

# INVITATION TO THE ANNUAL GENERAL MEETING 2018:

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We are pleased to invite the shareholders of VAT Group AG to our Annual General Meeting 2018.

**Thursday, May 17, 2018, 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 2017 Annual Report

**Proposal** The Board of Directors proposes that the Annual General Meeting approves the 2017 annual report, the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2017 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 losses of CHF -7,351,371 (comprising retained losses of CHF -8,665,351 carried forward from the previous year and the gain for the period 2017 of CHF 1,313,980) 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 24, 2018. 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 18, 2018. The shares will be traded ex-dividend as of May 22, 2018.

## 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 2017 financial year in a single vote.

## 4. Elections

### 4.1. Election of the Chairman of the Board of Directors and further Members of the Board of Directors

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

**Proposal** The Board of Directors proposes that the Annual General Meeting elects Dr. 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 Dr. Hermann Gerlinger as member of the Board of Directors

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

4.1.5. Election of Heinz Kundert as new member of the Board of Directors

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

A short CV is available in Appendix A.

4.1.6. Election of Dr. Libo Zhang as new member of the Board of Directors

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

A short CV is available in Appendix A.

**4.2. 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 Dr. 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. Election of Heinz Kundert as new 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 18, 2018, until the end of the next Annual General Meeting.

**6. Re-election of the Statutory Auditors for the Financial Year 2018**

**Proposal** The Board of Directors proposes that the Annual General Meeting re-elects KPMG AG, St. Gallen, as Statutory Auditors for the financial year 2018.

## 7. Compensation

### 7.1. Consultative Vote on the Compensation Report for the Financial Year 2017

**Proposal** The Board of Directors recommends that the Compensation Report 2017 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 2017. The Board of Directors is submitting the Compensation Report to shareholders for a consultative vote. The Compensation Report can be found on pages 58 to 67 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 2017

**Proposal** The Board of Directors proposes that the shareholders approve the actual amount of CHF 430,555 for the short-term variable compensation of the GEC for the financial year 2017.

**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 2017 has been a solid year for VAT, with a net sales increase of 36% and a strong profitability despite high investments in the future growth of VAT. The performance objectives achievement corresponds to a payout of 100% for the GEC members.

The effective short-term variable compensation amount of CHF 430,555 for the GEC for the financial year 2017 is disclosed in the Compensation Report on page 66.

### 7.3. Approval of the Maximum Aggregate Amount of Fixed Compensation of the GEC for the Financial Year 2019

**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 2019.

**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 COO in 2017, new CEO in 2018) 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 61 to 65 of the Compensation Report.

The fixed compensation actually paid to GEC members in financial year 2019 will be disclosed in the 2019 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 2019**

**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 2019.

**Explanations** Pursuant to the Articles of Association, shareholders approve annually 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 COO in 2017, new CEO in 2018) and assumes a maximum payout factor of 200%. The LTI compensation actually granted to GEC members in financial year 2019 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 2018 to the Annual General Meeting of 2019**

**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 2018 to the Annual General Meeting 2019.

**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 ordinary 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 an expense lump sum. 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 60 to 61 of the Compensation Report. The compensation actually paid will be disclosed in the 2018 and 2019 Compensation Reports, which will be submitted to a consultative vote by the shareholders.

## Appendix A: CV of Proposed New Board Members

### Heinz Kundert



Proposed Title and Function  
– Member of the Board of Directors

Year of Birth  
1952

Nationality  
Swiss

#### Professional Background

2015–2018	VAT Group AG, Haag, Switzerland: Chief Executive Officer
2014–2015	VAT Group AG, Haag, Switzerland: Board Member
2005–2015	SEMI International, San Jose, USA: Vice President SEMI Europe, Berlin, Germany: President
2002–2004	Unaxis AG (previous Oerlikon-Bührle AG): Chief Executive Officer
1999–2002	Balzers & Leybold AG: Chief Operating Officer
1981–1998	Balzers AG (a subsidiary of Oerlikon-Bührle), several management positions

#### Education

1989	Federal Diploma in Business Management at FAH/HSG St. Gallen
1978	Degree in Industrial Management at ITA in Zurich
1972	Federal Certificate of mechanical engineering

#### Other Functions and Activities

Since 2014	Camox GP Ltd (Investmentfond), George Town, Cayman Islands: Member of the Board of Directors
Since 2010	Fraunhofer-Institut, Munich, Germany: Member of the Board of Directors

**Dr. Libo Zhang**



Proposed Title and Function  
– Member of the Board of Directors

Year of Birth  
1970

Nationality  
German

**Professional Background**

Since October 2017	Borgward Group AG, Stuttgart, Germany: Chief Financial Officer
2015–2017	Trélex, Switzerland: Consultant
2012–2015	SGL Far East Co. Ltd., Shanghai, China: Managing Director and Chief Financial Officer Far East
2010–2011	SGL Carbon SE, Wiesbaden, Germany: Senior Manager Corporate Development, M&A
2009–2010	MAN SE, Munich, Germany: Senior Manager Finance & Controlling Division
1998–2009	MTU Aero Engines, Munich, Germany: Senior Manager International Commercial & Business Operations

**Education**

2009	Executive Management Program, Saïd Business School – University of Oxford, England
1992–2003	Studies and PhD Economy and Business Administration (MBA) and Political Science at Georg-August University in Göttingen, Germany

**Other Functions and Activities**

Since 2015	CIC Controlling GmbH & Co. KG, Dortmund, Germany: Scientific Advisory Board
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# Organizational Notes

## Documents

A **short annual review 2017** is enclosed to this invitation. As of April 25, 2018, the **2017 annual report**, including the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2017 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 8, 2018**, 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 17, 2018, 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 11, 2018** 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 11, 2018** (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 18 May 2018 to 7 June 2018 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 2017
- Reply form with form for proxy and instruction to the Independent Proxy
- Form from eComm regarding electronic voting
- Reply envelope

Haag, April 25, 2018  
VAT Group AG

Chairman of the Board of Directors  
Dr. Martin Komischke

# Contact

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