

SUMMARY REPORT 2020:

VAT achieved record EBITDA, EBITDA margin and free cash flow in 2020 and is well positioned for further profitable growth based on technology leadership and operational excellence.

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 strong results in 2020 despite the uncertainties of the global coronavirus pandemic. This achievement reflects the continued recovery in the semiconductor market, a commitment to technology innovation, improved operational performance, and the engagement of VAT's employees in a challenging business environment. The company expects continued profitable growth, driven by long-term trends such as artificial intelligence, the Internet of Things, Big Data and the global rollout of 5G telecommunications networks.



PASSION. PRECISION. PURITY.

Key figures

In CHF million	2020	2019	Change
Order intake	724.5	585.0	23.8%
Order backlog as of December 31	145.3	114.5	26.9%
Net sales	692.4	570.4	21.4%
Gross profit	430.1	345.4	24.5%
Gross profit margin	62.1%	60.6%	-
EBITDA	217.2	154.0	41.0%
EBITDA margin	31.4%	27.0%	-
EBIT	176.3	107.7	63.6%
EBIT margin	25.5%	18.9%	-
Net income	133.5	74.8	78.4%
Net income margin	19.3%	13.1%	-
Basic earnings per share (in CHF)	4.45	2.50	78.3%
Diluted earnings per share (in CHF)	4.45	2.49	78.3%
Cash flow from operating activities	172.8	157.7	9.6%
Capex ¹	25.9	18.0	44.1%
Capex margin	3.7%	3.2%	-
Free cash flow ²	147.0	139.9	5.1%
Free cash flow margin	21.2%	24.5%	-
Free cash flow conversion rate ³	67.7%	90.8%	-
Free cash flow to equity ⁴	143.0	135.4	5.6%

As of December 31 In CHF million	2020	2019	
Total assets	1,001.6	972.7	3.0%
Total liabilities	446.3	449.2	-0.7%
Equity	555.4	523.4	6.1%
Net debt	128.5	144.3	-11.0%
Net debt/EBITDA	0.6	0.9	-36.8%
Invested capital ⁵	423.8	356.1	19.0%
NOPAT ⁶	161.0	103.4	35.7%
Return on invested capital (ROIC)	41.3%	28.6%	-
Dividend per share ⁷ (in CHF)	4.50	4.00	-
Payout ratio ⁸	94.4%	88.6%	-
Number of employees ⁹	2,041	1,810	12.8%

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).

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 (excluding foreign exchange gains/losses from financing activity) less taxes at the average Group rate of 16% (previous year: 16%).

7 2020 dividend proposal of the VAT Board of Directors to its shareholders at the AGM on May 18, 2021

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

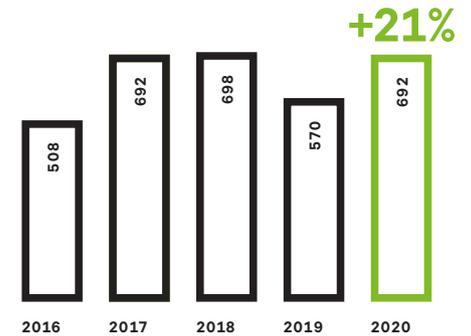
9 Number of employees expressed as full time equivalents (FTE)

Net sales
in CHF million

692.4

2019 570.4

Net sales development
in CHF million



EBITDA
in CHF million

217.2

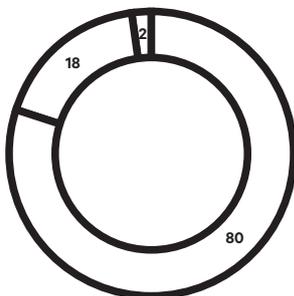
2019 154.0

EBITDA margin
in %

31.4

2019 27.0

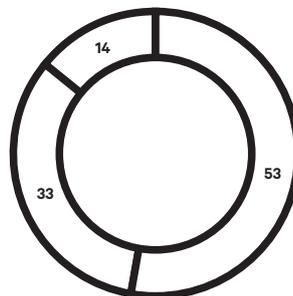
Net sales by segment
in %



80 VALVES
18 GLOBAL SERVICE
2 INDUSTRY

2019
77 VALVES
20 GLOBAL SERVICE
3 INDUSTRY

Net sales by region
in %



53 ASIA
33 AMERICAS
14 EMEA

2019
49 ASIA
34 AMERICAS
17 EMEA

Free cash flow
in CHF million

147.0

2019 139.9

Dividend per share*
in CHF

4.50

2019 4.00

* Proposal of the VAT Board of Directors to its shareholders at the AGM on May 18, 2021

Dear Shareholders,

We started 2020 gearing up for a return to growth after the cyclical downturn we saw in the previous two years. But by the end of the first quarter, all our efforts were aimed at coming to grips with the global coronavirus pandemic.

The pandemic has profoundly affected every aspect of our lives. Restrictions on movement and other measures to dampen the spread of the virus have created huge uncertainties and demanded significant sacrifices from individuals, families and communities. The economic impacts have been profound. Many businesses, large and small, have suffered.

VAT has the advantage of being in a system-critical industry. Our vacuum valves are needed to make the semiconductors on which the world economy depends, whether for computers, smart phones, medical equipment or the data centers that enable us to better manage this increasingly complex world.

Our people give us another advantage. Despite the unprecedented challenges presented by COVID-19, they have shown an unflagging commitment to serving our customers. This includes the discipline needed to keep each other, our suppliers and our customers connected yet safe as we rapidly implemented measures in all of our locations to contain the pandemic.

These advantages underlie our record EBITDA, EBITDA margin and free cash flow in 2020. We continued to build our leading market share, launch new products, expand our global service business and increase the flexibility, speed and efficiency of our global footprint. It was a remarkable achievement, and I am proud of our employees' engagement and solidarity through this difficult period. On behalf of the Board of Directors, I would like to thank them all for their outstanding performance in 2020.

Last year, we also held our first capital markets day, when Mike Allison, our CEO, along with other senior management, explained how we intend to generate profitable growth in the years to come. We see four key drivers: 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.

Market share in this highly demanding industry is built on cutting-edge technology and the ability to innovate quickly. We have consistently invested more than our competitors in research and development and have cultivated a deep knowledge of what technologies our customers need. As the industry moves to the high-precision semiconductors of the future, we intend to use our market and technology leadership to build our No. 1 market share even further.

Service is another area where we can build market share through innovation. VAT currently has more than one million valves installed around the world. The largest service network in the industry means we can support our customers quickly, wherever they are. And we're developing new service products to make repair and replacement faster so that our customers face less down time.

The third pillar in our strategy is to expand into profitable adjacent applications, such as motion components and device interconnectability. We'll make VAT valves smarter, with precise analytic and control algorithms that will create significant value for our customers.

Finally, we will continue to drive operational excellence, delivering more value to our customers, faster and more efficiently, and more value to our shareholders through profitable growth.

“Despite the unprecedented challenges presented by COVID-19, our people have shown an unflagging commitment to serving our customers.”



DR. MARTIN KOMISCHKE
CHAIRMAN OF THE BOARD OF DIRECTORS

Value creation also needs to be sustainable over the long term, not just for our customers and shareholders, but also for our people and the communities where they work and live. We address this in various ways, such as offering our people opportunities to develop their skills, transferring know-how across borders, and expanding our value chain into new communities. We're also reducing our impact on the environment in areas such as packaging and energy supply. We remain committed to creating a sustainability culture of which our employees can be proud, and that helps grow the business profitably so that we can continue to deliver superior value long into the future.

I'd also like to thank you, our shareholders, for supporting us as we continue to grow this exciting business. Buoyed by a strong year in 2020 and a positive long-term outlook driven by the steady growth of global digitalization, we will recommend a 12.5% higher dividend of CHF 4.50 per share at our Annual General Meeting in May.

We look optimistically into 2021. The remarkably fast development of vaccines against the coronavirus shows the enormous power of human ingenuity. We at VAT strive to emulate this in our own way to create value and build a better future. I look forward to continuing this endeavor together with you in the coming years.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Komischke'.

Martin Komischke

VAT achieves record EBITDA, EBITDA margin and free cash flow while further expanding its leading market position

VAT Group reported substantially higher net sales, profitability and cash flow in 2020 and further expanded its leading market share despite the global COVID-19 pandemic. The recovery in the semiconductor industry – VAT’s largest end market – continued during the year, buoyed by its designation as system-relevant during the pandemic. The shift to home office and the sharp increase in online commerce that resulted from pandemic-related lockdown restrictions accelerated some of the longer-term megatrends that drive this business, such as the Internet of Things, cloud computing and artificial intelligence. Demand was further supported by technology advances in logic and memory chips that require new production platforms: as node sizes shrink and chip architectures change, the need for purer vacuums and the number of process steps under vacuum also increase. As the leading supplier to the original equipment manufacturers (OEMs), VAT achieved a record number of specification wins on these new platforms, forming a basis for future revenue growth. In 2020, R&D investments amounted to CHF 41 million, or 6% of net sales. At the same time, VAT continued its focus on internal measures by improving operational efficiency and reducing costs, resulting in a record EBITDA margin of 31.4%.

Recovery in semiconductors continued in 2020

Semiconductor manufacturers continued to develop technologically more advanced chips to meet the demands of digitalization in 2020. In addition, greater volumes of semiconductors are being built into a growing number of products. As a result, demand for the high-vacuum equipment needed to manufacture semiconductors also grew strongly. Overall, global wafer fab equipment (WFE) spend-

ing in 2020 reached a record level of close to USD 63 billion, some 18% more than in 2019.

VAT tapped these growth opportunities to increase its valve market share across all industries from 49% in 2019 to about 55% in 2020, more than 10 times the size of its nearest competitor. In the more technologically demanding semiconductor segment, VAT’s market share grew even higher, reaching 70% in 2020.

Business conditions in the displays segment remained challenging, mainly reflecting the pace of transition from liquid crystal display (LCD) to organic light-emitting diode (OLED) technology in large screen applications. Demand was also softer in the general vacuum and industry markets as the result of the economic impacts from the COVID-19 pandemic. The service business benefitted from its heavy exposure to the semiconductor market and continued to launch new service products for VAT’s large installed base of valves.

Strong revenue growth despite foreign exchange headwinds

Total order intake in 2020 amounted to CHF 725 million, up 24% from the previous year. The order backlog at year-end stood at CHF 145 million or 27% higher than at the end of 2019. Net sales in 2020 rose to CHF 692 million, an increase of 21% despite a negative foreign exchange impact of approximately 5 percentage points resulting mainly from the weakness during 2020 of the US dollar, in which VAT reports a significant share of sales, versus the Swiss franc, the currency of a large portion of VAT’s costs.

Net sales grew 25% in the Valves segment to CHF 550 million. Global Service sales rose 14% to CHF 127 million, while sales declined 17% in the Industry segment to CHF 15 million, mainly the result of discontinuing some activities in the company's Romania factory that were not related to VAT's core valves business.

Higher sales and operational improvements more than offset forex impact on EBITDA

Gross profit* increased 25% compared with 2019 to CHF 430 million. The gross profit margin improved slightly to 62% compared with 61% a year earlier.

Higher personnel costs in absolute terms reflect an increase in the number of employees (measured as full-time equivalents, FTEs) required to support volume growth in 2020. Personnel costs as a percentage of sales also increased versus 2019, as VAT continued to add technical expertise in R&D, product management and sales to support future growth. At the end of 2020, VAT employed 2,041 employees worldwide, an increase of 231, or 13%, compared with the end of 2019.

EBITDA for the year increased by 41% to CHF 217 million, reflecting both sales growth and operational improvements. As a result, the full-year EBITDA margin improved from 27% in 2019 to a record 31.4%, despite a negative effect of about 1.1 percentage points due to the foreign exchange headwind caused by the weak US dollar against the Swiss franc.

VAT's EBIT amounted to CHF 176 million, an increase of CHF 69 million, or 64%, compared with the year before. This included the positive impact of lower depreciation charges. Compared with 2019, the EBIT margin increased by almost 7 percentage points to 26%.

Below the EBIT line, VAT incurred substantially higher financing costs of CHF 16 million, up nearly 80% compared to CHF 9 million a year earlier. This is mainly the consequence of higher 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

692.4

2019 570.4

Earnings before taxes (EBT) increased to CHF 161 million from CHF 99 million. The effective tax rate for 2020 was 17%, down from the 24% recorded in 2019 when the timing of new tax regulations in Switzerland temporarily distorted the tax charge. 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 increased in 2020, amounting to CHF 133 million, an improvement of 78% compared with 2019.

On December 31, 2020, VAT's net debt amounted to CHF 128 million, representing a leverage ratio expressed as net debt to EBITDA of 0.6 times. The average leverage over the course of 2020 was around 1.0 times net debt to EBITDA. The equity ratio at year-end amounted to 55%.

Record free cash flow and positive outlook support increased dividend proposal

One of VAT's key performance indicators and the basis for any dividend consideration is free cash flow, which in 2020 again increased compared with the previous year to a record CHF 147 million from

CHF 140 million. This was achieved despite higher inventory levels and capital expenditures (capex) compared with a year earlier. Capex in 2020 amounted to CHF 26 million, up 44% over 2019, equivalent to 4% of net sales and in line with the company's guidance of 4–5% of sales over the cycle.

At year-end 2020, net trade working capital was approximately 34% higher than the same time in 2019, representing approximately 24% of net sales. While this was above VAT's long-term target of 20%, it reflects the company's growth expectations for 2021.

As a result, free cash flow as a percentage of net sales was 21% and the free cash flow conversion rate was 68% of EBITDA.

At its Annual General Meeting on May 18, 2021, VAT's Board of Directors will propose a dividend for the fiscal year ending December 31, 2020, of CHF 4.50 per share, an increase of CHF 0.50 or 12.5%. Half of this amount will be paid out of the reserves from capital contributions and the other 50% from accumulated gains. The proposal amounts to a total dividend amount of CHF 135 million, or 94% of VAT's free cash flow to equity.

Record number of spec wins

> 100

Favorable demand and market share gains expected in 2021

Despite the persisting uncertainties surrounding the COVID-19 pandemic, the medium-term growth drivers for VAT – mainly in the semiconductor industry, VAT's largest end market – remain firmly in place. Megatrends such as the Internet of Things, cloud computing and artificial intelligence have been boosted by pandemic-related developments, such as the shift to home office and the increase in online commerce.

Technology advances in logic and memory chips will drive further growth. As node sizes shrink and chip architectures change, the need for purer vacuums and the number of process steps under vacuum also increase. Vacuum-based production processes are also critical in the displays and solar photovoltaic (PV) markets and continue to gain importance in other industries.

For 2021, VAT expects growth to continue, driven mainly by the semiconductor- and service-related businesses. Market analysts estimate that investments in wafer fab equipment in 2021 could increase 10–15% compared with the record level of 2020. This plays to VAT's technology advantages and is expected to drive further market share gains.

In displays, investments in OLED screens are expected to remain muted. Declining investments in LCD displays are forecast to continue, leading to a generally softer market in 2021. In solar PV, the move to higher-efficiency cell designs is expected to lead to higher vacuum equipment investments. Forecasts for general vacuum growth in industrial markets are more positive in anticipation of economic recovery following the COVID-19 pandemic.

On this basis, VAT expects net sales at constant foreign exchange rates in 2021 to be higher compared with 2020. 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 and development and productivity improvements will therefore remain at the heart of VAT's strategy in 2021.

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. This higher EBITDA expectation includes the headwind from adverse foreign exchange developments, especially the weakness of the US dollar versus the Swiss franc. Because of expected higher sales, EBITDA, and EBITDA margin, VAT also expects 2021 net income to increase compared with 2020.

The stronger operational performance is also expected to drive higher free cash flow in 2021, despite a planned increase in capital expenditure to approximately CHF 40 million.

Valves

Demand in 2020 was stronger than the previous year, mainly reflecting the continuation of the cyclical recovery in the semiconductor sector.

The demand impact of the global COVID-19 pandemic on the Valves segment was mixed: while the sharp slowdown in many economies created significant uncertainty and softer demand in the display, photovoltaic and industrial end markets, the pandemic also acted to accelerate some trends that are positive for semiconductor demand, such as the shift to home office and remote working as well as increased online commerce.

Semiconductor market remains positive

The Semiconductor business unit, VAT's largest, reported new records in orders and net sales in 2020. Net sales increased by over 45% year on year, driven mainly by the foundry and logic segments, but also supported by sound growth in memory. The expansion of chip manufacturing capacity in South Korea as well as new capital investments in China to build local semiconductor manufacturing capabilities also drove higher sales.

In addition, increasing chip complexity requires purer vacuum environments and more process steps under vacuum. This is reflected in another strong year for specification wins in 2020 on new products needed to make the next generation of semiconductors. This allowed VAT to increase its global semiconductor valve market share to 70%.

The company also continued to qualify its latest valves for production at its plant in Penang, Malaysia, which now manufactures approximately 30% of VAT's product portfolio.

Cyclical low in Display business, Solar impacted by pandemic

Demand in the Display & Solar business unit in 2020 was softer than the year before, resulting in lower net sales. Equipment demand in this business is

currently at a cyclical low, reflecting medium-term capital investment trends. VAT could partly offset this development with higher sales of transfer valves used to manufacture large LCD TV screens.

The Solar business was significantly impacted by the COVID-19 pandemic, especially at the beginning of the year when China – where much of the business is focused – implemented strict measures to control the pandemic.

General Vacuum: stronger research orders

Demand in the General Vacuum business was driven by advanced, high-end vacuum applications. Overall, orders grew about 11% as demand in Asia and the US more than offset a decline in Europe resulting from the temporary shutdown of some customer facilities due to the COVID-19 pandemic.

Performance review 2020

Net sales in the Valves segment in 2020 amounted to CHF 550 million, 25% higher than the year before. Sales were higher in the Semiconductor business, reflecting the cyclical market recovery and market share gains, while sales declined in Display & Solar and General Vacuum. Segment EBITDA increased by 44% to CHF 197 million. The EBITDA margin was 32%, nearly 5 percentage points higher than in 2019, reflecting both higher volumes in the Semiconductor business as well as continued operational improvements and increasing demand for more technologically advanced products.

Market outlook 2021

For 2021, VAT expects its semiconductor-related markets to continue to grow across all segments – logic, foundry and memory. The market for VAT's Display & Solar business is forecast to soften, with the ongoing cyclical slowdown in displays expected to more than offset growth in solar. VAT also expects higher sales in its General Vacuum business in 2021, assuming an improvement in the pandemic situation in Europe during the latter part of the year.

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 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.

With more than one million serviceable VAT valves installed worldwide, the company's service business provides a key lever for strengthening customer relationships and is an important sales channel for VAT products. Furthermore, service is a business with stable profitability and cash flow through the cycle. In addition to normal servicing of valves that may need repair or refurbishment, VAT provides upgrades and retrofits for all the major vacuum equipment platforms in the industry, both deposition and etch systems.

VAT also operates the industry's largest global network of service and repair centers, located in eight countries, including six in Asia. VAT's Global Service segment also develops service products for specialized valve applications, such as its expanding portfolio of products for subfab systems used in pumping and abatement systems operating in harsh conditions below the fabrication floor. This includes a recently launched quick shut-off valve (QSV) which helps to prevent damage and yield loss in a chamber due to unexpected pump failures or sudden loss of power.

Performance review 2020

Net sales amounted to CHF 127 million in 2020, an increase of 14% compared with the year before. Growth was strongest in upgrades and retrofits, where the full deployment of new products launched in 2019 drove up sales in this business by more than 15% in 2020. This included sales of new transfer valve products used to achieve an immediate increase in yield in existing semiconductor fabs. Higher demand for subfab solutions in new semiconductor plants in China also supported growth. Sales growth in the service and repair business was driven in large part by the further rollout of the company's Fixed Price Repair/Refurbishment program, which provides global customers with simple and consistent servicing of their valves with factory-original parts across all of their fab locations.

The EBITDA margin remained at a healthy 42%. Investments in new products offset gains from higher volumes.

Market outlook 2021

VAT expects the market for its Global Service business to continue to grow in 2021. This reflects both the expected continued strength of the semiconductor sector as well as higher sales from new service products launched in 2020 and the expansion of the upgrade and retrofit portfolio into control valve applications. Capital investments into new chip manufacturing plants is expected to remain high in 2021, which is also expected to drive demand for subfab valve solutions.

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.

After the transfer of the bellows business into the Valves segment in 2019, VAT continued to reposition its Industry segment by phasing out certain activities at its factory in Romania that were not related to its core vacuum valve business.

Performance review 2020

Orders and net sales in the Industry segment declined by 7% and 17% respectively, amounting to about CHF 15 million each. This decline mainly reflects the exit from non-valve-related activities in VAT's operations in Romania. Demand in the automotive sector in 2020 was severely impacted by production cutbacks caused by the COVID-19 pandemic, especially in Europe. VAT's exposure to the Asian market, however, along with its success in maintaining production and product deliveries through the pandemic allowed it to mitigate most of this impact.

Segment EBITDA increased by 42% as a result of further automation of production, including benefits realized from the fully automatic laser-welding robots installed in 2019.

Market outlook 2021

For 2021, VAT expects demand from the automotive market to remain steady, while ongoing operational and productivity improvements are expected to support profitability.

Starting Q1 2021, VAT will integrate the activities of the Industry segment into the General Vacuum business unit and report it within the Valves segment.

Consolidated financial statements for the financial year from January 1 to December 31, 2020

Consolidated income statement

January 1–December 31 In CHF thousand	Note	2020	2019
Net sales	2.1,2.2	692,427	570,376
Raw materials and consumables used		-282,486	-211,890
Changes in inventories of finished goods and work in progress		20,195	-13,050
Personnel expenses	4.1	-175,732	-141,989
Other income	2.3	17,348	9,252
Other expenses	2.4	-54,586	-58,691
Earnings before interest, taxes, depreciation and amortization (EBITDA)¹		217,167	154,008
Depreciation and amortization		-40,897	-46,272
Earnings before interest and taxes (EBIT)¹		176,270	107,736
Finance income	5.1	124	108
Finance costs	5.1	-15,708	-8,840
Earnings before income taxes		160,686	99,004
Income tax expenses	6.1	-27,225	-24,179
Net income attributable to owners of the Company		133,461	74,825
Earnings per share (in CHF)			
Basic earnings per share	5.4	4.45	2.50
Diluted earnings per share	5.4	4.45	2.49

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

Consolidated statement of comprehensive income

January 1–December 31 In CHF thousand	Note	2020	2019
Net income attributable to owners of the Company		133,461	74,825
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	4.3	19,814	86
Related tax	6.1	-2,873	-12
Subtotal		16,941	74
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		1,715	4,356
Related tax	6.1	-264	-626
Currency translation adjustments		-731	-136
Subtotal		720	3,594
Other comprehensive income for the period (net of tax)		17,661	3,668
Total comprehensive income for the period attributable to owners of the Company		151,122	78,493

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 80 ff.

Consolidated balance sheet

As of December 31 In CHF thousand	Note	2020	2019
Assets			
Cash and cash equivalents		137,871	109,822
Trade and other receivables	3.1	94,679	97,409
Other investments, including derivatives		6,871	3,184
Prepayments and accrued income		1,773	4,417
Inventories	3.2	104,749	84,231
Current tax assets		233	747
Current assets		346,176	299,809
Property, plant and equipment	3.3	146,468	162,125
Investment properties		1,773	1,823
Intangible assets and goodwill	3.4	498,600	498,564
Trade and other receivables	3.1	1,825	2,631
Other investments		846	831
Deferred tax assets	6.1	5,930	6,893
Non-current assets		655,442	672,866
Total assets		1,001,619	972,675

As of December 31 In CHF thousand	Note	2020	2019
Liabilities			
Trade and other payables	3.5	48,981	66,387
Loans and borrowings	5.3	61,522	50,221
Provisions	3.7	2,615	2,242
Derivative financial instruments		26	53
Accrued expenses and deferred income	3.6	32,105	20,158
Current tax liabilities		22,793	17,747
Current liabilities		168,042	156,809
Loans and borrowings	5.3	204,817	203,867
Other non-current liabilities		265	377
Deferred tax liabilities	6.1	47,591	45,934
Defined benefit obligations	4.3	25,552	42,252
Non-current liabilities		278,225	292,430
Total liabilities		446,266	449,239
Equity			
Share capital	5.4	3,000	3,000
Share premium	5.4	73,969	133,950
Reserves		6,598	5,878
Treasury shares	5.4	-414	-571
Retained earnings ¹		472,199	381,179
Total equity attributable to owners of the Company		555,352	523,436
Total liabilities and equity		1,001,619	972,675

¹ 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 80 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 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

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of 01.01.2020	3,000	133,950	2,663	3,215	-571	381,179	523,436
Net income attributable to owners of the Company						133,461	133,461
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 as of 31.12.2020	3,000	73,969	4,114	2,485	-414	472,199	555,352

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 80 ff.

Consolidated statement of cash flows

January 1–December 31 In CHF thousand	Note	2020	2019
Net income attributable to owners of the Company		133,461	74,825
Adjustments for:			
Depreciation and amortization		40,897	46,272
(Profit)/loss from disposal of property, plant and equipment		12	-17
Change in defined benefit liability		3,091	2,552
Net impact from foreign exchange		-350	763
Income tax expenses	6.1	27,225	24,179
Net finance costs	5.1	15,584	8,732
Other non-cash-effective adjustments		111	328
Change in trade and other receivables		-596	-8,403
Change in prepayments and accrued income		2,475	-1,330
Change in inventories		-23,540	18,260
Change in trade and other payables		-16,339	21,752
Change in accrued expenses and deferred income		12,293	-880
Change in provisions		377	-243
Cash generated from operations		194,701	186,791
Income taxes paid		-21,892	-29,052
Cash flow from operating activities		172,809	157,739
Purchases of property, plant and equipment	3.3	-7,811	-6,645
Proceeds from sale of property, plant and equipment		68	186
Purchases of intangible assets	3.4	-18,132	-11,497
Interest received		108	101
Cash flow from investing activities		-25,767	-17,857
Proceeds from borrowings	5.3	120,000	110,000
Repayments of borrowings	5.3	-109,094	-90,000
Repayments of lease liabilities	5.3	-2,636	-2,692
Purchase of own shares		-55	0
Dividend paid	5.4	-119,961	-119,941
Interest paid		-3,998	-4,502
Other finance expenses paid		-1,182	-951
Cash flow from financing activities		-116,925	-108,086
Net increase/(decrease) in cash and cash equivalents		30,117	31,796
Cash and cash equivalents at beginning of period		109,822	79,063
Effect of movements in exchange rates on cash held		-2,068	-1,036
Cash and cash equivalents at end of period		137,871	109,822

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 80 ff.

Statutory financial statements VAT Group AG for the financial year from January 1 to December 31, 2020

Income statement

January 1–December 31 In CHF thousand	Note	2020	2019
Dividend income		160,000	179,800
Interest income		1,915	2,299
Other financial income	3.1	627	573
Total income		162,541	182,672
Interest expenses		-3,934	-4,355
Other financial expenses		-1,720	-1,456
Personnel expenses		-902	-995
Other operating expenses	3.2	-1,449	-1,454
Total expenses		-8,005	-8,259
Direct tax		-127	-140
Gain for the period		154,409	174,274

Balance sheet

As of December 31 In CHF thousand	Note	2020	2019
Assets			
Cash and cash equivalents		190	306
Other receivables due from third parties		42	81
Prepayments and accrued income		722	687
Current assets		954	1,074
Financial assets	3.4	1,018	1,650
Loans granted to companies in which the entity holds an investment		161,306	115,153
Investments in subsidiaries	3.3	502,850	502,850
Non-current assets		665,174	619,653
Total assets		666,128	620,727
Liabilities			
Short-term interest-bearing liabilities due to third parties	3.4	60,000	49,188
Other payables	3.5	383	616
Short-term provisions		150	140
Accrued expenses and deferred income	3.6	3,187	2,980
Current liabilities		63,720	52,923
Long-term interest-bearing liabilities	3.4	200,000	200,000
Non-current liabilities		200,000	200,000
Total liabilities		263,720	252,923
Equity			
Share capital	3.7	3,000	3,000
Legal capital reserves:			
– Reserves from capital contributions		75,333	135,313
– Other capital reserves		3,682	3,682
Accumulated gains:			
– Profit/loss brought forward		166,398	52,105
– Gain for the period		154,409	174,274
Treasury shares	3.8	–414	–571
Total equity attributable to owners of the Company		402,408	367,804
Total liabilities and equity		666,128	620,727

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	2020
Balance brought forward	166,398
Gain for the period	154,409
Total accumulated gains	320,808

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

In CHF thousand	2020
Dividend payment	-67,500
Total accumulated gains to be carried forward	253,308

Appropriation of reserves from capital contributions

In CHF thousand	2020
Reserves from capital contributions as of 31.12.2020	75,333
Dividend payment out of reserves from capital contributions	-67,500
Reserves from capital contributions carried forward	7,833

The Board of Directors proposes to the General Meeting to pay a dividend of CHF 135 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 15, 2021	Q1 2021 trading update
Friday, May 7, 2021	Closing of share register, 5.00 pm CEST
Tuesday, May 18, 2021	Annual General Meeting
Thursday, May 20, 2021	Ex-date
Tuesday, May 25, 2021	Dividend payment
Thursday, August 5, 2021	Half-year 2021 results
Friday, October 15, 2021	Q3 2021 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).

For further information please contact:

VAT Group AG
Seelistrasse 1
9469 Haag
T +41 81 771 61 61
www.vatvalve.com

Corporate Communications & Investor Relations
Michel R. Gerber
T +41 81 772 42 55
investors@vat.ch

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 2021:

VAT expects the Internet of Things, cloud computing and other digitalization megatrends to continue to drive mid-term growth. These have been boosted by pandemic-related trends, such as increased home office and online commerce.

For 2021, the company expects net sales*, EBITDA, EBITDA margin, net income and free cash flow to grow compared with 2020.

* At constant foreign exchange rates