HALF-YEAR REPORT 2020:

Higher Q2 orders and sales driven by steady growth in semiconductors; H1 EBITDA margin near 30% as operational improvements continue.

Q2 2020 highlights
- Group net sales up 28% vs Q2 2019; technology innovation key as customers invest in next-generation chip fabrication
- Fewer COVID-19 supply chain disruptions than expected; global footprint supports production continuity

Half-year 2020 highlights
- Continued market recovery drives 37% higher orders; 21% net sales growth vs H1 2019
- Group EBITDA margin up 460 basis points on higher volumes and strong productivity and cost focus

Outlook for remainder of 2020
- Semiconductor outlook remains positive, strength of recovery depends on macro impact of COVID-19 pandemic
- Assuming no substantial demand deterioration vs H1, VAT expects FY 2020 net sales[1], EBITDA, EBITDA margin and net income to be substantially above 2019
- 2020 capital expenditure at approx. CHF 30 million; free cash flow to depend on working capital needs, may be lower than 2019

Guidance for Q3 2020
- VAT expects net sales[1] of CHF 175–190 million

1 At constant foreign exchange rates

PASSION. PRECISION. PURITY.

Key Figures

In CHF million	6M 2020	6M 2019	Change
Order intake	358.1	261.6	36.8%
Order backlog (as of June 30)	153.5	111.8	37.3%
Net sales	318.9	263.0	21.3%
Gross profit	201.6	161.1	25.1%
Gross profit margin	63.2%	61.3%	
EBITDA	94.8	65.9	43.8%
EBITDA margin	29.7%	25.1%	
EBIT	74.4	43.0	73.2%
EBIT margin	23.3%	16.3%	
Net income	55.7	24.9	124.0%
Net income margin	17.5%	9.5%	
Earnings per share (in CHF)	1.86	0.83	124.0%
Cash flow from operating activities	51.5	51.9	–0.7%
Capex[1]	11.6	6.7	73.0%
Capex margin	3.7%	2.6%	
Free cash flow[2]	39.9	45.2	–11.7%
Free cash flow margin	12.5%	17.2%	
Free cash flow conversion rate[3]	42.1%	68.6%	

In CHF million	2020 as of June 30	2019 as of June 30	
Total assets	1,005.5	974.2	3.2%
Total liabilities	546.8	507.8	7.7%
Equity	458.7	466.4	–1.6%
Net debt	230.0	236.7	–2.8%
Number of employees (FTEs)	2,013	1,714	17.4%

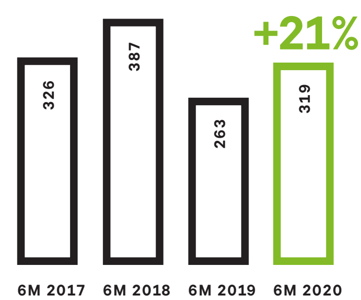
1 Capex contain purchases of property, plant equipment and intangible assets and proceeds from sale of property, plant and equipment.
2 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
3 Free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.

Net sales
in CHF million

318.9

2019 **263.0**

Net sales development
in CHF million



EBITDA
in CHF million

94.8

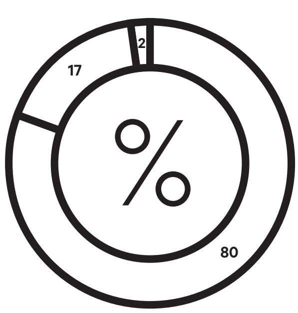
2019 **65.9**

EBITDA margin
in %

29.7

2019 **25.1**

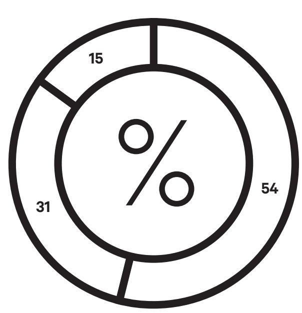
Net sales
by segment



80 VALVES
17 GLOBAL SERVICE
2 INDUSTRY

2019
75 VALVES
22 GLOBAL SERVICE
3 INDUSTRY

Net sales
by region



54 ASIA
31 AMERICAS
15 EMEA

2019
47 ASIA
34 AMERICAS
19 EMEA

Free cash flow
in CHF million

39.9

2019 **45.2**

Higher Q2 orders and sales driven by steady growth in semiconductors

Q2 Summary

Demand continued to recover in the semiconductor sector, VAT's largest end market, during the second quarter of 2020. The main drivers were stronger-than-expected demand for new fabrication technologies in logic and foundry applications and higher capital expenditures for the manufacture of memory chips. At the same time, supply chain bottlenecks from the COVID-19 pandemic were less severe than originally anticipated.

As a result, and as announced on July 9, 2020, Q2 net sales reached CHF 173 million, a 28% increase compared with the same quarter in 2019 and above the guidance the company provided in April. Order intake in the second quarter grew 32% to CHF 177 million.

Q2 Segment Review

The Valves segment – VAT's largest business and the one most exposed to the semiconductor sector – reported net sales of CHF 139 million in the second quarter, a 38% increase compared with the same period a year earlier. Net sales in Global Service were 4% higher at CHF 31 million. Net sales in the Industry segment were down 27% to CHF 3 million.

Six-Month Summary

VAT's order intake in the first half of 2020 was CHF 358 million, an increase of 37% compared with the previous year. The order backlog at the end of June was CHF 153 million, also 37% higher than at the end of the same period in 2019.

Group net sales grew 21% to CHF 319 million in the first six months compared with the same period in 2019. Foreign exchange rate movements had a negative impact of around 3%. Based on preliminary market analysis from VLSI research, VAT further increased its leading market share across all industries to 52%.

The solid growth in orders and net sales in the first half reflects primarily the ongoing recovery in the semiconductor sector following the cyclical downturn that affected the industry from late 2018 until the middle of last year. In particular, many of VAT's largest original equipment manufacturer (OEM) customers are investing in new fabrication equipment platforms for the next generation of high-performance semiconductors. This, in turn, is driving demand for new vacuum valve solutions needed to achieve the highest levels of fabrication process purity.

Demand was also supported by the designation of the semiconductor sector as a system-critical business during the coronavirus pandemic. This allowed companies to maintain production through the crisis, provided they could ensure the safety and well-being of their employees, customers and suppliers. VAT was able to maintain production at its facilities in Switzerland, Romania and Malaysia through the first six months, in large part due to the commitment of its employees to consistently implement the various safety precautions and distancing guidelines established in their respective jurisdictions to prevent the spread of COVID-19. VAT reported only two COVID-19 cases among employees as of June 30, 2020.

Segment Review

In the Valves segment, sales increased by 30% in the first half of 2020 to CHF 256 million, led by an increase in the semiconductor business unit of more than 50%. The Display & Solar business also reported higher sales, driven mainly by demand for improved energy efficiency in the solar photovoltaic industry. Sales in the General Vacuum business unit were lower, reflecting the currently more cautious business environment in general industry.

The Global Service segment reported 2% lower net sales in the first six months at CHF 55 million, mainly reflecting the timing of service contract deliveries. The segment continued to introduce new service products during the first half of 2020, including valve upgrades and subfab applications used in pumping and abatement systems.

In the Industry segment, first-half sales declined, reflecting the continued slowdown in demand for dampers used in high-efficiency automotive fuel injection systems, which is the result of new emission regulations being introduced in several markets.

Strong EBITDA reflects higher volumes

Gross profit for the first six months of 2020 amounted to CHF 202 million, an increase of 25%. The gross margin was 63%, 2 percentage points higher than in the previous-year period.

EBITDA for the first half of the year increased 44% to CHF 95 million, and the EBITDA margin amounted to 29.7% versus 25.1% a year earlier, reflecting the improved absorption of fixed costs as a result of higher volumes, as well as ongoing operational improvements. EBIT for the first six months of 2020 increased 73% to CHF 74 million, leading to an EBIT margin of 23.3%. The improvement reflects both higher EBITDA as well as lower depreciation charges resulting from reduced capital expenditures in 2019.

VAT reported net finance costs of CHF 10 million for the first six months, about twice as much as a year earlier, reflecting foreign exchange losses on the reporting of loans and bank balances. The effective tax rate for the first six months of 2020 was 14% compared to 35% a year earlier, when the introduction of new tax regulations in Switzerland required the booking of additional deferred tax liabilities in the first half. The low tax rate was also affected by some recognized loss carryforwards outside of Switzerland. For the full year, VAT continues to expect the tax rate to normalize towards a long-term level of 18–20%.

The combination of higher sales and EBITDA with lower depreciation and tax charges more than offset the increase in finance costs and led to a first-half 2020 net income of CHF 56 million, more than double the level of the first six months of 2019.

On June 30, 2020, net debt amounted to CHF 230 million. The leverage ratio on a last-twelve-month (LTM) basis and measured as net debt to EBITDA was 1.3 times. The equity ratio on June 30, 2020, was 45.6%.

Execution of internal improvement measures continues

VAT continues to improve operational productivity, efficiency and flexibility so it can achieve sustainable improvements in both growth and profitability, even in rapidly changing markets. This includes leveraging global supply chains to drive cost, time to market and quality, as well as ongoing operational excellence measures in areas such as unifying ERP systems across all locations, product value engineering, new product development and more efficient and sustainable packaging and measures to reduce trade working capital.

The company also continues to ramp up production at its facility in Penang, Malaysia. Major OEM customers in Asia have benefitted from VAT's expanded footprint and value chains in the region as the company is able to better adjust capacity and secure production continuity through the cycle, including through extraordinary events such as the current COVID-19 pandemic.

Sales-driven increase in net working capital impacts free cash flow generation

Free cash flow in the first six months of 2020 amounted to CHF 40 million, 12% below the same period the year before. Capital expenditures of CHF 12 million in the first half of the year were significantly higher than the previous year, reflecting continued investments in new equipment in Switzerland and Malaysia. Net working capital (NWC) requirements also grew in the first half to support the large sales increase. As a percentage of LTM net sales, NWC increased to around 27%. The development of NWC in the second half of 2020 will depend on sales growth. Nevertheless, VAT maintains its mid-term NWC guidance of about 20% of LTM net sales.

The free cash flow margin for the first six months of the year was 13%, and the free cash flow conversion rate was 42% of EBITDA.

At the end of June 2020, VAT had 2,013 employees worldwide (measured as full-time equivalents, FTEs), an increase of 299 FTEs versus the end of June 2019 and 203 more compared with the end of 2019.

Outlook for the remainder of 2020

VAT's medium-term growth drivers remain firmly in place. The Internet of Things, cloud computing and storage, artificial intelligence and many other global digitalization trends are expected to fuel further demand for semiconductors and advanced displays. This, in turn, is forecast to drive demand for VAT's high-performance vacuum components and related services, which are mission-critical in the precision manufacture of these digital devices. In addition, VAT forecasts a further expansion of vacuum-based production processes in a variety of industries.

The development of VAT's orders and net sales in the first half of 2020 indicates that semiconductor demand continues to recover from the recent cyclical slowdown. However, the overall macroeconomic outlook for the rest of 2020 and into 2021 remains highly uncertain. This includes assessing the full impact of the COVID-19 pandemic on supply chains and end market demand, which cannot be accurately estimated at this point in time. Nevertheless, VAT expects that its more diversified global footprint and supply chains will help mitigate potential supply and production bottlenecks in the coming quarters.

On that basis, VAT expects net sales[1], EBITDA and EBITDA margin to grow in the second half of 2020 compared with the first half of the year and to be higher for the full year 2020 versus 2019. The company also maintains its mid-term EBITDA margin target of 33%. Net income for the year is expected to be substantially higher than in 2019.

Capital expenditures for 2020 are planned at approximately CHF 30 million. The development of free cash flow in 2020 will depend on the pace of growth and the resulting net working capital requirements and may be below the level of 2019.

Guidance for Q3 2020

VAT expects net sales[1] of CHF 175–190 million.

1 At constant foreign exchange rates

Key Figures Valves

In CHF million	Q2 2020	Q2 2019	Change[1]	6M 2020	6M 2019	Change[1]
Order intake	141.4	101.2	+39.7%	288.0	199.3	+44.3%
Net sales	139.4	101.4	+37.5%	256.4	197.7	+29.7%
Inter-segment sales	14.0	13.0	+7.3%	26.1	25.2	+3.3%
Segment net sales	153.4	114.4	+34.1%	282.5	222.9	+26.7%
Segment EBITDA				88.0	56.5	+55.8%
Segment EBITDA margin[2]				31.2%	25.4%	

Key Figures Global Service

In CHF million	Q2 2020	Q2 2019	Change[1]	6M 2020	6M 2019	Change[1]
Order intake	31.9	28.0	+13.9%	62.8	55.1	+13.9%
Net sales	30.8	29.5	+4.4%	55.3	56.4	−2.0%
Inter-segment sales	–	–	–	–	–	–
Segment net sales	30.8	29.5	+4.4%	55.3	56.4	−2.0%
Segment EBITDA				22.5	25.0	−9.7%
Segment EBITDA margin[2]				40.7%	44.2%	

Key Figures Industry

In CHF million	Q2 2020	Q2 2019	Change	6M 2020	6M 2019	Change
Order intake	3.5	4.5	−23.3%	7.3	7.2	+1.4%
Net sales	3.2	4.4	−26.5%	7.2	8.9	−19.2%
Inter-segment sales	3.9	2.3	+68.3%	6.3	4.4	+42.4%
Segment net sales	7.2	6.8	+5.9%	13.5	13.4	+1.3%
Segment EBITDA				2.1	1.2	+70.3%
Segment EBITDA margin[2]				15.3%	9.1%	

1 Year-on-Year
2 Segment EBITDA margin as a percentage of Segment net sales

Consolidated income statement

January 1–June 30 In CHF thousand	Note	2020 unaudited	2019 unaudited
Net sales	**4, 5**	**318,932**	**263,013**
Raw materials and consumables used		–144,199	–102,363
Changes in inventories of finished goods and work in progress		26,841	473
Personnel expenses	6, 8	–87,089	–69,306
Other income		7,375	3,630
Other expenses	6	–27,105	–29,537
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**94,755**	**65,910**
Depreciation and amortization		–20,350	–22,951
Earnings before interest and taxes (EBIT)[1]		**74,405**	**42,959**
Finance income		69	56
Finance costs		–9,980	–4,628
Earnings before income taxes		**64,494**	**38,387**
Income tax expenses	6	–8,766	–13,510
Net income attributable to owners of the Company		**55,727**	**24,878**
Earnings per share (in CHF)			
Basic earnings per share		1.86	0.83
Diluted earnings per share		1.86	0.83

1 Interest includes other items as reported in the financial results.

Consolidated statement of comprehensive income

January 1–June 30 In CHF thousand	Note	2020 unaudited	2019 unaudited
Net income attributable to owners of the Company		**55,727**	**24,878**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	10	–135	–5,955
Related tax	10	20	863
Subtotal		**–115**	**–5,092**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		–1,699	2,252
Related tax		238	–332
Currency translation adjustments		766	149
Subtotal		**–696**	**2,069**
Other comprehensive income for the period (net of tax)		**–811**	**–3,023**
Total comprehensive income for the period attributable to owners of the Company		**54,916**	**21,855**

Consolidated balance sheet

In CHF thousand	Note	30.06.2020 unaudited	31.12.2019 audited
Assets			
Cash and cash equivalents		104,154	109,822
Trade and other receivables		115,928	97,409
Other investments, including derivatives	11	2,556	3,184
Prepayments and accrued income		4,260	4,417
Inventories		114,864	84,231
Current tax assets		364	747
Current assets		**342,126**	**299,809**
Property, plant and equipment		150,392	162,125
Investment properties		1,798	1,823
Intangible assets and goodwill		498,342	498,564
Trade and other receivables		2,094	2,631
Other investments		838	831
Deferred tax assets		9,913	6,893
Non-current assets		**663,377**	**672,866**
Total assets		**1,005,504**	**972,675**

In CHF thousand	Note	30.06.2020 unaudited	31.12.2019 audited
Liabilities			
Trade and other payables		72,909	66,387
Loans and borrowings	9	131,090	50,221
Provisions		2,189	2,242
Derivative financial instruments	11	132	53
Accrued expenses and deferred income		29,759	20,158
Current tax liabilities		19,275	17,747
Current liabilities		**255,353**	**156,809**
Loans and borrowings	9	203,050	203,867
Other non-current liabilities		275	377
Deferred tax liabilities		44,189	45,934
Defined benefit obligations		43,908	42,252
Non-current liabilities		**291,422**	**292,430**
Total liabilities		**546,775**	**449,239**
Equity			
Share capital		3,000	3,000
Share premium		73,969	133,950
Reserves		5,182	5,878
Treasury shares		–414	–571
Retained earnings		376,991	381,179
Total equity attributable to owners of the Company		**458,729**	**523,436**
Total liabilities and equity		**1,005,504**	**972,675**

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings[1]	Total equity
VAT Group AG Equity as of 01.01.2019	**3,000**	**253,891**	**–1,067**	**3,351**	**–687**	**305,683**	**564,170**
Net income attributable to owners of the Company						24,878	24,878
Total comprehensive income for the period attributable to owners of the Company			1,920	149		–5,092	–3,023
Dividend payment		–119,941					–119,941
Share-based payments (net of tax)					22	308	330
Equity as of 30.06.2019 unaudited	**3,000**	**133,950**	**853**	**3,500**	**–665**	**325,777**	**466,415**

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings[1]	Total equity
VAT Group AG Equity as of 01.01.2020	**3,000**	**133,950**	**2,663**	**3,215**	**–571**	**381,179**	**523,436**
Net income attributable to owners of the Company						55,727	55,727
Total comprehensive income for the period attributable to owners of the Company			–1,462	766		–115	–811
Dividend payment		–59,981				–59,981	–119,961
Purchase treasury shares					–55		–55
Share-based payments (net of tax)					211	181	392
Equity as of 30.06.2020 unaudited	**3,000**	**73,969**	**1,201**	**3,981**	**–414**	**376,991**	**458,729**

1 Includes remeasurements of DBO and other reserves. In prior year, this information was disclosed separately

Consolidated statement of cash flows

January 1–June 30 In CHF thousand	Note	2020 unaudited	2019 unaudited
Net income attributable to owners of the Company		**55,727**	**24,878**
Adjustments for:			
Depreciation and amortization		20,350	22,951
(Profit)/loss from disposal of property, plant and equipment		–15	–3
Change in defined benefit liability		1,507	1,090
Net impact from foreign exchange		227	1,764
Income tax expenses	6	8,766	13,510
Net finance costs		9,911	4,571
Other non-cash-effective adjustments		152	110
Change in trade and other receivables		–19,677	5,954
Change in prepayments and accrued income		3	–1,476
Change in inventories		–32,608	–2,041
Change in trade and other payables		–1,162	–4,238
Change in accrued expenses and deferred income		11,189	552
Change in provisions		–48	184
Cash generated from operations		54,321	67,805
Income taxes paid		–2,774	–15,875
Cash flow from operating activities		**51,548**	**51,930**
Purchases of property, plant and equipment		–2,861	–2,969
Proceeds from sale of property, plant and equipment		25	147
Purchases of intangible assets		–8,870	–3,963
Interest received		60	50
Other finance income received		0	5
Cash flow from investing activities		**–11,646**	**–6,731**
Purchase of treasury shares		–55	0
Proceeds from borrowings	9	120,000	110,000
Repayments of borrowings	9	–39,094	–15,029
Repayments of lease liabilities		–1,324	–1,334
Dividend paid	7	–119,961	–119,941
Interest paid		–3,597	–3,417
Other finance expenses paid		–386	–474
Cash flow from financing activities		**–44,416**	**–30,194**
Net increase/(decrease) in cash and cash equivalents		**–4,515**	**15,005**
Cash and cash equivalents at beginning of period		109,822	79,063
Effect of movements in exchange rates on cash held		–1,153	–452
Cash and cash equivalents at end of period		**104,154**	**93,615**

Notes to the condensed 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, 2020, 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 August 5, 2020.

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, 2019. 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.

In general, 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. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2019. A number of new standards are effective from January 1, 2020, but they do not have a material effect on the Group's 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, 2020 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Net sales	256,421	55,293	7,218	318,932		318,932
Inter-segment sales	26,076		6,319	32,394	–32,394	0
Segment net sales	**282,497**	**55,293**	**13,537**	**351,326**	**–32,394**	**318,932**
Segment EBITDA	**88,046**	**22,532**	**2,076**	**112,654**	**–17,899**	**94,755**

January 1–June 30, 2019 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Net sales	197,645	56,439	8,929	263,013		263,013
Inter-segment sales	25,243		4,436	29,679	–29,679	0
Segment net sales	**222,888**	**56,439**	**13,366**	**292,692**	**–29,679**	**263,013**
Segment EBITDA	**56,517**	**24,960**	**1,219**	**82,695**	**–16,785**	**65,910**

As of June 30, 2020 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Segment assets	691,727	133,596	40,267	865,590	1,798	867,389
Segment liabilities	38,089	4,425	3,197	45,711	135	45,846
Segment net operating assets	**653,638**	**129,172**	**37,070**	**819,880**	**1,664**	**821,543**
of which net trade working capital	125,314	31,695	14,136	171,145	–135	171,010

As of December 31, 2019 In CHF thousand	Valves	Global Service	Industry	Total segments	Corporate and eliminations	Total
Segment assets	676,966	120,331	34,670	831,967	1,823	833,790
Segment liabilities	38,062	6,175	5,139	49,377	545	49,922
Segment net operating assets	**638,904**	**114,156**	**29,531**	**782,591**	**1,278**	**783,868**
of which net trade working capital	102,985	13,801	5,115	121,902	–545	121,356

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	2020	2019
Segment EBITDA	112,654	82,695
Corporate and eliminations	–17,899	–16,785
Depreciation and amortization	–20,350	–22,951
Finance costs net	–9,911	–4,571
Earnings before income taxes	**64,494**	**38,387**

Assets

In CHF thousand	30.06.2020	31.12.2019
Segment assets	865,590	831,967
Corporate and eliminations	1,798	1,823
Cash and cash equivalents	104,154	109,822
Other assets[1]	33,962	29,063
Assets	**1,005,504**	**972,675**

Liabilities

In CHF thousand	30.06.2020	31.12.2019
Segment liabilities	45,711	49,377
Corporate and eliminations	135	545
Loans and borrowings	334,140	254,088
Other liabilities[2] and provisions	166,789	145,229
Liabilities	**546,775**	**449,239**

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 based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Customers obtain control of the goods 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. Payment conditions are short term and therefore do not contain significant financing components.

Disaggregation of order intake and net sales

January 1–June 30, 2020 In CHF thousand	Valves	Global Service	Industry	Total
Order intake	288,006	62,847	7,296	358,149
Net sales by region				
Asia	144,050	25,750	2,994	172,794
Americas	77,229	21,602	660	99,491
EMEA	35,143	7,940	3,564	46,647
Segment net sales	**256,421**	**55,293**	**7,218**	**318,932**

January 1–June 30, 2019 In CHF thousand	Valves	Global Service	Industry	Total
Order intake	199,251	55,055	7,281	261,586
Net sales by region				
Asia	94,463	25,770	2,291	122,517
Americas	64,308	23,853	865	89,030
EMEA	38,874	6,817	5,773	51,466
Segment net sales	**197,645**	**56,439**	**8,929**	**263,013**

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 a rise in demand across the semiconductor industry, net sales and raw materials and consumables used increased substantially. Supply chain bottlenecks from the COVID-19 pandemic were less severe than originally anticipated. Thus, there is no need for any impairment due to the positive outlook, high utilization and good payment behavior from our customers. Other expenses decreased due to exchange gains from operating in 2020 as opposed to losses in the previous year and lower consulting expenses. On the other hand, distribution, maintenance and energy expenses increased due to higher sales. Furthermore, VAT increased its number of employees by 299 full-time equivalents compared to June 30, 2019, 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, 2020 is 16.2%, compared to 16.7% for the six-month period ended June 30, 2019.

The effective tax rate decreased in 2020 due to the tax reform in Switzerland. The abolishment of the privileged tax regimes led to a substantially higher tax rate in the Swiss holding companies, whereas the tax rate for the Swiss operating companies decreased.

7. Dividend

In CHF thousand	2020	2019
Dividends paid	119,961	119,941

The Board of Directors proposed a dividend in the amount of CHF 4.00 per share for the financial year 2019 (prior year: CHF 4.00 per share). The dividend was approved and paid out in May 2020.

8. Share-based payments

Members of the Board receive 30% of total compensation in restricted shares. VAT Group granted 1,421 shares with a fair value of CHF 173.20 per share for the period 2019/20 (prior period: 1,852 shares). The shares were transferred in May 2020. For the period 2020/21, the Group allocated 291 shares (prior year: 382 shares).

Long-term incentive plans (LTIP) are in place for the Group's senior management. 2,666 shares with a fair value of CHF 160.60 per share were transferred in May 2020 for the LTIP 2017. For the ongoing plans, the number of outstanding performance share units (PSU) is 28,901 (prior year: 30,251).

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

9. Loans and borrowings

VAT Group AG maintains a syndicated Revolving Credit Facility (RCF) of USD 300.0 million, maturing in September 23, 2023. The outstanding loan as of June 30, 2020 amounts to CHF 128.6 million. The movement of the outstanding loan in financial year 2020 was mainly driven by raising of CHF 120.0 million and a repayment of CHF 39.1 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 2020. The carrying amount as of June 30, 2020 includes financing costs of CHF 1.4 million (prior year: CHF 1.8 million), which will be recognized in profit and loss over the remaining duration of the credit facility.

Additionally, VAT Group AG has entered into a Credit Facility Agreement with a total facility of USD 95.0 million, maturing on April 30, 2021. As of June 30, 2020, no loan was drawn from this facility. This credit facility is subject to the financial covenant "Equity Capital Ratio", with which the Group complied with for the period from the inception date of the agreement to June 30, 2020.

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, 2020, the market value of the bond was CHF 203.1 million.

10. Retirement benefit obligation

An actuarial loss, net of tax, of CHF 0.1 million (June 30, 2019, loss: CHF 5.1 million) was recognized through comprehensive income in the six-month period ended June 30, 2020.

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	Contract value		Fair value	
		30.06.2020	31.12.2019	30.06.2020	31.12.2019
Derivatives held for hedging (USD)	Level 2[1]	92,299	109,485	1,597	2,240
Derivatives held for hedging (JPY)	Level 2[1]	51,126	33,590	925	910
Derivative assets		**143,425**	**143,075**	**2,522**	**3,150**
Thereof:					
Current derivative assets		143,425	143,075	2,522	3,150
Derivatives held for hedging (USD)	Level 2[1]	20,486	8,631	–132	–45
Derivatives held for hedging (JPY)	Level 2[1]		3,194		–8
Derivative liabilities		**20,486**	**11,825**	**–132**	**–53**
Thereof:					
Current derivative liabilities		20,486	11,825	–132	–53

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.

On June 30, 2020, the cash flow hedge reserve included net unrealized gains of CHF 1.2 million (prior period: unrealized gains of CHF 0.9 million), net of tax, on derivatives designated as cash flow hedges. Net gains of CHF 3.0 million (prior period: net losses of CHF 3.7 million) were reclassified to earnings in 2020. The maturity of derivatives classified as a cash flow hedge was up to 12 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.–30.06.2020	01.01.–30.06.2019	30.06.2020	31.12.2019	30.06.2019
1 Euro	1.06	1.13	1.06	1.09	1.11
100 Japanese Yen	0.89	0.91	0.88	0.89	0.91
100 Korean Won	0.08	0.09	0.08	0.08	0.09
1 Malaysian Ringgit	0.23	0.24	0.22	0.24	0.24
1 US Dollar	0.97	1.00	0.95	0.97	0.98

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.

Haag, Switzerland, August 6, 2020

Shareholder Information

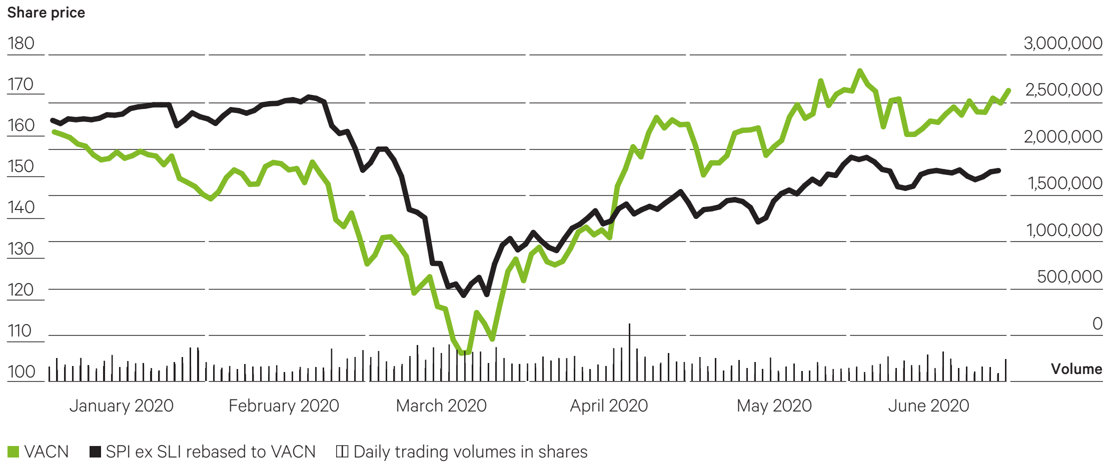
VAT's share price development was strongly influenced by the global COVID-19 pandemic that took hold in February. Uncertainty about the potential negative impact the pandemic could have on the global economy led to a market-wide decline in share prices. This reached a bottom in the second half of March as investors' confidence returned, fueled in part by the positive news flow from semiconductor-related industries. This sparked a sharp rally in VAT's share price, leading to an all-time high of CHF 177.90 per share at the beginning of June, representing a market capitalization of CHF 5.2 billion. On June 30, 2020, VAT's share price closed at CHF 173.00, 6% above the closing price on December 31, 2019. In the same period, the Swiss Leader Index decreased by 7%. At about 182,000 shares per day, trading volumes remained at a very healthy level.

VAT's medium-term growth drivers remain firmly in place. The Internet of Things, cloud computing and storage, artificial intelligence and many other global digitalization trends are expected to fuel further demand for semiconductors and advanced displays. This, in turn, is forecast to drive demand for VAT's high-performance vacuum components and related services, which are mission-critical in the precision manufacture of these digital devices. In addition, VAT forecasts a further expansion of vacuum-based production processes in a variety of industries.

VAT's major shareholders

There have been no substantial changes among VAT's top shareholders since the beginning of 2020. As of the publication of this half-year report, there are five shareholders who each own more than 3% of VAT's outstanding shares and whose cumulative shareholding amounts to about 27% of VAT's shares. The free float of VAT shares, as defined by the SIX Swiss Exchange, amounted to approximately 90% at the end of June 2020, and the number of registered shareholders amounted to 9,912.

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 89%
Market capitalization as of June 30, 2020	CHF 5.2 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
2020	
Friday, October 16, 2020	Q3 2020 trading update
Wednesday, December 2, 2020	VAT Capital Markets Day
2021	
Thursday, March 4, 2021	Full-year 2020 results
Thursday, April 15, 2021	Q1 2021 trading update
Thursday, August 5, 2021	Half-year 2021 results
Friday, October 15, 2021	Q3 2021 trading update

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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 2020:

VAT expects global digitalization to continue to drive mid-term growth. For 2020, the outlook in the semiconductor industry remains positive, but the strength of the recovery depends on the macro impact of the COVID-19 pandemic. VAT forecasts 2020 net sales (at constant foreign exchange rates), EBITDA and EBITDA margin to be higher than in 2019.

VAT maintains its mid-term EBITDA margin target of 33% driven by further operational improvements.

PASSION. PRECISION. PURITY.