible change in the foreign exchange rates could be a 5% shift in the major currencies against the Swiss Franc with all the other variables held constant. In case of net financial assets/liabilities, as of December 31, 2021, the cumulated impact on net financial assets/liabilities would be as follows:

As of December 31 In CHF thousand	2021	2020
USD/CHF	3,351	3,337
EUR/CHF	474	427
JPY/CHF	1,581	1,312
KRW/CHF	293	484
CNY/CHF	510	274
MYR/CHF	421	41

An increase in major currency rates would have a positive impact for USD, EUR, JPY, KRW and CNY and a negative impact for MYR (prior year: positive impact for USD, EUR, JPY, KRW and CNY / negative impact for MYR). A decrease would have an equal negative / positive (prior year: negative / positive) impact on profit or loss and equity.

Interest rate risk The interest rate risk includes an interest-related cash flow risk and an interest-related risk of a change in market value. The interest-bearing financial assets and liabilities held by the Group mainly relate to cash and cash equivalents and borrowings.

Cash flow sensitivity analysis for variable-rate instruments
As in prior year, a reasonably possible change of 50 basis points in interest rates at the reporting date would not have increased (decreased) profit or loss by a material amount. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The carrying amounts of financial assets presented in the table in the previous note represent their maximum credit exposure.

Credit risk is managed on Group level, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial assets and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated counterparties with a minimum rating of "A" are accepted. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No collateral is required.

Further information about trade receivables and the provision for impairment of trade receivables is provided in note 3.1.

With respect to trade receivables, the Group has two main customers representing 40% (prior year: 37%) of the Group's total revenues. This concentration of credit risk is considered low due to the strong market position of these two customers. Country risk is mitigated by the broad geographic spread of the Group's customer base.

Liquidity risk
Cash flow forecasting is performed by the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Surplus cash held by the operating entities above the balance required for working capital management is transferred to Group treasury. Group treasury utilizes surplus cash for repayment of loans as per the above-mentioned forecasts.

The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

At Dec 31, 2021 In CHF thousand	Carrying amount	Contractual cash flows Total	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	52,785	−52,785	−51,847	−938			
Accrued expenses	18,325	−18,325	−11,416	−6,909			
Other non-current liabilities	2,530	−2,530			−253	−2,277	
Loans and borrowings	199,716	−204,192	−750	−2,250	−201,192		
Lease liabilities	7,226	−8,645	−714	−1,738	−2,759	−1,796	−1,638
Non-derivative financial liabilities	**280,581**	**−286,476**	**−64,727**	**−11,835**	**−204,203**	**−4,073**	**−1,638**
Forward exchange contracts used for hedging: – Outflow	932	−68,474	−30,953	−37,520			
– Inflow		67,542	30,310	37,233			
Derivative financial liabilities	**932**	**−932**	**−644**	**−288**			

At Dec 31, 2020 In CHF thousand	Carrying amount	Contractual cash flows Total	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	32,877	−32,877	−32,857	−20			
Accrued expenses	10,546	−10,546	−2,565	−7,981			
Other non-current liabilities	180	−180			−180		
Loans and borrowings	258,350	−267,268	−60,826	−2,250	−3,000	−201,192	
Lease liabilities	7,988	−8,642	−657	−2,443	−2,318	−982	−2,242
Non-derivative financial liabilities	**309,942**	**−319,513**	**−96,904**	**−12,695**	**−5,498**	**−202,174**	**−2,242**
Forward exchange contracts used for hedging: – Outflow	26	−11,306	−3,319	−7,987			
– Inflow		11,280	3,309	7,971			
Derivative financial liabilities	**26**	**−26**	**−10**	**−16**			

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital is measured based on the Group's consolidated financial statements and monitored closely on an ongoing basis. The target of the management for the period under review was to maintain a strong capital basis. This goal was achieved by the positive operating results of the Group.

The equity ratio was as follows:

As of December 31 In CHF thousand	2021	2020 Restated[1]
Total equity	634,370	544,573
Total balance sheet	1,064,867	989,057
Equity ratio	**59.57%**	**55.06%**

1 Refer to note 1, section Changes in accounting policies

6. Other disclosures

6.1 Income Tax

Income tax expenses

This note provides an analysis of the Group's income tax expenses, shows what amounts are recognized directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

January 1–December 31 In CHF thousand	2021	2020 Restated[1]
Current tax:		
Current tax on earnings for the period	38,009	27,327
Adjustments in respect of prior periods	453	–115
Total current tax expense	**38,462**	**27,212**
Change in deferred tax	1,833	–928
Total deferred tax expense	**1,833**	**–928**
Income tax expense	**40,295**	**26,283**

1 Refer to note 1, section Changes in accounting policies

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

January 1–December 31 In CHF thousand	2021	2020 Restated[1]
Earnings before income taxes	257,735	154,225
Tax at the average group tax rate of 16.12% (previous year: 17.11%)[2]	**41,545**	**26,389**
Effect of tax rates in foreign jurisdictions[2]	56	322
Effect in change of tax rate	–3,815	–1,341
Expenses not deductible for tax purposes	4,925	3,950
Income not subject to tax	–4,594	–4,497
Effect of current-year losses for which no deferred tax asset is recognized	20	470
Utilization of tax losses previously not recognized	–355	0
Withholding taxes included in the tax expenses	1,002	811
Other tax effects	1,511	180
Total tax expenses recorded in consolidated income statement	**40,295**	**26,283**
Effective tax rate	**15.6%**	**17.0%**

1 Refer to note 1, section Changes in accounting policies
2 The applicable tax is determined using the average statutory tax rate applicable to the Group, calculated on a weighted average basis ignoring algebraic signs. Therefore, the effect of tax rates in foreign jurisdictions is disclosed.

The tax rate in 2021 is lower than in 2020. This is mainly caused by higher profits from Swiss entities, where statutory tax rates are lower.

The following deferred taxes were (charged)/credited to other comprehensive income during the period:

January 1–December 31 In CHF thousand			2021			2020
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Remeasurements of defined benefit obligations	12,533	–1,817	10,716	19,814	–2,873	16,941
Changes in the fair value of hedging reserves	–1,948	282	–1,665	1,715	–264	1,451

The following income taxes were (charged)/credited to equity during the period:

January 1–December 31 In CHF thousand			2021			2020
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Share-based payments	1,723	980	2,703	356	243	599

Deferred tax balances

The deferred tax assets and liabilities were as follows:

As of December 31 In CHF thousand			2021			2020 Restated[1]
	Deferred tax assets	Deferred tax liabilities	Net closing balance	Deferred tax assets	Deferred tax liabilities	Net closing balance
Other current assets	507	–742	–234	52	–235	–183
Inventories	3,335	–4,372	–1,037	2,984	–3,191	–207
Property, plant and equipment	106	–8,132	–8,026	251	–5,969	–5,718
Investment properties		–42	–42		–46	–46
Intangible assets	45	–38,241	–38,196	52	–38,395	–38,343
Other non-current assets			0		–62	–62
Other current liabilities	2,666	–3	2,663	1,656	–252	1,403
Provisions	1	–1,940	–1,938	1	–1,555	–1,553
Other non-current liabilities	249		249	269	–1	268
Defined benefit obligations	2,019		2,019	3,718		3,718
Tax losses carried forward	1,051		1,051	1,904		1,904
Non-refundable withholding taxes on future distributions		–982	–982		–1,007	–1,007
Total deferred tax assets/(liabilities) before set-off	**9,979**	**–54,454**	**–44,474**	**10,887**	**–50,714**	**–39,827**
Set-off of balances within the same tax jurisdiction	–4,633	4,633	0	–4,905	4,905	0
Net deferred tax assets/(liabilities)	**5,347**	**–49,821**	**–44,474**	**5,982**	**–45,809**	**–39,827**

1 Refer to note 1, section Changes in accounting policies

The movement in deferred tax balances is as follows:

In CHF thousand	2021	2020 Restated[1]
Net tax liabilities as of January 1, as previously reported		–39,041
Impact of change in accounting policy		892
Restated tax liabilities as of January 1	**–39,827**	–38,149
Acquired through business combination (see note 6.5)	**–937**	0
Recognized in income statement	–1,833	928
Recognized in OCI	–1,817	–2,873
Exchange differences	–60	267
Net tax liabilities as of December 31	**–44,474**	**–39,827**

1 Refer to note 1, section Changes in accounting policies

For some Group companies, dividend payments are subject to a withholding tax which cannot be fully recovered in Switzerland. Deferred tax liabilities in the amount of the non-recoverable withholding tax credits are recorded in profit and loss. The balance of these deferred tax liabilities was CHF 1.0 million (prior year: CHF 1.0 million).

Tax losses

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The details of the tax losses carried forward for which no deferred tax assets were recognized are as follows:

As of December 31 In CHF thousand	2021	2020
Opening balance	**8,362**	**5,735**
Acquired through business combination (see note 6.5)	770	0
Tax losses for which no deferred tax assets were recognized	79	2,936
Adjustment prior year	625	0
Tax loss carry-forward not recognized used in the current period	–1,782	0
Tax loss carry-forward expired	0	–303
Exchange differences	–407	–7
Closing balance	**7,647**	**8,362**

The total tax losses for which no deferred tax assets were recognized will expire as follows:

As of December 31 In CHF thousand	2021	2020
Expiry in 0–3 years	0	0
Expiry after 3 years	7,647	8,362
Total	**7,647**	**8,362**

Further, there are temporary differences with respect to investments in subsidiaries of CHF 2.8 million (prior year: CHF 2.8 million), for which no deferred tax liabilities were recognized. The Group is able to control the timing of the reversal and it is not intended to reverse the temporary difference in the foreseeable future.

Accounting policies

Current and deferred income tax Income tax expense comprises current and deferred tax. It is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current income tax also includes any tax arising from dividends.

Deferred income tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Current and deferred tax assets and liabilities are netted whenever they relate to the same taxing authority and taxable entity.

6.2 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying hedges.

For consolidation purposes, the results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement are translated at yearly average exchange rates which are reasonable approximation of the spot rates. All resulting exchange differences are recognized in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the income statement within "Finance income/(expenses)." All other foreign exchange gains and losses are presented in the income statement within "Other income/(expenses)."

The following table summarizes the principal exchange rates used for translation purposes:

	Average exchange rates in CHF		Closing exchange rates in CHF	
	Jan 1 – Dec 31, 2021	Jan 1 – Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
1 Euro	1.08	1.07	1.04	1.08
100 Japanese Yen	0.83	0.88	0.79	0.86
100 Korean Won	0.08	0.08	0.08	0.08
1 Malaysian Ringgit	0.22	0.22	0.22	0.22
1 US Dollar	0.91	0.94	0.91	0.88

6.3 Contingencies and commitments

As at the date of the financial statements, the Group had no contingent assets or liabilities. As of December 31, 2021, assets in the amount of CHF 1.1 million were pledged (prior year: assets in the amount of CHF 0.7 million were pledged).

6.4 List of subsidiaries

The subsidiaries of the Company as of December 31, 2021, are the following:

Country	Company	Function	Currency	Capital in thousands	Share
China	VAT Vacuum Valves Shanghai Company Ltd., Shanghai	D	CNY	1,618	100%
	VAT Vacuum Valves Beijing Company Ltd, Beijing	D	USD	800	100%
France	VAT SARL, Grenoble	D	EUR	50	100%
Germany	VAT Deutschland GmbH, Dresden	D	EUR	26	100%
Japan	VAT Ltd., Tokyo	D	JPY	96,470	100%
Korea	VAT Korea Ltd., Pyeongtaek City	D	KRW	300,000	100%
Luxembourg	VAT Management S.à r.l., Luxembourg	H	CHF	30	100%
Malaysia	VAT Manufacturing Malaysia Sdn. Bhd., Penang	P	MYR	1,000	100%
Netherlands	VAT Netherlands B.V., Utrecht	D	EUR	0	100%
Romania	VAT Romania S.R.L., Arad	D/P	RON	7,821	100%
Singapore	VAT Singapore Pte. Ltd., Singapore	D	SGD	500	100%
Switzerland	VAT Vakuumventile AG, Sennwald	D/P	CHF	100	100%
	Comvat AG, Sennwald	D/P	CHF	275	100%
	VAT Holding AG, Sennwald	H	CHF	300	100%
Taiwan	VAT Taiwan Co. Ltd., Hsin-Chu City	D	TWD	12,000	100%
United Kingdom	VAT Vacuum Products Ltd, Warwickshire	D	GBP	1	100%
USA	VAT Inc., Delaware	D	USD	1	100%

D: Distribution, H: Holding, P: Production

Accounting policies
Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Transactions eliminated on consolidation The Group eliminates all intra-group transactions as part of the Group's consolidation process. Any unrealized gains and losses arising from intra-group transactions are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

6.5 Acquisition of a subsidiary

On July 1, 2021, the Group acquired a 100% controlling interest of microGauge AG, for CHF 6.1 million, of which CHF 1.6 million was paid in cash and CHF 4.5 million arose from a contingent consideration agreement. This contingent consideration is dependent on the success of the technology acquired. The total liability is limited at CHF 4.5 million. The acquisition included patents and technology in the amount of CHF 6.9 million and a goodwill of 0.2 million. The goodwill is attributable to the workforce and the potential of the acquired business.

microGauge AG, which had its headquarters in Zurich, Switzerland and employed three people is a deep-tech Company that was developing next generation vacuum sensing solutions. The Company was merged with VAT Vakuumventile AG as of July 1, 2021.

6.6 Subsequent events

The Company has evaluated subsequent events through March 2, 2022, which represents the date when the consolidated financial statements were approved.

6.7 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021, and earlier application is permitted; however, the Group has not early applied the new or amended standards in preparing these consolidated financial statements.

Improvements and other amendments to IFRS

A number of standards have been modified on miscellaneous points. None of these amendments are expected to have a material effect on the Group's consolidated financial statements.

KPMG

Statutory Auditor’s Report

To the General Meeting of VAT Group AG, Sennwald

Report on the Audit of the Consolidated Financial Statements
Opinion
We have audited the consolidated financial statements of VAT Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 76 to 119) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Revenue Recognition
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key Audit Matter

Revenues are an important metric considered by external and internal stakeholders. Revenues recognized for the year ended December 31, 2021 amounted to CHF 901 m (2020: CHF 692 m) and are primarily related to the sale of vacuum valves and service support.

Revenue is a key performance indicator and therefore in the focus of internal and external stakeholders. VAT Group recognizes revenues related to the sale of goods when risks, rewards and control are transferred to the counterparty. In general, contractual agreements with customers define when risks and rewards are transferred, as specific terms and conditions are mentioned in the contracts or order confirmations. There is a risk that revenues may be recognized in the wrong accounting period.

There is an additional risk that revenues may be deliberately over- or understated as a result of management override resulting from the pressure management may feel to achieve planned results. This could for example occur by manipulating inputs in the Group's accounting system.

Our response

When performing the audit, we had a focus on the appropriate recognition of revenue transactions, in accordance with the Group's accounting policies.

We performed testing of the key controls around revenue recognition, which included performing walkthroughs and testing the operating effectiveness of internal controls.

Furthermore, our procedures included detailed cut-off testing of revenue transactions with reference to shipping documentation to either side of the balance sheet date. Moreover, we obtained trade debtors confirmations and if required performed alternative procedures, such as subsequent cash-receipts or traced our samples taken to invoices and delivery notes.

In addition to the procedures described above, we considered the risk of management override by testing the monthly key control of matching sales subledger to the general ledger. Together with this control we checked whether any other persons than accounting staff have performed journal entries in the revenue accounts and if user access rights in the general ledger are appropriately allocated.

Moreover, we assessed the Group's disclosures relating to revenue recognition.

For further information on revenue recognition refer to the following: Note 2.2 "Summary of significant accounting policies"

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Simon Niklaus Licensed Audit Expert Auditor in Charge	Jan Bellinger Licensed Audit Expert

St. Gallen, March 2, 2022

Statutory financial statements VAT Group AG for the financial year from January 1 to December 31, 2021

Income statement

January 1–December 31 In CHF thousand	Note	2021	2020
Dividend income		120,000	160,000
Interest income		1,189	1,915
Other financial income	3.1	1,217	627
Total income		**122,406**	**162,541**
Interest expenses		–3,374	–3,934
Other financial expenses		–2,369	–1,720
Personnel expenses		–958	–902
Other operating expenses	3.2	–1,287	–1,449
Total expenses		**–7,988**	**–8,005**
Direct tax		–262	–127
Gain for the period		**114,156**	**154,409**

Balance sheet

As of December 31 In CHF thousand	Note	2021	2020
Assets			
Cash and cash equivalents		5,520	190
Other receivables due from third parties		40	42
Prepayments and accrued income		277	722
Current assets		**5,837**	**954**
Financial assets	3.4	71	1,018
Loans granted to companies in which the entity holds an investment		71,840	161,306
Investments in subsidiaries	3.3	502,850	502,850
Non-current assets		**574,762**	**665,174**
Total assets		**580,599**	**666,128**
Liabilities			
Short-term interest-bearing liabilities due to third parties	3.4	0	60,000
Other payables	3.5	27	383
Short-term provisions		237	150
Accrued expenses and deferred income	3.6	2,839	3,187
Current liabilities		**3,103**	**63,720**
Long-term interest-bearing liabilities	3.4	200,000	200,000
Non-current liabilities		**200,000**	**200,000**
Total liabilities		**203,103**	**263,720**
Equity	3.7		
Share capital		3,000	3,000
Legal capital reserves:			
– Reserves from capital contributions		7,842	75,333
– Other capital reserves		3,682	3,682
Accumulated gains:			
– Profit/loss brought forward		253,317	166,398
– Gain for the period		114,156	154,409
Treasury shares	3.8	–4,501	–414
Total equity attributable to owners of the Company		**377,496**	**402,408**
Total liabilities and equity		**580,599**	**666,128**

Notes to the financial statements VAT Group AG

1. General information

VAT Group AG ("the Company") is the parent Company of the VAT Group. VAT Group AG was incorporated in Switzerland on February 25, 2016. The registered office of the Company is Seelistrasse 1, CH-9469 Haag, Switzerland. VAT Group AG is listed on the SIX Swiss Exchange since April 14, 2016.

2. Basis of preparation

2.1 General

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

2.2 Investments in subsidiaries

Investments are valued and accounted for separately at the respective acquisition costs. If there are concrete indications that an investment is overvalued, an impairment loss is recognized.

3. Information on income statement and balance sheet items

3.1 Other financial income

Other financial income for the year 2021 consists of gains from the disposal of treasury shares and amounts to CHF 1.2 million (prior year: CHF 0.5 million). The remaining amount results from net foreign exchange gains on financing activities.

3.2 Other operating expenses

As of December 31 In CHF thousand	2021	2020
Insurance, duties and other charges	159	118
Rental expenses	5	5
Travel expenses	35	13
Consulting and audit fees	331	539
Administration expenses	757	774
Total other operating expenses	**1,287**	**1,449**

3.3 Significant investments in subsidiaries

VAT Group AG holds the following investment as of December 31:

Country	Company	Currency	Capital in thousands		Share in capital and voting rights	
			2021	2020	2021	2020
Luxembourg	VAT Management S.à r.l.	CHF	30	30	100%	100%

The indirect investments are shown in note 6.4 of the consolidated financial statements of VAT Group.

3.4 Interest-bearing liabilities

As of December 31 In CHF thousand	2021	2020
Short-term interest-bearing liabilities due to third parties	0	60,000
Total short-term interest-bearing liabilities	**0**	**60,000**
Long-term interest-bearing liabilities due to third parties	200,000	200,000
Total long-term interest-bearing liabilities	**200,000**	**200,000**

The terms and conditions of outstanding loans due to third parties are as follows:

As of December 31, 2021 In CHF thousand	Currency	Nominal interest rate	Year of maturity	Carrying amount
Revolving credit facility (RCF)	CHF	SARON 1m + 0.95%	2023	0
Fixed-rate bond	CHF	1.50%	2023	200,000
Total loans and borrowings at Dec 31, 2021				**200,000**
Thereof:				
Current				0
Non-current				200,000

As of December 31, 2020 In CHF thousand	Currency	Nominal interest rate	Year of maturity	Carrying amount
Revolving credit facility (RCF)	CHF	CHF LIBOR 1m + 0.95%	2023	60,000
Fixed-rate bond	CHF	1.50%	2023	200,000
Total loans and borrowings at Dec 31, 2020				**260,000**
Thereof:				
Current				60,000
Non-current				200,000

Financing expenses capitalized in connection with the Revolving Credit Facility (RCF) in prior years have been recognized in profit and loss in 2021. As at December 31, 2021, CHF 0.0 million (prior year: CHF 0.4 million) are recognized within "Prepayments and accrued income." CHF 0.0 million (prior year: CHF 0.7 million) are disclosed as "Financial assets."

On May 23, 2018, VAT Group issued a fixed-rate bond with a nominal value of CHF 200.0 million, which is listed on the SIX Swiss Exchange (ISIN: CH0417086052). In connection with the bond, financing expenses in the amount of CHF 0.2 million (prior year: 0.2 million) are recognized within "Prepayments and accrued income." CHF 0.1 million (prior year: 0.3 million) are disclosed as "Financial assets." On December 31, 2021, the market value of the bond was CHF 203.6 million.

3.5 Other payables

As of December 31 In CHF thousand	2021	2020
Other payables due to third parties	27	45
Other payables due to companies in which the entity holds an investment	0	338
Total other payables	**27**	**383**

3.6 Accrued expenses and deferred income

As of December 31 In CHF thousand	2021	2020
Accrued expenses and deferred income due to third parties	2,434	2,803
Accrued expenses and deferred income due to governing bodies	405	384
Total accrued expenses	**2,839**	**3,187**

3.7 Equity

As of December 31, 2021, the share capital amounts to CHF 3.0 million and consists of 30,000,000 registered shares at par value of CHF 0.10 each.

The reserves from capital contributions consist of the premium from contribution in kind less issue stamp duty. From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital.

On March 29, 2016, a conditional capital increase of up to 1,500,000 shares was included in the articles of association of VAT Group AG which was not drawn as of December 31, 2021.

3.8 Treasury shares

	Jan 1 – Dec 31, 2021		Jan 1 – Dec 31, 2020	
	Number of shares	Average price	Number of shares	Average price
Treasury shares as at January 1	**8,327**	**CHF 49.75**	**12,683**	**CHF 45.00**
Purchase of treasury shares	11,771	CHF 369,08	342	CHF 160.60
Share-based payments	–5,715	CHF 256.66	–4,698	CHF 159.09
Treasury shares as at December 31	**14,383**	**CHF 312.97**	**8,327**	**CHF 49.75**

On December 31, 2021, VAT Group held 14,383 treasury shares with an acquisition price of CHF 4.5 million.

4. Other information

4.1 Full-time equivalents

VAT Group AG does not have any employees.

4.2 Significant shareholders

The following shareholders owned more than 5% of voting rights as of December 31:

Shareholder	Voting rights as of December 31, 2021	Voting rights as of December 31, 2020
Rudolf Maag	3,000,570	3,000,570
BlackRock Inc.	1,543,086	1,852,490
Capital Group Companies Inc.	1,505,281	1,540,280

4.3 Shares held by the Board of Directors and the Group Executive Committee

As of December 31, the members of the Board of Directors and the Group Executive Committee held the shares listed in the following table:

As of December 31	2021	2020
Board of Directors		
Martin Komischke, Chairman	1,871	1,582
Hermann Gerlinger	1,242	1,155
Heinz Kundert	30,350	30,161
Urs Leinhäuser	4,592	4,465
Daniel Lippuner	787	700
Karl Schlegel	38,306	38,184
Libo Zhang	532	371
Group Executive Committee		
Michael Allison, CEO	468	508
Fabian Chiozza, CFO (since April 1, 2021)	0	n/a
Stephan Bergamin, CFO (until March 31, 2021)	n/a	243
Thomas Berden, COO	0	0

As of December 31, 2021 and 2020, none of the members of the Board of Directors or the Group Executive Board held conversion rights or options, and no loans or credits were outstanding between the parties and the Company.

4.4 Shares granted to the Board of Directors

Members of the Board of Directors receive 30% of the total compensation in restricted shares. VAT Group granted 950 shares with a fair value of CHF 276 per share for the period 2020/21 (prior period: 1,421 shares, amounting to CHF 0.2 million). As of December 31, 2021, VAT Group AG allocated 485 shares (prior year: 911 shares) amounting to CHF 0.2 million (prior year: CHF 0.2 million) to its Board of Directors, which will be transferred in financial year 2022.

4.5 Significant events after the balance sheet date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

Proposed appropriation of available earnings

Proposal for the appropriation of available earnings by the Board of Directors to the General Meeting:

Appropriation of available earnings as proposed by the Board of Directors

In CHF thousand	2021
Balance brought forward	**253,317**
Gain for the period	114,156
Total accumulated gains	**367,473**

The Board of Directors proposes to the General Meeting the following appropriation of available earnings:

In CHF thousand	2021
Dividend payment	–157,500
Total accumulated gains to be carried forward	**209,973**

Appropriation of reserves from capital contributions

In CHF thousand	2021
Reserves from capital contributions as of Dec 31, 2021	**7,842**
Dividend payment out of reserves from capital contributions	–7,500
Reserves from capital contributions carried forward	**342**

The Board of Directors proposes to the General Meeting to pay a dividend of CHF 165.0 million, CHF 157.5 million from accumulated gains and CHF 7.5 million from the reserves from capital contributions.

The number of shares with dividend rights will change if the number of own shares held by VAT Group AG changes. The Board of Directors may therefore adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

KPMG

Statutory Auditor’s Report

To the General Meeting of VAT Group AG, Sennwald

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VAT Group AG, which comprise the balance sheet as at December 31, 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 124 to 131) for the year ended December 31, 2021 comply with Swiss law and the Company’s articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Simon Niklaus	Jan Bellinger
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

St. Gallen, March 2, 2022

Shareholder Information

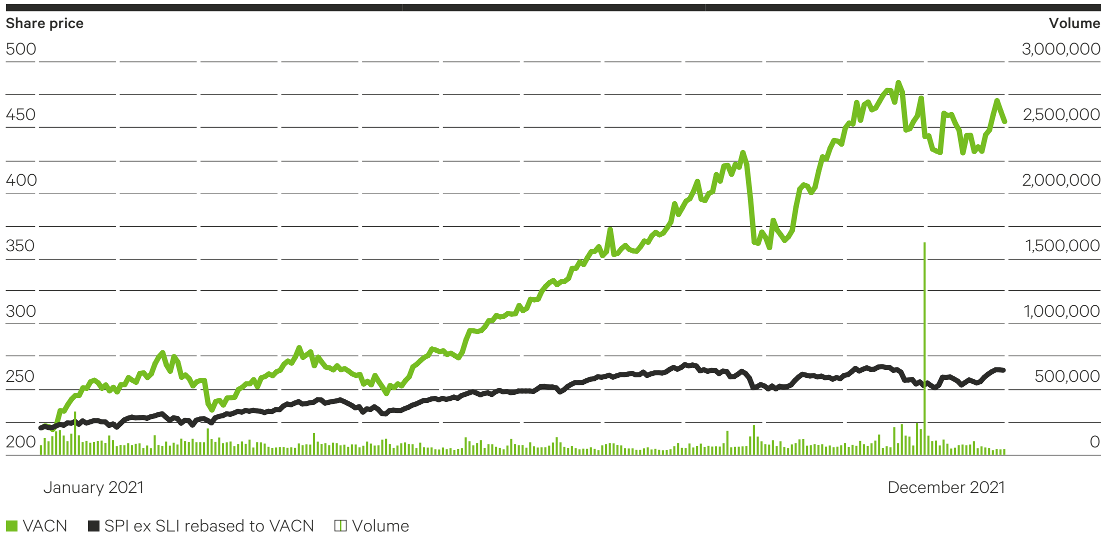
Driven by its strong business performance and a generally positive stock market climate, VAT's share price more than doubled during 2021. The company's primary end market, the semiconductor sector, saw record levels of capital investment to expand capacity in response to short-term chip shortages and continued long-term demand drivers, such as Big Data, device interconnectivity, the Internet of Things and artificial intelligence. The widespread shift to home office and increased e-commerce resulting from the COVID-19 pandemic continued in 2021 and further supported demand for semiconductors.

Record sales and ongoing internal improvement measures allowed VAT to increase its EBITDA margin by 4 percentage points compared with 2020, reaching a record 34.2%. Free cash flow also reached an all-time high, allowing VAT's Board of Directors to propose to shareholders an increase of its regular dividend to CHF 5.50 per share from CHF 4.50 a year earlier.

Stable shareholder base

VAT's core shareholder base remained largely unchanged compared with 2020, with the exception of Ameriprise Financial, who reduced their holdings during 2021 from 4% at the end of 2020 to below the SIX Swiss Exchange's reporting threshold of 3%. As of the publication of this annual report, there are four shareholders who each own more than 3% of VAT's outstanding shares and whose cumulative shareholding amounts to about 24% of VAT's shares. The free float of VAT shares, as defined by the SIX Swiss Exchange, was approximately 90% at the end of 2021. The number of registered shareholders increased from about 10,500 at the end of 2020 to about 13,400 at the end of 2020.

Share price development



In 2021, the price of VAT shares increased by 105% from CHF 220.80 to CHF 454.20. During the same period, the Swiss stock market as measured by the SPI ex SLI TR Index increased by 20%. On May 25, 2021, shareholders received a dividend of CHF 4.50 per share, half of the amount paid from capital contribution reserves, the other half from accumulated gains.

Stock exchange listing

Ticker symbol	VACN (SIX); VACN.S (Reuters); VACN SW (Bloomberg)	**Legal Entity Identifier (LEI)**	529900MVFK7NVALR7Y83
Valor number	31 186 490	**Nominal value**	CHF 0.10 per share
ISIN	CH0311864901	**Free Float**	Approximately 90%
Market capitalization as of December 31, 2019	CHF 13.6 bn	**Number of shares outstanding**	30,000,000
Exchange	SIX Swiss Exchange (International Reporting Standard)	**Segment**	Mid & Small Cap Swiss shares

Distribution of shareholders by domicile and breakdown of registered shareholders by numbers of shares held

Switzerland	36%
Other countries	23%
Shares in transit	41%

The vast majority of registered shares not held in Switzerland are held in the rest of Europe (mainly the UK) and the US.

Number of shares held	
1–100 shares	7,682
101–1,000 shares	4,922
1,001–10,000 shares	676
10,001–100,000 shares	110
100,001–1,000,000	15
More than 1,000,000 shares	3
Total number of shareholders	**13,408**

Market Capitalization
in CHF bn as of December 31, 2021

13.6

Dividend Payout Ratio
in % of Free Cash Flow to Equity

85.9

Disclosure of shareholdings
With effect from January 1, 2016, under Art. 110 of the Federal Act on Financial Market Infrastructure (FinMIA), anyone who acquires or sells equity securities on their own account and thereby attains, falls below or exceeds the threshold of 3, 5, 10, 15, 20, 25, 33⅓, 50 or 66⅔% of the voting rights in a company (whether or not such rights may be exercised), is subject to a reporting obligation. This obligation applies to anyone who directly, indirectly or in concert with third parties acquires or disposes of shares in a company incorporated in Switzerland whose equity securities are listed in whole or in part in Switzerland. It also applies to anyone who can exercise the voting rights attached to such equity securities at their own discretion. Disclosure must be made to the company and stock exchanges on which the equity securities in question are listed.

Significant shareholders
Information on significant shareholders is disclosed on page 43 of this report.

Dividend policy
VAT Group AG is committed to an attractive dividend policy that reflects the company's strong free cash flow generation and solid balance sheet. In line with this policy, VAT Group intends to distribute to its shareholders up to 100% of free cash flow to equity (FCFE) so long as the Group's net debt does not significantly exceed 1x EBITDA.

At its Annual General Meeting on May 17, 2022, VAT's Board of Directors will propose dividend for the fiscal year ending December 31, 2021, of CHF 5.50 per registered share, an increase of CHF 1.00 or 22%. CHF 5.25 of this amount will be paid from the company's accumulated gains and CHF 0.25 per registered share from the company's remaining CHF 7.8 million of reserves from capital contributions.

Disclosure policy
VAT Group AG is committed to open and transparent communication with shareholders, financial analysts, customers, suppliers and all other stakeholders. VAT aims to communicate material developments in its businesses in a timely manner and in compliance with the rules of the SIX Swiss Exchange.

Investor Relations
VAT's Investor Relations team manages the company's interaction with the financial community, including attendance at key investor conferences and providing institutional investors and analysts with various opportunities to learn more about VAT Group's strategy, business operations and governance. Investor Relations is based at the Group's headquarters in Haag, Switzerland.

More information is available on the VAT Group website: https://ir.vatvalve.com.

Key data on VAT registered shares

		2021	2020 restated
Share capital	CHF	3,000,000	3,000,000
Number of shares on December 31		30,000,000	30,000,000
Nominal value per share	CHF	0.10	0.10
Shares outstanding		30,000,000	30,000,000
EBITDA per share	CHF	10.26	7.01
Free cash flow per share	CHF	6.52	4.90
Book value per share	CHF	21.15	18.15
Dividend per share[1]	CHF	5.50	4.50
Share price high	CHF	484.20	224.20
Share price low	CHF	219.60	107.65
Closing share price on December 31	CHF	454.40	220.80
Average daily trading volume	Shares	81,002	149,347
Average daily trading value	CHF million	27.0	24.9

1 Proposed by the Board of Directors

Financial Calendar

Date	Event
2022	
Thursday, April 14, 2022	Q1 2022 trading update
Friday, May 6, 2022	Record day
Tuesday, May 17, 2022	Annual General Meeting 2022
Thursday, May 19, 2022	Ex-date
Monday, May 23, 2022	Dividend payment
Thursday, August 4, 2022	Half-year 2022 results
Thursday, October 13, 2022	Q3 2022 trading update

5-year key figures

In CHF million	2021	2020 restated[1]	2019 restated	2018 restated	2017	CAGR 2017–2021
Order intake	1,227.9	724.5	585.0	648.0	736.2	13.6%
Order backlog as of December 31	461.2	145.3	114.5	113.6	165.6	29.2%
Net sales	901.2	692.4	570.4	698.1	692.4	6.8%
Gross profit	570.5	430.1	345.4	419.5	431.9	7.2%
Gross profit margin	63.3%	62.1%	60.6%	60.1%	62.4%	–
EBITDA adjusted[2]	–	–	–	–	215.1	–
EBITDA margin adjusted	–	–	–	–	31.1%	–
EBITDA	307.9	210.5	148.2	214.0	212.2	9.8%
EBITDA margin	34.2%	30.4%	26.0%	30.7%	30.6%	–
EBIT	264.9	169.8	102.5	178.8	178.7	10.3%
EBIT margin	29.4%	24.5%	18.0%	25.6%	25.8%	–
Net income	217.4	127.9	70.3	134.9	115.7	17.1%
Net income margin	24.1%	18.5%	12.3%	19.3%	16.7%	–
Basic earnings per share (in CHF)	7.25	4.27	2.34	4.50	3.86	17.1%
Diluted earnings per share (in CHF)	7.24	4.26	2.34	4.50	3.86	17.1%
Cash flow from operating activities	239.8	166.2	151.9	170.5	155.6	11.4%
Capex[3]	44.1	19.2	12.1	46.6	47.6	–2.7%
Capex margin	4.9%	2.8%	2.1%	6.7%	6.9%	–
Free cash flow[4]	195.7	147.0	139.9	123.9	108.5	15.9%
Free cash flow margin	21.7%	21.2%	24.5%	17.7%	15.7%	–
Free cash flow conversion rate[5]	63.6%	69.8%	94.4%	57.9%	51.1%	–
Free cash flow to equity[6]	192.0	143.0	135.4	119.6	104.4	16.5%

As of December 31 In CHF million	2021	2020 restated	2019 restated	2018 restated	2017	CAGR 2015–2019
Total assets	1,064.9	989.1	966.5	967.3	991.1	1.8%
Total liabilities	430.5	444.5	448.3	403.9	433.1	–0.2%
Equity	634.4	544.6	518.2	563.4	558.0	3.3%
Net debt	79.7	128.5	144.3	147.6	143.7	–13.7%
Net debt/EBITDA	0.3	0.6	0.9	0.7	0.7	–21.4%
Invested capital[7]	463.9	411.1	350.0	357.4	327.0	9.1%
NOPAT[8]	235.5	155.6	99.0	163.4	159.6	10.2%
Return on invested capital (ROIC)	53.8%	40.6%	28.0%	47.7%	55.7%	–
Dividend per share[9] (in CHF)	5.50	4.50	4.00	4.00	4.00	–
Payout ratio[10]	85.9%	94.4%	88.6%	100.4%	115.0%	–
Number of employees[11]	2,540	2,041	1,810	1,712	1,946	6.9%

1 Prior-period financial statements have been restated in line with a clarification in 2021 by the IFRS Interpretations Committee that costs for cloud-based services, such as VAT's new ERP system, are to be expensed through the income statement when they occur, rather than capitalized.
2 Adjusted EBITDA in 2017 excludes one-off items related to the IPO in April 2016.
3 Capex comprises acquisitions of subsidiaries net of cash, purchases of property, plant and equipment, and intangible assets and proceeds from sale of property, plant and equipment.
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 Free cash flow to equity is calculated as cash flow from operating activities less cash flow from investing activities less interest paid and the current portion of loan and borrowings due at the end of the period.
7 Invested capital is defined as total assets (excluding current income tax receivables, goodwill, acquired technology & customer relationships, brands & trademarks, deferred income taxes and current income tax liabilities) less non-current liabilities (excluding loans & borrowings and deferred income tax liabilities).
8 Net operating profit less adjusted taxes (NOPAT) is calculated as EBITDA minus depreciation and amortization (excluding amortization of acquired technology and customer relationships) plus finance income (excluding net foreign exchange gains/losses from financing activity and excluding other finance income) less taxes at the average Group rate of 16.0% (previous year 16.0%).
9 2021 dividend proposal of the VAT Board of Directors to its shareholders at the AGM on May 17, 2022; CHF 5.25 per share to be paid from accumulated gains, CHF 0.25 to be paid from reserves from capital contributions.
10 Percentage of free cash flow to equity proposed to be paid out as dividend.
11 Number of employees expressed as full-time equivalents (FTE).