SUMMARY REPORT 2018:

Continued technology innovation extended VAT's market share lead in 2018 and will drive sustainable future growth, profitability and free cash flow generation.

VAT is the world's leading producer of high-vacuum solutions for the near particle-free manufacturing of semiconductors, displays and other devices underlying global digitalization. In 2018, the company combined its deep customer relationships – based on continuous technology innovation – with a flexible global organization to expand its Number One market position. VAT also maintained high profitability and free cash flow generation in line with its financial goals even as demand softened in some semiconductor markets during the second half. Long-term growth drivers, such as the Internet of Things, cloud computing and artificial intelligence, remain highly positive, and VAT is best positioned to tap the significant growth opportunities that lie ahead.

PASSION. PRECISION. PURITY.

Key figures

In CHF million	2018	2017	Change
Order intake	648.0	736.2	–12.0%
Order backlog as of December 31	113.6	165.6	–31.4%
Net sales	698.1	692.4	+0.8%
Gross profit	419.5	431.9	–2.9%
Gross profit margin	60.1%	62.4%	
EBITDA	215.2	212.2	+1.4%
EBITDA margin	30.8%	30.6%	
Adjusted EBITDA[1]	–	215.1	
Adjusted EBITDA margin	–	31.1%	
EBIT	179.7	178.7	+0.5%
EBIT margin	25.7%	25.8%	
Net income	135.7	115.7	+17.3%
Net income margin	19.4%	16.7%	
Basic earnings per share (in CHF)	4.53	3.86	+17.2%
Diluted earnings per share (in CHF)	4.52	3.86	+17.2%
Cash flow from operating activities	171.7	155.6	+10.4%
Capex[2]	48.0	47.6	+0.8%
Capex margin	6.9%	6.9%	
Free cash flow[3]	123.9	108.5	+14.2%
Free cash flow margin	17.7%	15.7%	
Free cash flow conversion rate[4]	57.5%	51.1%	
Free cash flow to equity[5]	119.6	104.4	+14.5%

As of December 31 In CHF million	2018	2017	
Total assets	968.2	991.1	–2.3%
Total liabilities	404.0	433.1	–6.7%
Equity	564.2	558.0	+1.1%
Net debt	147.6	143.7	+2.7%
Net debt/EBITDA	0.7	0.7	0.0%
Invested capital[6]	358.3	327.0	+9.6%
NOPAT[7]	155.2	159.6	–2.8%
Return on invested capital (ROIC)	43.3%	48.8%	
Dividend per share[8]	4.00	4.00	–
Payout ratio[9]	100.4%	115.0%	
Number of employees	1,712	1,946	–234

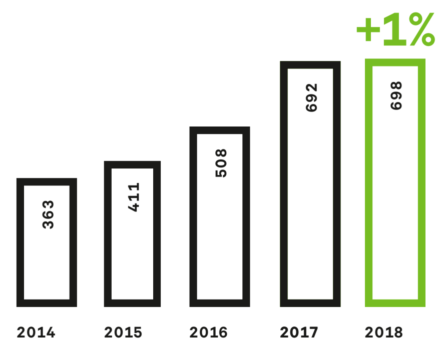
1 Adjusted EBITDA in 2017 excludes one-off items.
2 Capex comprises purchases of property, plant and equipment, and intangible assets and proceeds from sale of property, plant and equipment.
3 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
4 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
5 Free cash flow to equity is calculated as cash flow from operating activities less cash flow from investing activities less interest paid and the current portion of loan and borrowings due at the end of the period.
6 Invested capital is defined as total assets (excluding current income tax receivables, goodwill, acquired technology & customer relationships, brands & trademarks and deferred income taxes) less current liabilities (excluding loans & borrowings and current income tax liabilities) less non-current liabilities (excluding loans & borrowings and deferred income tax liabilities).
7 Net operating profit less adjusted taxes (NOPAT) is calculated as EBITDA minus depreciation and amortization (excluding amortization of acquired technology and customer relationships) plus finance income (including net foreign exchange gains/losses from financing activity and excluding other finance income) less taxes at the average Group rate of 17.6% (previous year 18.0%).
8 Proposal of the VAT Board of Directors to its shareholders at the AGM on May 16, 2019
9 Percentage of free cash flow to equity proposed to be paid out as dividend

Net sales
in CHF million

698.1

2017 **692.4**

Net sales development
in CHF million



EBITDA
in CHF million

215.2

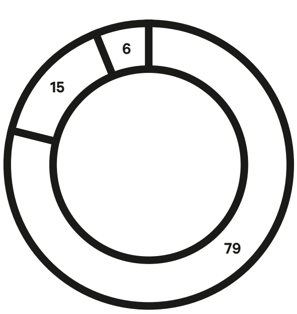
2017 **215.1** adjusted

EBITDA margin
in %

30.8

2017 **31.1** adjusted

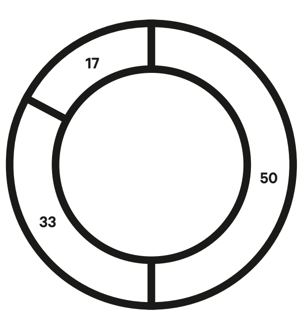
Net sales by segment
in %



79 VALVES
15 GLOBAL SERVICE
6 INDUSTRY

2017
80 VALVES
14 GLOBAL SERVICE
6 INDUSTRY

Net sales by region
in %



50 ASIA
33 AMERICAS
17 EMEA

2017
51 ASIA
33 AMERICAS
16 EMEA

Free cash flow
in CHF million

123.9

2017 **108.5**

Dividend per share*
in CHF

4.00

2017 **4.00**

* Proposal of the VAT Board of Directors to its shareholders at the AGM on May 16, 2019

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

“We are well on our way to creating the strong, flexible global organization needed to secure our long-term competitive success.”

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 market 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,

Martin Komischke

VAT reports stable full-year 2018 results thanks to flexible business model

VAT Group reported stable results in 2018 despite a softening business environment in the second half of the year. Net sales grew significantly in the first six months, reflecting the strong market demand and customer capacity increases. Orders and sales moderated in the second half as some customers, mainly in the semiconductor-related business, postponed further capacity expansion plans. Nevertheless, VAT could build on its leading technology and market position to expand market share from 46% to 49% and report slightly higher revenues, leading to another record for net sales. At the same time, the company's ability to quickly adjust capacity across its global footprint also allowed it to maintain profitability at the same level as 2017.

Mixed market conditions in 2018 after two years of record growth

VAT's markets showed a mixed picture in 2018, with steady to higher demand in some sectors but a marked second-half slowdown in semiconductors, the company's largest end market. The semiconductor space has been characterized in recent years by intense capital spending to build new production capacity, especially for memory chips used to store data. This contributed to very strong sales growth for VAT in 2016 and 2017, increases of 24% and 36%, respectively, as well as an 18% rise in net sales in the first half of 2018. This new capacity, however, together with higher production yields in existing manufacturing facilities, led to a slight oversupply in the second half of the year. In response, semiconductor manufacturers postponed a number of capex initiatives, resulting in lower orders for new vacuum equipment.

At the same time, demand remained strong in other parts of VAT's end markets, such as logic chips used for data processing, and solar photovoltaic equipment. Technology innovations made during the last two to three years that resulted in specification wins – when customers choose VAT valve designs for their future projects – began to generate revenues in 2018. In addition, VAT continued to successfully build its general vacuum and service businesses. All of these factors allowed the company to again increase its market share and offset the second-half demand slowdown to generate slightly higher net sales for the full year.

Higher revenues in two out of three segments

Total order intake in 2018 amounted to CHF 648 million, down 12% from the previous year. The order backlog at year-end stood at CHF 114 million, a decrease of 31% compared to the end of 2017. The lower backlog reflects not only a decrease in orders but also improved customer delivery times. Net sales grew slightly, up 1% compared with 2017, to reach CHF 698 million, a new record. Currency movements had no material impact on the change in net sales.

Two out of three business segments contributed to the growth in net sales. Global Service reported a 7% year-on-year increase in net sales to CHF 106 million as a result of the successful execution of a focused service strategy. Net sales in the Industry segment rose 5% to CHF 41 million, driven by edge-welded bellows used in the semiconductor market as well as higher revenues in mechanical components and assemblies manufacturing.

Net sales in the Valves segment were impacted by lower demand in the second half of 2018 and ended the year marginally below the 2017 level at CHF 551 million.

EBITDA profitability maintained on rapid implementation of cost adjustments

Gross profit, measured as net sales minus cost of materials plus (minus) changes in inventories of finished goods and work in progress declined 3% compared with 2017 to CHF 420 million, mainly reflecting changes in inventories. As a result, the gross margin declined by about two percentage points to 60%.

Personnel expenses reflect adjustments to the slower demand in the second half of 2018, including a reduction in the number of temporary employees and a short-time work program initiated during the fourth quarter for about 400 production employees in Haag, Switzerland. At the end of 2018, VAT employed 1,712 people worldwide, a decrease of 234, or 12%, compared with the end of 2017.

EBITDA for the year improved by 1% to CHF 215 million. For the purpose of comparison, when the 2017 result is adjusted for the impact of bonus costs associated with the company's Initial Public Offering, VAT's EBITDA remained unchanged (as of 2018, these costs are no longer being incurred and no adjustment has been made to the 2018 result).

The EBITDA margin also rose slightly, to 30.8% from 30.6%. Compared with the adjusted 2017 EBITDA margin of 31.1%, the 2018 EBITDA margin is slightly lower.

VAT's EBIT also grew marginally to CHF 180 million, leading to an EBIT margin of 25.7%, 0.1 percentage point lower than 2017.

Below the EBIT line, VAT incurred slightly higher finance costs. Adjusted for the 2017 non-cash costs of unwinding the financing structure set up by the former private equity owners, VAT's finance costs increased from minus CHF 6 million in 2017 to minus CHF 14 million in 2018. The main reason for this increase are negative Fx effects of CHF 7 million. Reported finance net for 2018 was minus CHF 14 million, compared to minus CHF 44 million in 2017.

As a result of the substantially lower reported finance net result, earnings before taxes (EBT) increased by 24% to CHF 167 million. Income tax expenses increased in 2018, resulting in an effective tax rate of 18.5%, within the Group's expected target range of between 18% to 20%.

Net sales
in CHF million

698.1

2017 **692.4**

As a result of the positive development of operating results, lower finance net and a slightly higher effective tax rate, VAT realized net income attributable to shareholders in 2018 of CHF 136 million, an increase of 17%.

On December 31, 2018, VAT's net debt amounted to CHF 148 million, representing a leverage ratio expressed as net debt to EBITDA of 0.7 times. The equity ratio at year-end amounted to 58.3%.

Strong free cash flow improvement driven by higher cash from operating activities

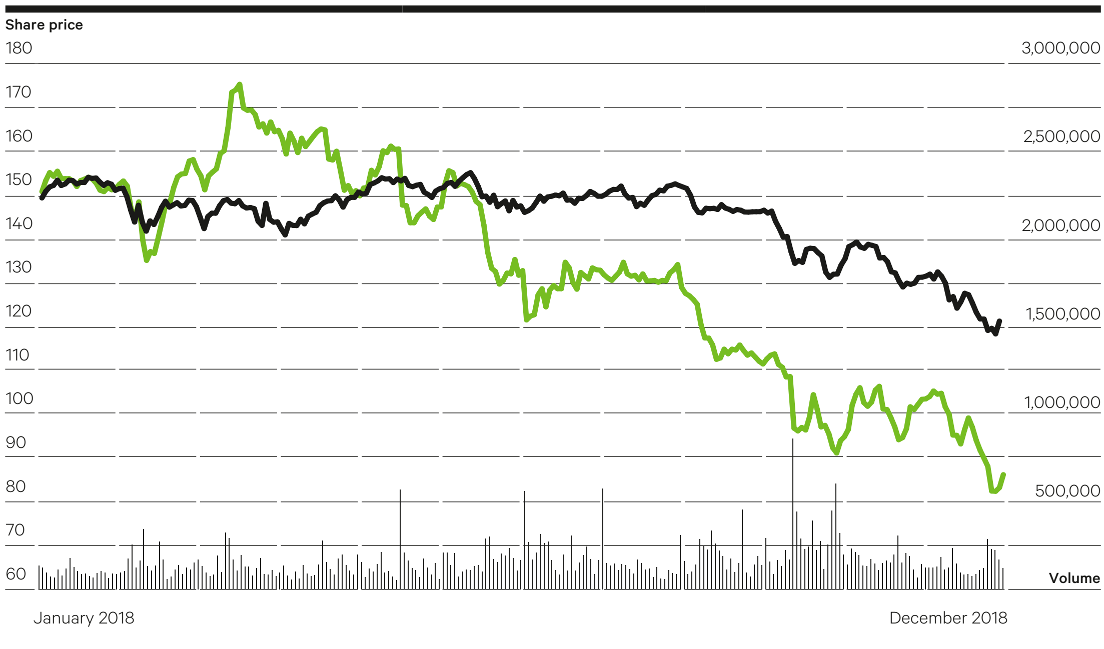
One of VAT's key performance indicators is free cash flow, which in 2018 amounted to CHF 124 million, an increase of 14% compared with the previous year. This is primarily the result of a 10% increase in cash flow from operating activities. Capital expenditures of CHF 48 million were essentially unchanged compared with 2017 and included the capacity expansion in Malaysia, which was concluded on schedule and on budget. Capital expenditures in 2018 represented 6.9% of Group net sales, the same level as in 2017.

Net trade working capital increased by approximately 13% compared with 2017 and now represents about 23% of net sales. VAT aims to reduce this closer to the target level of 20% of net sales in 2019.

As a result, the free cash flow margin as a percentage of net sales was 18% and the free cash flow conversion rate was 58% of EBITDA.

At its Annual General Meeting on May 16, 2019, VAT's Board of Directors is proposing a dividend for the fiscal year ending December 31, 2018, of CHF 4.00 per share to be paid out of reserves from capital contributions. That amounts to a total dividend amount of CHF 120 million, or 100% of VAT's free cash flow to equity. This is in line with the stated dividend policy of paying up to 100% of free cash flow to equity to shareholders and reflects the company's confidence in its cash generation capabilities based on expectations of future business development and an improvement in the free cash flow conversion rate.

Share price development



Fundamental mid-term growth drivers remain in place

VAT's medium-term growth drivers 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. This, in turn, is forecast to drive demand for VAT's high-performance vacuum components and related services, which are mission-critical in the precision manufacture of these digital devices. In addition, VAT forecasts a further expansion of vacuum-based production processes in a variety of industries.

For 2019, however, market visibility is very limited. The semiconductor and display sectors are still digesting the large increases in capital expenditures from 2016 to the middle of 2018. Independent market researchers, leading OEM manufacturers and VAT customers expect investments in these sectors to slow significantly in 2019, especially in the first half. On the other hand, forecasts are more positive for general vacuum growth in industrial markets and for service-related activities. Overall demand patterns for 2019 remain unclear.

On this basis, VAT expects net sales at constant foreign exchange rates in 2019 to be lower compared with 2018.

The company will continue to take advantage of its more flexible global organization and footprint to adjust costs in response to the changing market situation. This includes opportunities to realize gains from economies of scale in global supply chains as well as continued operational excellence measures across all of its business processes. At the same time, VAT is committed to building its long-term innovation and market leadership and intends to maintain investments in technology and productivity improvements in 2019.

The company expects its full-year EBITDA margin to be lower in 2019 versus the year before.

VAT maintains its mid-term EBITDA margin target of 33%, but its achievement by 2020 depends on the development of VAT's markets in 2019, underpinned by continuous improvements in the operating model, global footprint and product innovation.

As a consequence of the expected lower net sales and EBITDA margin levels, VAT also expects net income to be below the level of 2018.

Capital expenditures in 2019 are planned to be between CHF 30 and 35 million. Free cash flow in 2019 is expected to increase compared with the previous year, mainly as the result of improved net working capital management and lower capital expenditures.

Mid-term EBITDA margin target
in %

33

Valves

While growth continued in the first six months of 2018, it slowed substantially during the second half. This was driven by a decline in orders from the semiconductor sector which in recent years has seen intense capital spending to build new production capacity, especially for memory chips. This new capacity came on line in 2018, leading to short-term oversupply and the postponement of several capital investment projects.

The longer-term growth drivers for vacuum process manufacturing equipment remain firmly in place, driven by the increasing complexity of semiconductors and displays and the higher market penetration of devices that can handle more data faster and with less power consumption.

Semiconductors
The Semiconductor business unit was negatively impacted by the demand slowdown in the second half of 2018 and, despite sales generated by successful specification wins from the past two years, full-year net sales declined compared with the record level achieved in 2017.

Modules
The Modules business unit, which mainly serves semiconductor OEMs, was also impacted by the slowdown in the second half of 2018, and net sales declined for the full year. However, Modules continued its successful track record of collaborating early in its customers' product development efforts and recorded almost 20 specification wins in 2018.

Display & Solar
Driven primarily by buoyant demand in the solar sector in 2018, the Display & Solar business unit generated double-digit revenue growth for the third year in a row to achieve another record for net sales. Growth in the solar sector was particularly strong in China. In addition, new technologies aimed at increasing the power conversion rate of solar photovoltaic systems are driving demand for new vacuum processes and the associated vacuum valve solutions.

General Vacuum
The general vacuum business benefited from the generally positive world economy and scientific research environment in 2018 and reported a double-digit increase in net sales and a new record of 70,000 product deliveries. In the research sector, a record number of projects were running in 2018, including the use of particle accelerators and space simulation chambers for testing satellites that require the highest levels of vacuum purity. On the industrial side, stainless steel and aluminum valves benefited from continued high demand for customized valve solutions.

Performance review 2018 and market outlook
At CHF 551 million, net sales in the Valves segment were basically flat compared with 2017. Net sales in the Display & Solar and General Vacuum business units increased, but were lower in Semiconductors and Modules as a result of softening demand from the semiconductor sector in the second half of the year. Segment EBITDA rose by 2% to CHF 192 million, and the EBITDA margin climbed to 32%, driven by the growth of some higher-margin products in the Display & Solar business unit.

For 2019, VAT expects the overcapacity in some semiconductor-related markets to persist in the first half, which is likely to continue to negatively impact demand for vacuum valves. The company expects this to be partly mitigated by higher demand for general industrial vacuum solutions, while the outlook in the display and solar sectors is mixed.

Global Service

The Global Service segment set a new sales record in 2018 while maintaining high levels of profitability. Sales growth was supported by VAT's growing installed base of valves, and was augmented by the company's increasing focus on equipment retrofit programs and faster maintenance and repair times, which resulted in closer collaboration with the key OEMs in the industry.

Technology innovation by device manufacturers to continuously improve the performance of integrated circuits and displays is driving demand for ever-purer vacuum environments, which in turn drive the need for valve retrofits and upgrades in their existing plants in order to create purer vacuum environments. Additionally, these upgrades often provide the customer with higher productivity and improved maintenance life cycles, resulting in a rapid payback on their service investment. Since most upgrades target products that have been in the field over ten years, they typically involve multiple improvements. Such upgrades allow the customer to significantly extend the lifetime of their equipment, which helps them generate a higher return from their existing installed assets.

In addition to upgrades and retrofits of valves in the field, VAT continues to offer customers a global network of service and repair centers to maintain their valves at peak working condition. Operating in eight different countries, six of which are in Asia, VAT provides the largest network of valve repair facilities in the market. For example, VAT enhanced its spare parts supply capabilities in South Korea and China to provide better service to large display customers. Being close to customers is a key success factor in the service business and allows for rapid turnaround of maintenance and repair services.

VAT is also developing service products for additional segments of the market, such as subfab valve systems used for pumping and abatement systems operating in harsh conditions below the fabrication floor. These technologically demanding systems are key to protecting process chambers from such things as sudden pump failures. Developing targeted service programs and new service products such as these for VAT's industry-leading installed base remains a key to the company's longer-term growth strategy.

Performance review 2018 and market outlook
Net sales increased 7% in 2018 to reach CHF 106 million, surpassing the CHF 100-million mark for the first time. Growth was strongest in the service centers and in the subfab market where more customers invested in services to protect their critical processes. Segment EBITDA rose 4% to CHF 50 million. The EBITDA margin amounted to 46.9%, a slight decrease compared to 2017.

VAT expects the market for its Global Service business to remain strong in 2019 as the company continues to build its installed base of vacuum valves and expand its portfolio of upgrades and subfab service products.

Capacity utilization in the semiconductor industry is expected to remain high, leading customers to focus on improving yield and output. As a result, VAT expects the trend of valve upgrades and retrofits to continue in 2019 and beyond as a way for customers to significantly lower total cost of ownership of their existing assets.

Industry

The Industry segment serves various markets, including semiconductors, automotive, aerospace and medical products. The business manufactures high-precision edge-welded sealing devices. These thin-metal membranes are used in a range of both vacuum and non-vacuum industrial processes, to manufacture products from vacuum valves in semiconductor fabrication to aneroid capsules found in high-pressure fuel injection pumps to pressure storage equipment used in commercial aircraft hydraulic systems. VAT's industry products are also used in medical devices such as drug delivery systems implanted in the human body as well as in medical equipment, such as CT scanners. Another key application is in a wide variety of synchrotron particle accelerators around the world. The segment also manufactures a range of mechanical components and assemblies for the European machinery and construction industry.

After a very strong first half year, the demand for edge-welded bellows for vacuum applications slowed significantly, in line with the softening demand seen in the semiconductor and displays markets, where bellows are used for improved process contamination control. This was more than offset, however, by growth in other industrial markets, especially the automotive sector, where VAT won large orders for dampers used in advanced automotive fuel injection systems that improve fuel efficiency. This market is expected to continue to grow in the coming years.

The Industry segment continued to generate product innovations in 2018, with a focus on advanced bellows solutions that deliver higher sealing performance and greater corrosion resistance for use in a wide variety of industrial applications. The business also invested in upgraded automated production and testing capacity – including ultra-clean machining and welding – to better handle both high-volume orders for damper capsules as well as customized solutions.

Performance review 2018 and market outlook
Net sales in the Industry segment grew 5% compared with the year before, reaching CHF 41 million in 2018. Internal sales (not included in the net sales number) to the Valves segment declined 3% to CHF 22 million, reflecting the slowdown in the semiconductor equipment market in the second half of 2018.
The growth in third-party net sales was driven by various industries, led by automotive, and is the result of a focused strategy to increase the penetration of these markets.

Segment EBITDA declined 37% however, as the buildup of capacity in the first half of the year, including investments in new equipment to increase productivity, led to under-absorption in the second half of the year.

For 2019, VAT expects further demand growth across a variety of industrial markets. The automotive market is expected to remain strong, and there will continue to be growth opportunities in the aerospace and medical device segments. Growth in the semiconductor-related markets will depend on the timing of the demand recovery for products such as memory chips. VAT's Industry segment will continue to expand its product portfolio to tap growth opportunities in new industrial applications as well as to build its existing strong market positions.

Consolidated financial statements for the financial year from January 1 to December 31, 2018

Consolidated income statement

January 1–December 31 In CHF thousand	2018	2017
Net sales	**698,136**	**692,415**
Raw materials and consumables used	–257,350	–310,081
Changes in inventories of finished goods and work in progress	–21,248	49,537
Personnel expenses	–148,596	–156,917
Other income	8,588	5,244
Other expenses	–64,291	–67,987
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]	**215,239**	**212,211**
Depreciation and amortization	–35,558	–33,466
Earnings before interest and taxes (EBIT)[1]	**179,682**	**178,745**
Finance income	390	481
Finance costs	–13,580	–44,548
Earnings before income taxes	**166,491**	**134,678**
Income tax expenses	–30,804	–19,001
Net income attributable to owners of the Company	**135,687**	**115,677**
Earnings per share (in CHF)		
Basic earnings per share	4.53	3.86
Diluted earnings per share	4.52	3.86

1 Interest includes other items reported in the financial results.

Consolidated statement of comprehensive income

January 1–December 31 In CHF thousand	2018	2017
Net income attributable to owners of the Company	135,687	115,677
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit obligations	–12,273	1,917
Related tax	1,878	–721
Subtotal	**–10,395**	**1,196**
Items that are or may be subsequently reclassified to profit or loss:		
Changes in the fair value of hedging reserves	–283	3,377
Related tax	43	–608
Currency translation adjustments	426	46,036
Subtotal	**186**	**48,805**
Other comprehensive income for the period (net of tax)	**–10,209**	**50,001**
Total comprehensive income for the period attributable to owners of the Company	**125,478**	**165,677**

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 82ff.

Consolidated balance sheet

As of December 31 In CHF thousand	2018	2017
Assets		
Cash and cash equivalents	79,063	72,021
Trade and other receivables	94,778	122,590
Derivative financial instruments	280	1,150
Prepayments and accrued income	3,127	2,717
Financial assets at fair value through profit and loss	34	36
Inventories	104,158	110,744
Current tax assets	4	491
Current assets	**281,442**	**309,749**
Property, plant and equipment	170,524	147,751
Investment properties	1,873	1,923
Intangible assets and goodwill	505,614	517,213
Trade and other receivables	1,965	6,086
Derivative financial instruments	23	0
Deferred tax assets	6,746	8,411
Non-current assets	**686,745**	**681,384**
Total assets	**968,187**	**991,133**

As of December 31 In CHF thousand	2018	2017
Liabilities		
Trade and other payables	44,568	92,820
Loans and borrowings	27,608	55,764
Provisions	2,577	1,802
Derivative financial instruments	1,539	1,836
Accrued expenses and deferred income	20,739	21,366
Liabilities from government grants	453	471
Current tax liabilities	24,094	24,371
Current liabilities	**121,579**	**198,430**
Loans and borrowings	199,078	160,000
Derivative financial instruments	23	291
Liabilities from government grants	545	1,034
Other non-current liabilities	199	201
Deferred tax liabilities	42,829	45,845
Defined benefit obligations	39,763	27,325
Non-current liabilities	**282,438**	**234,696**
Total liabilities	**404,017**	**433,126**
Equity		
Share capital	3,000	3,000
Share premium	253,891	373,823
Reserves	–21,300	–11,090
Treasury shares	–687	–790
Retained earnings	329,266	193,064
Total equity attributable to owners of the Company	**564,170**	**558,007**
Total liabilities and equity	**968,187**	**991,133**

The above consolidated balance sheet should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 82ff.

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Remeasure-ments of DBO[1]	Other reserves	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of 01.01.2017	**3,000**	**493,745**	**–16,839**	**2,455**	**–3,595**	**–43,111**	**–4,950**	**79,943**	**510,649**
Net income attributable to owners of the Company								115,677	115,677
Total comprehensive income for the period attributable to owners of the Company			1,196		2,769	46,036			50,001
Dividend payment		–119,923							–119,923
Share-based payments (net of tax)							4,160	–2,556	1,604
Equity as of 31.12.2017	**3,000**	**373,823**	**–15,643**	**2,455**	**–826**	**2,925**	**–790**	**193,064**	**558,007**
VAT Group AG Equity as of 01.01.2018	**3,000**	**373,823**	**–15,643**	**2,455**	**–826**	**2,925**	**–790**	**193,064**	**558,007**
Adjustment on initial application of IFRS 9 (net of tax)[2]								–31	–31
Restated equity as of 01.01.2018								**193,033**	**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			–10,395		–241	426			–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**	**–26,038**	**2,455**	**–1,067**	**3,351**	**–687**	**329,266**	**564,170**

1 DBO: Defined benefit obligations
2 The Group has initially applied IFRS 9 at 01.01.2018 (see also note 3). Under the transition methods chosen, comparative information is not restated.

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 82ff.

Consolidated statement of cash flows

January 1–December 31 In CHF thousand	2018	2017
Net income attributable to owners of the Company	**135,687**	**115,677**
Adjustments for:		
Depreciation and amortization	35,558	33,466
(Profit)/loss from disposal of property, plant and equipment	166	168
Change in defined benefit liability	–5	807
Net impact from foreign exchange	–4,410	–3,143
Income tax expenses	30,804	19,001
Net finance costs	13,190	44,067
Other non-cash-effective adjustments	197	1,138
Change in trade and other receivables	32,459	–24,033
Change in prepayments and accrued income	–446	–1,992
Change in inventories	6,294	–53,200
Change in trade and other payables	–47,198	41,096
Change in accrued expenses and deferred income	–550	3,337
Change in provisions	779	546
Cash generated from operations	202,524	176,934
Income taxes paid	–30,813	–21,342
Cash flow from operating activities	**171,711**	**155,593**
Purchases of property, plant and equipment	–41,953	–43,774
Proceeds from sale of property, plant and equipment	230	144
Purchases of intangible assets	–6,245	–3,804
Loans granted or repaid	0	214
Interest received	122	78
Other finance income received	0	4
Cash flow from investing activities	**–47,845**	**–47,137**
Proceeds from borrowings[1]	223,936	115,000
Repayments of borrowings	–214,678	–89,847
Dividend paid	–119,932	–119,923
Interest paid	–4,308	–4,083
Other finance expenses paid	–1,423	–694
Cash flow from financing activities	**–116,406**	**–99,547**
Net increase/(decrease) in cash and cash equivalents	**7,460**	**8,909**
Cash and cash equivalents at beginning of period	72,021	62,642
Effect of movements in exchange rates on cash held	–418	469
Cash and cash equivalents at end of period	**79,063**	**72,021**

1 Includes financing costs in the amount of CHF 1.1 million (prior year: CHF 0.0 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 82ff.

Statutory financial statements VAT Group AG for the financial year from January 1 to December 31, 2018

Balance sheet

As of December 31 **In CHF thousand**	**2018**	**2017**
Assets		
Cash and cash equivalents	439	212
Other receivables	55	4,443
Prepayments and accrued income	707	541
Current assets	**1,201**	**5,196**
Financial assets	2,282	1,274
Loans granted to companies in which the entity holds an investment	39,950	97,604
Investments in subsidiaries	502,850	502,850
Non-current assets	**545,082**	**601,728**
Total assets	**546,284**	**606,924**
Liabilities		
Short-term interest-bearing liabilities due to third parties	29,600	55,764
Other payables	477	54
Accrued expenses and deferred income	2,852	1,970
Current liabilities	**32,929**	**57,788**
Long-term interest-bearing liabilities	200,000	175,408
Non-current liabilities	**200,000**	**175,408**
Total liabilities	**232,929**	**233,196**
Equity		
Share capital	3,000	3,000
Legal capital reserves:		
– Reserves from capital contributions	255,254	375,186
– Other capital reserves	3,682	3,682
Accumulated losses:		
– Loss brought forward	–7,351	–8,665
– Gain for the period	59,457	1,314
Treasury shares	–687	–790
Total equity attributable to owners of the Company	**313,355**	**373,727**
Total liabilities and equity	**546,284**	**606,924**

Income statement

January 1-December 31 In CHF thousand	2018	2017
Dividend income	64,891	0
Interest income	2,527	4,897
Other financial income	993	6,957
Total income	**68,411**	**11,854**
Interest expenses	–5,065	–5,163
Other financial expenses	–1,167	–2,519
Personnel expenses	–1,010	–780
Other operating expenses	–1,712	–2,077
Total expenses	**–8,954**	**–10,540**
Gain for the period	**59,457**	**1,314**

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	2018
Balance brought forward	**–7,351**
Gain for the period	59,457
Total accumulated gains	**52,106**

The Board of Directors proposes to the General Meeting to carry forward accumulated gains of CHF 52.1 million.

Appropriation of reserves from capital contributions

In CHF thousand	2018
Reserves from capital contributions as of 31.12.2018	**255,254**
Dividend payment out of reserves from capital contributions	–120,000
Reserves from capital contributions carried forward	**135,254**

The Board of Directors proposes to the General Meeting to pay a dividend of CHF 120 million from the reserves from capital contributions.

The number of shares with dividend rights will change if the number of own shares held by VAT Group AG changes. The Board of Directors may therefore adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

Financial calendar

Date	Event
2019	
Tuesday, April 16, 2019	Q1 2019 trading update
Thursday, May 16, 2019	Annual General Meeting
Monday, May 20, 2019	Ex-date
Wednesday, May 22, 2019	Dividend payment
Thursday, August 8, 2019	Half-year results 2019
Thursday, October 24, 2019	Q3 2019 trading update
2020	
Tuesday, March 3, 2020	Full-year 2019 results

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.

Concept/Design/Realization
Linkgroup AG, Zurich
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Publishing plattform: PublishingSuite®
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ClimatePartner.com/11665-1703-1002

OUTLOOK 2019:

VAT's mid-term growth drivers – such as the Internet of Things, cloud computing and artificial intelligence – remain firmly in place. Following several years of record growth, however, VAT expects 2019 net sales at constant foreign exchange rates and EBITDA margin to be lower compared with 2018.

VAT maintains its EBITDA margin target of 33%, but its achievement by 2020 depends on 2019 market development, underpinned by continuous improvements in the operating model, global footprint and product innovation.

PASSION. PRECISION. PURITY.