

# INVITATION TO THE ANNUAL GENERAL MEETING 2019:

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We are pleased to invite the shareholders of VAT Group AG to our Annual General Meeting 2019.

**Thursday, May 16, 2019, 3:00 p.m.**  
**(doors open at 2:00 p.m.)**

**Olma Messen St. Gallen, hall 2.1, Splügenstrasse 12,  
9008 St. Gallen**

The Invitation to the Annual General Meeting is published in English and German. The German version shall prevail.



PASSION. PRECISION. PURITY.



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# Agenda and Proposals

## 1. Approval of 2018 Annual Report

**Proposal** The Board of Directors proposes that the Annual General Meeting approves the 2018 annual report, the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2018 financial year and acknowledges receipt of the audit report.

## 2. Appropriation of Results and Distribution from Capital Contribution Reserves

### 2.1. Appropriation of Results

**Proposal** The Board of Directors proposes that the Annual General Meeting approves that the accumulated profit of CHF 52,105,254 (comprising retained losses of CHF -7,351,371 carried forward from the previous year and the gain for the period 2018 of CHF 59,456,625) be carried forward to the new account.

### 2.2. Distribution from Capital Contribution Reserves

**Proposal** The Board of Directors proposes the distribution of CHF 4.00 per registered share payable out of capital contribution reserves in the form of a cash distribution. The Company will not make such distribution with respect to Company shares that it holds itself at the time of distribution.

If this proposal is approved, the distribution from reserves from capital contribution will be made on May 22, 2019. It will be free of Swiss federal withholding tax and will not be subject to income tax for Swiss resident individuals holding shares as a private investment. The last trading day with entitlement to receive a distribution is May 17, 2019. The shares will be traded ex-dividend as of May 20, 2019.

## 3. Discharge of the Members of the Board of Directors and the Group Executive Committee

**Proposal** The Board of Directors proposes that the Annual General Meeting grants discharge to all members of the Board of Directors and of the Group Executive Committee (GEC) for the 2018 financial year in a single vote.

## 4. Elections

### 4.1. Re-election of the Chairman of the Board of Directors and further Members of the Board of Directors

4.1.1. Re-election of Martin Komischke as Chairman of the Board of Directors

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Martin Komischke as Chairman of the Board of Directors until the end of the next Annual General Meeting.

4.1.2. Re-election of Urs Leinhäuser as member of the Board of Directors

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Urs Leinhäuser as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.3. Re-election of Karl Schlegel as member of the Board of Directors

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Karl Schlegel as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.4. Re-election of Hermann Gerlinger as member of the Board of Directors

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Hermann Gerlinger as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.5. Re-election of Heinz Kundert as member of the Board of Directors

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Heinz Kundert as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.6. Re-election of Libo Zhang as member of the Board of Directors

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Libo Zhang as member of the Board of Directors until the end of the next Annual General Meeting.

#### **4.2. Re-election of the Members of the Nomination and Compensation Committee**

**Proposal** The Board of Directors proposes that the Annual General Meeting elects individually the following persons each as members of the Nomination and Compensation Committee until the end of the next Annual General Meeting:

4.2.1. Re-election of Martin Komischke as member of the Nomination and Compensation Committee

4.2.2. Re-election of Karl Schlegel as member of the Nomination and Compensation Committee

4.2.3. Re-election of Heinz Kundert as member of the Nomination and Compensation Committee

#### **5. Re-election of the Independent Proxy**

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects Roger Föhn, attorney-at-law, Kalchbühlstrasse 4, 8038 Zurich, as Independent Proxy from May 17, 2019, until the end of the next Annual General Meeting.

#### **6. Re-election of the Statutory Auditors for the Financial Year 2019**

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects KPMG AG, St. Gallen, as Statutory Auditors for the financial year 2019.

## 7. Compensation

### 7.1. Consultative Vote on the Compensation Report for the Financial Year 2018

**Proposal** The Board of Directors recommends that the Compensation Report 2018 contained in the Annual Report be approved (consultative vote).

**Explanations** The Compensation Report incorporates the basic principles for the compensation of the Board of Directors and the Group Executive Committee, as well as the remuneration awarded to the members of these two bodies for the financial year 2018. The Board of Directors is submitting the Compensation Report to shareholders for a consultative vote. The Compensation Report can be found on pages 62 to 73 of the Annual Report. The Annual Report can be accessed on the internet at <http://www.vatvalve.com/InvestorRelations/investor-relations/financial-reports>.

### 7.2. Approval of actual Short-Term Variable Compensation (STI) of the Group Executive Committee (GEC) for the Financial Year 2018

**Proposal** The Board of Directors proposes that the shareholders approve the actual amount of CHF 548,992 for the short-term variable compensation of the GEC for the financial year 2018.

**Explanations** Pursuant to the Articles of Association, shareholders annually approve the effective short-term variable compensation amount of the GEC for the previous financial year.

The financial year 2018 has been a stable year for VAT, with record net sales of CHF 698 million and a strong profitability despite a weakening second half of the year. The STI payout increased by 28% compared to the previous year. While the overall performance achievement under the STI was lower than in the previous year, with an overall payout factor of 95% (compared to 100% in the previous year), the STI target value was higher due to the change in GEC composition (new CEO as of January 1, 2018, transition period with the former CEO until March 31, 2018).

The effective short-term variable compensation amount of CHF 548,992 for the GEC for the financial year 2018 is disclosed in the Compensation Report on pages 66 ff.

### 7.3. Approval of the Maximum Aggregate Amount of Fixed Compensation of the GEC for the Financial Year 2020

**Proposal** The Board of Directors proposes that the shareholders approve a maximum aggregate amount of CHF 1,950,000 for the fixed compensation of the GEC for the financial year 2020.

**Explanations** Pursuant to the Articles of Association, shareholders annually approve the maximum aggregate amount of fixed compensation of the GEC for the next financial year.

The compensation policy of VAT is designed to support the business strategy of the company and to motivate executives to achieve the long-term goals of the company. The compensation of the GEC members is well balanced between fixed and variable compensation components, as well as between short-term and long-term incentives, so that their interests are aligned to those of our shareholders.

The amount of CHF 1,950,000 has been calculated on the basis of the compensation structure disclosed in the Compensation Report for three GEC members. The proposed amount takes into consideration the current composition of the GEC (new CEO in 2018, new CFO in 2019) and includes a reserve for unforeseen circumstances. There are no changes expected to the compensation structure of the GEC. Further details can be found on pages 65 to 69 of the Compensation Report.

The fixed compensation actually paid to GEC members in financial year 2020 will be disclosed in the 2020 Compensation Report, which will be submitted to a consultative vote by the shareholders.

#### **7.4. Approval of the Maximum Aggregate Amount of Long-Term Incentive (LTI) Compensation of the GEC for the Financial Year 2020**

**Proposal** The Board of Directors proposes that the shareholders approve a maximum aggregate amount of CHF 1,700,000 for the long-term incentive (LTI) compensation of the GEC for the financial year 2020.

**Explanations** Pursuant to the Articles of Association, shareholders annually approve the maximum aggregate amount of LTI compensation of the GEC for the next financial year.

The amount of CHF 1,700,000 has been calculated on the basis of the compensation structure disclosed in the Compensation Report for three GEC members. The proposed amount takes into consideration the current composition of the GEC (new CEO in 2018, new CFO in 2019) and assumes a maximum payout factor of 200%. The LTI compensation actually granted to GEC members in financial year 2020 will be disclosed in the 2019 Compensation Report, which will be submitted to a consultative vote by the shareholders.

#### **7.5. Approval of the Maximum Aggregate Amount of Compensation of the Board of Directors from the Annual General Meeting of 2019 to the Annual General Meeting of 2020**

**Proposal** The Board of Directors proposes that a maximum aggregate amount of compensation of CHF 920,000 of the Board of Directors be approved for the term of office from the Annual General Meeting 2019 to the Annual General Meeting 2020.

**Explanations** Pursuant to the Articles of Association, shareholders annually approve the maximum aggregate amount of compensation of the Board of Directors for the term of office until the next Annual General Meeting of shareholders.

In order to strengthen their independence, members of the Board of Directors of VAT receive a fixed compensation, delivered in cash (70%) and restricted shares (30%), as well as lump sum expenses. In exceptional cases, members of the Board may receive additional compensation for special tasks going beyond their role as member of the Board of Directors. Members of the Board of Directors do not receive any performance-related compensation and are not entitled to participate in the pension plans of VAT.

The amount of CHF 920,000 has been calculated for six members of the Board of Directors on the basis of the compensation structure disclosed in the Compensation Report, including ten days of special work and a reserve for unforeseen circumstances. Further details on the principles of compensation for the Board of Directors can be found on pages 64 to 65 of the Compensation Report. The compensation actually paid will be disclosed in the 2019 and 2020 Compensation Reports, which will be submitted to a consultative vote by the shareholders.

# Organizational Notes

## Documents

A **short annual review 2018** is enclosed to this invitation. As of April 17, 2019, the **2018 annual report**, including the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2018 financial year as well as the audit report, is available for inspection at the Company's headquarters at Seelistrasse 1, 9469 Haag (Rheintal). It can also be accessed online at <http://www.vatvalve.com/Investor-Relations/investor-relations/financial-reports>. A printed version of the annual report can also be ordered by using the enclosed registration form or by sending an e-mail to [investors@vat.ch](mailto:investors@vat.ch). Further enclosed to this invitation are the **reply form** with the form for **proxy and instructions** to the Independent Proxy as well as a reply envelope. As of **May 9, 2019**, the **admission card** will be sent by mail to the shareholders who have **enrolled** for the Annual General Meeting.

## Representation and Proxy

With regard to representation at the Annual General Meeting on May 16, 2019, the following applies:

- a) Roger Föhn, attorney-at-law, Kalchbühlstrasse 4, 8038 Zürich, acts as **Independent Proxy**. If you wish to appoint Roger Föhn as your representative, please return your signed authorization and your instructions with the enclosed envelope. Instead of the written authorization, you may also give your authorization and instructions to the Independent Proxy electronically. Please refer to section 1 of the enclosed reply form for further details.
- b) If you wish to appoint **another shareholder or a non-shareholder third party** as your representative, you have to return the enclosed registration form and the proxy by **May 10, 2019** at the latest with the enclosed envelope.

## Voting Rights of Shareholders

Only those shareholders whose names are on record in the share register of VAT Group AG with voting rights on **May 8, 2019** (effective date) are entitled to attend the Annual General Meeting and exercise their voting rights.

## Language

Please note that the Annual General Meeting will be held **in German**. Simultaneous interpreting services to English will not be available.

## Venue and Directions

Olma Messen St. Gallen, hall 2.1, Splügenstrasse 12, 9008 St. Gallen

## Arrival by public transport

From St. Gallen main station, please take bus no. 3 (direction Heiligkreuz) to stop "Olma Messen".



### Arrival by car

For shareholders arriving by car, parking spaces are available at the Olma show grounds in St. Gallen and the Olma parking garage. The route is clearly marked from all directions (St. Gallen-St. Fiden exit, follow signs to "Olma Messen St. Gallen").



### Publication

The resolutions of the Annual General Meeting may be inspected from May 17, 2019 to June 6, 2019 and will be made available online at [www.vatvalve.com/InvestorRelations/investor-relations/annual-general-meeting](http://www.vatvalve.com/InvestorRelations/investor-relations/annual-general-meeting).

### Enclosures

- Short annual review 2018
- Reply form with form for proxy and instruction to the Independent Proxy
- Reply envelope

Haag, April 17, 2019  
VAT Group AG

Chairman of the Board of Directors  
Dr. Martin Komischke



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