SUMMARY REPORT 2017:

VAT expanded its No. 1 global market position in 2017 with innovative technology and strong relationships with the world's top vacuum valve customers.

VAT is the world's leading producer of high-end vacuum valves, bellows and modules for ultra-clean manufacturing processes used to produce integrated circuits, digital displays and other high-tech products. Long-term megatrends, such as rapid global digitalization, the interconnection of smart devices and the Internet of Things continued to drive the business. In 2017, VAT successfully reacted to the challenges of this high-growth market. By rapidly expanding production and service capacity across our global footprint, VAT reached record sales while maintaining product quality, customer satisfaction and solid profitability in line with our financial goals.

PASSION. PRECISION. PURITY.

Key Figures

In CHF million	2017	2016	Change
Order intake	736.2	561.9	+31.0%
Order backlog as of December 31	165.6	122.1	+35.6%
Net sales	692.4	507.9	+36.3%
Gross profit	431.9	318.0	+35.8%
Gross profit margin	62.4%	62.6%	
EBITDA	212.2	149.6	+41.9%
Adjusted EBITDA[1]	215.1	158.1	+36.1%
Adjusted EBITDA margin	31.1%	31.1%	
EBIT	178.7	118.3	+51.1%
EBIT margin	25.8%	23.3%	
Net income	115.7	67.2	+72.1%
Net income margin	16.7%	13.2%	
Basic earnings per share (in CHF)	3.86	2.43	+58.8%
Diluted earnings per share (in CHF)	3.86	2.43	+59.5%
Cash flow from operating activities	155.6	146.4	+6.3%
Capex[2]	47.6	19.2	+147.9%
Capex margin	6.9%	3.8%	
Free cash flow[3]	108.5	128.1	–15.3%
Free cash flow margin	15.7%	25.2%	
Free cash flow conversion rate[4]	51.1%	85.6%	
Free cash flow to equity[5]	104.4	117.5	–11.2%

As of December 31 In CHF million	2017	2016	
Total assets	991.1	883.4	+12.2%
Total liabilities	433.1	372.8	+16.2%
Equity	558.0	510.6	+9.5%
Net debt	143.7	133.9	+7.3%
Net Debt/EBITDA	0.7	0.9	–24.7%
Invested capital[6]	327.0	246.1	+32.9%
NOPAT[7]	159.6	110.1	+21.0%
Return on invested capital (ROIC)	48.8%	44.7%	
Dividend per share[8]	4.00	4.00	
Payout ratio[9]	115.0%	102.1%	
Number of employees	1,946	1,439	+507

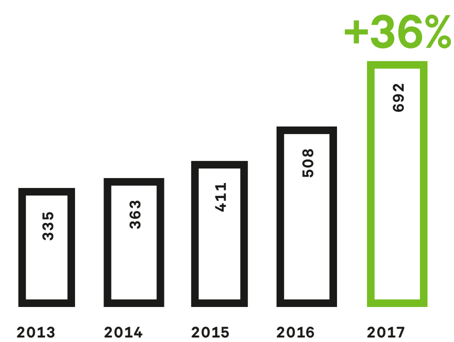
1 Adjusted EBITDA excludes one-off items, see page 28.
2 Capex comprises purchases of property, plant and equipment, and intangible assets.
3 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
4 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
5 Free cash flow to equity is calculated as cash flow from operation 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 adjusted tax expenses based on the adjusted effective tax rate of 18.1% for 2016 and the average group tax rate of 18.0% in 2017.
8 Proposal of the VAT Board of Directors to its shareholders at the AGM on May 17, 2018
9 Percentage of free cash flow to equity proposed to be paid out as dividend

Net sales
in CHF million

692.4

2016 **507.9**

Net sales development
in CHF million



Adjusted EBITDA
in CHF million

215.1

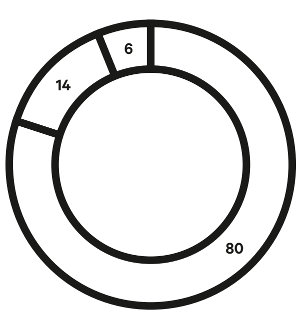
2016 **158.1**

Adjusted EBITDA margin
in %

31.1

2016 **31.1**

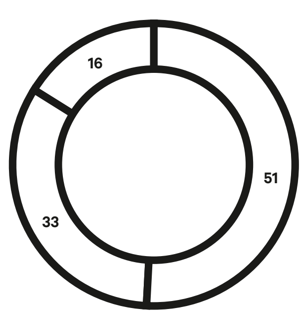
Net sales by segment
in %



80 VALVES
14 GLOBAL SERVICE
6 INDUSTRY

2016
78 VALVES
16 GLOBAL SERVICE
6 INDUSTRY

Net sales by region
in %



51 ASIA
33 AMERICAS
16 EMEA

2016
49 ASIA
34 AMERICAS
17 EMEA

Free cash flow
in CHF million

108.5

2016 **128.1**

Dividend per share*
in CHF

4.00

2016 **4.00**

* Proposal of the VAT Board of Directors to its shareholders at the AGM on May 17, 2018

Dear Shareholders,

Your company enjoyed another remarkable year in 2017. Demand continued to grow strongly for VAT's high-end vacuum valves, the mission-critical components that underlie global digitalization. From wearable smart devices and autonomous cars to data centers and the Internet of Things, digitalization is driving unprecedented growth in semiconductor and display technologies, and the vacuum valves needed to manufacture them.

VAT harnessed that momentum to achieve another year of record net sales and EBITDA. Our adjusted EBITDA margin was unchanged compared to 2016, despite significant additional costs associated with growing the business. Net income also reached a new high. Our free cash flow remained below the previous year's level, mainly due to additional capital expenditures. Thanks to this strong result, and reflecting our confidence in VAT's continued success, the Board of Directors is proposing an unchanged dividend of CHF 4.00 per share.

This performance was achieved despite the challenges that all companies face in a high-growth market: the need to quickly add capacity and ensure customer satisfaction while maintaining top quality and managing costs. It is a noteworthy achievement that in such an environment, VAT managed in 2017 to again increase its leading global market share.

VAT's extraordinary people

From my perspective as the new Chairman, this accomplishment is ultimately a reflection of VAT's extraordinary people. The company prides itself on its people, and rightly so. They were pushed to the limit in 2017 as demand soared. They responded with determination, commitment and plain hard work.

First among their challenges was to quickly ramp up production capacity to help our customers keep pace with market demand. In 2017, we made significant investments in both people and production facilities in all of our locations – Switzerland, Malaysia and Romania – adding some 500 new employees and more than doubling our total production capacity.

Additionally, we continued to introduce innovative products to the market in 2017, adapting to technology inflections in areas such as solid-state memory devices and OLED displays. Technology innovation – the passion, precision and purity that is such a strong part of VAT's heritage and identity – is one of the company's greatest competitive advantages. VAT remains the industry leader for investment in research and development, collaborating closely with our customers to ensure we can meet their needs in this dynamic market.

At the same time, we continued to drive our program for operational excellence, VATmotion. Launched in 2016, this program is aimed at improving operational excellence all along the value chain. We made good progress in this area in 2017. For example, we improved collaboration with our suppliers and broadened our supplier base to reflect our more global footprint. Under the leadership of a new Chief Operating Officer, we took further steps to speed up and professionalize many internal processes, from order and production planning to product delivery and after-sales follow-up with customers.

New CEO in 2018

Moving into 2018, we are welcoming Michael Allison who will take over the CEO position from Heinz Kundert on March 13. Mike brings a wealth of experience and expertise in the semiconductor vacuum industry from his senior role at Edwards/Atlas Copco. Mike is transitioning into his new responsibilities in close collaboration with the current CEO and the Board of Directors to ensure continuity in management and strategic planning during a critically important stage in the company's history.

DR. MARTIN KOMISCHKE
CHAIRMAN OF THE BOARD OF DIRECTORS

From a strategy perspective, we will continue to focus investments on our core competence in high-end vacuum valves and modules for the semiconductor, display and solar industries. VAT's track record of success is the direct result of our pure-play approach to these highly specific and demanding markets. We have combined best-in-class technology with long-term and strong customer relationships to gain market leadership and drive extraordinary value creation. However, we cannot afford to become complacent. We must continuously win and renew our customers' trust that VAT can deliver the greatest value of any player in the market.

We also intend to broaden our service offerings. These not only generate a stable revenue stream, they are also vital to strengthen customer relationships and keeping us on the cutting edge of technology innovation. In addition, we will invest more to grow our General Vacuum business. Research institutes and companies in the pharmaceutical, biomedical, and industrial coatings industries, for example, are increasingly using vacuum-based analytical and manufacturing processes to improve product quality or move into new product areas. We aim to tap these additional growth opportunities by diversifying our product lines and customer base.

Value creation: growth plus operational excellence

In addition to this focus on growth, we will create additional value with the VATmotion program. The

"We must continuously win and renew our customers' trust that VAT can deliver the greatest value of any player in the market."

market is growing at an exceptional speed, which presents not only challenges to keep pace but also opportunities to streamline processes and tap scale effects in areas such as supply management. Our goal is not simply to improve efficiency. We want to create an environment in which our people can perform to their full potential by focusing their energies on the most important, value-creating activities. Ultimately, we want enable our people to deliver total customer satisfaction.

I'd like to take this opportunity to thank the Board of Directors for their support as I have moved into my new role. On behalf of the Board, I would also like to thank CEO Heinz Kundert for his outstanding leadership, guiding VAT through the period of private equity ownership to its listing in 2016 on the Swiss stock exchange. At the same time, we will continue to benefit from Heinz's understanding of VAT and its markets in his new role as a member of the Board of Directors.

The Board and executive management would also like to thank all of our around 2,000 employees around the world for their dedication and unremitting energy during an extremely demanding 2017. Our extraordinary people really are our most powerful competitive advantage. This gives me great confidence in our continued success in 2018 and beyond.

This confidence is also reflected in the Board's decision to once again pay an attractive dividend of CHF 4.00 per share to our shareholders, whom I would also like to thank for their continued support. Our two private equity shareholders reduced their holdings in a very responsible way in 2017, and we gained a new anchor shareholder who will provide a stable base for the long-term development of the company. The overall shareholder base diversified considerably in 2017, providing additional stability and confidence.

Longer term, the outlook for the company remains very positive. The megatrend growth drivers that have helped us deliver record results – digitalization, device interconnectivity, the ubiquity of high-resolution displays, solar energy, the miniaturization of manufacturing to the nanometer level – are expected to remain strong over the next several years. We aim to further build our market leadership with continued technology innovations, a broader and stronger global footprint and supply chain, and a faster, more nimble organization committed to delivering total customer satisfaction.

Sincerely,
Dr. Martin Komischke
Chairman of the Board of Directors

VAT delivers another year of record performance and further expands its market leadership

VAT Group AG and its subsidiaries (VAT) reported another set of record results in 2017, capturing growth opportunities presented by strong customer demand and the continued expansion of its leading market position. In anticipation of this growth, VAT already started a substantial capacity expansion program in late 2016 with the goal to increase its installed production capabilities to around CHF 1.2 billion by the end of 2020, an increase of about CHF 550 million compared to the level at the end of 2016.

Strong demand for vacuum technology on the back of unprecedented market growth

Compared to 2016, all VAT markets continued to accelerate their growth in 2017. The underlying growth drivers, such as technology advances in semiconductors and displays, stimulated new customer investments in manufacturing equipment. VAT fully leveraged its leading market position to outgrow the competition.

In the semiconductor market, ongoing technological innovations entered the stage of mass production. These require evermore complex production processes, miniaturization and additional production steps under the cleanest conditions possible. As a result, high levels of customer investments in state-of-the-art manufacturing equipment to produce high-performance semiconductors drove strong sales growth in VAT's Valves segment in 2017.

VAT's Display & Solar business also experienced a strong 2017 as demand for additional manufacturing capacity for OLED displays, mainly for smartphones, continued to grow. The production of these high-resolution displays, with much improved coloration and lower energy consumption, requires more demanding manufacturing processes in high-vacuum environments.

All business segments contributed to growth

Total order intake in 2017 amounted to CHF 736.2 million, up 31.0% from the previous year. The order backlog at year-end stood at CHF 165.6 million, up 35.6% compared to the end of 2016. The backlog at year-end represented approximately three months of 2017 sales, about the same level as at the end of 2016. With an increase of 36.3% over the previous year, net sales for the Group reached CHF 692.4 million. Currency movements had virtually no impact on the change in net sales in 2017.

All three business segments contributed to the increase in the Group's net sales. Net sales in the Valves segment improved on a year-on-year comparison by 40.5% to CHF 554.2 million and now represent 80% of VAT's net sales. The major growth driver in this business segment was the business unit Modules with an increase of 63% compared to 2016, followed by Semiconductor, General Vacuum and Display & Solar with a growth of 50%, 23% and 18%, respectively.

The Global Service segment reported a 20.5% year-on-year increase in net sales to CHF 98.7 million. This was driven by the larger installed base and several new contracts that were signed in late 2016 and over the course of 2017.

The Industry segment recovered from its flat development in 2016. Growth continued in edge-welded bellows, mainly related to high demand from the semiconductor market. Segment growth was further fueled by higher revenues in mechanical components and assemblies manufacturing. Overall, Industry posted an increase in net sales to CHF 39.5 million, 25.7% higher than in 2016.

Profitability remains on a high level despite significant investments in future growth

The strong growth in VAT's net sales also led to a significantly higher gross profit of CHF 431.9 million, up 35.8% compared with 2016. At 62.4%, VAT maintained its gross margin at around the same level as in 2016, despite higher costs associated with growth and a negative impact of about 1.4 percentage points resulting from increased outsourcing, where personnel, operating and depreciation costs are included in materials cost.

Adjusted EBITDA for the year improved by 36.1% to CHF 215.1 million while the adjusted EBITDA margin remained unchanged at 31.1% compared to 2016. Excluding IPO bonus related adjustments of CHF 2.9 million, reported EBITDA of CHF 212.2 million grew 41.9% compared to 2016, when IPO-related adjustments amounted to CHF 8.5 million. Significant costs associated with investments in expected future growth negatively impacted the positive margin development. However, VAT's EBIT grew by 51.1% to CHF 178.7 million, representing an EBIT margin of 25.8%, a full 2.5 percentage points higher than in 2016.

Below the EBIT line, VAT continued to benefit from an improved financial position, reflecting a markedly stronger balance sheet structure following the IPO in 2016, and lower interest costs. Adjusted for the non-cash costs of CHF 38.3 million of unwinding the financing structure set up by the former private equity owners, VAT's finance net declined from minus CHF 33.4 million in 2016 to minus CHF 6.2 million in 2017.

The effective tax rate in 2017 was 14.1% below the Group's tax target range of between 18% to 20%. This low rate resulted from a combination of several positive factors, such as the US tax reform and the accessibility of loss carry-forwards in Malaysia and Romania. While some of these factors are estimated to have positive impacts in the future, VAT expects higher tax rates going forward.

As a result of the positive development of operating results, stable finance net and lower effective tax rate, VAT realized net income attributable to shareholders in 2017 of CHF 115.7 million.

On December 31, 2017, VAT's net debt amounted to CHF 143.7 million, representing a leverage ratio expressed as Net Debt to EBITDA of 0.7 times. The equity ratio at year-end amounted to 56.3%.

Free cash flow impacted by higher investments and trade working capital build-up

One of VAT's key performance indicators is free cash flow, which in 2017 amounted to CHF 108.5 million, down 15.3% compared to the previous year. This was partly the result of the growth-related build-up of net trade working capital of CHF 35.7 million to CHF 139.2 million, an increase of 34.5%. However, net trade working capital as a percentage of net sales was 20.1%, virtually unchanged compared to 2016. Cash flow from operating activities was higher than in 2016 despite the higher trade working capital.

Another use of cash in 2017 was a CHF 28.4 million increase in capital expenditures to CHF 47.6 million. This is primarily the result of our capacity expansion in Switzerland and Malaysia. Capital expenditures in 2017 represented 6.9% of Group net sales. As a result, the free cash flow margin as a percentage of net sales was 15.7% and the free cash flow conversion rate was 51.1% of EBITDA.

At the end of 2017, VAT had 1,946 employees worldwide, an increase of 507, or 35.2%, compared with the end of 2016, reflecting the strong business growth.

At its Annual General Meeting on May 17, 2018, VAT's Board of Directors is proposing a dividend for the business year ending December 31, 2017, 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 115% of VAT's free cash flow to equity. This is above 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.

Long term megatrends, productivity gains and technology innovation drive value creation in 2018

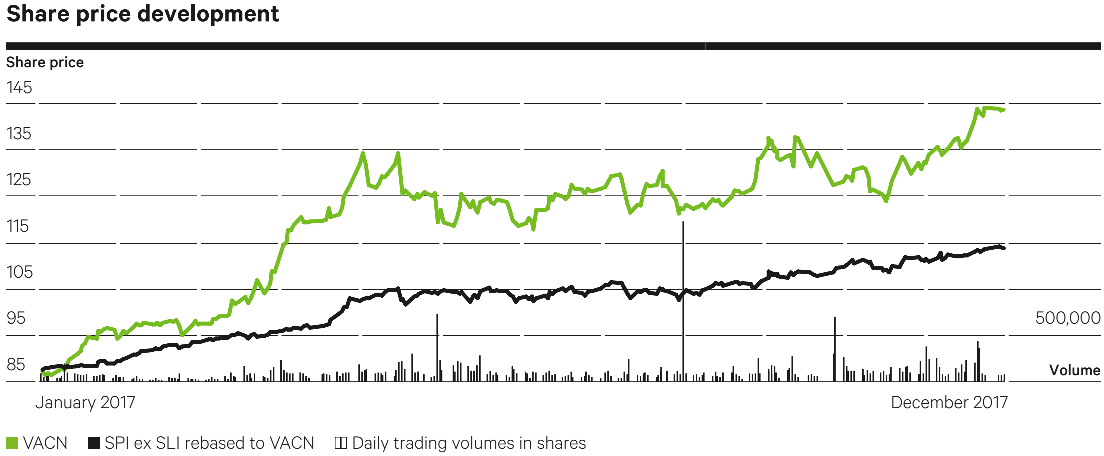
VAT expects the megatrends that drove growth in 2017 – ever-increasing digitalization, device interconnectivity and the Internet of Things – will continue in 2018. The era of Big Data, augmented by rapid advances in artificial intelligence (AI), is gaining momentum, leading the company into a new phase of sustainable growth. This new phase will be enabled by the ongoing technological progress in data processing (logic) semiconductors, continuous investments in memory semiconductors to meet exploding storage needs, and the proliferation of advanced displays, such as OLED screens with curved form factors needed for virtual reality and augmented reality applications. To address this growing market demand, the leading digital device and display manufacturers will continue to invest in fabrication expansion and technology upgrades, which in turn drive ever-greater demand for advanced manufacturing technologies, including mission-critical vacuum components. As the world market and technology leader for advanced high-vacuum valves, VAT expects to continue to benefit from these developments.

For 2018, VAT expects to grow full-year net sales by 15% to 20% at constant foreign exchange rates. The mid-term EBITDA margin target of 33% by 2020 remains in place, and the company expects to show progress toward this goal in 2018 as the result of improved productivity.

As a result of the expected sales growth in 2018, the higher EBITDA margin, lower finance costs and a slightly higher effective tax rate, net income and earnings per share (EPS) are also expected to grow substantially.

Accelerated capacity expansions, mainly in Malaysia and Romania, require capital expenditures to remain at around 7% of net sales in 2018 before returning to the level of about 4% of net sales in the following years.

Share price development



Valves

Valves achieved strong growth in 2017 on increasing demand from OEMs that manufacture equipment needed to make the newest generation of semiconductor and display products. The emergence of new applications and devices that can handle more data faster and with less power consumption has pushed the market into the zettabyte era, where memory is measured in billions of terabytes. This is expected to fuel growth for several years.

Semiconductors
2017 was a year of strong growth for the chip making industry and all associated equipment and component suppliers. Demand was strong for all product families. The business again outperformed the market, gaining additional market share. Net sales in 2017 reached an all-time high. Sales growth also reflected the increasing volumes of both memory and logic microchips needed by device manufacturers.

Display & Solar
Sales in the Display & Solar business unit increased at a double-digit pace in 2017 as both markets and technologies continued to develop rapidly. VAT continued to introduce new products that help customers keep pace with their changing technology requirements. The company also continued to modify and improve existing products and benefitted from VAT's expansion of global manufacturing and service capacity in 2017.

General Vacuum
Net sales in General Vacuum rose substantially compared with 2016. The business unit not only grew its existing business, but also qualified new products for applications in several market segments, such as machinery manufacturing or medical applications. Sales of metal seal valves for ultra-high vacuum applications reached a record high, as VAT supplied key equipment to several large particle accelerator projects. VAT also delivered a large volume of valves to the aerospace industry.

Modules
Growth in the Modules business unit was mainly driven by the company's ability to design multi-valve solutions specifically tailored to highly specialized manufacturing processes, often involving the lowest levels of process contamination. In 2017 the business substantially increased sales of load lock modules and developed new mechatronic lifting devices for substrates and other components in vacuum chambers, such as doors and shutters.

Performance review 2017 and outlook
Net sales in the Valves segment grew to CHF 554.2 million in 2017, an increase of 40.5% compared to the previous year. All business units posted higher net sales. Segment EBITDA rose by 45.9% to CHF 188.6 million and the EBITDA margin climbed to 31.7%. Costs associated with substantial investments to expand capacity were more than offset by the strong growth of higher-margin products. The market for high-vacuum valves is expected to grow further in 2018, driven by ongoing investments into wafer fabrication equipment. Rapid developments in artificial intelligence and autonomous vehicles is expected to drive large additional investments in semiconductor technologies to expand data handling capacity. Global demand for OLED displays, especially for mobile devices such as smartphones, is also expected to grow, while increasing LCD display sizes require investments in specialized large-scale vacuum valves. Modules and General Vacuum are also expected to continue their upward trend.

Global Service

VAT's Global Service operations supply both OEM and end user customers in all key markets with original spare parts, valve maintenance and service, technical support and training. In addition, Global Service helps customers to improve equipment performance with customized product upgrades and equipment retrofits.

The Global Service segment achieved double-digit sales growth and a new sales record in 2017, reflecting to a large extent the increasing installed base of VAT valves as customers continued to expand capacity. VAT's increasing focus on equipment retrofit programs to boost the performance of its customers' existing assets also drove growth. Additional initiatives to collaborate more closely with selected distribution partners also resulted in the sales of additional spare parts and services in several key markets.

A key growth driver for the Global Service segment is the trend among device manufacturers to continuously improve the performance of integrated circuits and displays to keep up with the demands of rapid digitalization. The speed of technological innovation in the areas of miniaturization of integrated circuits, chip processing power and energy efficiency requires constant upgrades to complex manufacturing processes. This drives a growing need for both spare parts and specialty consumables, such as spare gates, that play a major role in achieving high-purity vacuum environments as well as improving life-time equipment performance.

In 2017, VAT established a business collaboration with an industry partner to quickly assess customers' fast-changing manufacturing challenges and rapidly deploy tailored valve retrofit kits to achieve operational improvements. This collaboration yielded substantial volume orders for complete system upgrades and laid the groundwork for future orders.

Being close to customers is a key success factor in the service business. VAT continued to develop its global sales and service network in 2017, particularly in Asia, where service operations were successfully relocated in Korea and expanded in China. Global Service continued to implement strategic after-market collaborations with both distribution partners and large OEM customers in order to best support end user customers with teams close to their manufacturing sites. This minimizes operational interruptions and downtime by guaranteeing fast response time and quick spares replenishment.

VAT plans to further expand its service footprint in 2018, with a new service facility in Malaysia and with additional service hubs in China. Advanced business models, such as building up service infrastructure at the premises of key customers and installing logistic hubs to speed up parts availability will remain key programs for the segment to further increase its competitive advantage.

Performance review 2017 and outlook

Net sales increased 20.5% in 2017 to reach CHF 98.7 million. Growth was strongest for spare parts, while service and retrofit sales also increased. Segment EBITDA rose 17.7% to CHF 47.6 million. The EBITDA margin amounted to 48.2%, a decrease of 0.8 percentage points compared to 2016. Costs related to investments in the expansion of the Global Service offerings more than offset the positive impact from the change in the business mix as the spare parts business grew faster than the retrofit or service center activities.

VAT expects the market for its Global Service business to remain strong in 2018 as the company continues to build its installed base of vacuum valves. Ongoing technology advances by device manufacturers will drive further demand for valve upgrades and retrofits. Expansions to VAT's global service footprint will support additional growth.

Industry

The Industry segment manufactures innovative and technologically advanced edge-welded bellows that act as flexible sealing elements in certain high-vacuum applications. They are the fundamental components wherever movement needs to be introduced into a high-vacuum environment, for example, through the use of a substrate lifter or robot, and are manufactured using high-precision laser welding technology, often at microscopic levels. They are used in a variety of applications and industries, the largest being the high-vacuum equipment industry, including semiconductor manufacturing. The business also serves customers in the automotive and medical equipment industries, as well as other sectors. The segment manufactures related mechanical components and assemblies through its Romanian subsidiary Sysmec.

Demand for edge-welded bellows increased significantly in 2017, largely a reflection of the overall market growth for vacuum valves in the semiconductor and displays sectors. Rapid technology advances in device manufacturing that required improved contamination control also fueled demand, which VAT met with a new line of bellows using more corrosion-resistant materials for use in aggressive environments, such as dry etching processes.

As with vacuum valves used in the semiconductor and displays markets, VAT bellows need to be qualified by the customer before serial production can be initiated. These specification wins are crucial to secure future business, and VAT won several bellows specification wins in 2017, not only in specific vacuum applications but also in other areas, such as the automotive industry.

The Industry segment also manufactures fuel injection dampers used in advanced automotive fuel injection systems to improve fuel efficiency. This business continued to grow moderately in 2017, and the company substantially increased production capacity in 2017, as demand for dampers is expected to continue to grow.

Performance review 2017 and outlook

Net sales in the Industry segment were CHF 39.5 million in 2017, an increase of 25.7% compared with the year before. Internal sales (not included in the net sales number) to the Valves segment grew even faster, up 46.8% to CHF 22.6 million, reflecting large customer investments in semiconductor manufacturing equipment. Sales to the automotive sector increased as well but at a slower pace, while sales to other markets were growing at a good pace.

Segment EBITDA rose by 29.2% to CHF 13.4 million. The segment EBITDA margin amounted to 21.5%, slightly lower than in 2016 as a result of the strong growth in inter-segment sales.

VAT expects further growth in the market for edge-welded bellows in 2018, in line with the continued growth expected in the semiconductor market. Positive, the trends in the automotive and medical device fields components are also expected to support growth.

Consolidated financial statements for the financial year from January 1 to December 31, 2017

Consolidated income statement

January 1–December 31 In CHF thousand	2017	2016
Net sales	**692,415**	**507,901**
Raw materials and consumables used	–310,081	–186,293
Changes in inventories of finished goods and work in progress	49,537	–3,603
Personnel expenses	–156,917	–118,784
Other income	5,244	3,087
Other expenses	–67,987	–52,755
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]	**212,211**	**149,553**
Depreciation and amortization	–33,466	–31,287
Earnings before interest and taxes (EBIT)[1]	**178,745**	**118,266**
Finance income	481	7,291
Finance costs	–44,548	–37,674
Earnings before income taxes	**134,678**	**87,883**
Income tax expenses	–19,001	–20,651
Net income attributable to owners of the Company	**115,677**	**67,233**
Earnings per share (in CHF)		
Basic earnings per share	3.86	2.43
Diluted earnings per share	3.86	2.42

1 Interest includes other items reported in the financial results.

Consolidated statement of comprehensive income

January 1–December 31 In CHF thousand	2017	2016
Net income attributable to owners of the Company	115,677	67,233
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit obligations	1,917	–9,115
Related tax	–721	1,586
Subtotal	**1,196**	**–7,529**
Items that are or may be subsequently reclassified to profit or loss:		
Changes in the fair value of hedging reserves	3,377	–4,247
Related tax	–608	758
Currency translation adjustments	46,036	–4,419
Subtotal	**48,805**	**–7,908**
Other comprehensive income for the period (net of tax)	**50,001**	**–15,437**
Total comprehensive income for the period attributable to owners of the Company	**165,677**	**51,796**

Consolidated balance sheet

As of December 31 In CHF thousand	2017	2016
Assets		
Cash and cash equivalents	72,021	62,642
Trade and other receivables	122,590	96,836
Derivative financial instruments	1,150	1,485
Prepayments and accrued income	2,717	651
Financial assets at fair value through profit and loss	36	30
Inventories	110,744	56,587
Current tax assets	491	1,148
Current assets	**309,749**	**219,379**
Property, plant and equipment	147,751	116,128
Investment properties	1,923	4,382
Intangible assets and goodwill	517,213	530,500
Long-term loans	0	217
Trade and other receivables	6,086	7,428
Derivative financial instruments	0	199
Deferred tax assets	8,411	5,197
Non-current assets	**681,384**	**664,050**
Total assets	**991,133**	**883,429**

As of December 31 In CHF thousand	2017	2016
Liabilities		
Trade and other payables	92,820	50,617
Loans and borrowings	55,764	36,505
Provisions	1,802	1,248
Derivative financial instruments	1,836	6,145
Accrued expenses and deferred income	21,366	18,068
Liabilities from government grants	471	444
Current tax liabilities	24,371	17,540
Current liabilities	**198,430**	**130,566**
Loans and borrowings	160,000	160,000
Derivative financial instruments	291	995
Liabilities from government grants	1,034	1,421
Other non-current liabilities	201	165
Deferred tax liabilities	45,845	51,197
Defined benefit obligations	27,325	28,436
Non-current liabilities	**234,696**	**242,214**
Total liabilities	**433,126**	**372,780**
Equity		
Share capital	3,000	3,000
Share premium	373,823	493,745
Reserves	–11,090	–61,090
Treasury shares	–790	–4,950
Retained earnings	193,064	79,943
Total equity attributable to owners of the Company	**558,007**	**510,649**
Total liabilities and equity	**991,133**	**883,429**

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Remeasurements of DBO[1]	Other reserves	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of 01.01.2016	**30**	**87,530**	**–9,310**	**0**	**–106**	**–38,692**	**0**	**9,737**	**49,189**
Net income attributable to owners of the Company								67,233	67,233
Total comprehensive income for the period attributable to owners of the Company			–7,529		–3,489	–4,419			–15,437
Incorporation of VAT Group AG	100								100
Effect of business restructuring	2,870	411,223							414,093
Own shares acquired							–4,950		–4,950
Reclassification		–2,455		2,455					0
Transaction costs (net of tax)		–2,553							–2,553
Share-based payments (net of tax)								2,973	2,973
Equity as of 31.12.2016	**3,000**	**493,745**	**–16,839**	**2,455**	**–3,595**	**–43,111**	**–4,950**	**79,943**	**510,649**
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**

1 DBO: Defined benefit obligations

Consolidated statement of cash flows

January 1–December 31 In CHF thousand	2017	2016
Net income attributable to owners of the Company	**115,677**	**67,233**
Adjustments for:		
Depreciation and amortization	33,466	31,287
(Profit)/loss from disposal of property, plant and equipment	168	277
Change in defined benefit liability	807	–1,501
Net impact from foreign exchange	–3,143	–1,808
Income tax expenses	19,001	20,651
Net finance costs	44,067	27,652
Transaction costs in connection with the IPO[1]	0	5,543
Other non-cash-effective adjustments	1,138	–141
Change in trade and other receivables	–24,033	–19,018
Change in prepayments and accrued income	–1,992	501
Change in inventories	–53,200	1,436
Change in trade and other payables	41,096	20,124
Change in accrued expenses and deferred income	3,337	7,803
Change in provisions	546	411
Cash generated from operations	**176,934**	**160,450**
Income taxes paid	–21,342	–14,094
Cash flow from operating activities	**155,593**	**146,356**
Purchases of property, plant and equipment	–43,774	–15,852
Proceeds from sale of property, plant and equipment	144	666
Purchases of intangible assets	–3,804	–3,313
Loans granted or repaid	214	72
Interest received	78	100
Other finance income received	4	55
Cash flow from investing activities	**–47,137**	**–18,272**
Proceeds from the issue of ordinary shares	0	100
Purchase of own shares	0	–4,950
Transaction costs in connection with the IPO[1]	0	–8,332
Proceeds from borrowings	115,000	228,821
Repayments of borrowings	–89,847	–350,894
Dividend paid	–119,923	0
Interest paid	–4,083	–10,588
Other finance expenses paid	–694	–363
Cash flow from financing activities	**–99,547**	**–146,206**
Net increase/(decrease) in cash and cash equivalents	**8,909**	**–18,121**
Cash and cash equivalents at beginning of period	62,642	80,601
Effect of movements in exchange rates on cash held	469	162
Cash and cash equivalents at end of period	**72,021**	**62,642**

1 Includes stamp tax and consulting fees

Statutory financial statements VAT Group AG for the financial year from January 1 to December 31, 2017

Balance sheet

As of December 31 In CHF thousand	2017	2016
Assets		
Cash and cash equivalents	212	429
Other receivables	4,443	2,326
Prepayments and accrued income	541	524
Current assets	**5,196**	**3,279**
Financial assets	1,274	1,737
Loans granted to companies in which the entity holds an investment	97,604	653,600
Investments in subsidiaries	502,850	87,556
Non-current assets	**601,728**	**742,893**
Total assets	**606,924**	**746,172**
Liabilities		
Short-term interest-bearing liabilities due to third parties	55,764	36,968
Other payables	54	161
Short-term provisions	0	1,018
Accrued expenses and deferred income	1,970	553
Current liabilities	**57,788**	**38,700**
Long-term interest-bearing liabilities	175,408	219,298
Non-current liabilities	**175,408**	**219,298**
Total liabilities	**233,196**	**257,998**
Equity		
Share capital	3,000	3,000
Legal capital reserves:		
– Reserves from capital contributions	375,186	495,109
– Other capital reserves	3,682	3,682
Accumulated losses:		
– Loss brought forward	–8,665	0
– Gain/loss for the period	1,314	–8,665
Treasury shares	–790	–4,950
Total equity attributable to owners of the Company	**373,727**	**488,175**
Total liabilities and equity	**606,924**	**746,172**

Income statement

In CHF thousand	01.01.–31.12.2017	25.02.–31.12.2016
Interest income	4,897	2,221
Other financial income	6,957	0
Total income	**11,854**	**2,221**
Interest expenses	–5,163	–1,389
Other financial expenses	–2,519	–1,020
Personnel expenses	–780	–444
Other operating expenses	–2,077	–1,746
Extraordinary, non-recurring or prior period expenses	0	–6,287
Total expenses	**–10,540**	**–10,886**
Gain/loss for the period	**1,314**	**–8,665**

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	2017
Balance brought forward	–8,665
Gain for the period	1,314
Total accumulated losses	**–7,351**

The Board of Directors proposes to the General Meeting to carry forward accumulated losses of CHF –7.4 million.

Appropriation of reserves from capital contributions

In CHF thousand	2017
Reserves from capital contributions as of 31.12.2017	375,186
Dividend payment out of reserves from capital contributions	–120,000
Reserves from capital contributions carried forward	**255,186**

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
2018	
Tuesday, April 17, 2018	Q1 2018 trading update
Thursday, May 17, 2018	Annual General Meeting
Thursday, May 24, 2018	Dividend payment
Friday, August 24, 2018	Half-year results 2018
Thursday, October 25, 2018	Q3 2018 trading update
2019	
Friday, March 8, 2019	Full-year 2018 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.

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This condensed report is printed on FSC-certified paper.

MIX
Paper from responsible sources
FSC® C007447

climate neutral
powered by ClimatePartner°
Print | ID 11665-1802-1006

OUTLOOK 2018:

The era of Big Data, augmented by rapid advances in artificial intelligence (AI), is gaining momentum, leading the company into a new phase of sustainable growth.

VAT expects to grow full-year net sales by 15% to 20% at constant foreign exchange rates. The mid-term EBITDA margin target of 33% by 2020 remains in place, and the company expects to show progress toward this goal in 2018 as the result of improved productivity.

PASSION. PRECISION. PURITY.