SUMMARY REPORT 2019:

VAT again built its leading market share in 2019 and is well positioned to take advantage of new opportunities as the market returns to growth.

VAT is the world's Number One supplier of mission-critical high-vacuum solutions needed to manufacture semiconductors, displays and other devices enabling the new Digital Era. In 2019, the company again built its leading market position by maintaining its tradition of continuous technology innovation. The company took additional measures to improve operational speed and flexibility, allowing it to achieve significantly higher profitability through the recent downturn compared with the previous cycle. As the market environment returns to growth, VAT is well positioned to tap the significant opportunities ahead in areas such as the Internet of Things, Big Data and artificial intelligence.

VAT

PASSION. PRECISION. PURITY.

Key figures

In CHF million	2019	2018	Change
Order intake	585.0	648.0	–9.7%
Order backlog as of December 31	114.5	113.6	0.8%
Net sales	570.4	698.1	–18.3%
Gross profit	345.4	419.5	–17.7%
Gross profit margin	60.6%	60.1%	
EBITDA	154.0	215.2	–28.4%
EBITDA margin	27.0%	30.8%	
EBIT	107.7	179.7	–40.1%
EBIT margin	18.9%	25.7%	
Net income	74.8	135.7	–44.9%
Net income margin	13.1%	19.4%	
Basic earnings per share (in CHF)	2.50	4.53	–45.0%
Diluted earnings per share (in CHF)	2.49	4.52	–44.9%
Cash flow from operating activities	157.7	171.7	–8.2%
Capex[1]	18.0	48.0	–62.5%
Capex margin	3.2%	6.9%	
Free cash flow[2]	139.9	123.9	12.9%
Free cash flow margin	24.5%	17.7%	
Free cash flow conversion rate[3]	90.8%	57.5%	
Free cash flow to equity[4]	135.4	119.6	13.2%

As of December 31 In CHF million	2019	2018	
Total assets	972.7	968.2	0.5%
Total liabilities	449.2	404.0	11.2%
Equity	523.4	564.2	–7.2%
Net debt	144.3	147.6	–2.2%
Net debt/EBITDA	0.9	0.7	36.6%
Invested capital[5]	356.1	358.3	–0.6%
NOPAT[6]	101.7	155.2	–34.5%
Return on invested capital (ROIC)	28.6%	43.3%	
Dividend per share[7]	4.00	4.00	
Payout ratio[8]	88.6%	100.4%	
Number of employees[9]	1,810	1,712	98

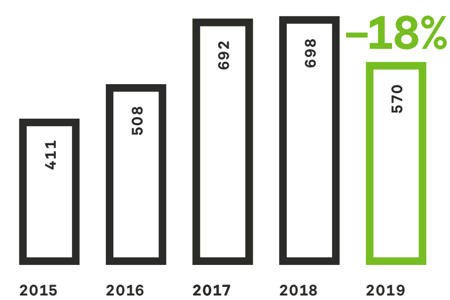
1 Capex comprises purchases of property, plant and equipment, and intangible assets and proceeds from sale of property, plant and equipment.
2 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
3 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
4 Free cash flow to equity is calculated as cash flow from operating activities less cash flow from investing activities less interest paid and the current portion of loan and borrowings due at the end of the period.
5 Invested capital is defined as total assets (excluding current income tax receivables, goodwill, acquired technology & customer relationships, brands & trademarks and deferred income taxes) less non-current liabilities (excluding loans & borrowings and deferred income tax liabilities). less current liabilities (excluding loans & borrowings and deferred income tax liabilities).
6 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 (including net foreign exchange gains/losses from financing activity and excluding other finance income) less taxes at the average Group rate of 15.8% (previous year 17.6%).
7 Proposal of the VAT Board of Directors to its shareholders at the AGM on May 14, 2020
8 Percentage of free cash flow to equity proposed to be paid out as dividend
9 Number of employees expressed as full time equivalents (FTE)

Net sales
in CHF million

570.4

2018 **698.1**

Net sales development
in CHF million



EBITDA
in CHF million

154.0

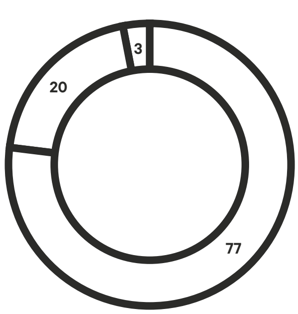
2018 **215.2**

EBITDA margin
in %

27.0

2018 **30.8**

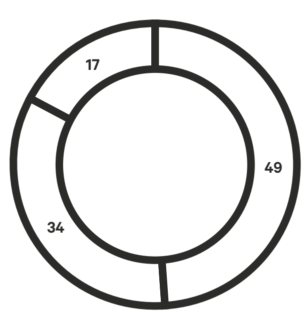
Net sales by segment
in %



77 VALVES
20 GLOBAL SERVICE
3 INDUSTRY

2018
74 VALVES
15 GLOBAL SERVICE
6 INDUSTRY

Net sales by region
in %



49 ASIA
34 AMERICAS
17 EMEA

2018
50 ASIA
33 AMERICAS
17 EMEA

Free cash flow
in CHF million

139.9

2018 **123.9**

Dividend per share*
in CHF

4.00

2018 **4.00**

* Proposal of the VAT Board of Directors to its shareholders at the AGM on May 14, 2020

Dear Shareholders,

VAT is the world's leading supplier of high-end vacuum valves used to make semiconductors, digital displays, solar panels, and many other high-precision products. Indeed, our valves are vital to the new Digital Era – Big Data, artificial intelligence, autonomous vehicles – and the continued growth in all kinds of smart personal and industrial devices depend on the ultrapure manufacturing environments created using VAT valves.

In 2019, market conditions presented a significant challenge, with lower demand reflecting the continued cyclical slowdown that began in the second half of 2018. However, VAT continued to focus on delivering the highest level of customer value in our industry while building the fast and flexible global organization that we need to secure our competitive success over the long term. I believe our results show the success of that approach. The return to demand growth in the fourth quarter shows that the downturn is behind us and we are now in an even stronger position to take advantage of the many opportunities that lie ahead.

We approach those opportunities with a solid and simple business strategy built around the three pillars of growth, profitability, and free cash flow.

Our growth strategy is focused on continuously building our market share through deep customer relationships and our commitment to technology innovation. In 2019, we further expanded our market share to 50% and introduced a variety of new products across all of our businesses in close collaboration with our customers. Technology advances continued in the areas of reduced particle emissions and product purity, improved consistency in valve performance, and high-speed process control. Exciting new developments are being made in the area of mechatronic valves that integrate mechanical, electronic and computing functionality. Our leading capabilities in all these areas are feeding a strong pipeline of spec wins, which are product designs agreed together with our customers that they will use in the next generation of fabrication equipment.

We also aim for sector-leading profitability. Since VAT went public in 2016, our management team has been driving increased operational agility through the cycle. That means broadening our global footprint, optimizing supply chains, speeding up internal processes and freeing up our employees to focus more of their energy on meeting customer requirements. In 2019, we continued to increased production capacity at our Malaysia plant. Our cost and efficiency program that we introduced at the beginning of the cyclical downturn in 2018 made a significant contribution to EBITDA and helped us achieve an EBITDA margin in 2019 that was well above previous cyclical lows.

Ultimately, we want to generate healthy and sustainable free cash flows so we have the financial strength to take advantage of the many growth opportunities to come in this dynamic and exciting business. We are also committed to paying a sustainable dividend. In 2019, we continued to drive improved working capital management, and with the completion of our expansion at the Malaysia plant, lower capital expenditures in the coming years will further support free cash generation.

These three pillars describe our approach to creating long-term economic value, but we also recognize the need for sustainable value creation along social and environmental dimensions. These include building our talent base, transferring know-how and expanding our supply chains to create value for our people and their communities in Switzerland, Romania and Malaysia, as well as developing production methods that reduce our physical impact on the environment. For example, we are using ground-source heat pumps to cool buildings during the summer and are participating in an energy-saving initiative in Malaysia using solar panels on the roof of our plant there. We will continue to build a sustainability culture in VAT that

"We have a solid and simple business strategy built around the three pillars of growth, profitability and free cash flow."

DR. MARTIN KOMISCHKE
CHAIRMAN OF THE BOARD OF DIRECTORS

both supports our business development and guides the attitudes and behaviors of all of our employees.

As I've said in previous letters, VAT's biggest asset is its people and 2019 confirmed this. Our approximately 1,800 people around the world turned in an excellent performance in a very challenging business environment. On behalf of the Board of Directors and Executive Management, I'd like to thank them for their commitment and engagement.

I'd also like to thank our shareholders for their trust in our company and I'm pleased to report that we will again recommend a dividend of CHF 4.00 per share.

Our long-term market outlook remains very positive. We are still at the beginning of the Digital Era. Device interconnectivity and the Internet of Things, cloud computing, new mobile data applications coming through the rollout of 5G telecommunications, smart personal devices, automated homes: there is no end in sight to global digitalization and the high-precision products needed to make it happen.

As we move into this new world, we will intensify our focus on meeting and exceeding our customers' demands by continuing to innovate: new valve designs, new materials, new product modules and actuating systems, new service products, and new interconnected "smart" valve products and systems that will further improve our customers' performance. Increased organizational flexibility will remain a management priority, together with a stronger drive to build a sustainability culture in which we can ensure value creation for all of our stakeholders.

I look forward to working with all of you to achieve this goal.

Sincerely,

Martin Komischke

VAT weathers down cycle and continues to build leading market share

VAT Group reported lower net sales, EBITDA, and net income in 2019, in line with the company's expectations communicated early in the year. The decrease resulted from the cyclical market downturn that started in the second half of 2018 when customers, mainly in the semiconductor-related businesses, reduced investments in new capacity after two years of strong growth. Despite the challenging market conditions, VAT continued to focus on technology innovation, investing more than CHF 30 million, or 6% of net sales, into research and development. VAT also expanded its market share across all industries to 50%, the sixth year in a row of market share growth. At the same time, VAT focused on internal measures to improve its operational efficiency and costs, allowing it to post an EBITDA margin well above historical trough levels and to generate record free cash flow, despite the lower top line results.

Improving market conditions as the year progressed

VAT's markets got off to a slow start in 2019. Especially in the semiconductor-related businesses, customers continued to postpone further capital expenditures after the intense investments that characterized 2016 and 2017, when large production capacities were added for new technologies such as 3D NAND memory chips. The combination of lower customer capital spending together with higher production yields in existing manufacturing facilities led to a significant decrease in demand for high-vacuum equipment in the second half of 2018 and the beginning of 2019. Overall, global wafer fab equipment (WFE) spending in 2019 declined by some 10%.

However, demand began to recover on a sequential quarter-over-quarter basis starting in the second quarter of 2019, and returned to year-over-year growth by the fourth quarter. Original equipment manufacturers (OEMs) developed a record number of new production platforms during the year in anticipation of further technology advances and the expected medium-term recovery in equipment spending. As the market and technology leader in vacuum valves, VAT cooperated closely with these OEMs to develop new vacuum valve solutions and posted another record year for specification wins, providing additional support for future growth and ongoing market share gains.

Business conditions were also challenging in the display and general vacuum and industry markets, while the service business benefitted from the introduction of several new products to help customers increase equipment uptime and simplify service and maintenance.

Growth in service revenues

Total order intake in 2019 amounted to CHF 585 million, down 10% from the previous year. The order backlog at year-end stood at CHF 115 million, a slight increase of 1% compared to the end of 2018. The year-end backlog includes the cancellation of a larger order related to a solar project that was halted and where it is uncertain whether it will be resumed. Compared to the record levels posted in 2018, net sales declined 18% in 2019 to CHF 570 million. Currency movements had no material impact on the change in net sales.

Net sales grew 6% in the Global Service segment to CHF 112 million, but were 23% lower in the Valves segment at CHF 441 million and down 23% in the Industry segment, to CHF 18 million, mainly the result of lower demand from the automotive industry.

Flexible global business model buffers impact of slowdown on EBITDA

Gross profit, measured as net sales minus cost of materials plus (minus) changes in inventories of finished goods and work in progress, declined 18% compared with 2018 to CHF 345 million, in line with net sales development and the company's flexible cost structure, in which about two-thirds of costs are variable. The gross profit margin improved slightly to 61% compared with 60% a year earlier.

A reduction in personnel costs in absolute terms reflects the lower number of employees (measured as full-time equivalents, FTE) and adjustments to the lower volumes produced in 2019. As a percentage of sales, personnel costs increased versus 2018. This was the result of an increase in FTEs in the second half in anticipation of a demand recovery in 2020, as well as certain external costs related to internal process improvement projects. At the end of 2019, VAT employed 1,810 people worldwide, an increase of 98, or 6%, compared with the end of 2018.

EBITDA for the year declined by 28% to CHF 154 million, reflecting the decline in net sales. The full-year EBITDA margin declined to 27% compared with 31% a year earlier. VAT's focus on costs and operational efficiency allowed it to post an EBITDA margin approximately 2 percentage points higher than the average of previous business down cycles of similar magnitude.

VAT's EBIT of CHF 108 million was CHF 72 million below the previous year. This included the negative impact of higher depreciation charges resulting from the finalization of the expansion of our Malaysian production facility in 2018. The EBIT margin amounted to 19% of sales.

Below the EBIT line, VAT incurred lower finance costs of CHF 9 million, down from CHF 13 million a year earlier and mainly the consequence of lower net foreign exchange losses on financing activities and slightly lower interest expenses.

Earnings before taxes (EBT) decreased to CHF 99 million from CHF 166 million. The effective tax rate for 2019 was 24%, a temporary result of the timing of new tax regulations in Switzerland that required the booking of some deferred tax expense in the first half. Going forward, VAT expects the effective tax rate to normalize towards 18% to 20%.

Net sales
in CHF million

570.4

2018 **698.1**

As a result of these factors, and as indicated by company management during the year, realized net income attributable to shareholders declined in 2019, amounting to CHF 75 million, a decrease of 45% compared with the record level of 2018.

On December 31, 2019, VAT's net debt amounted to CHF 144 million, representing a leverage ratio expressed as net debt to EBITDA of 0.9 times, in line with the company's long-term net debt to EBITDA target of 1.0 times. The ratio was slightly higher in 2019, primarily reflecting the lower EBIDTA versus the prior year. The equity ratio at year-end amounted to 54%.

Lower capex and trade working capital boost free cash flow

One of VAT's key performance indicators and the basis for any dividend consideration is free cash flow, which in 2019 increased compared with the previous year to a record CHF 140 million from CHF 124 million. A successful reduction of trade working capital, coupled with substantially lower capital expenditures (capex) more than offset lower cash flow from operations. Capex in 2019 of CHF 18 million was 63% lower than in 2018 – when VAT expanded its production facility in Malaysia – and represented 3% of 2019 net sales. Going forward, VAT expects capex as a percentage of sales to remain close to its target of 4% over the cycle.

At year-end 2019, net trade working capital decreased by approximately 23% compared with 2018, representing approximately 21% of net sales. VAT aims to reduce net trade working capital to 20% of net sales over time.

As a result, the free cash flow margin as a percentage of net sales was 25% and the free cash flow conversion rate was 91% of EBITDA.

At its Annual General Meeting on May 14, 2020, VAT's Board of Directors is proposing a dividend for the fiscal year ending December 31, 2019 of CHF 4.00 per share. As a result of the Swiss corporate tax referendum in 2019, companies are only permitted to pay a maximum of 50% of this amount out of the reserves from capital contributions and the other half from accumulated gains. The proposal amounts to a total dividend amount of CHF 120 million, or 89% of VAT's free cash flow to equity.

Record number of spec wins

>90

2018 **>60**

Return to growth in 2020 – order of magnitude uncertain

The medium-term growth drivers for VAT remain firmly in place. The Internet of Things, cloud computing, and storage, artificial intelligence and many other global digitalization trends are expected to fuel further demand for semiconductors and advanced displays over the next several years. Vacuum-based production processes also continue to gain importance in a variety of other industries, while the solar photovoltaic market continues its long-term growth trend based on improving energy efficiency and cost competitiveness.

For 2020, VAT expects a return to growth, driven mainly by the semiconductor-related businesses. However, market visibility remains limited. While the consensus among market research firms, OEM customers and end customers is for a positive demand development in 2020, the magnitude of the improvement remains unclear, partially reflecting uncertainty regarding the impact of the coronavirus on global supply chains in the company's markets. In semiconductors, technology advances in logic and foundry require new investments. Capacity in the memory markets is gradually being absorbed by growing demand, indicating a rebound in memory investments. In displays, investments in OLED screens for the latest generations of smartphones and the gradual adoption of OLED for large TV screens are expected to compensate for the decline in new investments in LCD displays. The solar photovoltaic industry is also expected to see higher investments as the energy-generating cost per kilowatt-hour is increasingly competitive with those of fossil-fuel-generated power. Forecasts for general vacuum growth in industrial markets and for service-related activities are also positive.

On this basis, VAT expects net sales at constant foreign exchange rates in 2020 to be higher compared with 2019. VAT will also continue to take full advantage of its flexible global organization and footprint, including the further ramp-up of its production facility in Malaysia, the realization of gains from economies of scale in global supply chains as well as operational excellence measures. At the same time, VAT remains dedicated to technology innovation and increasing market share. Investments in research and development and productivity improvements will therefore remain at the heart of VAT's strategy in 2020.

Furthermore, the company expects its 2020 EBITDA margin to be higher than in 2019, driven by higher volumes and better cost absorption as well as the ongoing focus on costs. VAT maintains its mid-term EBITDA margin target of 33%, but now expects to reach this at a lower sales level than originally anticipated. As a consequence of expected higher sales, EBITDA, and EBITDA margin, VAT also expects an increase in 2020 net income compared with 2019.

Capital expenditure in 2020 is expected to be around CHF 30 million. Free cash flow in 2020 will depend on the magnitude of sales growth and working capital requirements and may be lower than in 2019.

Mid-term EBITDA margin target
in %

33

Valves

Demand in 2019 was weaker than the previous year, mainly reflecting the cyclical downturn in the semiconductor sector that began in the middle of 2018. However, net sales began to increase on a sequential quarter-to-quarter basis starting in the second quarter of the year and returned to year-over-year growth in the fourth quarter, confirming that the bottom of the downturn had been reached.

Semiconductors: record specification wins for new products

The Semiconductor business unit, VAT's largest, reported lower net sales in 2019 in line with the cyclical downturn, mainly in the memory chip sector. Nevertheless, semiconductor equipment OEMs continued to develop new manufacturing platforms for the next generation of high-vacuum processes that will be used, for example, to make logic chips with 7 nm technology and smaller. This resulted in a record number of specification wins, despite the weaker overall market.

Display & Solar: focus on improved operational performance following record 2018

Demand for high-vacuum solutions in the display and photovoltaic solar sectors was softer in 2019, following record net sales in the previous year. Demand for organic light-emitting diode (OLED) displays was lower in 2019 as customer investments were aimed primarily at liquid-crystal displays (LCD). Customer investments in the solar sector also declined compared with the record year in 2018.

The Display & Solar business stepped up its efforts to improve operational performance in 2019 by relocating the manufacture of high-volume control valves to the company's expanded production facility in Malaysia.

General Vacuum: softer industrial demand

Demand in the general vacuum business is driven by a combination of factors, such as industrial coating applications, the level of investment in scientific research in areas such as particle physics, and overall world economic trends.

Industrial demand experienced a cyclical decline in 2019 after a very strong performance the year before. In the research sector, the number of large projects declined. However, the business continued to win orders in the space simulation market.

Performance review 2019 and market outlook 2020

Net sales in the Valves segment in 2019 amounted to CHF 441 million, 23% lower compared with 2018, reflecting the cyclical market slowdown after three years of very strong growth. Sales were lower in all three businesses, with the largest decrease in the Display & Solar business unit, followed by Semiconductors and General Vacuum. Segment EBITDA decreased by 30% to CHF 136 million, and the EBITDA margin was lower at 28%, partly reflecting continued investments in R&D during the year to better position the segment for future growth opportunities as market demand recovers.

For 2020, VAT expects overcapacity in semiconductor-related markets to diminish and demand for vacuum valves to return to growth. The Display & Solar business is expected to see growth in OLED projects for the newest generation of smartphones, while investments into larger TV sizes is expected to compensate lower spending on LCD production. VAT also expects its General Vacuum business to see higher demand as vacuum-based manufacturing processes continue to be adopted in a broader range of industries. The record number of specification wins in 2019 is expected to support above-market growth for valves used in leading-edge vacuum processes.

Global Service

VAT's Global Service segment supplies both OEM and end user customers in all key markets with original spare parts, valve maintenance and service, technical support, and training. In addition, Global Service helps customers to improve equipment performance with customized product upgrades and equipment retrofits. The business is driven by the needs of customers who want to improve the performance of their existing installed base of equipment, whether increased uptime, lower energy consumption, higher process purity or faster and simpler maintenance and repair.

The Global Service segment set another new sales record in 2019. This was primarily achieved by introducing enhanced service product portfolios for valve upgrades, in which a new VAT valve replaces an older VAT valve in a machine already installed in the field, and retrofits, where VAT valves replace competitor valves. In both cases, the aim is to allow customers to run their machines in a cleaner way or with less maintenance.

In addition to valve upgrades and retrofits, VAT offers customers a global network of service and repair centers to maintain their valves at peak working condition. Operating in eight countries, including six in Asia, these facilities provide the largest network of valve repair facilities in the market. The network is especially valued by global customers, and VAT made significant progress in 2019 to roll out its Fixed Price Repair program that provides uniform pricing and repair quality at all our service centers.

VAT's Global Service segment also develops service products for specialized valve applications such as subfab systems used in pumping and abatement systems operating in harsh conditions below the fabrication floor. VAT continues to launch new targeted service packages for specialized applications across the company's markets as part of its strategy for long-term profitable growth.

Performance review 2019 and market outlook
Net sales increased 6% in 2019 to reach CHF 112 million. Growth was strongest in the upgrade and retrofit business where customers invested more in VAT's offerings to improve their existing machines, for example by extending equipment life span and broadening their performance parameters to cope with increasingly complicated production processes. The spare parts business also grew, albeit at a slower pace, as lower capacity utilization among semiconductor manufacturers, and other customers reduced the need for preventive maintenance and lowered the wear and tear on certain parts. Sales were steady in the maintenance and service business. The EBITDA margin in the Global Services segment amounted to 42%, lower than in 2018, reflecting investments into new service offerings that yet have to provide higher volumes.

VAT expects the market for its Global Service business to continue to grow in 2020 as the semiconductor market recovers and the upgrade and retrofit portfolios continue to expand. In addition, the business will benefit from new products introduced during 2019 that will generate a full year of sales. The restart of idle capacity in the semiconductor sector is also expected to fuel service growth, especially as inventory levels for consumables were significantly reduced during the second half of 2018 and into 2019 and are expected to be restocked in 2020.

Industry

The Industry segment primarily serves the automotive sector with thin-metal membranes used in the manufacture of dampers for high-pressure fuel injection pumps. They act to maintain a steady fuel supply, even during dramatic changes in fuel demand, and thus are essential to achieving the high levels of fuel efficiency needed in today's internal combustion engines.

Demand in the automotive sector declined in 2019, partly the result of ongoing changes in fuel efficiency standards and regulations in some of the world's largest automotive markets, such as the US, the EU, Japan, and China. This has had the effect of delaying the development of some new products as manufacturers assess the standards that may be required by the new legislation.

Nevertheless, VAT signed a long-term frame agreement at the beginning of 2019 with a major automotive components supplier to deliver pressure diaphragm cells for use in gasoline direct injection. The agreement, which runs until 2024, covers products used to reduce fuel consumption and CO_2 emissions for the same power output, while also allowing for smaller equipment footprint. Since 2006, VAT has supplied the automotive sector with more than 80 million pressure diaphragm cells.

Performance review 2019 and market outlook

As of the beginning of 2019, VAT moved its third-party bellows business from the Industry segment into the Valves segment. Metal bellows are used in clean rooms and ultrahigh-vacuum applications for their precise and flexible sealing characteristics under a wide variety of pressure environments. The move reflected the company's ambition to drive growth in the bellows business by better aligning it with its primary markets and the needs of customers in the semiconductor and general vacuum sectors.

Net sales in the Industry segment, adjusted for the transfer of the bellows business to the Valves segment, declined by 23% compared with the year before, amounting to CHF 18 million. Internal sales (not included in the net sales number) increased 15% to CHF 9 million, representing sales from Romania to other VAT business units.

Segment EBITDA declined by 34% on a combination of lower volumes and the buildup of capacity, including investments in new equipment such as fully automatic laser-welding robots to increase productivity, that led to underabsorption of production capacity, especially in the first half of 2019.

For 2020, VAT expects demand from the automotive market to remain stable, while ongoing operational and productivity improvements are expected to support improved profitability.

Consolidated financial statements for the financial year from January 1 to December 31, 2019

Consolidated income statement

January 1–December 31 In CHF thousand	2019	2018
Net sales	**570,376**	**698,136**
Raw materials and consumables used	–211,890	–257,350
Changes in inventories of finished goods and work in progress	–13,050	–21,248
Personnel expenses	–141,989	–148,596
Other income	9,252	8,588
Other expenses	–58,691	–64,291
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]	**154,008**	**215,239**
Depreciation and amortization	–46,272	–35,558
Earnings before interest and taxes (EBIT)[1]	**107,736**	**179,682**
Finance income	108	390
Finance costs	–8,840	–13,580
Earnings before income taxes	**99,004**	**166,491**
Income tax expenses	–24,179	–30,804
Net income attributable to owners of the Company	**74,825**	**135,687**
Earnings per share (in CHF)		
Basic earnings per share	2.50	4.53
Diluted earnings per share	2.49	4.52

1 Interest includes other items as reported in the financial results.

Consolidated statement of comprehensive income

January 1–December 31 In CHF thousand	2019	2018
Net income attributable to owners of the Company	**74,825**	**135,687**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit obligations	86	–12,273
Related tax	–12	1,878
Subtotal	**74**	**–10,395**
Items that are or may be subsequently reclassified to profit or loss:		
Changes in the fair value of hedging reserves	4,356	–283
Related tax	–626	43
Currency translation adjustments	–136	426
Subtotal	**3,594**	**186**
Other comprehensive income for the period (net of tax)	**3,668**	**–10,209**
Total comprehensive income for the period attributable to owners of the Company	**78,493**	**125,478**

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 76 ff.

Consolidated balance sheet

As of December 31 In CHF thousand	2019	2018
Assets		
Cash and cash equivalents	109,822	79,063
Trade and other receivables	97,409	94,778
Other investments, including derivatives	3,184	314
Prepayments and accrued income	4,417	3,127
Inventories	84,231	104,158
Current tax assets	747	4
Current assets	**299,809**	**281,442**
Property, plant and equipment	162,125	170,524
Investment properties	1,823	1,873
Intangible assets and goodwill	498,564	505,614
Trade and other receivables	2,631	1,965
Other investments, including derivatives	831	23
Deferred tax assets	6,893	6,746
Non-current assets	**672,866**	**686,745**
Total assets	**972,675**	**968,187**

As of December 31 **In CHF thousand**	**2019**	**2018**
Liabilities		
Trade and other payables	66,387	45,021
Loans and borrowings	50,221	27,608
Provisions	2,242	2,577
Derivative financial instruments	53	1,539
Accrued expenses and deferred income	20,158	20,739
Current tax liabilities	17,747	24,094
Current liabilities	**156,809**	**121,579**
Loans and borrowings	203,867	199,078
Other non-current liabilities, including derivatives	377	767
Deferred tax liabilities	45,934	42,829
Defined benefit obligations	42,252	39,763
Non-current liabilities	**292,430**	**282,438**
Total liabilities	**449,239**	**404,017**
Equity		
Share capital	3,000	3,000
Share premium	133,950	253,891
Reserves	5,878	2,284
Treasury shares	–571	–687
Retained earnings[1]	381,179	305,683
Total equity attributable to owners of the Company	**523,436**	**564,170**
Total liabilities and equity	**972,675**	**968,187**

1 Includes remeasurements of DBO and other reserves. In prior year, this information was disclosed separately.

The above consolidated balance sheet should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 76 ff.

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings[1]	Total equity
VAT Group AG Equity as of 01.01.2018	**3,000**	**373,823**	**–826**	**2,925**	**–790**	**179,845**	**557,976**
Net income attributable to owners of the Company						135,687	135,687
Total comprehensive income for the period attributable to owners of the Company			–241	426		–10,395	–10,209
Dividend payment		–119,932					–119,932
Share-based payments (net of tax)					103	546	649
Equity as of 31.12.2018	**3,000**	**253,891**	**–1,067**	**3,351**	**–687**	**305,683**	**564,170**
VAT Group AG Equity as of 01.01.2019	**3,000**	**253,891**	**–1,067**	**3,351**	**–687**	**305,683**	**564,170**
Net income attributable to owners of the Company						74,825	74,825
Total comprehensive income for the period attributable to owners of the Company			3,730	–136		74	3,668
Dividend payment		–119,941					–119,941
Share-based payments (net of tax)					116	598	714
Equity as of 31.12.2019	**3,000**	**133,950**	**2,663**	**3,215**	**–571**	**381,179**	**523,436**

1 Includes remeasurements of DBO and other reserves. In prior year, this information was disclosed separately.

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 76 ff.

Consolidated statement of cash flows

January 1–December 31 In CHF thousand	2019	2018
Net income attributable to owners of the Company	**74,825**	**135,687**
Adjustments for:		
Depreciation and amortization	46,272	35,558
(Profit)/loss from disposal of property, plant and equipment	–17	166
Change in defined benefit liability	2,552	–5
Net impact from foreign exchange	763	–4,410
Income tax expenses	24,179	30,804
Net finance costs	8,732	13,190
Other non-cash-effective adjustments	328	197
Change in trade and other receivables	–8,403	32,459
Change in prepayments and accrued income	–1,330	–446
Change in inventories	18,260	6,294
Change in trade and other payables	21,752	–47,198
Change in accrued expenses and deferred income	–880	–550
Change in provisions	–243	779
Cash generated from operations	186,791	202,524
Income taxes paid	–29,052	–30,813
Cash flow from operating activities	**157,739**	**171,711**
Purchases of property, plant and equipment	–6,645	–41,953
Proceeds from sale of property, plant and equipment	186	230
Purchases of intangible assets	–11,497	–6,245
Interest received	101	122
Cash flow from investing activities	**–17,857**	**–47,845**
Proceeds from borrowings[1]	110,000	223,936
Repayments of borrowings	–90,000	–214,678
Repayments of lease liabilities	–2,692	0
Dividend paid	–119,941	–119,932
Interest paid	–4,502	–4,308
Other finance expenses paid	–951	–1,423
Cash flow from financing activities	**–108,086**	**–116,406**
Net increase/(decrease) in cash and cash equivalents	**31,796**	**7,460**
Cash and cash equivalents at beginning of period	79,063	72,021
Effect of movements in exchange rates on cash held	–1,036	–418
Cash and cash equivalents at end of period	**109,822**	**79,063**

1 Includes financing costs in the amount of CHF 0.0 million (prior year: CHF 1.1 million)

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 76 ff.

Statutory financial statements VAT Group AG for the financial year from January 1 to December 31, 2019

Balance sheet

As of December 31 In CHF thousand	2019	2018
Assets		
Cash and cash equivalents	306	439
Other receivables due from third parties	81	55
Prepayments and accrued income	687	707
Current assets	**1,074**	**1,201**
Financial assets	1,650	2,282
Loans granted to companies in which the entity holds an investment	115,153	39,950
Investments in subsidiaries	502,850	502,850
Non-current assets	**619,653**	**545,082**
Total assets	**620,727**	**546,284**
Liabilities		
Short-term interest-bearing liabilities due to third parties	49,188	29,600
Other payables	616	477
Short-term provisions	140	0
Accrued expenses and deferred income	2,980	2,852
Current liabilities	**52,923**	**32,929**
Long-term interest-bearing liabilities	200,000	200,000
Non-current liabilities	**200,000**	**200,000**
Total liabilities	**252,923**	**232,929**
Equity		
Share capital	3,000	3,000
Legal capital reserves:		
– Reserves from capital contributions	135,313	255,254
– Other capital reserves	3,682	3,682
Accumulated gains:		
– Profit/loss brought forward	52,105	–7,351
– Gain for the period	174,274	59,457
Treasury shares	–571	–687
Total equity attributable to owners of the Company	**367,804**	**313,355**
Total liabilities and equity	**620,727**	**546,284**

Income statement

January 1–December 31 In CHF thousand	2019	2018
Dividend income	179,800	64,891
Interest income	2,299	2,527
Other financial income	573	993
Total income	**182,672**	**68,411**
Interest expenses	–4,355	–5,065
Other financial expenses	–1,456	–1,167
Personnel expenses	–995	–1,010
Other operating expenses	–1,454	–1,712
Total expenses	**–8,259**	**–8,954**
Direct tax	–140	0
Gain for the period	**174,274**	**59,457**

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	2019
Balance brought forward	**52,105**
Gain for the period	174,274
Total accumulated gains	**226,379**

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

In CHF thousand	2019
Dividend payment	–60,000
Total accumulated gains to be carried forward	**166,379**

Appropriation of reserves from capital contributions

In CHF thousand	2019
Reserves from capital contributions as of 31.12.2019	**135,254**
Dividend payment out of reserves from capital contributions	–60,000
Reserves from capital contributions carried forward	**75,254**

The Board of Directors proposes to the General Meeting to pay a dividend of CHF 120 million, half from accumulated gains and half 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
2020	
Thursday, April 16, 2020	Q1 2020 trading update
Tuesday, April 28, 2020	VAT Capital Markets Day
Thursday, May 14, 2020	Annual General Meeting 2020
Thursday, August 6, 2020	Half-year results 2020
Friday, October 16, 2020	Q3 2020 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 2020:

VAT's mid-term growth drivers – such as the Internet of Things, cloud computing and artificial intelligence – remain firmly in place. For 2020, VAT expects a return to growth, although market visibility remains limited.

The company expects 2020 net sales at constant foreign exchange rates and EBITDA margin to be higher than in 2019.

VAT maintains its mid-term EBITDA margin target of 33%, but now expects to reach this at a lower sales level than originally anticipated.

PASSION. PRECISION. PURITY.