

VAT ANNUAL GENERAL MEETING 2020:

Thursday, May 14, 2020

VAT Group AG, Seelistrasse 1, 9469 Haag SG

Dear shareholders,

Due to the current uncertainty surrounding the corona crisis and in line with COVID-19 Ordinance 2 of the Swiss Federal Council, VAT's Board of Directors decided that shareholders will not be allowed to attend the VAT Annual General Meeting in person on May 14, 2020.

The health and well-being of our employees, customers, suppliers and shareholders is of utmost importance to us and we therefore ask our shareholders to cast their votes via the Independent Proxy and submit questions in writing no later than May 5, 2020 to Michel Gerber, Head Communications & Investor Relations, Seelistrasse 1, 9469 Haag SG. Submitted questions and their answers will be included in the AGM minutes to be published following the meeting.

We regret having to take this decision and are looking forward to returning to a normal AGM in 2021.

Haag, April 23, 2020



Dr. Martin Komischke
Chairman of the Board of VAT



PASSION. PRECISION. PURITY.

Agenda and Proposals

1. Approval of 2019 Annual Report

Proposal The Board of Directors proposes that the Annual General Meeting approves the 2019 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 of a Dividend

2.1. Appropriation of Results

Proposal The Board of Directors proposes that the Annual General Meeting approves that the accumulated profit of CHF 226,378,809 (comprising retained earnings of CHF 52,105,255 carried forward from the previous year and the gain for the period 2019 of CHF 174,273,554) be carried forward to the new account.

2.2. Dividend Distribution

Proposal The Board of Directors proposes to the Annual General Meeting to pay a dividend of CHF 4.00 per registered share, CHF 2.00 from accumulated gains and CHF 2.00 from reserves from capital contributions.

If this proposal is approved, the distribution from accumulated gains and from reserves from capital contribution will be made on May 20, 2020. The CHF 2.00 paid from reserves from capital contribution 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 15, 2020. The shares will be traded ex-dividend as of May 18, 2020.

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 2019 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 member of the Board of Directors and Chairman of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting re-elects Martin Komischke as member of the Board of Directors and 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.

4.1.7. Election of Daniel Lippuner as new member of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting elects Daniel Lippuner as a 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. 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 15, 2020 until the end of the next Annual General Meeting.

6. Re-election of the Statutory Auditors

Proposal The Board of Directors proposes that the Annual General Meeting re-elects KPMG AG, St. Gallen, as Statutory Auditors for the financial year 2020.

7. Compensation

7.1. Consultative Vote on the Compensation Report for the Financial Year 2019

Proposal The Board of Directors recommends that the Compensation Report 2019 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 2019. The Board of Directors is submitting the Compensation Report to shareholders for a consultative vote. The Compensation Report can be found on pages 56 to 68 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 2019

Proposal The Board of Directors proposes that the shareholders approve the actual amount of CHF 438,978 for the short-term variable compensation of the GEC for the financial year 2019.

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.

In 2019, the business performance was marked by the significant cyclical slowdown in capex in the semiconductor and display industries. Net sales for the year declined by 18% to CHF 570 million. Reflecting the soft market early in the year, VAT posted a solid full-year EBITDA margin based on cost and efficiency improvement efforts. While the free cash flow and specification wins targets outperformed, the overall performance of the GEC was lower than in the previous year, with an average STI payout factor of 75%.

The effective short-term variable compensation amount of CHF 438,978 for the GEC for the financial year 2019 is disclosed in the Compensation Report on pages 65 ff.

7.3. Approval of the Maximum Aggregate Amount of Fixed Compensation of the GEC for the Financial Year 2021

Proposal The Board of Directors proposes that the shareholders approve a maximum aggregate amount of CHF 1,990,000 for the fixed compensation of the GEC for the financial year 2021.

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 1,990,000 has been calculated on the basis of the compensation structure disclosed in the Compensation Report for three GEC members. The proposed amount is an increase of 2% compared to the previous year, and takes into consideration the current composition of the GEC (including the vacant position of the COO). It includes an increase of the CEO's base salary, higher expected social security rates on the basis of 2020 and a reserve for unforeseen circumstances. There are no changes expected to the compensation structure of the GEC. Further details can be found on pages 60 to 64 of the Compensation Report.

The fixed compensation actually paid to GEC members in financial year 2021 will be disclosed in the 2021 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 2021

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 2021.

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 (including the current vacant position of the COO) and assumes a maximum payout factor of 200%. The LTI compensation actually to be granted to the GEC members in financial year 2021 will be disclosed in the 2021 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 2020 to the Annual General Meeting of 2021

Proposal The Board of Directors proposes that a maximum aggregate amount of compensation of CHF 1,006,000 of the Board of Directors be approved for the term of office from the Annual General Meeting 2020 to the Annual General Meeting 2021.

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 1,006,000 has been calculated for seven members of the Board of Directors on the basis of the unchanged compensation structure disclosed in the Compensation Report, including ten days of special work and a reserve for unforeseen circumstances. The increase in the proposed maximum aggregate amount is due to the proposed increase in the number of members of the Board of Directors. Further details on the principles of compensation for the Board of Directors can be found on pages 58 to 59 of the Compensation Report. The compensation actually paid will be disclosed in the 2020 and 2021 Compensation Reports, which will be submitted to a consultative vote by the shareholders.

Organizational Notes

Documents

The **Summary Report 2019** is enclosed to this invitation. As of April 23, 2020, the **2019 Annual Report**, including the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2019 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. 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.

Independent Proxy

With regard to representation at the Annual General Meeting on May 14, 2020, the following applies: 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.

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 6, 2020** (effective date), are entitled to exercise their voting rights.

Publication

The resolutions of the Annual General Meeting may be inspected from May 15, 2020 to June 6, 2020 and will be made available online at www.vatvalve.com/InvestorRelations/investor-relations/annual-general-meeting.

Enclosures

- Summary Report 2019
- Reply form with form for proxy and instructions to the Independent Proxy
- Reply envelope

The Invitation to vote at the Annual General Meeting via the Independent Proxy is published in English and German. The German version shall prevail.

Appendix A: CV of Proposed New Board Member

Daniel Lippuner



Proposed Title and Function
– Member of the Board of Directors

Year of Birth
1969

Nationality
Swiss

Professional Background

09/17–11/19	Meyer Burger Group, Switzerland: Chief Operating Officer
01/17–08/17	Meyer Burger Group, Switzerland: Restructuring Consultant
07/13–09/15	Saurer Group, Switzerland/China: Group CEO and Board Member
08/10–06/13	OC Oerlikon, Switzerland: CEO Business Unit Oerlikon Textile
12/06–08/10	OC Oerlikon, Switzerland: Executive Vice President IT and special projects
01/99–11/06	Hilti Group, Liechtenstein: Several management positions in Europe and Asia
06/96–12/97	Rieter Automotive, Switzerland: Several management positions in Europe and India

Education

1994	Bachelor in Economics and Business Administration, Controlling, University of St. Gallen, Switzerland
2002	Change Management, IMD Lausanne, Switzerland
2008	Program on Negotiations, Harvard Law School, Boston, USA
2015	Living in a VUCA World, IMD Lausanne, Switzerland

“We are very pleased to nominate Daniel Lippuner for election to our Board of Directors,” said Martin Komischke, Chairman of the VAT Board. “He brings more than 25 years of international experience from a range of manufacturing and technology companies, from construction equipment to semiconductors and renewable energy. He has successfully expanded businesses in the dynamic Asian market and has a proven track record in operational excellence initiatives that have driven higher profitability and cash flow.”

“I’m convinced that Mr. Lippuner will be a strong addition to the Board,” Komischke added. “His experience will serve us well as we continue to build a fast and flexible global organization that can create increasing value in a sustainable way for all of our stakeholders.”

Contact

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Concept/Design/Production
Linkgroup AG, Zurich
www.linkgroup.ch

This Invitation to the Annual General Meeting
is printed on FSC-certified paper.

