HALF-YEAR REPORT 2018:

VAT invests in innovation to further expand its technology leadership and product offering while continuing to expand its flexible production capacity to offer its customers the highest level of service and support, and to broaden its market share further.

Q2 2018 highlights
- VAT continued to invest in future growth and quickly adjusted to moderation of market conditions
- Net sales up 17%; orders down 13%
- Swift reaction to the changing environment, cost reduction thanks to flexible structure

Half-year 2018 highlights
- Demand growth for manufacturing equipment in semiconductor and displays continued
- Net sales up 18%; order intake plus 2% reflecting anticipated moderation of activities in second half
- EBITDA plus 24%; EBITDA margin up 150 bps to 31.6%; EBIT margin up 330 bps to 27.2%

Outlook 2018
- VAT now expects mid-single digit net sales growth
- EBITDA margin to be maintained around half-year
- Capex to be about 8% of net sales
- Free cash flow expected to exceed 2017 amount

PASSION. PRECISION. PURITY.

Key Figures

In CHF million	6M 2018	6M 2017	Change
Order intake	380.9	372.0	+2.4%
Order backlog as of June 30, 2018 and December 31, 2017	158.8	165.6	-4.1%
Net sales	386.6	326.4	+18.4%
Gross profit	235.8	206.4	+14.3%
Gross profit margin	61.0%	63.2%	
EBITDA	122.1	95.3	+28.1%
Adjusted EBITDA[1]	122.1	98.2	+24.3%
Adjusted EBITDA margin	31.6%	30.1%	
EBIT	105.0	78.2	+34.3%
EBIT margin	27.2%	23.9%	
Net income	83.6	59.5	+40.6%
Net income margin	21.6%	18.2%	
Earnings per share (in CHF)	2.79	1.99	+40.6%
Cash flow from operating activities	80.9	71.5	+13.2%
CAPEX[2]	33.7	17.6	+92.0%
CAPEX margin	8.7%	5.4%	
Free cash flow[3]	47.3	54.1	−12.7%
Free cash flow margin	12.2%	16.6%	
Free cash flow conversion rate[4]	38.7%	56.8%	

In CHF million	2018 as of June 30	2017 as of Dec 31	
Total assets	1,069.3	991.1	+7.9%
Total liabilities	547.4	433.1	+26.4%
Equity	521.9	558.0	−6.5%
Net debt	221.5	143.7	+54.1%
Number of employees	1,927	1,746	+181

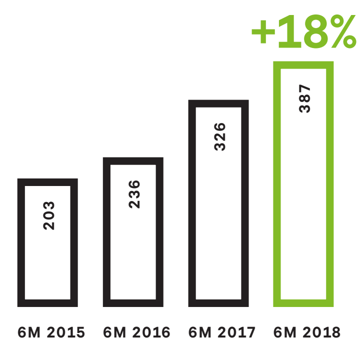
1 Adjusted EBITDA in 2017 excludes IPO-related one-off items of CHF 2.9 million.
2 CAPEX contain purchases of property, plant equipment and intangible assets and proceeds from sale of property, plant and equipment.
3 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
4 Free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.

Net sales
in CHF million

386.6

2017 **326.4**

Net sales development
in CHF million



EBITDA
in CHF million

122.1

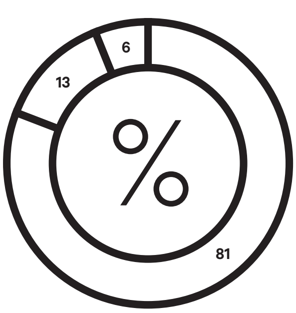
2017 **98.2**

EBITDA margin
in %

31.6

2017 **30.1**

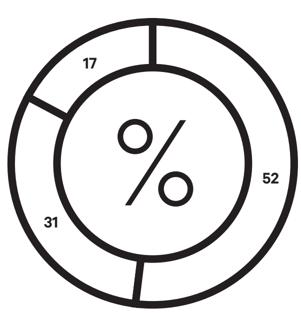
Net sales
by segment



81 VALVES
13 GLOBAL SERVICE
6 INDUSTRY

2017
81 VALVES
13 GLOBAL SERVICE
6 INDUSTRY

Net sales
by region



52 ASIA
31 AMERICAS
17 EMEA

2017
50 ASIA
35 AMERICAS
15 EMEA

Free cash flow
in CHF million

47.3

2017 **54.1**

VAT posts near-record sales in the second quarter and continued to see strong sales and EBITDA growth in the first six months of 2018

Near-record sales in the second quarter of 2018 confirmed VAT's leadership position in high-vacuum valves. Demand for digital products such as solid state memory devices, logic chips, and displays, whose manufacture depends heavily on VAT's valves, remained at record-high levels. However, the slowing in the investment cycle, anticipated already after the first quarter of 2018, especially in the semiconductor segment, started to materialize in the second quarter, leading to substantially softer orders from our key customers compared with previous quarters.

In the second quarter of 2018, all business segments reported higher net sales; orders grew in the Industry segment, were flat in Global Service, and declined in Valves. Group order intake in the second quarter of 2018 was CHF 166 million, a decline of 13% on the prior-year period. Group net sales in the quarter were CHF 189 million, an increase of 17%.

Key market drivers remain positive

In the first six months of 2018, demand for new manufacturing equipment in the semiconductor, display, solar, and general vacuum markets remained high, driven by the implementation of technological advances in semiconductors, end-market growth for memory and logic chips, and investments in large LCD displays. In addition to this, VAT's general vacuum business gained momentum, as remaining supply chain issues, experienced in 2017 and at the beginning of the year, were resolved.

While growth in demand for high-performance semiconductors remained strong, driven by digitalization, cloud computing, the Internet of Things, and advances in electric transportation, it became apparent during the quarter that some projects, especially on the memory side of our business, were pushed out until late 2018 or even into 2019 as the substantial capacity additions need to be digested.

While these pushouts are not likely to mark the beginning of a lasting down cycle, a temporary lull in demand for additional manufacturing equipment should be expected.

In the display business, lower-than-expected sales and projections for high-end smartphones have led to a slowdown in investment in new OLED capacity for these devices. In addition, the transition from large LCD TV screens to OLED models is progressing at a slow pace, mainly because the advantages of OLED compared to LCD, such as lower energy consumption, higher brightness, and stronger colors, are less critical for TVs than they are for mobile devices. This is confirmed by a wave of new investments in Gen 10.5 manufacturing tools for large – 65-inch – LCD screens. These investments are driving demand for new transfer valves of up to 4 meters in width manufactured by VAT.

All business segments grew net sales year on year

In the first half of 2018, VAT's order intake was CHF 381 million, an increase of 2% compared with the previous year. The order backlog at the end of June was CHF 159 million, 4% lower than at the end of 2017.

Order growth in the first six months of the year was the highest in the Industry segment, up 18% to CHF 24 million, followed by the Valves segment, up 2% to CHF 303 million, and a flat development in Global Service, CHF 54 million.

Group net sales of CHF 387 million for the first six months were 18% higher than a year ago. Foreign exchange rate movements in the first six months of the year had no impact on net sales.

In the largest business segment, Valves, the strongest percentage growth was posted by the General Valve business unit, which benefited from resolving remaining production bottlenecks for its products. It was followed by Displays and Semis, while sales in Modules remained flat.

In the semiconductor business unit, a major OEM customer released the latest leading-edge valve from our production site in Malaysia, and the Zero Particle ATM door was successfully certified in field operations. The General Vacuum business unit successfully secured a number of large orders in R&D and aerospace, as well as captured business opportunities in the fragmented surface coating environment. Displays secured a large package order in solar from China, with the potential for follow-up orders. In addition, the shift toward larger substrate sizes benefited the large transfer valve business. Even though sales in Modules were flat, primarily due to a softening NAND business, the unit successfully specified several module and motion solutions, with turnover expected to materialize in 2019.

The strongest growth in the Global Service segment was in spare parts and repairs. Orders remained flat as customers have been reducing their inventory of spare parts and consumables. The retrofit business is waiting for the finalization of several qualification processes that have started in the second quarter. The main focus of the segment in the first six months of 2018 was on accelerating the turnaround in its repair centers and expanding its service footprint in Asian countries, with the emphasis on local field support and service availability outside regular business hours.

In the Industry segment, growth was driven by the vacuum bellows product segment, which continued to benefit from growth in the semiconductor market. In addition, the generally positive global economic environment helped our automotive business and sales to a variety of industries.

Investments in current and future growth slow EBITDA expansion

Gross profit for the first six months of 2018 amounted to CHF 236 million, a plus of 14%. The gross margin, however, declined to 61%, mainly the result of a higher level of outsourcing and the adverse impact of foreign exchange movements on materials purchased.

EBITDA for the first half of the year improved by 24% to CHF 122 million, and the EBITDA margin increased to 31.6% from 30.1% a year earlier. The main factor behind the improved EBITDA margin was a reduction in the costs associated with the capacity ramp-up in the same period a year ago.

VAT reported net finance costs of CHF 5 million for the first six months, a year-on-year decline of CHF 2 million. This was the result of the harmonization of the group's financing structure, with financial debt now split between a five-year revolving credit facility of USD 300 million and a new five-year CHF 200 million bond issued on May 23, 2018.

The effective tax rate for the first six months of 2018 was 16%, slightly lower than the 17% recorded for the first half year of 2017. The lower tax rate in 2018 mainly resulted from a lower tax rate in the US due to the US tax reform.

As a result of the positive developments in operating results and slightly lower net finance and tax expenses VAT posted net income attributable to shareholders of CHF 84 million, an increase of 40% over the same period a year earlier.

On June 30, 2018, net debt amounted to CHF 222 million, representing a leverage ratio (net debt to EBITDA) of 1.0 times on a last 12-month (LTM) basis. The equity ratio on June 30, 2018 was 49%.

Free cash flow generation on track

Free cash flow amounted to CHF 47 million during the first six months, in line with management expectations, but around 13% below the 2017 level. The main reason was a substantially higher CAPEX spend of CHF 34 million compared with CHF 18 million a year earlier. VAT's expansion of its production facility in Malaysia is on schedule, with the first production in the expanded area expected to commence during the third quarter of 2018. In addition, net trade working capital increased to around 24% of LTM net sales, mainly due to inventory increases in consignment stocks for a large OEM customer.

In absolute terms, net trade working capital increased by CHF 54 million to CHF 193 million compared with the level at December 31, 2017.

As a result of the factors described above, free cash flow margin for the first six months of the year came to 12%, and the free cash flow conversion rate was 39% of EBITDA.

At the end of June 2018, VAT had 1,927 employees worldwide, an increase of 181, or 10% mainly in Malaysia, on the level a year ago, and about the same as at the end of 2017.

Outlook

The growth drivers of VAT's high-vacuum valve business such as the digitalization of our daily life and the resulting increase in data storage capacity or ever better displays continue. However, as announced at our Q1 2018 trading update, the expected moderation of the overall business climate materialized during the second quarter. Industry capex spend, mainly in the semiconductor area, have been pushed out into late 2018 or into 2019, resulting in slower order activities from our large semiconductor OEM customers. The markedly improved results from our general vacuum, service and industrial activities will not be able to offset this moderation in the second half of 2018.

For 2018, VAT therefore expects now to grow full-year net sales by a mid-single digit rate at constant foreign exchange rates. While the mid-term EBITDA margin target of 33% by 2020 remains in place, the company now foresees the full-year EBITDA margin to be maintained at around half-year number.

Full-year net income and earnings per share (EPS) are expected to grow substantially as items below the EBITDA line, such as finance costs or taxes, are not expected to deteriorate during the second half of the year compared to the first six months of 2018. The capacity expansions, mainly in Malaysia and Romania, are on track. As a consequence of the expected slower top-line growth, overall capital expenditures is foreseen to be around 8% of net sales in 2018 before returning to the level of about 4% of net sales in the following years.

Free cash flow expected to exceed 2017 amount.

Key Figures Valves

In CHF million	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
Order intake	128.1	153.6	–16.6%	303.3	297.9	+1.8%
Net sales	153.7	131.1	+17.2%	313.0	263.8	+18.6%
Inter-segment sales	9.8	9.2	+6.5%	21.1	17.6	+20.3%
Segment net sales	163.5	140.3	+16.5%	334.1	281.4	+18.7%
Segment EBITDA				116.1	80.8	+43.8%
Segment EBITDA margin[1]				34.8%	28.7%	

In CHF million	2018 as of June 30	2017 as of Dec 31	
Segment net operating assets	657.7	606.8	+8.4%
of which net trade working capital	143.6	108.6	+32.2%

Key Figures Global Service

In CHF million	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
Order intake	25.8	26.2	–1.5%	53.6	53.6	+0.0%
Net sales	24.0	21.7	+10.7%	50.7	43.5	+16.7%
Inter-segment sales						
Segment net sales	24.0	21.7	+10.7%	50.7	43.5	+16.7%
Segment EBITDA				24.3	19.4	+25.3%
Segment EBITDA margin[1]				47.8%	44.5%	

In CHF million	2018 as of June 30	2017 as of Dec 31	
Segment net operating assets	123.6	122.5	+0.9%
of which net trade working capital	18.5	15.8	+16.7%

Key Figures Industry

In CHF million	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
Order intake	11.7	10.3	+13.4%	24.1	20.5	+17.6%
Net sales	11.1	9.1	+22.4%	22.9	19.1	+19.7%
Inter-segment sales	6.3	5.4	+16.7%	13.1	11.4	+14.4%
Segment net sales	17.4	14.6	+19.4%	36.0	30.6	+17.7%
Segment EBITDA				6.0	6.8	–11.8%
Segment EBITDA margin[1]				16.5%	22.1%	

In CHF million	2018 as of June 30	2017 as of Dec 31	
Segment net operating assets	85.0	74.97	+13.5%
of which net trade working capital	17.2	14.8	+16.1%

1 Segment EBITDA margin as a percentage of Segment net sales

Consolidated income statement

January 1–June 30 In CHF thousand	Note	2018 unaudited	2017 unaudited
Net sales	**4, 5**	**386,626**	**326,449**
Raw materials and consumables used		–174,049	–140,827
Changes in inventories of finished goods and work in progress		23,257	20,770
Personnel expenses	6, 8	–83,855	–76,846
Other income		7,491	1,641
Other expenses	6	–37,408	–35,878
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**122,063**	**95,309**
Depreciation and amortization		–17,044	–17,131
Earnings before interest and taxes (EBIT)[1]		**105,019**	**78,178**
Finance income		178	232
Finance costs		–5,348	–7,012
Earnings before income taxes		**99,849**	**71,399**
Income tax expenses	6	–16,257	–11,941
Net income attributable to owners of the Company		**83,593**	**59,458**
Earnings per share (in CHF)			
Basic earnings per share		2.79	1.99
Diluted earnings per share		2.79	1.99

1 Interest includes other items reported in the financial results.

Consolidated statement of comprehensive income

January 1–June 30 In CHF thousand	Note	2018 unaudited	2017 unaudited
Net income attributable to owners of the Company		83,593	59,458
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	10	3,618	9,654
Related tax	10	–554	–1,680
Subtotal		**3,064**	**7,974**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		–3,888	8,286
Related tax		595	–1,442
Currency translation adjustments		155	12,032
Subtotal		**–3,138**	**18,876**
Other comprehensive income for the period (net of tax)		**–74**	**26,850**
Total comprehensive income for the period attributable to owners of the Company		**83,519**	**86,308**

Consolidated balance sheet

In CHF thousand	Note	30.06.2018 unaudited	31.12.2017 audited
Assets			
Cash and cash equivalents		104,525	72,021
Trade and other receivables		115,781	122,590
Derivative financial instruments	11	89	1,150
Prepayments and accrued income		4,258	2,717
Financial assets at fair value through profit and loss		36	36
Inventories		145,546	110,744
Current tax assets		230	491
Current assets		**370,465**	**309,749**
Property, plant and equipment		171,061	147,751
Investment properties		1,898	1,923
Intangible assets and goodwill		510,944	517,213
Trade and other receivables		4,416	6,086
Derivative financial instruments	11	48	0
Deferred tax assets		10,512	8,411
Non-current assets		**698,878**	**681,384**
Total assets		**1,069,343**	**991,133**

In CHF thousand	Note	30.06.2018 unaudited	31.12.2017 audited
Liabilities			
Trade and other payables		93,816	92,820
Loans and borrowings	9	127,093	55,764
Provisions		2,445	1,802
Derivative financial instruments	11	4,983	1,836
Accrued expenses and deferred income		23,794	21,366
Liabilities from government grants		466	471
Current tax liabilities		25,227	24,371
Current liabilities		**277,823**	**198,430**
Loans and borrowings	9	198,971	160,000
Derivative financial instruments	11	18	291
Liabilities from government grants		791	1,034
Other non-current liabilities		206	201
Deferred tax liabilities		45,557	45,845
Defined benefit obligations		24,073	27,325
Non-current liabilities		**269,616**	**234.696**
Total liabilities		**547,440**	**433,126**
Equity			
Share capital		3,000	3,000
Share premium		253,891	373,823
Reserves		–11,163	–11,090
Treasury shares		–767	–790
Retained earnings		276,943	193,064
Total equity attributable to owners of the Company		**521,904**	**558,007**
Total liabilities and equity		**1,069,343**	**991,133**

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 01.01.2017	**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								59,458	59,458
Total comprehensive income for the period attributable to owners of the Company			7,974		6,844	12,032			26,850
Dividend payment		–119,923							–119,923
Share-based payments (net of tax)[2]							4,143	–2,563	1,580
Equity as of 30.06.2017 unaudited	**3,000**	**373,823**	**–8,865**	**2,455**	**3,249**	**–31,079**	**–807**	**136,838**	**478,614**
VAT Group AG Equity as of 01.01.2018	**3,000**	**373,823**	**–15,643**	**2,455**	**-826**	**2,925**	**–790**	**193,064**	**558,007**
Adjustment on initial application of IFRS 9 (net of tax)[3]								–31	–31
Restated equity as of 01.01.2018	**3,000**	**373,823**	**–15,643**	**2,455**	**-826**	**2,925**	**–790**	**193,033**	**557,976**
Net income attributable to owners of the Company								83,593	83,593
Total comprehensive income for the period attributable to owners of the Company			3,064		–3,293	155			–74
Dividend payment		–119,932							–119,932
Share-based payments (net of tax)							23	318	341
Equity as of 30.06.2018 unaudited	**3,000**	**253,891**	**–12,579**	**2,455**	**–4,120**	**3,080**	**–767**	**276,943**	**521,904**

1 DBO: Defined benefit obligations
2 Refer to note 8
3 The Group has initially applied IFRS 9 at 01.01.2018. Under the transition methods chosen, comparative information is not restated.

Consolidated statement of cash flows

January 1–June 30 In CHF thousand	Note	2018 unaudited	2017 unaudited
Net income attributable to owners of the Company		**83,593**	**59,458**
Adjustments for:			
Depreciation and amortization		17,044	17,131
(Profit)/loss from disposal of property, plant and equipment		223	19
Change in defined benefit liability		340	–75
Net impact from foreign exchange		–2,538	1,975
Income tax expenses	6	16,257	11,941
Net finance costs		5,170	6,780
Other non-cash effective adjustments		89	1,349
Change in trade and other receivables		9,769	–8,188
Change in prepayments and accrued income		–1,541	–901
Change in inventories		–33,774	–24,454
Change in trade and other payables		–9,782	15,962
Change in accrued expenses and deferred income		13,006	1,436
Change in provisions		645	–174
Cash generated from operations		**98,499**	**82,258**
Income taxes paid		–17,558	–10,740
Cash flow from operating activities		**80,941**	**71,518**
Purchases of property, plant and equipment		–31,392	–16,139
Proceeds from sale of property, plant and equipment		25	34
Purchases of intangible assets		–2,364	–1,464
Loans granted or repaid		0	115
Interest received		44	34
Other finance income received		0	2
Cash flow from investing activities		**–33,686**	**–17,417**
Proceeds from borrowings[1]	9	223,936	115,000
Repayments of borrowings	9	–114,569	–45,539
Dividend paid	7	–119,932	–119,923
Interest paid		–3,251	–2,436
Other finance expenses paid		–919	–443
Cash flow from financing activities		**–14,735**	**–53,341**
Net increase/(decrease) in cash and cash equivalents		**32,519**	**760**
Cash and cash equivalents at beginning of period		72,021	62,642
Effect of movements in exchange rates on cash held		–15	–669
Cash and cash equivalents at end of period		**104,525**	**62,733**

1 Includes financing costs in the amount of CHF 1.0 million (prior year: CHF 0.0 million).

Notes to the consolidated interim financial statements

1. General information

VAT Group AG ("the Company") is a limited liability company incorporated in accordance with Swiss law. The registered office of the Company is Seelistrasse 1, 9469 Haag, Switzerland.

The consolidated interim financial statements as at and for the six-month period ended June 30, 2018, comprise VAT Group AG and all companies under its control (together referred to as "VAT" or "Group").

The Group develops, manufactures and sells vacuum valves for the semiconductor, displays, photovoltaics and vacuum-coating industries as well as for the industrial and research sector.

These consolidated interim financial statements were authorized for issue by the Group's Board of Directors on July 31, 2018.

2. Basis of accounting of half-year report

The consolidated interim financial statements of the Group are presented in a condensed form and have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2017 (last annual consolidated financial statements of VAT Group AG). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and translations that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the changes related to revenues and financial instruments. These accounting policies have changed as of January 1, 2018, due to the adoption of the new IFRS standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenues from Contracts with Customers". Additionally, a number of standards have been modified on miscellaneous points with effect from January 1, 2018. None of these amendments had a material effect on the Group's financial statements. The sales of the Group are not subject to significant seasonal variations during the current financial year.

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates. Estimates and underlying assumptions are reviewed frequently. Revisions to estimates are recognized prospectively. Important estimates and assumptions with related uncertainties primarily affect intangible assets and goodwill, property, plant and equipment, income taxes, employee benefits and provisions.

3. Changes in accounting policies

The new standard IFRS 9 "Financial Instruments" changes the classification and measurement of financial assets and liabilities as well as the accounting for impairment and hedges. The impairment of financial assets, including trade receivables, is now assessed using an expected credit loss model. The first-time adoption of IFRS 9 reduced equity on January 1, 2018 by CHF 0.03 million (net of tax) due to this new model. The adoption of IFRS 9 has not a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact on the classification and measurement of financial assets is set out in the following table.

Financial assets In CHF thousand	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	72,021	72,021
Trade and other receivables	Loans and receivables	Amortized cost	116,215	116,178
Accrued income	Loans and receivables	Amortized cost	1,068	1,068
Equity securities	Held-for-trading	FVTPL	36	36
Forward exchange contracts	Fair value – hedging instrument	Fair value – hedging instrument	1,150	1,150

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with no material impact on the consolidated financial statements.

4. Segment information

The Group is divided into and managed on the basis of three reporting segments. The segments are identified based on the products and services provided: Valves, Global Service and Industry. The segment information is presented as provided to the Board of Directors and the Group Executive Committee in their role as Chief Operating Decision Maker (CODM) and measured in a manner consistent with that of the financial statements. Sales between segments are carried out at arm's length and are eliminated on consolidation.

Information about reportable segments

January 1–June 30, 2018 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Net sales	312,964	50,746	22,916	386,626		386,626
Inter-segment sales	21,141		13,088	34,229	–34,229	0
Segment net sales	**334,105**	**50,746**	**36,004**	**420,855**	**–34,229**	**386,626**
Segment EBITDA	**116,128**	**24,258**	**5,953**	**146,339**	**–24,277**	**122,063**

January 1–June 30, 2017 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Net sales	263,805	43,495	19,149	326,449		326,449
Inter-segment sales	17,573		11,442	29,015	–29,015	0
Segment net sales	**281,378**	**43,495**	**30,591**	**355,464**	**–29,015**	**326,449**
Segment EBITDA	**80,784**	**19,360**	**6,751**	**106,895**	**–11,586**	**95,309**

As of June 30, 2018 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Segment assets	712,548	128,186	93,053	933,787	2,698	936,485
Segment liabilities	54,826	4,624	8,062	67,511	341	67,852
Segment net operating assets	**657,723**	**123,562**	**84,992**	**866,276**	**2,357**	**868,633**
of which net trade working capital	143,566	18,479	17,208	179,253	459	179,711

As of December 31, 2017 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Segment assets	674,019	128,765	81,604	884,388	1,923	886,311
Segment liabilities	67,174	6,264	6,726	80,164	106	80,270
Segment net operating assets	**606,845**	**122,501**	**74,878**	**804,224**	**1,817**	**806,041**
of which net trade working capital	108,604	15,834	14,822	139,260	–106	139,154

Net operating assets by reportable segment include trade receivables, inventories, property, plant and equipment, investment properties, intangible assets and goodwill as well as trade payables. Intangible assets and goodwill are allocated to the segments based on quotes defined as a result of the purchase price allocation.

Reconciliation of segment results to income statement and balance sheet

Income statement

January 1–June 30 In CHF thousand	2018	2017
Segment EBITDA	146,339	106,895
Corporate and eliminations	–24,277	–11,586
Depreciation and amortization	–17,044	–17,131
Finance costs net	–5,170	–6,780
Earnings before income taxes	**99,849**	**71,399**

Assets

In CHF thousand	30.06.2018	31.12.2017
Segment assets	933,787	884,388
Corporate and eliminations	2,698	1,923
Cash and cash equivalents	104,525	72,021
Other assets[1]	28,333	32,800
Assets	**1,069,343**	**991,133**

Liabilities

In CHF thousand	30.06.2018	31.12.2017
Segment liabilities	67,511	80,164
Corporate and eliminations	341	106
Loans and borrowings	326,064	215,764
Other liabilities[2] and provisions	153,524	137,092
Liabilities	**547,440**	**433,126**

1 The main positions included in other assets are other receivables and deferred tax assets.
2 Only trade payables are allocated to segments.

5. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers and is measured at the fair value of the consideration received, taking into account any trade discounts and volume rebates. Payment conditions are short term and therefore do not contain significant financing components. The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when control of the goods has been transferred to the customer, which is dependent on standard trade terms (Incoterms) or when services are rendered. The Group uses different Incoterms, generally EXW, FCA and DDP. Contracts include only standard warranty clauses and do not provide for separate purchase of warranty. From the foregoing considerations, the effect of initially applying IFRS 15 on the Group's financial statements is not significant.

Disaggregation of order intake and net sales

January 1–June 30, 2018 In CHF thousand	Valves	Global Service	Industry	Total
Order intake	303,264	53,585	24,071	380,920
Net sales by region				
Asia	169,105	26,045	5,548	200,698
Americas	101,886	16,817	2,656	121,359
EMEA	41,973	7,884	14,712	64,569
Segment net sales	**312,964**	**50,746**	**22,916**	**386,626**

6. Profit and loss information

Profit for the half-year includes the following significant items that reflect a major change compared to the previous year:

Due to strong growth in demand, net sales and raw materials and consumables used increased substantially. In that respect, other expenses increased due to higher distribution, maintenance, energy and R&D expenses. Furthermore, VAT enhanced its number of employees by 181 full-time equivalents compared to June 30, 2017, which led to higher personnel costs.

Income tax expenses are recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six-month period ended June 30, 2018, is 17.4%, compared to 18.0% for the six-month period ended June 30, 2017. The lower tax rate in 2018 mainly results from a lower tax rate in the US due to the US tax reform.

7. Dividend

In CHF thousand	2018	2017
Dividends paid	119,932	119,923

The Board of Directors proposed a dividend in the amount of CHF 4.00 per share for the financial year 2017 (prior year: CHF 4.00 per share). The dividend was approved and paid out in May 2018.

8. Share-based payments

Members of the Board receive 30% of total compensation in restricted shares. VAT Group granted 1,478 shares with a fair value of CHF 152.5 per share for the period 2017/18 (prior period: 1,390 shares). The shares will be transferred in July 2018. For the period 2018/19, the Group allocated 347 shares (prior year: 378 shares).

Long-term incentive plans (LTIP) are in place for the Group's senior management. As of June 30, 2018, the number of outstanding performance share units (PSU) under the plan are 15,224 (prior year: 5,929).

These programs are accounted for as equity-settled share-based payment compensation. A total amount of CHF 0.3 million (prior period: CHF 1.6 million) was recognized directly in equity.

9. Loans and borrowings

VAT Group AG maintains a syndicated five-year revolving credit facility (RCF) of USD 300.0 million. On April 5, 2018 the RCF was amended and the final maturity date extended from September 23, 2021 to September 23, 2023. The outstanding loan as of June 30, 2018, amounts to CHF 127.1 million. The movement of the outstanding loan in financial year 2018 was mainly driven by a repayment of CHF 114.6 million, raising of CHF 25.0 million as well as foreign exchange effects in the amount of CHF 1.4 million. The RCF is subject to the financial covenant "net senior debt/EBITDA" ratio, with which the Group complied with for the six-month period 2018. The carrying amount as of June 30, 2018, includes financing costs of CHF 2.2 million (prior year: CHF 2.0 million), which will be recognized in profit and loss over the remaining duration of the credit facility.

On May 23, 2018, VAT Group issued a fixed-rate bond with a nominal value of CHF 200.0 million, which is listed on the SIX Swiss Exchange (ISIN: CH0417086052). The bond carries a coupon rate of 1.5% and has a term of five years with a final maturity on May 23, 2023. On June 30, 2018, the market value of the bond was CHF 203.1 million.

10. Retirement benefit obligation

An actuarial gain, net of tax, of CHF 3.1 million (June 30, 2017, gain: CHF 8.0 million) was recognized through comprehensive income in the six-month period ended June 30, 2018. The 2018 actuarial gain mainly arises from a higher discount rate.

11. Derivative financial instruments

The following table shows the carrying amounts of the derivatives, which are the only financial instruments measured at fair value material to VAT Group.

Derivative financial instruments

In CHF thousand	Measurement principle	30.06.2018	31.12.2017
Derivatives held for hedging	FVLP – Level 2[1]	137	1,150
Derivative assets		**137**	**1,150**
Thereof:			
Current derivative assets		89	1,150
Non-current derivative assets		48	0
Derivatives held for hedging	FVLP – Level 2[1]	–5,001	–2,127
Derivative liabilities		**–5,001**	**–2,127**
Thereof:			
Current derivative liabilities		–4,983	–1,836
Non-current derivative liabilities		–18	–291

1 The fair values of the derivatives held by VAT Group are based on market/broker quotes. Similar contracts are traded in an active market and quotes reflect the actual transactions in similar instruments. If all significant inputs required for the valuation of an instrument are observable, the instrument is included in level 2.

Cash flow hedges on foreign exchange contracts

As of June 30, 2018 In CHF thousand	Fair value	Nominal amount
Cash flow hedges	4,863	216,124

On June 30, 2018, the cash flow hedge reserve included net unrealized losses of CHF 4.1 million (prior period: 3.2 million), net of tax, on derivatives designated as cash flow hedges. Net gains of CHF 0.3 million (prior period: 0.1 million) were reclassified to earnings in 2018. The maturity of derivatives classified as a cash flow hedge was between 6–18 months.

12. Principal exchange rates

The following table summarizes the principal exchange rates for translation purposes.

	Average exchange rates in CHF		Closing exchange rates in CHF		
	01.01.–30.06.2018	01.01.–30.06.2017	30.06.2018	31.12.2017	30.06.2017
1 Euro	1.17	1.08	1.16	1.17	1.09
100 Japanese Yen	0.89	0.89	0.89	0.87	0.85
100 Korean Won	0.09	0.09	0.09	0.09	0.08
1 Malaysian Ringgit	0.25	0.23	0.25	0.24	0.22
1 US Dollar	0.97	1.00	0.99	0.98	0.96

13. Events occurring after the end of the reporting period

There are no events occurring after the end of the reporting period that warrant disclosure.

Shareholder Information

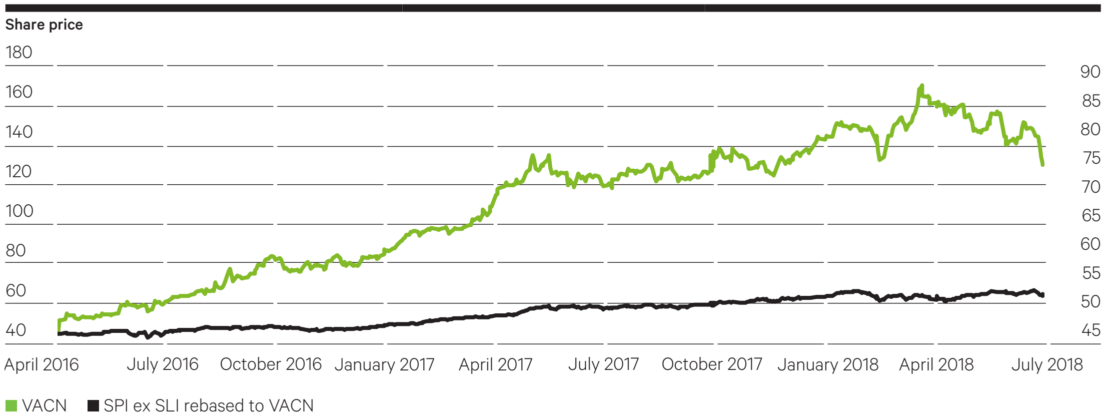
After strong appreciation following the IPO, VAT's share price continued to increase at the beginning of 2018, reaching an all-time high of CHF 170.30 on March 15. By the end of June, however, the price had corrected in line with the general trend among most companies in the semiconductor and display business. The main reason for the correction was that the extraordinary growth in the sector witnessed in 2016 and 2017 started to level off, with certain investment projects postponed to late 2018 or 2019. Overall, VAT shares underperformed the SPI ex SLI Index by about 9% in the first six months of the year and closed the period about 8% lower than at the end of 2017 at CHF 132.60 on June 29, 2018.

VAT Group AG is committed to open and transparent communication with shareholders, financial analysts, customers, suppliers, and all other stakeholders. It communicates material developments in its businesses in a timely manner and in compliance with the rules of the SIX Swiss Exchange. On July 4, 2018, VAT announced that it would be bringing forward the release of its half-year report from August 24 to August 2, 2018, reflecting a faster closing process.

VAT's major shareholders

On January 18, 2018, Partners Group sold its remaining stake in VAT. According to SIX Swiss Exchange calculation methods, the free float of VAT shares amounted to about 90% at the end of June 2018, unchanged compared with the end of 2017. Rudolf Maag remained the largest individual shareholder in VAT, owning around 10% of the shares outstanding. Massachusetts Mutual Life Insurance Company owns about 5% of VAT shares. No other shareholder owned more than 3% of VAT shares as of June 30, 2018.

Share price development



Stock exchange listing

Ticker symbol	VACN (SIX); VACN.S (Reuters); VACN SW (Bloomberg)	**Legal Entity Identifier (LEI)**	529900MVFK7NVALR7Y83
Valor number	31 186 490	**Nominal value**	CHF 0.10 per share
ISIN	CH0311864901	**Free float**	approximately 90%
Market capitalization as of June 30, 2018	CHF 3.98 bn	**Number of shares outstanding**	30,000,000
Exchange	SIX Swiss Exchange (International Reporting Standard)	**Segment**	Mid & Small Cap Swiss shares

Financial calendar

Date	Event
2018	
Thursday, October 25, 2018	Q3 2018 trading update
2019	
Friday, March 8, 2019	Full-year results 2018
Tuesday, April 16, 2019	Q1 2019 trading update
Thursday, May 16, 2019	Annual General Meeting

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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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OUTLOOK 2018:

The growth drivers of VAT's high-vacuum valve business such as the digitalization of our daily life and the resulting increase in data storage capacity or ever better displays continue, albeit at a slower pace.

VAT expects now to grow full-year net sales by a mid-single digit rate at constant FX rates and foresees the full-year EBITDA margin to be maintained at around half-year number.