

SUMMARY REPORT 2021:

VAT's leading technology, global footprint and strong operational performance drove record sales, EBITDA, EBITDA margin, free cash flow and further market share gains in 2021.

VAT is the leading supplier of high-vacuum valves and related equipment used to manufacture semiconductors, displays, solar cells and many other digital devices. The company reported record results in 2021 in a market characterized by strong semiconductor demand, significant supply constraints and uncertainties surrounding the global coronavirus pandemic. This achievement reflects the successful execution of the company's profitable growth strategy and the engagement of its more than 2,000 employees worldwide. VAT expects to continue to outgrow the market and create more value for all of its stakeholders in 2022 and beyond.



PASSION. PRECISION. PURITY.

Key figures

In CHF million	2021	2020 restated ¹	Change
Order intake	1,227.9	724.5	69.5%
Order backlog as of December 31	461.2	145.3	217.3%
Net sales	901.2	692.4	30.1%
Gross profit	570.5	430.1	32.6%
Gross profit margin	63.3%	62.1%	-
EBITDA	307.9	210.5	46.3%
EBITDA margin	34.2%	30.4%	-
EBIT	264.9	169.8	56.0%
EBIT margin	29.4%	24.5%	-
Net income	217.4	127.9	70.0%
Net income margin	24.1%	18.5%	-
Basic earnings per share (in CHF)	7.25	4.27	69.9%
Diluted earnings per share (in CHF)	7.24	4.26	69.9%
Cash flow from operating activities	239.8	166.2	44.3%
Capex ²	44.1	19.2	121.8%
Capex margin	4.9%	2.8%	-
Free cash flow ³	195.7	147.0	33.1%
Free cash flow margin	21.7%	21.2%	-
Free cash flow conversion rate ⁴	63.6%	69.8%	-
Free cash flow to equity ⁵	192.0	143.0	34.3%
As of December 31	2021	2020 restated	
In CHF million			
Total assets	1,064.9	989.1	7.7%
Total liabilities	430.5	444.5	-3.1%
Equity	634.4	544.6	16.5%
Net debt	79.7	128.5	-37.9%
Net debt/EBITDA	0.3	0.6	-57.6%
Invested capital ⁶	463.9	411.1	12.8%
NOPAT ⁷	235.5	155.6	51.3%
Return on invested capital (ROIC)	53.8%	40.6%	-
Dividend per share ⁸ (in CHF)	5.50	4.50	22.2%
Payout ratio ⁹	85.9%	94.4%	-
Number of employees ¹⁰	2,540	2,041	24.5%

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 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.

3 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.

4 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.

5 Free cash flow to equity is calculated as cash flow from operating activities less cash flow from investing activities less interest paid.

6 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).

7 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%).

8 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

9 Percentage of free cash flow to equity proposed to be paid out as dividend

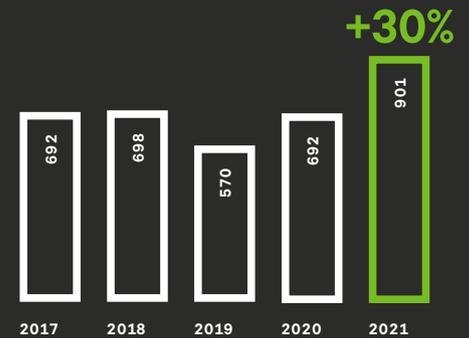
10 Number of employees expressed as full-time equivalents (FTE)

Net sales
in CHF million

901.2

2020: 692.4

Net sales development
in CHF million



EBITDA
in CHF million

307.9

2020: 210.5

EBITDA margin
in %

34.2

2020: 30.4

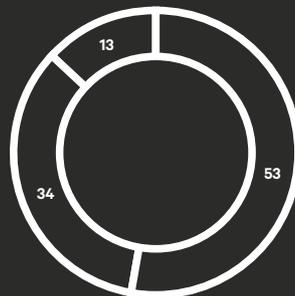
Net sales by segment
in %



81 VALVES
19 GLOBAL SERVICE

2020:
82 VALVES
18 GLOBAL SERVICE

Net sales by region
in %



53 ASIA
34 AMERICAS
13 EMEA

2020:
53 ASIA
33 AMERICAS
14 EMEA

Free cash flow
in CHF million

195.7

2020: 147.0

Dividend per share*
in CHF

5.50

2020: 4.50

* 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

Dear Stakeholders,

Your company again performed strongly in 2021. Record sales, profitability, cash flow and net income, along with further technology innovations, market share gains, operational improvements and footprint adjustments – all of this despite the second year of a global pandemic that has challenged all of us, both personally and professionally.

With that in mind and on behalf of the entire Board of Directors, I'd first like to thank our more than 2,500 employees who made this performance possible. Their dedication to our customers, their passion for technology and innovation, and their adaptability in the face of rapidly changing markets were the keys to our success last year. This includes another year of disciplined implementation of all the measures needed to reduce the impact of the COVID-19 pandemic and to keep themselves, our customers and our suppliers safe. As I've said before, our people really are a significant competitive advantage.

From a market perspective, 2021 was another year of strong demand. Our high-end vacuum valves are mission-critical components in the manufacture of semiconductors, the driving force behind global digitalization. With our technology and market leadership, VAT continues to benefit from megatrends such as cloud computing, smart devices, the Internet of Things and artificial intelligence. These trends were augmented in 2021 by a global semiconductor shortage that prompted a number of chip makers to accelerate capital investments to boost production.

Against this positive market background, we continued to implement the profitable growth strategy we first presented in 2020. This is based on gaining market share in our core valves business; growing our global service business; expanding into value-adding adjacencies; and continuing to improve our operational performance and optimizing our global footprint. Our 2021 results show that we have made progress in all these areas.

Our cumulative market share is higher across all the sectors in which we operate, and close to 75% in the higher-end semiconductor market, where our technology lead and deep customer relationships are critical differentiators. Net sales in our Global Service segment were up 35% on the year as we help customers get more from their existing assets, and we're on track with our expansion into adjacent products, such as motion components and advanced valve modules.

Furthermore, we continued to implement operational excellence initiatives to optimize our global footprint, make the organization faster and more flexible, and secure sustainable profitable growth. For example, in December we announced a CHF 160 million capital expenditure plan that includes the further expansion of our production capabilities in Malaysia. This will yield supply chain benefits as well as make us more responsive to customer needs in the increasingly important Asia market. We will also build an innovation center at our head office location in Haag, Switzerland, to further strengthen our technology lead and bring together all of our research and development capabilities into a single, more powerful and cost-effective unit.

We continue to develop meaningful ways to create value that is sustainable over the long term, for our customers and shareholders, but also for our people and the communities in which they work and live. These include extensive training, international talent development and know-how transfer across borders. Promoting diversity of experience fuels innovation and makes VAT a more attractive employer. We also continue to reduce our environmental footprint in areas such as renewable energy and packaging and to establish metrics on our sustainability performance to drive further improvements.

“The business environment looks positive, and we have both the market position and the people to capture the growth opportunities ahead.”



DR. MARTIN KOMISCHKE
CHAIRMAN OF THE BOARD OF DIRECTORS

Since VAT was listed on the SIX Swiss Exchange in 2016, the company has come a long way. Net sales have more than doubled since then, to CHF 900 million in 2021, and our EBITDA margin has increased from 30% to 34%, all despite the cyclical downturn we had to weather in 2019.

I believe this demonstrates the incredible strength of our company and gives us confidence to view 2022 and beyond with optimism. We expect the impact of the COVID-19 pandemic to continue to wane over the course of the year. The business environment looks positive, and we have the market position, operational flexibility and the people to capture the growth opportunities ahead and continue our successful track record of value creation. Consequently, we plan to recommend a 22% higher dividend of CHF 5.50 per share at our Annual General Meeting in May.

Finally, the Board and I would like to thank you for your continued support. I look forward to a fruitful collaboration with you in the years ahead.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Komischke', written in a cursive style.

Dr. Martin Komischke

VAT achieves record 2021 results driven by strong markets, improved business execution and further market share gains

The global semiconductor industry – VAT's largest market – again grew strongly in 2021. Long-term demand drivers for semiconductors continued, such as the Internet of Things, cloud computing and developments in artificial intelligence. Shorter term, the dramatic shift to remote work and the sharp increase in e-commerce that resulted from the COVID-19 pandemic generated a significant increase in the need for data storage and processing. At the same time, the demand for chips in the automotive industry also continued to grow, driven by the adoption of technologies such as driver assistance systems, autonomous driving and ongoing fleet electrification. Finally, lockdowns and other restrictions imposed during the COVID-19 pandemic created significant bottlenecks in the global semiconductor supply chain.

Record investment levels in the semiconductors industry

All of these factors led the global semiconductor industry to accelerate investments in additional capacity in both leading edge chip technologies as well as legacy platforms in 2021. Overall, global wafer fab equipment (WFE) spending grew by 40% from its previous record level in 2020, reaching almost USD 90 billion. Demand was further supported by technology advances in semiconductor design, such as the continued increase in the number of transistors that can be fit onto a chip. These new production platforms require purer vacuum conditions in combination with more process steps performed under vacuum.

Demand remained steady in the solar photovoltaic sector, where VAT provides vacuum solutions for solar panel manufacturing. Market demand in the display market was soft especially for LCD panels, whereas the bottom of the business cycle was reached in mid-2021 as orders started to grow again, especially driven by increased penetration of OLED screens.

Strong performance supported by growth strategy and flexible footprint

On the back of these strong market fundamentals, VAT benefitted from its leading market and technology position to again outgrow the market, increasing its valve market share across all industries from 55% in 2020 to about 58% in 2021. In the more technologically demanding semiconductor segment, VAT's market share reached 75%.

This was achieved through a number of targeted growth initiatives, including the launch of new service products and solutions to help customers increase the productivity of their current installed base of vacuum valve equipment. VAT also refocused its industrial business through its new Advanced Industrials business unit (formerly General Vacuum) to capture growth opportunities in areas such as specialized coatings, batteries for electric vehicles and scientific instruments.

VAT also continued to invest heavily in innovation. In 2021, R&D investments amounted to CHF 45 million, or 5% of net sales. This contributed to a record number of specification wins for new manufacturing platforms, securing a strong basis for future revenue growth.

The company also continued to reap the benefits of its flexible global footprint and the continued implementation of operational improvement measures to mitigate ongoing supply chain constraints and further reduce costs.

As a result, VAT reported record net sales, EBITDA, EBITDA margin, free cash flow and net income in 2021.

Results higher across all key performance indicators

Total order intake in 2021 amounted to CHF 1,228 million, up 69% from the previous year. The order backlog at year-end stood at CHF 461 million or 217% higher than at the end of 2020. This unusual order level partially reflects some pre-ordering by customers in the fourth quarter ahead of price increases planned for 2022. In addition, some smaller OEMs placed orders early in anticipation of further supply bottlenecks in the coming months.

Net sales in 2021 rose 30% to CHF 901 million. Net sales grew 29% in the Valves segment to CHF 729 million and Global Service sales rose 35% to CHF 172 million. Foreign exchange movements, especially in the US dollar against the Swiss franc, had a negative impact of about 3 percentage points on the 2021 net sales.

Gross profit* increased 33% compared with 2020 to CHF 571 million. The gross profit margin improved to 63% compared with 62% a year earlier despite ongoing pricing pressure in certain raw materials and components. Personnel costs reflect a 25% increase in the number of employees (measured as full-time equivalents, FTEs) to 2,540 from 2,041 a year earlier to support the strong volume growth in 2021 and the growth expectations going into 2022. Personnel costs as a percentage of sales decreased significantly from 25.4% in 2020 to 22.3% in 2021 confirming VATs operational leverage and productivity improvements.

EBITDA for the year increased by 46% to CHF 308 million, reflecting strong sales growth and execution of operational improvements. As a result, the full-year EBITDA margin improved from 30.4% in 2020 to a record 34.2%. The EBITDA margin includes a 0.6-percentage point negative impact from a change in the accounting treatment of cloud-based computing arrangements announced by the IFRS Interpretations Committee in 2021. In consequence, such costs as those for VAT's new ERP system, can no longer be capitalized but have to be expensed through the income statement as they occur and formerly capitalized costs have to be restated. In this regard, VAT's restated 2020 EBITDA margin amounts to 30.4%, -1.0 percentage points lower than originally reported. Foreign exchange movements, especially in the US dollar against the Swiss franc, had no material on the 2021 EBITDA margin.

VAT's EBIT amounted to CHF 265 million, an increase of CHF 95 million, or 56%, compared with the year before. Compared with 2020, the EBIT margin increased by about 5 percentage points to 29%. Below the EBIT line, VAT incurred substantially lower financing costs of CHF 7 million, down about 55% compared with CHF 16 million a year earlier. This is mainly the consequence of lower non-realized net foreign exchange losses on financing activities.

* Gross profit = net sales minus cost of materials plus/minus changes in inventories of finished goods and work in progress

Net sales in CHF million

901.2

2020: 692.4

Record number of spec wins

> 110

2020: 106

Earnings before taxes (EBT) increased to CHF 258 million from CHF 154 million. The effective tax rate for 2021 was 16%, slightly down from 17% in 2020. VAT expects the effective tax rate to remain in the 18–20% range going forward.

As a result of these factors, and as indicated by company management during the year, realized net income attributable to shareholders substantially increased in 2021, amounting to CHF 217.4 million, an improvement of 70% compared with 2020.

On December 31, 2021, VAT's net debt amounted to CHF 80 million, representing a leverage ratio expressed as net debt to EBITDA of around 0.3 times. The average leverage over the course of 2021 was around 0.5 times net debt to EBITDA as steady free cash flow generation continuously reduced net debt after the seasonal peak at the end of May when VAT paid its dividend. The equity ratio at year-end amounted to 60% compared to 55% a year earlier.

Record EBITDA and free cash flow support increased dividend proposal

One of VAT's key performance indicators and the basis for our dividend consideration is free cash flow, which in 2021 again reached a new record of CHF 196 million compared with CHF 147 million the previous year. Higher EBITDA not only offset the increase in trade working capital of about CHF 56 million and higher taxes paid but also the increased capital expenditure (capex), which amounted to CHF 43 million in 2021 compared with CHF 19 million in 2020. Capex amounted to 5% of net sales in

2021, within the company's guidance of between 4–5% of sales.

At year-end 2021, net trade working capital of CHF 219 million was approximately 35% higher than the same time in 2020, but unchanged at 24% of net sales. This is above VAT's long-term target of 20% and reflects the company's growth expectations for 2022 and the current supply chain challenges which require a higher safety stock of certain materials and components.

As a result, free cash flow as a percentage of net sales was 22% and the free cash flow conversion rate was at 64% of EBITDA. Free cash flow to equity amounted to CHF 192 million compared to CHF 143 million in 2020.

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. The proposal amounts to a total dividend amount of CHF 165 million, or 86% of VAT's free cash flow to equity.

Updated 2025 financial guidance

New VAT mid-term targets – growth expected to continue

In December 2020, VAT issued mid-term targets for the period 2020–2025. At that time, VAT forecast a compound annual growth rate in its primary wafer fabrication equipment (WFE) market of about 9%, increasing from USD 58 billion in 2020 to around USD 80 billion in 2025. Based on this forecast, along with expected market share gains, higher service sales, growth in adjacent businesses and contributions from the Advanced Industrials and Display & Solar business units, VAT expected net sales in 2025 to exceed CHF 1.1 billion, with an EBITDA margin over the 2020–2025 period of 30–35%.

Since then, markets have developed at a much faster pace than expected. WFE in 2021 alone amounted to some USD 90 billion, already substantially above the level of USD 80 billion originally expected for 2025. Leading market research firms now expect 2025 WFE to reach USD 110–120 billion, about 45% above the December 2020 forecast. The main drivers of this increase are higher capital investments in new logic chips with node sizes of 5 nanometers and smaller plus exponential growth expected in data generation and storage as megatrends in global digitalization continue, such as the Internet of Things, Big Data, artificial intelligence, autonomous vehicles and the roll-out of 5G wireless networks and the Metaverse.

As a result of these changes, VAT has increased its expected mid-term sales target 2025 to around CHF 1.5 billion from previously CHF 1.1 billion. In addition, VAT now expects its EBITDA margin for the period 2020–2025 to be between 32–37% (previously 30–35%). As communicated in December 2020, the company continues to expect market share gains in all of its activities, led by semiconductors and service, as well as adjacencies such as motion components, advanced modules and upstream valves.

2022 expected to be another year of strong growth

VAT expects the trend of accelerated investments in semiconductor manufacturing equipment to continue in 2022 and expects to further capitalize on its leading market position.

In displays, investments in OLED screens are expected to grow while investments in LCDs are forecast to remain flat. However, based on display orders received for delivery in 2022, VAT expects overall display sales to grow compared with 2021. In solar PV, the market is expected to grow in the low teens.

Forecasts for general vacuum equipment sales in industrial markets point to continued growth, especially in molecular diagnostics related to the COVID pandemic. In addition, demand from the industrial coatings, automotive and the tooling businesses is expected to grow further in 2022.

VAT expects the market for its Global Service business to continue to grow in 2022 as semiconductor manufacturers continue to invest in both new capacity and in upgrading their existing vacuum equipment assets.

On this basis, VAT expects net sales in 2022 to be higher than in 2021. VAT will also continue to build its flexible global footprint and strengthen its natural hedge against foreign exchange impacts by further ramping up its production facility in Malaysia, increasing sourcing from best-cost countries, gaining greater economies of scale in global supply chains and driving further operational excellence measures. At the same time, VAT remains dedicated to technology innovation. Investments in research, development and productivity improvements will therefore remain at the heart of VAT's strategy in 2022.

Furthermore, the company expects its EBITDA and EBITDA margin to increase, driven by higher volumes and better cost absorption as well as the ongoing focus on costs. Because of expected higher sales, EBITDA, and EBITDA margin, VAT also expects 2022 net income to increase compared with 2021.

The stronger operational performance is expected to again drive higher free cash flow in 2022, despite the investments in Malaysia, the innovation center in Switzerland and ongoing production improvements in VAT's production hub in Switzerland. For 2022, capex is expected to be CHF 65–70 million.

Sales guidance 2025

in CHF million

~1,500

2021: 901

Valves

VAT's Valves segment provides the industry's broadest range of high-precision vacuum valves and sells mainly to original equipment manufacturers (OEMs). The segment comprises three business units: Semiconductors, serving the semiconductor sector; Display & Solar, serving the high-end flat-panel display and solar photovoltaic markets; and Advanced Industrials for customers in a variety of industries and in scientific research. The Valves segment operates manufacturing facilities in Switzerland, Malaysia and Romania, with sales, product development and engineering support in all major markets*.

Demand in 2021 was substantially stronger than the previous year, mainly reflecting a 40% increase in investments into new wafer fabrication equipment (WFE) in the semiconductor sector compared with

the previous year, to a record USD 85–90 million. This was driven in part by long-term growth trends, such as cloud computing, the Internet of Things and 5G wireless communications. WFE investments grew further in response to a supply shortage in 2021 that resulted from pandemic-related logistical bottlenecks.

The segment's other markets also developed positively in 2021. Vacuum process technologies continued to expand into more industries, such as precision coatings and metrology, while demand in the solar photovoltaic sector grew strongly on the back of new and more efficient solar cell technologies. The displays market reached a cyclical low in 2021.

Semiconductor demand at record levels

The Semiconductor business unit accounts for some 70% of VAT's total sales and reported record orders and net sales in 2021. Orders increased by 86% to CHF 772 million, partly reflecting additional orders placed in 2021 in anticipation of continued supply

* As of January 2021, VAT integrated the former Industry segment into the Valves segment and created a new business unit within the segment called Advanced Industrials (formerly General Vacuum). The change better aligns VAT's valves offering with the needs of its industrial customers. As a result, VAT now reports in two segments, Valves and Global Service.

Key figures Valves

In CHF million	2021	2020 restated ¹	Change
Order intake	1028.8	592.4	73.7%
– Semiconductor	772.2	414.3	86.4%
– Display & Solar	93.3	67.3	38.6%
– Advanced Industrials	163.3	110.8	47.4%
Net sales	729.2	565.1	29.0%
– Semiconductor	534.7	383	39.6%
– Display & Solar	65.6	77.9	–15.8%
– Advanced Industrials	128.9	104.3	23.6%
Inter-segment sales	75.0	57.0	31.6%
Segment net sales	804.2	622.1	29.3%
Segment EBITDA	269.7	198.7	35.2%
Segment EBITDA margin	33.5%	31.9%	
Segment net operating assets	737.7	675.2	9.3%
of which net trade working capital	191.0	138.7	37.7%

¹ The restated figures reflect the integration of the former Industry segment into the Valves segment, and the creation of the Advanced Industrial business unit within the segment, effective January 1, 2021. All reported segment figures have been restated accordingly.

bottlenecks in 2022. Net sales grew 40% to CHF 535 million. Demand growth was driven primarily by investment in data centers and the production of logic and memory chips.

VAT's technology lead in the manufacture of the most advanced chips was reflected in a record year for specification wins in 2021. This allowed VAT to increase its share of the global semiconductor valve market in 2021 to 75%.

Specification wins are agreements between VAT and its customers on product designs for upcoming generations of new equipment. They lay the foundation for sales growth over the following two to five years, and include a growing share of adjacent products, such as motion components and advanced modules.

VAT continued to bring new products to market in 2021, including control valves used in leading edge applications and transfer valves that allow particle-free movement of wafers in the entire wafer path. The semiconductor business unit also continued to qualify its latest valves and high-volume modules for production at VAT's plant in Penang, Malaysia, which increased factory output by more than 70% compared with 2020, to around CHF 170 million.

Strong solar demand, displays show signs of recovery

In 2021, the Display & Solar business unit witnessed two very different halves. While orders in the first six months remained flat, a sharp acceleration in the second half led to a full-year order intake of CHF 93 million, up 39% over 2020. As a result, sales declined by 16% compared to a year earlier.

The display market remained in a cyclical low for most of 2021 but started to show signs of recovery in the second half of the year.

The solar photovoltaic business had a strong 2021, with growth again largely driven by the PERC (Passivated Emitter and Rear Cell) technology.

Advanced Industrials expands VAT's market

The Advanced Industrials business unit (formerly General Vacuum) achieved record order intake in 2021 of CHF 163 million, up 47% compared with the previous year, while net sales increased 24% to CHF 129 million. Demand was strong across several markets, especially high-end coating applications, electron beam-related scientific instruments and the research segment, where VAT supplied valves for major upgrades of particle accelerators in both the US and Asia.

Growth was also driven by demand for silicon carbide crystal production equipment used in the manufacture of wide bandgap semiconductors. This technology is expected to open significant new opportunities for high-efficiency power electronics used to integrate renewable energy sources into existing power grids, as well as in trains and electrical vehicles – all essential steps to lowering carbon emissions.

Performance review 2021

Net sales in the Valves segment in 2021 amounted to CHF 729 million, 29% higher than the year before, as strong growth in the Semiconductor and Advanced Industrials business units more than offset the sales decline in Display & Solar. The segment EBITDA increased by 35% to CHF 269 million and the EBITDA margin was 33%, one percentage point above the level achieved in 2020.

Market outlook 2022

For 2022, VAT expects its semiconductor-related markets to continue to grow across all segments – logic, foundry and memory. The markets for VAT's Display & Solar business unit are forecast to remain mixed, the strong order intake in 2021 is expected to drive higher net sales in 2022. VAT also expects higher sales in its Advanced Industrials business unit in 2022, as growth initiatives targeted at specific industries – gain further traction.

Global Service

VAT's Global Service segment supplies customers with original spare parts, valve maintenance and service, and technical support and training. In addition, the business helps customers improve equipment performance with customized product upgrades and retrofits. Demand is driven primarily by customers' needs to improve the performance of their existing installed base of equipment. With more than one million serviceable VAT valves installed worldwide, the company's service business contributes to stronger customer relationships and is an important sales channel for VAT products.

The Global Service segment had a record year in 2021, with significant growth in all major activities: spare parts, upgrades & retrofits, and repair. This was the result of record levels of factory utilization as the industry struggled with a global chip shortage and supply constraints in some areas. This in turn drove heavy demand for spares parts, repairs and consumables. Capital investments into new semiconductor fabs drove demand for the subfab valve portion of the service business. Subfab systems protect the process vacuum chambers from the pumping and abatement systems operating in harsh conditions below the fabrication floor.

New product development in 2021 centered on the upgrade and retrofit portfolio. In particular, VAT expanded its product offering from the traditional focus on transfer valves to new control valve upgrades that allow for faster and smoother valve reaction times and improved gas flow uniformity. These are critical

improvements for customers aiming to improve cycle times and yield from their existing manufacturing assets.

VAT also implemented improvements to its global service footprint with the opening of a new and larger repair center in Japan.

Performance review 2021

Orders in the Global Service segment increased 50% year-on-year to a record CHF 199 million and sales grew 35% to a record CHF 172 million. Growth was reported in all businesses and was strongest in upgrades and retrofits, capturing the opportunities opened by the new product offering in control valve upgrades. EBITDA grew 48% versus the year before to CHF 79 million. The EBITDA margin increased to 46%, mainly reflecting differences in product introduction costs between the two years.

Market outlook 2022

VAT expects the market for its Global Service business to continue to grow in 2022 as semiconductor manufacturers continue to invest in both new capacity and in upgrading their existing vacuum equipment assets. In addition, VAT expects higher sales as its installed base increases, including some specific products that are entering their first larger repair cycle. The company expects its service footprint expansions and the roll-out of new control valve upgrades to further support sales growth in 2022.

Key figures Global Service

In CHF million	2021	2020	Change
Order intake	199.1	132.2	50.6%
Net sales	172.0	127.3	35.1%
Inter-segment sales	-	-	-
Segment net sales	172.0	127.3	35.1%
Segment EBITDA	77.8	53.2	48.1%
Segment EBITDA margin	45.3%	41.8%	
Segment net operating assets	122.3	119.4	2.4%
of which net trade working capital	27.6	23.7	16.5%

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.

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

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 31.12.2021	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.

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

Contact

This condensed report is published in both German and English. The English print version of VAT Group AG's annual report is legally binding. VAT Group AG's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

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Forward-looking statement

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

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

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OUTLOOK 2022:

VAT expects the trend of accelerated investments in semiconductor manufacturing equipment to continue in 2022. Demand growth is also expected in displays, solar photovoltaic and several industrial end markets of VAT.

Therefore, VAT expects higher net sales*, EBITDA, EBITDA margin, net income and free cash flow in 2022 compared with 2021.

* At constant foreign exchange rates

