

Dear Shareholders,

VAT's undisputed leadership in high-end vacuum valves makes it one of the most attractive players in the rapidly-developing markets that underpin the global digital revolution: the Internet of Things, cloud computing, smart personal devices, e-mobility and many other applications. VAT delivers the mission-critical vacuum valves needed to manufacture the semiconductors, displays and other technologies that are driving these megatrends. After several years of record-breaking market growth, demand slowed in the second half of 2018 as customers in parts of the semiconductor industry took a pause to digest the rapid capacity expansion of recent years. Global trade tensions, especially between the US and China, added further uncertainty to the market.

Nevertheless, VAT once again delivered a positive result in this dynamic, fast-changing market. We increased our Number One market share even further, which helped mitigate the slower market growth and allowed us to report another year of record net sales. Our profitability, as measured by our EBITDA margin, remained steady, as we forecast at the six-month mark last year. We increased our free cash flow generation despite ongoing investments in our facility in Malaysia. All of these factors allow us, in line with our commitment to sustainable value creation, to propose another attractive dividend of CHF 4.00 per share.

In my first letter as Chairman last year, I highlighted the quality of our people, a significant competitive advantage for VAT. Our 2018 performance is another tribute to their commitment to our goals of delivering the highest levels of customer satisfaction, driving technology innovation and creating a fast and flexible global organization. This included further significant improvements in the way we run the business, from order processing to product innovation, as well as the implementation of a temporary short-time work program by our production employees in Switzerland towards the end of the year. On

behalf of the Board of Directors, I would like to thank all of our 1,700 employees for their extraordinary efforts.

Also, Mike Allison completed his first year as our CEO in 2018, successfully working with the senior management team, and with the active support of the Board of Directors, to take the right steps to improve our competitive position in this fast-changing business environment. He is being joined this year by a new CFO, Stephan Bergamin, whose broad experience in a variety of industries and expertise in the areas of cost management and business development will make him a key contributor to our future success.

Our Board of Directors welcomed two new members in 2018: VAT's former CEO Heinz Kundert, whose decades of experience in the semiconductor industry has proven critical to the company's history of profitable growth, and Libo Zhang, former CFO of the Borgward Group, who brings us both financial expertise and a deep knowledge of the Asia market, which will play a key role in our future success.

Looking ahead, we will continue to build on our competitive strengths: focusing on our core business of mission-critical high-end vacuum valves; building our technology leadership and long-term, trusted partnerships with customers; expanding our leading market position; tapping the diversity of growth drivers provided by megatrends like digitalization; developing our highly skilled workforce; and strengthening our best-in-class financial profile as a foundation for future growth.

In concrete terms, this means we will continue to invest in technology innovation, the life blood of our business. We aim to further increase our market share, for example, by broadening our service offerings to speed up service delivery and minimize downtime for our customers. We will invest more to grow our general vacuum business, where we can

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DR. MARTIN KOMISCHKE
CHAIRMAN OF THE BOARD OF DIRECTORS

tap our proven expertise in high-end vacuum applications for the semiconductor and display industries to develop vacuum solutions and capture a greater share of wallet among pharmaceutical, industrial coatings, automotive and other industrial customers.

We intend to continue developing specific high-value applications to augment our valve technologies, such as precision actuating systems to move components through the high-vacuum manufacturing process. And, critically important, we will keep driving our efforts to build a stronger, faster and more nimble global organization across the entire value chain, with the goal of delivering total customer satisfaction.

Heading into 2019, I am confident that we will successfully navigate the current market uncertainty. We are in the best position to capture the opportunities for growth and value creation when demand recovers. We are the clear Number One in our mar-

ket with the best technologies and strongest customer relationships. The digitalization trends that make this market so attractive will remain in place for years to come, and they can only be realized with the precision and purity of high-vacuum manufacturing environments.

We have an extraordinary team of committed employees and are well on our way to creating the strong, flexible global organization needed to secure our long-term competitive success. That gives us great confidence in our ability to continue our track record of value creation, and I look forward to a successful future together with all of our stakeholders.

Sincerely,

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

Martin Komischke