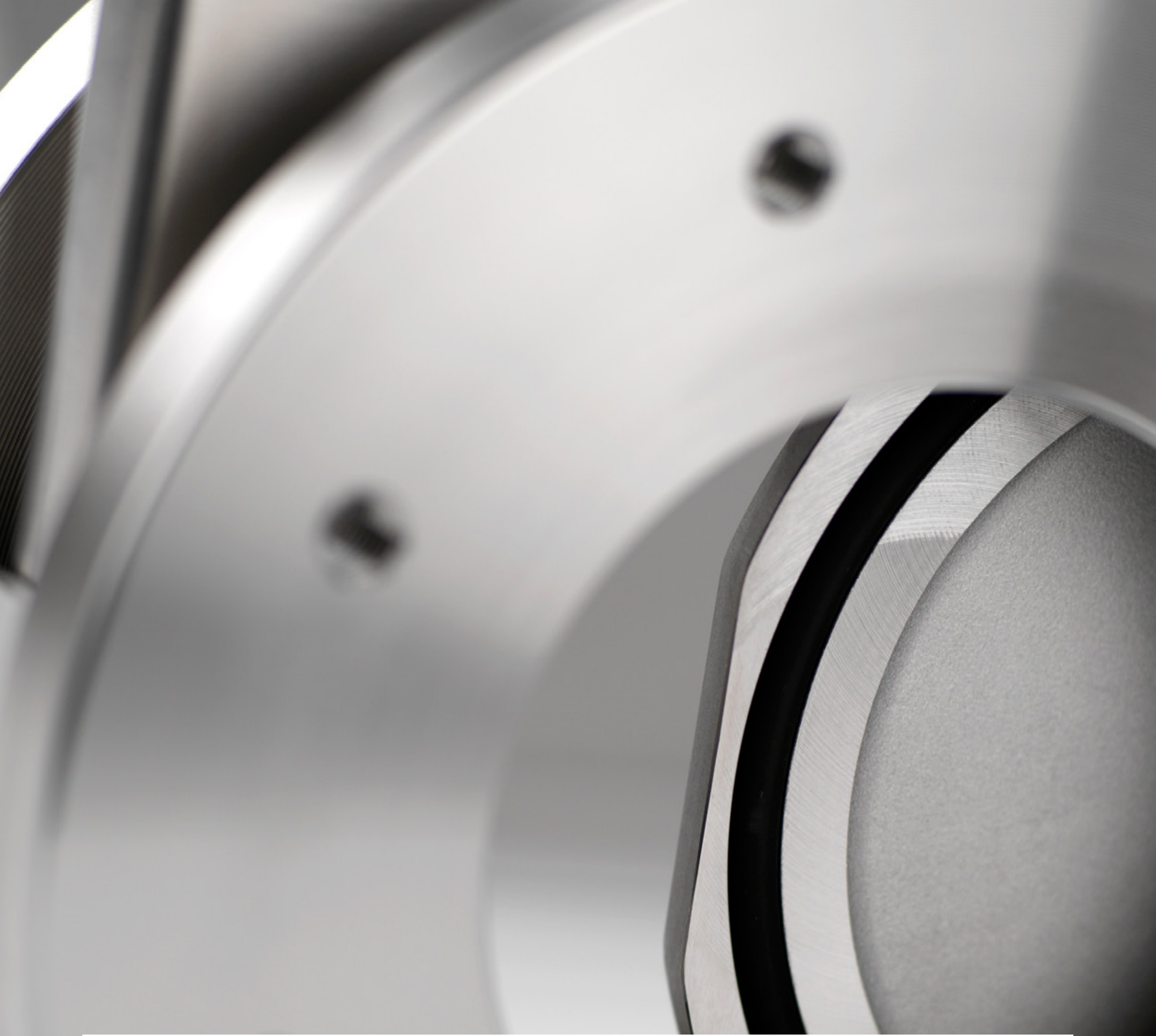


VAT GROUP AG

HALF-YEAR REPORT 2016

PASSION.
PRECISION.
PURITY.

KEY FINANCIAL INFORMATION

In CHF million

	January – June 2016	January – June 2015	Variance
Order intake	256.9	233.1	+10.2 %
Order backlog	91.7	92.7	–1.1 %
Net sales	235.5	202.8	+16.1 %
Gross profit	148.3	131.1	+13.1 %
Gross profit margin	63.0 %	64.6 %	
EBITDA	67.8	60.2	+12.6 %
EBITDA adjusted [1]	73.9	63.2	+16.9 %
EBITDA adjusted margin	31.4 %	31.2 %	
EBIT	52.7	45.2	+16.6 %
EBIT margin	22.4 %	22.3 %	
Net income	24.2	1.1	
Net income margin	10.3 %	0.5 %	
Basic earnings per share	0.87	0.05	
Diluted earnings per share	0.87	0.05	
Cash flow from operating activities	59.5	65.6	–9.3 %
Free cash flow [2]	53.7	60.3	–10.9 %
Free cash flow margin	22.8 %	29.7 %	
Free cash flow conversion rate [3]	79.2 %	100.2 %	
Capex [4]	6.6	5.6	+17.9 %
Capex margin	2.8 %	2.8 %	

	June 30, 2016	December 31, 2015	
Total assets	899.5	893.5	+0.7 %
Total liabilities	423.9	844.3	–49.8 %
Equity	475.6	49.2	
Net debt [5]	183.4	223.5	–17.9 %
Number of employees	1,278	1,146	+11.5 %

1 Adjusted EBITDA excludes one-off items, see note 05.
2 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
3 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
4 Capex contains purchases of property, plant equipment and intangible assets.
5 Net debt is calculated excluding the shareholder loan of CHF 405.1 million as at December 31, 2015.

HALF-YEAR 2016 HIGHLIGHTS

HIGH MARKET GROWTH RATES IN EQUIPMENT PURCHASES FOR NEW TECHNOLOGIES IN SEMICONDUCTOR AND OLED DISPLAY PRODUCTION

NET SALES INCREASE BY 16.1 %

31.4 % ADJUSTED EBITDA MARGIN

STRONG FREE CASH FLOW

SUCCESSFUL IPO WITH STRONG DEMAND AND GOOD SHARE PRICE PERFORMANCE

CONTINUED POSITIVE OUTLOOK FOR THE FULL YEAR

DIVIDEND GUIDANCE INCREASED TO CHF 80 MILLION

VAT SUCCESSFULLY STARTING A NEW CHAPTER IN THE COMPANY'S HISTORY

VAT Group AG and its subsidiaries (VAT) look back on a successful first half of 2016. The highlight was the initial public offering (IPO) on April 14, 2016 on SIX Swiss Exchange, a further milestone in the history of VAT. The share placement created tremendous interest in Switzerland and internationally—the IPO was oversubscribed multiple times. The listing further enhances the positioning of VAT as a global market leader in the vacuum valves segment. VAT achieved good operational results in the first six months, confirming the expectations placed in our company.

Positive business development based on strong demand for technology

VAT's markets developed positively in the first half of 2016. Driven particularly by worldwide technology purchases, the market for semiconductor production facilities, which is relevant to VAT, enjoyed continuous growth. VAT benefited to a more than average extent mainly from ongoing innovations in semiconductor manufacturing. These innovations give rise to ever more complex production processes, miniaturizations and additional production steps requiring vacuum, which in turn require a very clean production environment and reliability. VAT's high-end vacuum valves ensure that processes for producing smartphone microchips, for instance, are kept free of particles and contamination. The market for displays is also growing strongly. There is great demand globally due to the changeover from liquid crystal displays (LCDs) to displays featuring organic light-emitting diodes (OLEDs). The production of the next generation of high-resolution displays with much improved coloration and lower energy consumption calls for additional manufacturing processes in high-vacuum environments. As the global market leader in high-value vacuum valves, VAT participates overproportionately in these ongoing technological advances.

Broad growth in different segments

In the first half-year, VAT's order intake was CHF 256.9 million, up 10.2 % from the previous year, and the order backlog amounted to CHF 91.7 million. Net sales stood at CHF 235.5 million, representing an increase of 16.1 % compared to the first half-year 2015. Segment net sales in the Valve segment increased to CHF 196.5 million—a plus of 17.7 % on a year-on-year comparison. VAT was able to take advantage of extensive investments in production facilities in the United States and Asia. Leading companies in the semiconductor industry are constantly expanding their capacities reflecting the technological advances in semiconductor manufacturing, thereby increasing the performance of their plants through technology purchases.

The segment Global Service shows encouraging business trends in the first half of 2016. Segment net sales increased to CHF 40.9 million, a rise of 11.1 % in comparison with the first half of 2015.

In the Industry segment, growth in the edge-welded bellows business more than offset the decline in the mechanical components and assemblies manufacturing business. This decline was due to the delay of a large order initially expected for the first half of the year. On the whole, Industry posted a year-on-year increase in segment net sales of 1.2 % to CHF 21.8 million.

Improved Group results

In the first half of the year, VAT generated a gross profit of CHF 148.3 million, representing an increase of 13.1 % compared with the previous year. Adjusted EBITDA grew by 16.9 % to CHF 73.9 million, and the adjusted EBITDA margin increased slightly to 31.4 % (first half-year 2015: 31.2 %). VAT realized a net income of CHF 24.2 million, mainly the result of higher operating profits and lower interest expenses. The net financial result improved significantly in the first half of 2016, summing up to minus CHF 19.9 million, which is primarily the result of the conversion of the shareholder loan of CHF 405.1 million into equity as part of the IPO. By end of June, VAT had net debt of CHF 183.4 million and an equity ratio of 52.9 %. Free cash flow amounted to CHF 53.7 million at a free cash flow margin of 22.8 %.

Outlook 2016

VAT expects to grow full-year net sales by 12 % to 15 % and the operating margin expressed as adjusted EBITDA to stay above 31 %. Based on the expected strong free cash flow generation, the Board increased the dividend guidance to CHF 80 million, from the at least CHF 65 million given at the time of the IPO, out of reserves from capital contributions for the financial year ending December 31, 2016.

Key markets for semiconductors and displays mainly in the United States, Japan, South Korea and China will be the primary drivers of growth. Mega trends such as Big Data, Internet of Things, Industrialization 4.0, Cloud Computing and E-Mobility as well as new technologies such as 3D chip technology or OLED for the latest display generation are resulting in ever greater demand for advanced manufacturing technologies including mission-critical vacuum components. Leading device/display manufacturers are continuing to invest in fabrication expansion and technology upgrades.

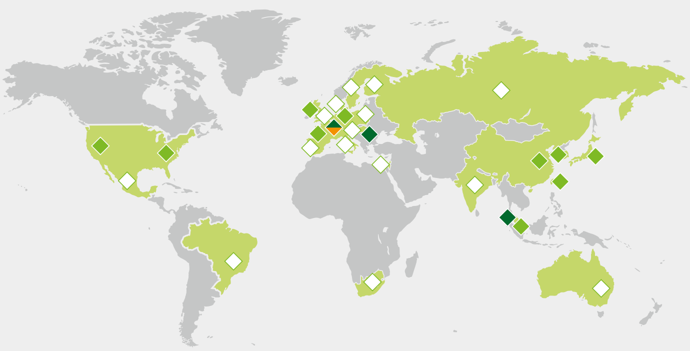
As the world market leader for advanced high-end vacuum valves, VAT will continue to take advantage of these developments. Three factors support this positive assessment. The first relates to major orders which have been received, but whose full effect will only be seen in the months ahead. The second is the increasing demand in our key markets. The third is VATmotion, the in-house program to reduce production costs and to mitigate FX impacts through natural hedges and the proximity to our key customers while boosting efficiency in the purchasing and production process and in the supply chain. The expansion of our production facility in Malaysia is one of the key success factors of this program.

Ongoing expansion of capacities

At the end of June 2016, VAT counted 1,278 employees worldwide, 89 more than at the end of 2015. To manage future growth VAT is continuously expanding its production capacities. Especially the production plant in Malaysia is ramped up following client product copy exact certification.

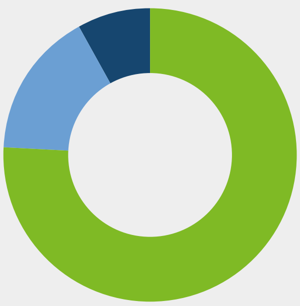
The Board of Directors, the Executive Committee and all employees will focus on maintaining this momentum and achieving the clearly defined objectives. We thank all internal and external stakeholders for the trust they have placed in us—their great dedication and loyalty serve as the foundation for the Company's success.

ABOUT VAT



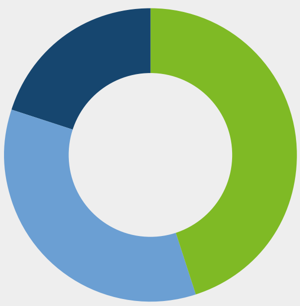
Net Sales 01. 01. – 30. 06. 2016

by Segments



Valves	76 %
Global Services	17 %
Industry	7 %

by Geographics



Asia	45 %
North America	35 %
EMEA	20 %

VAT is the leading global developer, manufacturer and supplier of high-end vacuum valves. VAT vacuum valves are mission-critical components for advanced manufacturing processes of innovative products used in daily life such as portable devices, flat screen monitors or solar panels. VAT is organised into three different reporting segments: Valves, Global Service and Industry, offering high-end vacuum valves, multi-valve modules, edge-welded bellows and related value-added services for an array of vacuum applications. VAT Group is a global player with main manufacturing sites in Haag (Switzerland), Penang (Malaysia) and Arad (Romania). Net sales in the financial year 2015 amounted to CHF 411 million.

VALVES

Valves is the largest segment of VAT Group, realizing segment net sales of CHF 196.5 million—a plus of 17.7 % in the first half-year of 2016. As in the previous year, the majority of these sales were generated in Asia and the US.

The segment Valves includes the broadest range of vacuum valves customized for or integrated into customers' equipment and embedded for the entire equipment lifecycle. In addition, the segment comprises multi-valve module solutions. Modules can include components like motion components, bellows and others. One of the highlights of the first half-year 2016 was the high demand for VAT's new products in the semiconductor industry, particularly from the high-end wafer manufacturing with its permanently shrinking node sizes. The new downstream pressure control and isolation systems are well received on the market due to their outstanding control performance assuring uniform flow regimes at minimal times to adjust process pressures as well as controllable molecular conductance down to zero. The concept impresses with its simple design and high purity and zero particle features.

In the first half-year VAT was also able to participate strongly in substantial investments in the display market. Orders were received from display manufacturers along the entire valve portfolio, especially throughout Asia. This allowed VAT to further strengthen its market position resulting in a positive outlook for net sales for displays in the upcoming months. The solar market has also shown continuous demand for vacuum valves mainly for PERC (passivated emitter and rear cell) technology resulting in stable order entry for this segment.

GLOBAL SERVICE

Segment net sales of Global Service increased to CHF 40.9 million in the first half-year of 2016, up 11.1 %. Asia and the US were the main drivers as the majority of VAT's customers are located in these areas.

The Global Service segment includes a range of services provided by specialized teams based in the US, Japan, Korea, Taiwan, China, Singapore and Switzerland. These teams comprise highly-skilled, experienced and regularly trained employees. Services provided include training, valve maintenance, repair and overhaul, valve upgrades (i.e. retrofits), replacement of VAT-authentic gates for transfer valves and provision of VAT-genuine spares and consumables. Valve upgrades and complete retrofits are key Global Service offerings. The service teams work directly with customers to identify areas of operational improvements in order to reduce the total cost of ownership and increase productivity by improving tool uptime and particle performance. This enables customers to enhance the overall yield of manufacturing processes.

The main development for the Global Service segment was the alignment with major Original Equipment Manufacturers (OEM's) with regard to their current and planned market activities. This alignment allows VAT to offer global service contracts tailored to specific customer needs. A first global service contract was successfully signed. In this context, customer audits took place confirming the high quality of our services and service centres.

INDUSTRY

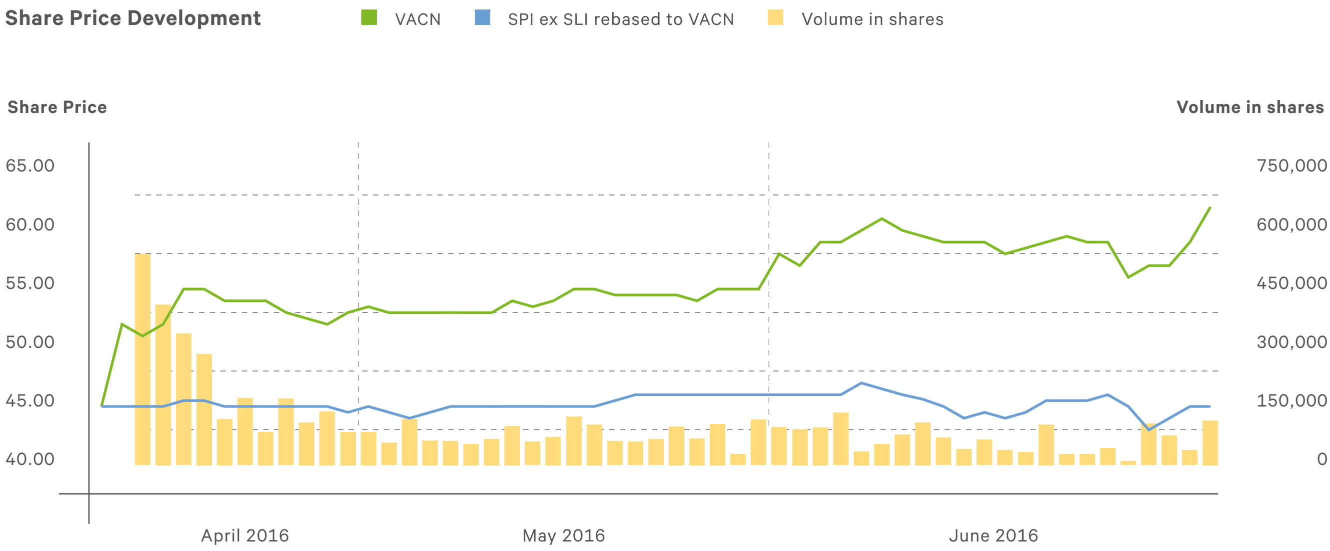
The Industry segment generated segment net sales of CHF 21.8 million in the first half-year 2016, an increase of 1.2 % mainly coming from Europe.

The segment engages mostly in innovative and technologically advanced edge-welded bellows. It includes the production of edge-welded bellows, specialized in automated processes, as well as the manufacturing of mechanical components and assemblies. Generally, edge-welded bellows are used as flexible sealing elements to separate different physical mediums, e.g. in connection with a valve passage. In addition to the production of edge-welded bellows like bellows for vacuum valves in ultra-high vacuums, welded bellows for semiconductor facilities, titanium bellows for medical implants and damper capsules for high performance gasoline pumps in fuel injection systems, VAT leverage it's extensive development and manufacturing know-how to offer customers comprehensive advice and specialized solutions that employ edge-welded bellows. Due to positive long-term customer relationships, VAT was able to sign an important mid-term high-volume contract for damper systems for automotive applications in the first half-year of 2016. This contract is the result of a highly diversified product portfolio and our focus on specific customer requirements. In addition, VAT renewed parts of it's automated production lines for edge-welded bellows during the first half-year to address customer demand and further increase product quality.

SHAREHOLDER INFORMATION

On March 8, 2016 VAT announced its intention to apply for the listing of its registered shares on SIX Swiss Exchange. The Initial Public Offering (IPO) aimed at broadening the shareholder base of VAT through the sale of existing shares offered to investors by VAT's current shareholders, mainly funds managed and/or advised by Partners Group and Capvis. VAT then launched the IPO with the publication of the Offering Memorandum on March 31, 2016, and on April 14, 2016 the shares were traded for the first time on SIX Swiss Exchange. The interest in the IPO from institutional investors in Switzerland and abroad and from domestic private investors was very strong and the initial amount of 12 million shares was several times oversubscribed. The issue price was set at CHF 45 per share, at the upper end of the indicated range of CHF 39 to 46 per share, corresponding to a placement value of CHF 540 million. Since its initial listing, the VAT shares have performed very well and reached a closing price of CHF 61.70 by end of June 2016, up 37 % on their IPO price. At the same time, the Swiss stock market moved sideways as investors remained careful given the general economic and geopolitical uncertainties.

Share Price Development



Ticker symbol	VACN (SIX); VACN.S (Reuters); VACN SW (Bloomberg)	**Security type**	Registered share
Valor number	31 186 490	**Nominal Value**	CHF 0.10 per share
ISIN	CH0311864901	**Free Float**	46 %
Market capitalization as of June 30, 2016	CHF 1,85 bn	**Number of shares outstanding**	30,000,000
Exchange	SIX Swiss Exchange (International Reporting Standard)	**Segment**	Mid & Small Caps Swiss Shares

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

January 01 – June 30, 2016

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

Condensed consolidated income statement

Six months 01. 01. – 30. 06. / In CHF thousand

	Note	2016 unaudited	2015 unaudited
Net sales		**235,535**	**202,779**
Raw materials and consumables used		−89,868	−71,491
Changes in inventories of finished goods and work in progress		2,613	−225
Personnel expenses	08	−57,404	−49,067
Other income		1,291	563
Other expenses	05	−24,408	−22,392
Earnings before interest, taxes, depreciation and amortisation (EBITDA) [1]		**67,759**	**60,167**
Depreciation and amortisation		−15,048	−14,982
Earnings before interest and taxes (EBIT) [1]		**52,711**	**45,185**
Finance income		2,014	2,287
Finance costs	05	−21,945	−39,344
Earnings before income taxes		**32,780**	**8,128**
Income tax expenses	05	−8,609	−7,078
Net income attributable to owners of the Company		**24,171**	**1,050**
Earnings per share (in CHF)			
Basic earnings per share	07	0.87	0.05
Diluted earnings per share	07	0.87	0.05

1 Interest includes other items reported in financial results.

Condensed consolidated statement of comprehensive income

Six months 01. 01. – 30. 06. / In CHF thousand

	Note	2016 unaudited	2015 unaudited
Profit for the half-year		**24,171**	**1,050**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	10	−9,471	−3,753
Related tax	10	1,648	653
Subtotal		**−7,823**	**−3,100**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of cash flow hedges (net of tax)		−1,595	0
Currency translation adjustments		3,922	23,418
Subtotal		**2,327**	**23,418**
Other comprehensive income for the half-year (net of tax)		**−5,496**	**20,318**
Total comprehensive income for the half-year attributable to owners of the Company		**18,675**	**21,368**

The above condensed consolidated income statement and condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated balance sheet

In CHF thousand

	Note	30.06.2016 unaudited	31.12.2015 audited
ASSETS			
Cash and cash equivalents		79,616	80,601
Trade and other receivables		87,168	72,679
Receivables under finance lease		2,183	2,183
Other current assets		1,235	1,146
Inventories		57,572	57,966
Current tax assets		539	955
Current assets		**228,313**	**215,530**
Property, plant and equipment		113,716	115,002
Investment properties		4,495	4,607
Intangible assets and goodwill		537,708	544,668
Receivables under finance lease		7,552	8,453
Other non-current assets		1,499	1,470
Deferred tax assets		6,209	3,745
Non-current assets		**671,179**	**677,945**
TOTAL ASSETS		**899,492**	**893,475**
LIABILITIES			
Trade and other payables		41,195	28,779
Loans and borrowings	09	1,461	1,461
Provisions		1,079	846
Other current liabilities	11	20,462	17,695
Current tax liabilities		15,200	13,595
Current liabilities		**79,397**	**62,376**
Loans and borrowings	09	261,544	707,763
Other non-current liabilities	11	3,000	2,533
Deferred tax liabilities		49,701	50,825
Defined benefit obligations		30,273	20,789
Non-current liabilities		**344,518**	**781,910**
TOTAL LIABILITIES		**423,915**	**844,286**
EQUITY			
Share capital	06	3,000	30
Share premium	06	493,821	87,530
Treasury shares	06	–4,950	0
Other reserves	10	–16,379	–9,416
Translation reserve		–34,770	–38,692
Retained earnings		34,855	9,737
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**475,578**	**49,189**
TOTAL LIABILITIES AND EQUITY		**899,492**	**893,475**

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

In CHF thousand

	Share capital	Share premium	Other reserves: Remeasurement of DBO [2]	Other reserves: Other reserve	Other reserves: Hedging reserve	Translation reserve	Treasury shares	Retained earnings	Total equity
VAT Group AG									
Equity as of January 01, 2016 [1]	**30**	**87,530**	**−9,310**	**0**	**−106**	**−38,692**	**0**	**9,737**	**49,189**
Net income for the period								24,171	24,171
Other comprehensive income/(loss)			−7,823		−1,595	3,922			−5,496
Incorporation of VAT Group AG	100								100
Effect of business restructuring	2,870	411,223							414,093
Own shares acquired							−4,950		−4,950
Reclassification		−2,455		2,455					0
Transaction costs (net of tax)		−2,477							−2,477
Equity-settled share-based payment								947	947
Equity as of June 30, 2016 unaudited	**3,000**	**493,821**	**−17,133**	**2,455**	**−1,701**	**−34,770**	**−4,950**	**34,855**	**475,578**
VAT Holding S.à r.l.									
Equity as of January 01, 2015	**30**	**87,530**	**−11,499**	**0**	**−106**	**−43,245**	**0**	**2,676**	**35,386**
Net income for the period								1,050	1,050
Other comprehensive income/(loss)			−3,100			23,418			20,318
Equity as of June 30, 2015 unaudited	**30**	**87,530**	**−14,599**	**0**	**−106**	**−19,827**	**0**	**3,726**	**56,754**

1 See note 02.
2 DBO = defined benefit obligation

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

In CHF thousand

	Note	01.01.–30.06.2016 unaudited	01.01.–30.06.2015 unaudited
Profit for the period		**24,171**	**1,050**
Adjustments for:			
Depreciation and amortisation		15,048	14,982
(Profit) loss from disposal of property, plant and equipment		298	−110
Change in defined benefit liability	10	−29	128
Net impact from derivatives and foreign exchange		−4,390	−289
Income tax expenses	05	8,609	7,078
Net finance costs		15,836	37,057
Transaction costs in connection with the IPO [1]		5,271	0
Other non-cash effective adjustments		964	−702
Changes in operating assets and liabilities		1,512	14,279
Cash generated from operations		**67,290**	**73,474**
Income taxes paid	05	7,750	7,839
Cash flow from operating activities		**59,540**	**65,635**
Purchases of property, plant and equipment		−5,320	−4,912
Proceeds from sale of property, plant and equipment		634	177
Purchases of intangible assets		−1,269	−663
Loans granted or repaid	09	72	31
Interest received		40	48
Other finance income received		1	0
Cash flow from investing activities		**−5,842**	**−5,319**
Proceeds from the issue of ordinary shares	02	100	0
Purchase of own shares	06	−4,950	0
Transaction costs in connection with the IPO [1]		−5,271	0
Repayments of borrowings	09	−38,794	−43,434
Interest paid		−6,177	−8,728
Other finance expenses paid		−209	−163
Cash flow from financing activities		**−55,301**	**−52,325**
Net increase/(decrease) in cash and cash equivalents		**−1,603**	**7,991**
Cash and cash equivalents at beginning of period		80,601	74,758
Effect of movements in exchange rates on cash held		618	−1,658
Cash and cash equivalents at end of period		**79,616**	**81,091**

1 Includes stamp tax and consulting fees.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

01 General information

VAT Group AG ("the Company") was incorporated in Switzerland on February 19, 2016. The registered office of the Company is Seelistrasse 1, CH-9469 Haag, Switzerland.

The condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2016 comprise VAT Group AG and its subsidiaries (together referred to as "VAT" or "Group").

These condensed consolidated interim financial statements were authorised for issue by the Group's Board of Directors on August 24, 2016.

02 Significant changes in the current reporting period

Following reorganisations on March 29, 2016, VAT Group AG became the ultimate holding company of the Group. The course of the reorganisation can be described as follows:

As of January 01, 2015 and until March 29, 2016, VAT Holding S.à r.l., a limited liability company (société à responsabilité limitée) incorporated and domiciled in Luxembourg, was the ultimate holding company. The audited financial statements as of December 31, 2015 were prepared under this structure. On March 29, 2016, following legal reorganisations VAT Group AG became the direct parent entity to VAT Holding S.à r.l. and hereby the ultimate holding company of the Group. During this business restructuring on March 23, 2016 the shareholder loan as well as investments in VAT Holding S.à r.l. and VAT Management S.à r.l. were taken over by VAT Group AG in exchange for shares leading to an increase in share premium of CHF 411.2 million as detailed in notes 06 and 09. Subsequently, on April 14, 2016, VAT Group AG made an initial public offering ("IPO") in Switzerland and was listed on the SIX Swiss Exchange.

In accordance with IFRS the aforementioned reorganisations are not considered to be business combinations under IFRS 3 Business Combinations but rather the continuation of the existing business activities of the Group with a new parent entity. This means that the parent company at the reporting date is considered to have been the parent company throughout the reporting periods, including those where comparative financial information is presented. Equity figures for the comparative period are based on actual circumstances, and therefore presented for the preceding ultimate holding company VAT Holding S.à r.l. A detailed reconciliation is set out in note 06.

03 Basis of preparation of half-year report

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2015 (last annual consolidated financial statements of VAT Holding S.à r.l.). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and translations that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out in note 13. VAT Group's sales are not subject to significant seasonal variations during the current financial year.

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These estimates made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future affect intangible assets and goodwill, property, plant and equipment, income taxes and employee benefits.

04 Segment information

Background

As set out in the annual consolidated financial statements of VAT Holding S.à r.l. for the year ended December 31, 2015, on October 01, 2015 the Board of Directors approved a modified segment reporting structure. The corresponding segment reporting was introduced accordingly. Thus for the half-year ending June 30, 2015 only numbers for net sales by segment were retrospectively computed. As a result of the new organisation, no information regarding segment assets and liabilities are currently provided to the Board of Directors and the Group Executive Committee in the role as Chief Operating Decision Maker (CODM).

Basis of segmentation

The Group is divided into three reporting segments based on the products and services provided: Valves, Global Service and Industry.

The segment information provided to the CODM is measured in a manner consistent with that of the financial statements. 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 allocated based on the operations of the segment and the physical location of the asset.

Information about reportable segments

01. 01. – 30. 06. 2016 In CHF thousand	Valves	Global Service	Industry	Corporate & Eliminations	**Total**
Third party net sales	178,310	40,877	16,438		235,535
Inter-segment sales	18,176		5,406	−23,583	0
Segment net sales	**196,486**	**40,877**	**21,754**	**−23,583**	**235,535**
Segment EBITDA	**62,932**	**17,769**	**4,564**	**−17,506**	**67,759**

01. 01. – 30. 06. 2015 In CHF thousand	Valves	Global Service	Industry	Corporate & Eliminations	**Total**
Third party net sales	149,787	36,788	16,204		202,779
Inter-segment sales	17,211		5,298	−22,509	0
Segment net sales	**166,998**	**36,788**	**21,502**	**−22,509**	**202,779**

30. 06. 2016 In CHF thousand	Valves	Global Service	Industry	Corporate & Eliminations	**Total**
Segment assets			71,229	719,186	790,415
Segment liabilities			2,468	28,828	31,296
Segment net operating assets			**68,761**	**690,357**	**759,118**
of which net trade working capital			9,707	93,492	103,199

Information about reportable segments

31. 12. 2015 In CHF thousand	Valves	Global Service	Industry	Corporate & Eliminations	Total
Segment assets			71,884	708,768	780,652
Segment liabilities			1,602	19,984	21,586
Segment net operating assets			**70,282**	**688,784**	**759,066**
of which net trade working capital			9,668	85,121	94,789

Reconciliation of segment results to income statement and balance sheet

INCOME STATEMENT In CHF thousand	01. 01. – 30. 06. 2016
Segment EBITDA	**67,759**
Depreciation & amortisation	–15,048
Finance costs net	–19,931
Profit before taxes	**32,780**

ASSETS In CHF thousand	30. 06. 2016	31. 12. 2015
Operating assets	790,415	780,652
Cash and cash equivalents	79,616	80,601
Other financial assets	29,461	32,222
Assets	**899,492**	**893,475**

LIABILITIES In CHF thousand	30. 06. 2016	31. 12. 2015
Operating liabilities	31,296	21,586
Loans and borrowings	263,005	709,224
Other financial liabilities/provisions	129,613	113,206
Liabilities	**423,915**	**844,286**

Major customers

The three largest customers within the Valves segment accounted together for 41.5 % (half-year 2015: 42.4 %) of total net sales.

05 Profit and loss information

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

For the half-year 2016, other expenses included consulting fees in direct relation to the IPO of CHF 3.9 million as well as other consulting fees of CHF 2.2 million. These costs are considered to be non-recurring.

The finance costs decreased substantially due to the conversion of the shareholder loan and repayments of the senior secured credit facility as shown in note 09. The reduction in interest expenses due to the conversion of the shareholder loan amounts to approximately CHF 5.6 million, while the reduction due to repayments of the senior secured credit facility amounts to approximately CHF 3.1 million. Foreign currency translation effects on financing activities amounted to CHF 12.7 million. Additonal finance costs of CHF 4.1 million include issue stamp duty.

Income tax expenses are recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six-month period to June 30, 2016 is 19.2 %, compared to 21.9 % for the six-month period ended June 30, 2015. The lower tax rate in 2016 is the result of the new Group structure and the conversion of the shareholder loan.

06 Equity

Share capital

As of June 30, 2016 the total authorised and issued number of ordinary shares comprises 30,000,000 shares with a nominal value of CHF 0.10 each. The split of the share capital is shown in the table below.

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 June 30, 2016.

Common shares	30.06.2016
Incorporation shares	1,000,000
Nominal value per share (CHF)	0.10
Capital increase via contribution in kind	29,000,000
Nominal value per share (CHF)	0.10
Total number of shares	30,000,000
Total amount of share capital (CHF)	3,000,000

The new ultimate holding company VAT Group AG was incorporated on February 19, 2016 with 1,000,000 shares and a fully paid-in share capital of CHF 0.1 million.

On March 29, 2016 VAT Group AG increased its initial share capital by issuing 29,000,000 registered shares with a nominal value of CHF 0.10 by CHF 2.9 million to CHF 3.0 million.

Share Premium

These 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. as detailed in note 09.

Subsequently VAT Group AG made an IPO in Switzerland and was listed on the SIX Swiss Exchange on April 14, 2016.

Treasury shares

VAT Group AG purchased 110,000 own shares to be held as treasury shares at the offer price of CHF 45 pursuant to the discretionary employee share-based IPO bonus as shown in note 08.

07 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to owners of the Company by the weighted number of ordinary shares outstanding during the period. Treasury shares are not considered as outstanding shares. The following reflects the income and share data used in the basic and diluted EPS calculation:

Basic earnings per share	**30.06.2016**	**30.06.2015**
Net income attributable to equity holders of VAT Group AG (in CHF thousand)	24,171	1,050
Weighted average number of shares outstanding	27,726,578	20,896,716
Basic earnings per share (in CHF)	0.87	0.05

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 IPO bonus granted (note 08).

Diluted earnings per share	**30.06.2016**	**30.06.2015**
Net income attributable to equity holders of VAT Group AG (in CHF thousand)	24,171	1,050
Weighted average number of shares outstanding	27,764,084	20,896,716
Diluted earnings per share (in CHF)	0.87	0.05

08 Share-based payments

VAT Group granted a discretionary share-based IPO bonus to its employees. An amount of CHF 947 thousand was recognised as personnel expenses in the consolidated income statement for the half-year 2016.
The vesting date of the IPO bonus falls on the first anniversary of the initial public offering. The grant is subject to service conditions and the number of shares to be granted to each employee will represent approximately one month's salary determined on the basis of the offer price. VAT Group expects to grant approximately 101,300 shares on April 14, 2017. The IPO bonus is accounted for as equity-settled share-based payment compensation.

09 Loans and borrowings

The carrying amounts of outstanding loans are as follows:

Carrying amount In CHF thousand	**30.06.2016**	**31.12.2015**
Senior secured credit facilities	263,005	304,103
Shareholder loan	0	405,121
Total loans and borrowings	**263,005**	**709,224**
thereof: Current	1,461	1,461
Non-current	261,544	707,763

Senior secured credit facilities

The term loan borrowing facility (TLB) was issued on February 11, 2014 with a principal (repayable amount) of USD 405.0 million. Including excess cash payments, a total amount of CHF 82.7 million was repaid in 2015. The repayment in the first half-year of 2016 amounts to CHF 38.8 million.

Conversion of shareholder loan

On February 11, 2014, VAT Holding S.à r.l. as issuer entered into an agreement with its shareholders as loan holders, the Subordinated Subscription Agreement. The principle amount of the shareholder loan at the date of issuance was CHF 350.2 million bearing interest of 8.0 % per annum. The redemption amount as of December 31, 2015 consisted of the principal amount of CHF 350.2 million plus accumulated interests of CHF 54.9 million.

With the reorganisation on March 23, 2016 the shareholder loan was taken over by VAT Group AG as holder. The initial loan holders were disbursed with shares of VAT Group AG. VAT Group AG took over the long-term loan amounting to CHF 414.1 million by issuing 9,103,284 fully paid in registered shares with a nominal value of CHF 0.9 million.

10 Retirement benefit obligation

An actuarial loss, net of tax, of CHF 7.8 million (June 30, 2015 loss: CHF 3.1 million) was recognised through comprehensive income in the six-month period ended June 30, 2016. The 2016 actuarial loss mainly arises from a reduction of the applied discount rate.

11 Financial instruments

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

Derivatives In CHF thousand	**Measurement principle**	**30. 06. 2016**	**31. 12. 2015**
Fair value derivative liabilities		**8,705**	**7,750**
Derivatives—held for hedging	FVPL—Level 2 [1]	6,638	6,427
Embedded derivatives—interest floor on term loan	FVPL—Level 2 [1]	2,067	1,323

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.

VAT Group started to apply hedge accounting for certain foreign currency contracts in line with IAS 39 prospectively from the financial year 2016 going forward. This resulted in an amount of CHF 1.6 million recorded in OCI, net of tax.

In line with IAS 39, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement. The cumulated unrealised gain or loss that had been recorded in equity is subsequently reclassified into earnings in the same period during which the hedged item affects net profit or loss. When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement.

VAT Group uses cash flow hedges to reduce and manage the economic impact of its main currency risks. As of June 30, 2016, the Group held currency forwards as hedging instruments. 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 June 30, 2016.

On June 30, 2016, the cash flow hedge reserve included net unrealised losses of CHF 1.6 million, net of tax, on derivatives designated as cash flow hedges. Net losses of CHF 0.2 million were reclassified to earnings in 2016. The maturity of derivatives classified as a cash flow hedge was between 6–18 months.

Cash flow hedges on foreign exchange contracts **30. 06. 2016** In CHF thousand	**Fair value liabilities**	**Nominal amount**
Cash flow hedges	6,638	107,352

12 Principal exchange rates

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

		Average exchange rates in CHF		**Closing exchange rates in CHF**		
		01. 01. – 30. 06. 2016	**01. 01. – 30. 06. 2015**	**30. 06. 2016**	**31. 12. 2015**	**30. 06. 2015**
1 Euro	1 EUR	1.10	1.05	1.09	1.08	1.04
100 Japanese Yen	100 JPY	0.88	0.78	0.95	0.82	0.76
100 Korean Won	100 KRW	0.08	0.09	0.08	0.08	0.08
1 Malaysian Ringgit	1 MYR	0.24	0.26	0.24	0.23	0.25
1 US Dollar	1 USD	0.98	0.94	0.98	0.99	0.93

13 Changes in accounting policies

A number of standards have been modified on miscellaneous points with effect from January 1, 2016. None of these amendments had a material effect on the Group's financial statements.

Disclosure Initiative

VAT Group has made changes to the way it has organised and presented its explanatory notes to the condensed financial statements to comply with the Amendments to IAS 1.

14 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 01, 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these condensed consolidated financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance with a single standard. Further, it provides the users of financial statements with more informative, relevant disclosures. This standard is mandatory for annual reporting periods beginning on or after January 01, 2018, with early adoption permitted. The Group is currently assessing the potential impact of this new standard.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liablities for almost all leases and will therefore result in an increase of total assets and total liabilities. Under the new standard higher trading operating profit would be partially or entirely offset by higher interest expenses. The Group is currently assessing the potential impact of this new standard.

IFRS 9 Financial instruments

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge requirements. This standard is mandatory for annual reporting periods beginning on or after January 01, 2018 with early adoption permitted. The Group does not expect a material financial impact of the new standard.

Improvements and other amendments to IFRS

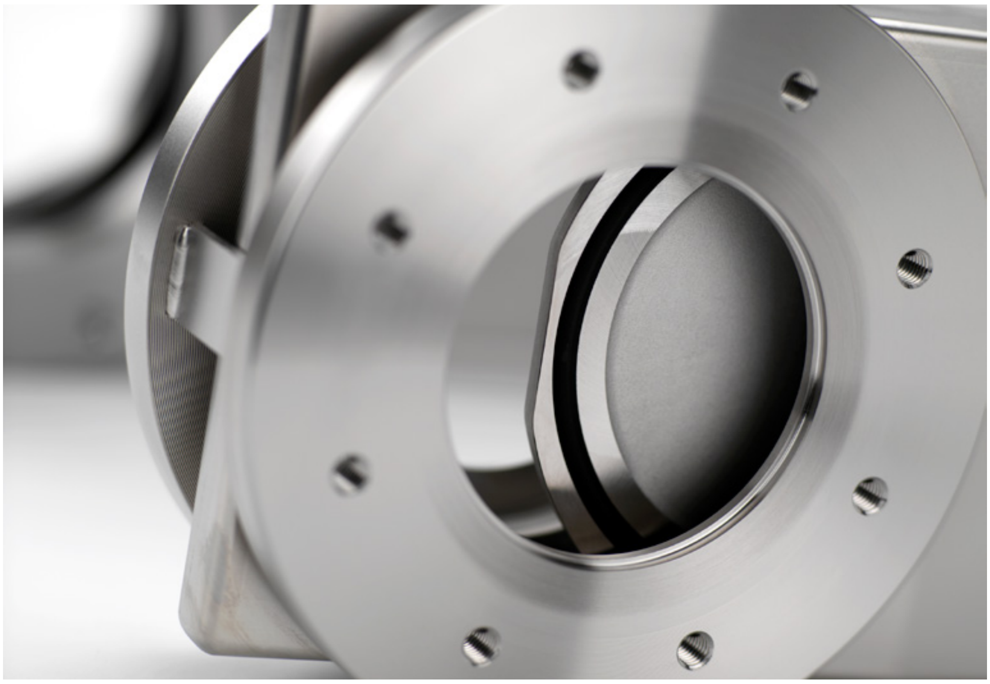
A number of standards have been modified on miscellaneous points. None of these amendments are expected to have a material effect on the Group's consolidated financial statements.

15 Events occurring after the end of the reporting period

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

FORWARD-LOOKING STATEMENTS

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 behaviour 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.



FINANCIAL CALENDAR

2016

Monday, October 31, 2016	Q3 2016 Trading update

2017

Friday, 31 March 2017	Full-year results 2016
Wednesday, 17 May 2017	Q1 2017 Trading update & Annual General Meeting 2017
Thursday, 24 August 2017	Half-year results 2017
Friday, 10 November 2017	Q3 2017 Trading update

Contact

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