HALF-YEAR REPORT 2022:

Strong growth continues, leading to record Q2 and H1 2022 sales, EBITDA, EBIT-DA margin, net income and free cash flow; positive full-year outlook confirmed.

Q2 2022 results
- Orders up 40%, sales 28% higher vs Q2 2021; continued strong capital investment in the semiconductor industry
- Book-to-bill ratio of 1.24; order backlog of CHF 559 million

Half-year 2022 results
- Leading market position and technology leadership successfully harnessed
- Orders up 31% year-on-year, sales increased by 32%
- Record EBITDA margin of 35% on operational leverage and productivity gains

Outlook for 2022
- Strong investments in semiconductor equipment expected to continue; growth also forecast in industrial markets; Global Service segment to benefit from growing installed base and high capacity utilization within semiconductor sector
- VAT expects substantially higher sales, EBITDA, EBITDA margin, net income and free cash flow

Guidance for Q3 2022
- VAT expects sales* of CHF 290–310 million

* At constant foreign exchange rates

VAT
PASSION. PRECISION. PURITY.

Key figures

In CHF million	6M 2022	6M 2021 restated[1]	Change
Order intake	648.5	494.2	31.2%
Order backlog	559.4	218.3	156.3%
Net sales	549.0	416.4	31.8%
Gross profit	354.1	263.0	34.6%
Gross profit margin	64.5%	63.2%	–
EBITDA	192.1	138.3	38.9%
Adjusted EBITDA margin	35.0%	33.2%	–
EBIT	172.1	118.0	45.8%
EBIT margin	31.3%	28.3%	–
Net income	147.6	97.0	52.3%
Net income margin	26.9%	23.3%	–
Earnings per share (in CHF)	4.92	3.23	52.3%
Cash flow from operating activities	94.6	70.7	33.8%
Capex[2]	16.1	10.1	59.4%
Capex margin	2.9%	2.4%	–
Free cash flow[3]	78.6	60.7	29.5%
Free cash flow margin	14.3%	14.6%	–
Free cash flow conversion rate[4]	40.9%	43.9%	–

In CHF million	2022 as of June 30	2021 as of June 30 restated[1]	
Total assets	1,181.0	999.0	18.2%
Total liabilities	555.9	485.2	14.6%
Equity	625.1	513.8	21.7%
Net debt	177.5	207.5	–14.5%
Number of employees[5]	2,897	2,258	28.3%

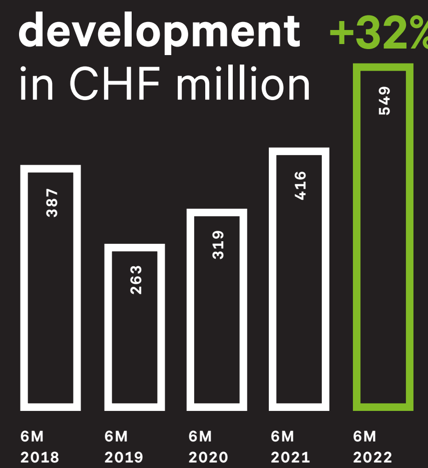
1 Prior-period financial statements have been restated in line with a clarification in 2021 by the IFRS Interpretations Committee that costs for cloud-based services, such as VAT's new ERP system, are to be expensed through the income statement when they occur, rather than capitalized.
2 Capex comprises acquisitions of subsidiaries net of cash, purchases of property, plant and 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 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
5 Number of employees expressed as full-time equivalents (FTEs)

Net sales
in CHF million

549.0

2021: 416.4

Net sales development
in CHF million



EBITDA
in CHF million

192.1

2021: 138.3

EBITDA margin
in %

35.0

2021: 33.2

Net sales
by segment

82 VALVES
18 GLOBAL SERVICE

2021:
81 VALVES
19 GLOBAL SERVICE

Net sales
by region

61 ASIA
26 AMERICAS
13 EMEA

2021:
53 ASIA
32 AMERICAS
15 EMEA

Free cash flow
in CHF million

78.6

2021: 60.7

Record levels of semiconductor investment drive strong demand for VAT products and services

Q2 2022 summary
Strong demand growth continued in the second quarter of 2022. Investments in the semiconductor industry reached record levels as chip manufacturers continued to address the global chip shortage by expanding capacity in both new chip technologies and legacy platforms. They also continued to invest in additional services – such as product upgrades and retrofits – to increase the productivity of their existing assets. This drove record sales in both the Valves and Global Service segments, supported by VAT's strong operational business execution across all its markets. The expansion of production capacity in Switzerland and Malaysia, together with successful global supply chain management, enabled VAT to provide uninterrupted product deliveries and service to all its customers despite supply and logistical uncertainties.

The Advanced Industrials business unit contributed to VAT's strong Q2 performance by continuing to expand its activities in targeted growth sectors, such as industrial coatings, crystal pulling used to produce silicon, and medical equipment. The Display & Solar business unit recorded lower orders versus the prior-year period, as expected, while sales increased on the execution of orders received in 2021.

As a result, and as preannounced on July 13, Q2 net sales reached CHF 286 million, a 28% increase compared with the same quarter in 2021 and above the guidance of CHF 260–280 million communicated in mid-April. Foreign exchange movements, especially the US dollar against the Swiss franc, had a positive impact of about one percentage point on reported Q2 sales growth. Orders in the second quarter grew 40% to CHF 354 million, resulting in a Q2 book-to-bill ratio of 1.24.

Q2 2022 segment review
The Valves segment – VAT's largest business and the one most exposed to the semiconductor sector – reported record net sales of CHF 234 million in the second quarter, a 28% increase compared with the same period a year earlier. Net sales in Global Service were 25% higher at CHF 52 million.

Six-month 2022 summary
During the first six months of 2022, VAT's order intake amounted to CHF 649 million, an increase of 31% compared with the previous year. The order backlog at the end of June was CHF 559 million, 156% higher than at the end of the same period in 2021.

By harnessing its leading market position and technology leadership VAT's grew net sales by 32% to CHF 549 million in the first six months compared with the same period in 2021. Foreign exchange movements, especially the US dollar against the Swiss franc, had a negligible impact on Q2 sales growth.

Six-month 2022 segment review
Orders and sales in the Valves segment increased by 32%, during the first half of 2022, reaching records of CHF 532 million on orders and CHF 448 million on sales. Growth was led by the Semiconductor business unit in both orders and sales. The business unit continued to successfully capture the opportunities presented by the very strong expansion of capital expenditures (capex) in the semiconductor industry. This was supported by ongoing sales initiatives aimed at certain customer segments, while the strategic expansion into adjacent products and solutions delivered above expectations. The Advanced Industrials business unit continued to grow in a variety of key markets. Sales initiatives aimed at the crystal pulling industry, where precision-controlled vacuum solutions are needed to grow large crystals were successful in Asia and Europe. The business also delivered a number of prototypes to industrial coatings and health science customers, and won orders in the nuclear fusion reactor sector in the first half. As expected, the Dis-

play & Solar business showed a mixed picture in the first half of 2022. While sales grew on the back of significant orders received during the second half of 2021, new orders declined by 28%. The lack of new liquid crystal display (LCD) orders and the slow adoption of organic light-emitting diode (OLED) technology for larger screens could not be offset by positive demand in the solar business.

The Global Service segment reported 28% higher orders year-on-year and a record sales volume of CHF 101 million, up 30% compared to the first six months of 2021 and above CHF 100 million for the first time. In addition to increasing customer investments in services to increase productivity in the face of very strong demand, the growth also reflects the need for service and maintenance on the generations of valve equipment installed in previous years. This has led to strong demand year-on-year for all service products such as spare parts, repairs, upgrades and retrofits. In addition, sales of valves used in pumping and abatement systems remained strong as well, driven primarily by customer spending on new chip fabrication capacity, which is at high levels.

Strong EBITDA reflects higher volumes and operational leverage
Gross profit[1] for the first six months of 2022 amounted to CHF 354 million, an increase of 35%. The gross profit margin[2] increased to 65% from 63% a year earlier on the back of favorable product mix and operational excellence.

EBITDA for the first half of the year increased 39% to CHF 192 million while the EBITDA margin reached 35.0% versus 33.2% a year earlier. This increase reflects the improved operational leverage resulting from higher volumes together with the company's strong ongoing focus on productivity and cost. These efforts more than offset the cost inflation seen in a variety of areas, including labor, logistics and raw materials. EBIT for the first six months of 2022 increased 46% to CHF 172 million, leading to an EBIT margin of 31.3% compared to 28.3% in 2021.

There were no net finance costs in the first half of 2022 compared to a negative CHF 2.5 million in the first half of 2021. While finance expenses remained unchanged, finance income benefitted from FX related revoluation gains. The effective tax rate for the first six months of 2022 was 14% compared with 16% a year earlier. The lower effective tax rate was mainly caused by higher taxable profits in countries with lower tax rates. For the full year, VAT expects the tax rate to be between 14 and 16%.

Higher sales and EBITDA combined with the lower finance and tax charge led to a first-half 2022 net income of CHF 148 million, 52% higher than in the first six months of 2021.

On June 30, 2022, net debt amounted to CHF 178 million compared with CHF 208 million a year ago. The leverage ratio on a last-twelve-month (LTM) basis and measured as net debt to LTM EBITDA was 0.5 times, down from 0.8 times a year earlier but up from 0.3 times at the end of 2021 and in line with the normal seasonal pattern of the dividend payment in May of each year. The equity ratio on June 30, 2022, was 53% compared with 51% on June 30, 2021.

Technology and footprint strengths support profitable growth
The company continued to invest in technology innovation and operational improvements in the first half of 2022. One measure of successful innovation is the number of specification wins, which are new products developed in close collaboration with our customers to meet the technical requirements of future vacuum equipment platforms. Thus, spec wins also form a foundation for future sales growth and market share gains. During the first six months of 2022, VAT recorded 42 specification wins, especially in high-end vacuum valves needed for the next generation of advanced semiconductors.

1 Gross profit is calculated as net sales minus costs of raw materials and consumables used plus/minus changes in inventory of finished goods and work in progress.
2 Gross profit margin: gross profit as a percentage of net sales

Operationally, total factory output at the company's production sites in Switzerland and Malaysia increased 35% compared with the first half of 2021. Together with the successful navigation of supply chain challenges, this allowed VAT to continue timely product deliveries without any interruption. Further capacity increases are being implemented in Switzerland and Malaysia to meet expected demand growth as the market upturn continues. Currently, VAT has an installed factory output capacity of about CHF 1.3 billion. In Malaysia, VAT expects to reach a factory output for 2022 of CHF 250–275 million. At the same time, VAT has started to build a second large factory in Malaysia, reflecting not only the company's confidence in future business growth but also its ambition to further deepen customer relationships by strengthening its local capabilities in this key regional market.

Record H1 free cash flow despite net working capital needs

Free cash flow in the first six months of 2022 amounted to CHF 79 million, 30% higher than the year before. Capital expenditures of CHF 16 million in the first half of the year were some 59% higher than the previous year, reflecting higher investments in capacity expansions in Malaysia and Switzerland. Net working capital (NWC) requirements also grew in the first half to support the strong sales increase. As a percentage of LTM net sales, NWC increased slightly to around 29% from 28% a year earlier. The current strong market growth coupled with persisting supply chain challenges warrant modestly elevated inventory levels for critical materials, parts and electronic components.

At the end of June 2022, VAT had 2,897 employees worldwide (measured as full-time equivalents, FTEs), an increase of 639 FTEs versus the end of June 2021, and 357, or 14% more compared with the end of 2021.

Outlook – 2022 expected to be another year of strong growth

VAT expects growth to continue in both its Valves and Global Service segments in 2022 as it taps the significant opportunities offered by a growing market, its leading market and technology positions and the successful execution of its proven strategy for profitable growth.

In the Valves segment, the company forecasts further growth in investments in the semiconductor manufacturing equipment market as the industry addresses both the global chip shortage and the rollout of new chip technologies. Based on orders for delivery in 2022, VAT expects display sales to grow compared with 2021. Further growth is also expected in the solar photovoltaic market. Forecasts for vacuum-related equipment sales in industrial markets point to continued growth, including the field of molecular diagnostics related to the COVID pandemic, as well as industrial coatings, automotive and tooling.

VAT expects the market for its Global Service segment to grow further in 2022 as semiconductor manufacturers continue to invest in both new capacity and in upgrading their existing vacuum equipment assets. High capacity utilization at chip manufacturers is forecast to drive strong demand for all VAT service products, especially in the legacy sector where chip shortages are expected to continue throughout 2022.

On this basis, VAT expects net sales in 2022 to be substantially higher than in 2021. VAT also plans to continue to build its flexible global footprint and strengthen its natural hedge against foreign exchange impacts by further ramping up its production facility in Malaysia, increasing sourcing from best-cost countries, gaining greater economies of scale in global supply chains and driving further operational excellence measures. At the same time, VAT remains dedicated to technology innovation. Investments in research, development and productivity improvements will therefore remain at the heart of VAT's strategy in 2022.

Furthermore, the company expects its EBITDA to increase substantially and the EBITDA margin to be higher as well, driven by higher volumes and better cost absorption as well as the ongoing focus on costs, offsetting the cost inflation seen in raw materials, logistics and energy. Because of expected higher sales, EBITDA, and EBITDA margin, VAT also expects 2022 net income to increase significantly compared with 2021.

The stronger operational performance is expected to again drive substantially higher free cash flow in 2022, despite the investments in Malaysia, the innovation center in Switzerland and ongoing production improvements in VAT's production hub in Switzerland. For 2022, capex is expected to be CHF 65–75 million.

Guidance for Q3 2022

VAT expects sales[1] of CHF 290–310 million.

1 At constant foreign exchange rates

Key figures Valves

In CHF million	Q2 2022	Q2 2021	Change[1]	6M 2022	6M 2021	Change[2]
Order intake	291.0	202.6	43.6%	532.0	403.3	31.9%
Semiconductors	231.5	148.0	56.4%	415.4	288.7	43.9%
Display & Solar	12.4	17.3	–28.3%	27.1	37.8	–28.4%
Advanced Industrials	47.1	37.4	25.9%	89.6	76.8	16.7%
Net sales	234.2	182.8	28.1%	448.2	338.8	32.3%
Semiconductors	178.1	133.5	33.3%	340.7	245.5	38.7%
Display & Solar	19.9	16.9	17.5%	39.8	31.5	26.5%
Advanced Industrials	36.3	32.3	12.2%	67.8	61.8	9.7%
Inter-segment sales	21.9	18.0	21.7%	42.7	34.2	25.0%
Segment net sales	256.2	200.8	27.6%	490.9	372.9	31.6%
Segment EBITDA				169.6	124.5	36.2%
Segment EBITDA margin[3]				34.6%	33.4%	

Key figures Global Service

In CHF million	Q2 2022	Q2 2021	Change[1]	6M 2022	6M 2021	Change[2]
Order intake	63.3	50.9	24.3%	116.5	90.9	28.1%
Net sales	51.7	41.4	25.0%	100.8	77.6	29.8%
Inter-segment sales	–	–	–	–	–	–
Segment net sales	51.7	41.4	25.0%	100.8	77.6	29.8%
Segment EBITDA				45.7	35.2	29.9%
Segment EBITDA margin[3]				45.4%	45.3%	

1 Quarter-on-quarter
2 Year-on-year
3 Segment EBITDA margin as a percentage of Segment net sales

Consolidated income statement

January 1–June 30 In CHF thousand	Note	2022 unaudited	2021 unaudited Restated[2]
Net sales	**5, 6**	**548,958**	**416,381**
Raw materials and consumables used		–228,943	–174,030
Changes in inventories of finished goods and work in progress		34,122	20,627
Personnel expenses	9	–112,038	–99,042
Other income		3,968	8,085
Other expenses		–53,983	–33,689
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**192,085**	**138,333**
Depreciation, amortization and impairment		–20,007	–20,326
Earnings before interest and taxes (EBIT)[1]		**172,078**	**118,007**
Finance income		2,462	310
Finance costs		–2,474	–2,760
Earnings before income taxes		**172,066**	**115,557**
Income tax expenses	7	–24,500	–18,562
Net income attributable to owners of the Company		**147,565**	**96,996**
Earnings per share (in CHF)			
Basic earnings per share		4.92	3.23
Diluted earnings per share		4.92	3.23

1 Interest includes other items as reported in the financial results.
2 Refer to note 4

Consolidated statement of comprehensive income

January 1–June 30 In CHF thousand	Note	2022 unaudited	2021 unaudited Restated[1]
Net income attributable to owners of the Company		**147,565**	**96,996**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	11	13,644	13,751
Related tax	11	–1,978	–1,994
Subtotal		**11,666**	**11,757**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		–302	–7,191
Related tax		44	1,043
Currency translation adjustments		–1,385	1,062
Subtotal		**–1,643**	**–5,086**
Other comprehensive income for the period (net of tax)		**10,023**	**6,671**
Total comprehensive income for the period attributable to owners of the Company		**157,588**	**103,666**

1 Refer to note 4

Consolidated balance sheet

In CHF thousand	Note	30.06.2022 unaudited	31.12.2021 audited
Assets			
Cash and cash equivalents		112,218	127,152
Trade and other receivables		174,453	124,548
Other investments, including derivatives	12	11,530	4,610
Prepayments and accrued income		14,192	4,047
Inventories		210,001	152,763
Current tax assets		651	563
Current assets		**523,045**	**413,684**
Property, plant and equipment		169,970	158,538
Investment properties		1,699	1,723
Intangible assets and goodwill		476,650	482,746
Trade and other receivables		1,163	1,968
Other investments		869	861
Deferred tax assets		7,603	5,347
Non-current assets		**657,953**	**651,183**
Total assets		**1,180,998**	**1,064,867**

In CHF thousand	Note	30.06.2022 unaudited	31.12.2021 audited
Liabilities			
Trade and other payables		123,082	79,769
Loans and borrowings	10	282,485	2,105
Provisions		2,434	2,520
Derivative financial instruments	12	7,537	932
Accrued expenses and deferred income		45,040	43,954
Current tax liabilities		34,465	30,145
Current liabilities		**495,044**	**159,425**
Loans and borrowings	10	7,198	204,837
Other non-current liabilities		2,758	2,619
Deferred tax liabilities		50,815	49,821
Defined benefit obligations		77	13,796
Non-current liabilities		**60,849**	**271,072**
Total liabilities		**555,892**	**430,497**
Equity			
Share capital		3,000	3,000
Share premium		344	6,479
Reserves		2,963	4,606
Treasury shares		–3,366	–4,501
Retained earnings[1]		622,165	624,786
Total equity attributable to owners of the Company		**625,106**	**634,370**
Total liabilities and equity		**1,180,998**	**1,064,867**

1 Includes remeasurements of DBO and other reserves

Consolidated statement of changes in equity

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of Jan 1, 2021, as previously reported	**3,000**	**73,969**	**4,114**	**2,485**	**–414**	**472,199**	**555,352**
Impact of change in accounting policy[1]						–10,779	–10,779
Equity restated as of Jan 1, 2021	**3,000**	**73,969**	**4,114**	**2,485**	**–414**	**461,419**	**544,573**
Net income attributable to owners of the Company[1]						96,996	96,996
Total comprehensive income for the period attributable to owners of the Company			–6,148	1,062		11,757	6,671
Dividend payment		–67,491				–67,491	–134,982
Treasury shares acquired					–1,163		–1,163
Share-based payments (net of tax)					257	1,479	1,736
Equity as of June 30, 2021, unaudited	**3,000**	**6,479**	**–2,035**	**3,547**	**–1,320**	**504,161**	**513,832**

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
VAT Group AG Equity as of Jan 1, 2022	**3,000**	**6,479**	**2,448**	**2,158**	**–4,501**	**624,786**	**634,370**
Net income attributable to owners of the Company						147,565	147,565
Total comprehensive income for the period attributable to owners of the Company			–258	–1,385		11,666	10,023
Dividend payment		–7,498				–157,459	–164,957
Treasury shares acquired					–2,509		–2,509
Reclassification[2]		1,363				–1,363	0
Share-based payments (net of tax)					3,644	–3,030	614
Equity as of June 30, 2022, unaudited	**3,000**	**344**	**2,190**	**773**	**–3,366**	**622,165**	**625,106**

1 Refer to note 4
2 Transaction costs from the IPO in 2016 were treated differently in the consolidated financial statements than in the statutory financial statements of VAT Group AG. This reclassification aligns the share premium in the consolidated financial statements with the share premium of the statutory financial statements of VAT Group AG.

Consolidated statement of cash flows

January 1–June 30 In CHF thousand	Note	2022 unaudited	2021 unaudited Restated[1]
Net income attributable to owners of the Company		**147,565**	**96,996**
Adjustments for:			
Depreciation, amortization and impairment		20,007	20,326
(Profit)/loss from disposal of property, plant and equipment		0	–26
Change in defined benefit obligations		–83	638
Net impact from foreign exchange		5,053	573
Income tax expenses	7	24,500	18,562
Net finance costs		12	2,450
Other non-cash-effective adjustments		612	641
Change in trade and other receivables		–51,756	–39,920
Change in prepayments and accrued income		–10,846	–2,669
Change in inventories		–58,459	–29,369
Change in trade and other payables		39,819	7,023
Change in accrued expenses and deferred income		2,320	15,006
Change in provisions		–87	–45
Cash generated from operations		118,658	90,186
Income taxes paid		–24,102	–19,456
Cash flow from operating activities		**94,556**	**70,729**
Purchases of property, plant and equipment		–12,778	–4,498
Proceeds from sale of property, plant and equipment		0	80
Purchases of intangible assets		–3,301	–5,704
Interest received		154	51
Cash flow from investing activities		**–15,924**	**–10,072**
Proceeds from borrowings	10	80,000	110,000
Repayments of borrowings	10	0	–80,000
Repayments of lease liabilities		–1,413	–1,245
Purchase of treasury shares		–2,509	–1,163
Dividend paid	8	–164,957	–134,982
Interest paid		–3,160	–3,471
Other finance expenses paid		–561	–654
Cash flow from financing activities		**–92,599**	**–111,515**
Net increase/(decrease) in cash and cash equivalents		–13,967	–50,858
Cash and cash equivalents at beginning of period		127,152	137,871
Effect of movements in exchange rates on cash held		–967	717
Cash and cash equivalents at end of period		**112,218**	**87,731**

1 Refer to note 4

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 condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2022, 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 condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on August 3, 2022.

2. Changes in the scope of consolidation

As part of the simplification of legal structure, the subsidiary VAT Management S.à r.l. was merged into VAT Group AG, effective January 1, 2022. This merger did not have an impact on the consolidated financial statements.

3. 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, 2021. 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 transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

In general, the sales of the Group are not subject to significant seasonal variations.

In preparing these condensed consolidated interim financial statements, management has made judgments, 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, provisions and contingent considerations.

4. 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, 2021. A number of new standards are effective from January 1, 2022, but they do not have a material effect on the Group's financial statements.

In 2021, the IFRS Interpretations Committee clarified that upfront implementation costs incurred in connection with cloud-based software (Software as a Service / SaaS) arrangements should be expensed, unless the criteria for recognizing a separate (intangible) asset are met. As stated in the financial statements as at and for the year ended December 31, 2021, VAT revised its accounting policy according to which upfront configuration and customization costs incurred for certain projects no longer qualify for capitalization and must be recognized as operating expenses when the services are received.

In accordance with IAS 8, this change in accounting policy has been applied retrospectively, as if the revised accounting policy had always been applied. Historical financial information has been restated to reflect the impact of the change. The following tables summarize the impact on the Group's condensed consolidated interim financial statements:

Restatement effect on consolidated income statement HY 2021

January 1–June 30 In CHF thousand	As previously reported	Adjustments	As restated
Others	163,937		163,937
Other income	9,270	–1,185	8,085
Other expenses	–31,989	–1,700	–33,689
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**141,218**	**–2,885**	**138,333**
Depreciation, amortization and impairment	–20,626	300	–20,326
Earnings before interest and taxes (EBIT)	**120,591**	**–2,585**	**118,007**
Others	–2,450		–2,450
Earnings before income taxes	**118,142**	**–2,585**	**115,557**
Income tax expenses	–18,932	370	–18,562
Net income attributable to owners of the Company	**99,210**	**–2,215**	**96,996**
Earnings per share (in CHF)			
Basic earnings per share	3.31	–0.08	3.23
Diluted earnings per share	3.31	–0.08	3.23

Restatement effect on consolidated statement of comprehensive income HY 2021

January 1–June 30 In CHF thousand	As previously reported	Adjustments	As restated
Net income attributable to owners of the Company	**99,210**	**–2,215**	**96,996**
Other comprehensive income for the period (net of tax)	**6,671**		**6,671**
Total comprehensive income for the period attributable to owners of the Company	**105,881**	**–2,215**	**103,666**

Restatement effect on consolidated balance sheet HY 2021

January 1–June 30 In CHF thousand	As previously reported	Adjustments	As restated
Prepayments and accrued income	4,462	209	4,671
Others	361,472		361,472
Current Assets	**365,933**	**209**	**366,142**
Intangible assets and goodwill	497,693	–15,406	482,288
Others	150,553		150,553
Non-current Assets	**648,246**	**–15,406**	**632,841**
Total Assets	**1,014,180**	**–15,197**	**998,983**
Current liabilities	**223,141**		**223,141**
Deferred tax liabilities	47,610	–2,204	45,406
Others	216,605		216,605
Non-current liabilities	**264,214**	**–2,204**	**262,010**
Total liabilities	**487,355**	**–2,204**	**485,151**
Retained earnings	517,154	–12,993	504,161
Others	9,671		9,671
Total equity attributable to owners of the Company	**526,825**	**–12,993**	**513,832**
Total liabilities and equity	**1,014,180**	**–15,197**	**998,983**

Restatement effect on consolidated statement of cash flows HY 2021

January 1–June 30 In CHF thousand	As previously reported	Adjustments	As restated
Net income attributable to owners of the Company	**99,210**	**–2,215**	**96,996**
Adjustments for:			
Depreciation, amortization and impairment	20,626	–300	20,326
Income tax expenses	18,932	–370	18,562
Others	–65,155		–65,155
Cash flow from operating activities	**73,614**	**–2,885**	**70,729**
Purchases of intangible assets	–8,589	2,885	–5,704
Others	–4,368		–4,368
Cash flow from investing activities	**–12,956**	**2,885**	**–10,072**
Cash flow from financing activities	**–111,515**		**–111,515**
Net increase/(decrease) in cash and cash equivalents	**–50,858**		**–50,858**

5. Segment information

The Group is divided into and managed on the basis of two segments: Valves and the Global Service segment. 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 the segments are carried out at arm's length and are eliminated on consolidation.

Information about reportable segments

January 1–June 30, 2022 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	448,207	100,752	548,958		548,958
Inter-segment sales	42,703		42,703	–42,703	0
Segment net sales	**490,910**	**100,752**	**591,662**	**–42,703**	**548,958**
Segment EBITDA	**169,624**	**45,700**	**215,324**	**–23,239**	**192,085**

January 1–June 30, 2021 In CHF thousand Restated[1]	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	338,770	77,612	416,381		416,381
Inter-segment sales	34,168		34,168	–34,168	0
Segment net sales	**372,938**	**77,612**	**450,549**	**–34,168**	**416,381**
Segment EBITDA	**124,399**	**35,190**	**159,590**	**–21,257**	**138,333**

As of June 30, 2022 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	883,587	135,466	1,019,054	1,699	1,020,752
Segment liabilities	68,928	6,006	74,933	156	75,089
Segment net operating assets	**814,659**	**129,461**	**944,120**	**1,543**	**945,663**
of which net trade working capital	263,285	34,215	297,500	–156	297,345

As of December 31, 2021 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	783,456	126,798	910,254	1,723	911,977
Segment liabilities	45,708	4,526	50,233	74	50,307
Segment net operating assets	**737,749**	**122,272**	**860,021**	**1,650**	**861,670**
of which net trade working capital	191,044	27,612	218,656	–74	218,582

1 The previously reported segment information has been restated due to a change in accounting policy (refer to note 4).

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	2022	2021 Restated[1]
Segment EBITDA	215,324	159,590
Corporate and eliminations	–23,239	–21,257
Depreciation, amortization and impairment	–20,007	–20,326
Finance costs net	–12	–2,450
Earnings before income taxes	**172,066**	**115,557**

Assets

In CHF thousand	30.06.2022	31.12.2021
Segment assets	1,019,054	910,254
Corporate and eliminations	1,699	1,723
Cash and cash equivalents	112,218	127,152
Other assets[2]	48,027	25,738
Assets	**1,180,998**	**1,064,867**

Liabilities

In CHF thousand	30.06.2022	31.12.2021
Segment liabilities	74,933	50,233
Corporate and eliminations	156	74
Loans and borrowings	289,683	206,942
Other liabilities[3] and provisions	191,120	173,248
Liabilities	**555,892**	**430,497**

1 Refer to note 4
2 The main positions included in Other assets are other receivables and deferred tax assets.
3 Only trade payables are allocated to segments.

6. 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, 2022 In CHF thousand	Valves	Global Service	Total
Order intake	532,016	116,463	648,478
Net sales by region			
Asia	285,803	51,212	337,015
Americas	106,981	33,844	140,824
EMEA	55,423	15,696	71,119
Segment net sales	**448,207**	**100,752**	**548,958**

January 1–June 30, 2021 In CHF thousand	Valves	Global Service	Total
Order intake	403,319	90,883	494,202
Net sales by region			
Asia	184,969	35,715	220,685
Americas	105,537	29,789	135,326
EMEA	48,264	12,108	60,371
Segment net sales	**338,770**	**77,612**	**416,381**

7. Tax information

Income tax expenses are recognized based on management's estimate of the weighted average 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, 2022, is 15.7% compared to 14.9% for the six-month period ended June 30, 2021.

8. Dividend

In CHF thousand	2022	2021
Dividends paid	164,957	134,982

At the Annual General Meeting, held on May 17, 2022, the shareholders approved a dividend in the amount of CHF 5.50 per share for the financial year 2021 (prior year: CHF 4.50 per share). The dividend was paid out on May 24, 2022.

9. Share-based payments

Members of the Board of Directors receive 30% of total compensation in restricted shares. VAT Group granted 958 shares with a fair value of CHF 268.00 per share for the period 2021/22 (prior period: 950 shares). The shares were transferred in May 2022. For the period 2022/23, the Group allocated 297 shares (prior year: 180 shares).

Long-term incentive plans (LTIP) are in place for the Group's management. 11,529 shares with a fair value of CHF 278.00 per share were transferred in May 2022 for the LTIP 2019. For the ongoing plans, the number of outstanding performance share units (PSU) is 22,266 (prior year: 31,242).

These programs are accounted for as equity-settled share-based payment compensation. A total amount of CHF 0.7 million (prior period: CHF 1.3 million) was recognized directly in equity.

10. 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, 2022, amounts to CHF 80.0 million. The movement of the outstanding loan in financial year 2022 was driven by raising of CHF 80.0 million. The RCF is subject to the financial covenant "net senior debt/EBITDA" ratio, with which the Group complied for the six-month period 2022.

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, 2022, the market value of the bond was CHF 200.1 million. The bond is disclosed as current liability (prior year: non-current liability).

11. Retirement benefit obligation

An actuarial gain, net of tax, of CHF 11.7 million (June 30, 2021, gain: CHF 11.8 million) was recognized through comprehensive income in the six-month period ended June 30, 2022. The positive effect of the higher discount rate overcompensated the negative performance on the plan assets in the amount of CHF 17.0 million as well as the asset ceiling in the amount of CHF 5.9 million.

12. Fair value estimation

The following table shows the fair values of financial assets and financial liabilities measured at fair value including their levels in the fair value hierarchy.

Financial instruments measured at fair value

In CHF thousand	Measurement principle	Contract value		Fair value	
		30.06.2022	31.12.2021	30.06.2022	31.12.2021
Derivatives held for hedging (USD)	Level 2[1]	94,980	164,431	2,764	1,644
Derivatives held for hedging (JPY)	Level 2[1]	63,785	64,954	6,434	2,712
Derivatives held for hedging (KRW)	Level 2[1]	35,752	35,735	2,299	222
Derivative assets		**194,517**	**265,120**	**11,498**	**4,578**
Equity shares	**Level 1[2]**	**0**	**0**	**33**	**33**
Thereof:					
Current derivative assets		194,517	265,120	11,530	4,610
Derivatives held for hedging (USD)	Level 2[1]	205,144	66,279	–7,528	–930
Derivatives held for hedging (JPY)	Level 2[1]	1,218	0	–3	0
Derivatives held for hedging (KRW)	Level 2[1]	2,044	1,263	–6	–1
Derivative liabilities		**208,406**	**67,542**	**–7,537**	**–932**
Contingent considerations[4]	**Level 3[3]**	**4,488**	**4,488**	**–4,488**	**–4,488**
Thereof:					
Current liabilities		210,506	69,642	–9,637	–3,032
Non-current liabilities		2,388	2,388	–2,388	–2,388

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.
2 The fair value of equity shares are based on quoted market prices in active markets.
3 Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. This applies particularly to contingent considerations in business combinations.
4 Contingent considerations are disclosed in Trade and other payables and Other non-current liabilities.

On June 30, 2022, the cash flow hedge reserve included net unrealized gains of CHF 2.2 million (prior period: unrealized losses of CHF 2.0 million), net of tax, on derivatives designated as cash flow hedges. Net losses of CHF 3.5 million (prior period: net gains of CHF 0.4 million) were reclassified to the profit and loss statement in 2022. The maturity of derivatives classified as a cash flow hedge was up to 12 months.

The carrying amounts of financial assets and liabilities not measured at fair value are a reasonable approximate of their fair values.

13. 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.–30.06.2022	01.01.–30.06.2021	30.06.2022	31.12.2021	30.06.2021
1 Euro	1.03	1.09	1.00	1.04	1.10
100 Japanese Yen	0.77	0.84	0.70	0.79	0.83
100 Korean Won	0.08	0.08	0.07	0.08	0.08
1 Malaysian Ringgit	0.22	0.22	0.22	0.22	0.22
1 US Dollar	0.94	0.91	0.95	0.91	0.92

14. 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 4, 2022

Shareholder information

VAT's share price declined during the first six months of 2022 along with most other equities, primarily reflecting global macroeconomic uncertainties centered on rapidly rising inflation, coupled with moves from many central banks to significantly increase interest rates and the ongoing war in the Ukraine. These short-term macro concerns drove a broad sell-off in equities in the first half of the year – including those of VAT – despite the current very strong market demand for VAT's advanced vacuum valves, the company's improving business results and positive outlook for 2022 provided in April with the presentation of its Q1 2022 trading update.

VAT's share price on June 30, 2022, amounted to CHF 227.60, compared with the historical high of CHF 469.60 reached on January 3. VAT's market capitalization at the end of June amounted to CHF 6.8 billion, about 50% less than at the beginning of the year. The Swiss Leader Index decreased by about 21% during that period. Trading liquidity in VAT shares remained at the same level as a year ago at approximately 80,000 shares per day.

Nevertheless, VAT's medium-term growth drivers – mainly in the semiconductor industry, VAT's largest end market – remain firmly in place. Megatrends such as the Internet of Things, cloud computing, artificial intelligence and the shift to home office and e-commerce require increasing numbers of semiconductors, as well as higher-performance semiconductors that can only be manufactured in the purest vacuum environments, which plays to VAT's market-leading technology advantages.

Therefore, VAT expects growth to continue in both its Valves and Global Service segments in 2022. The company believes it can capture the significant opportunities offered by a growing market based on its leading market and technology positions and the successful execution of its proven strategy for profitable growth. This is centered on increasing market share in its core Valves business, growing the Global Service business, expanding into value-adding adjacencies, and continued improvements to operational performance through an optimized global footprint.

VAT's major shareholders

There have been no substantial changes among VAT's top shareholders since the beginning of 2022. As of the publication of this half-year report, there are three shareholders who each own more than 3% of VAT's outstanding shares and whose cumulative shareholding amounts to about 21% 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 2022 and the number of registered shareholders amounted to 16,725.

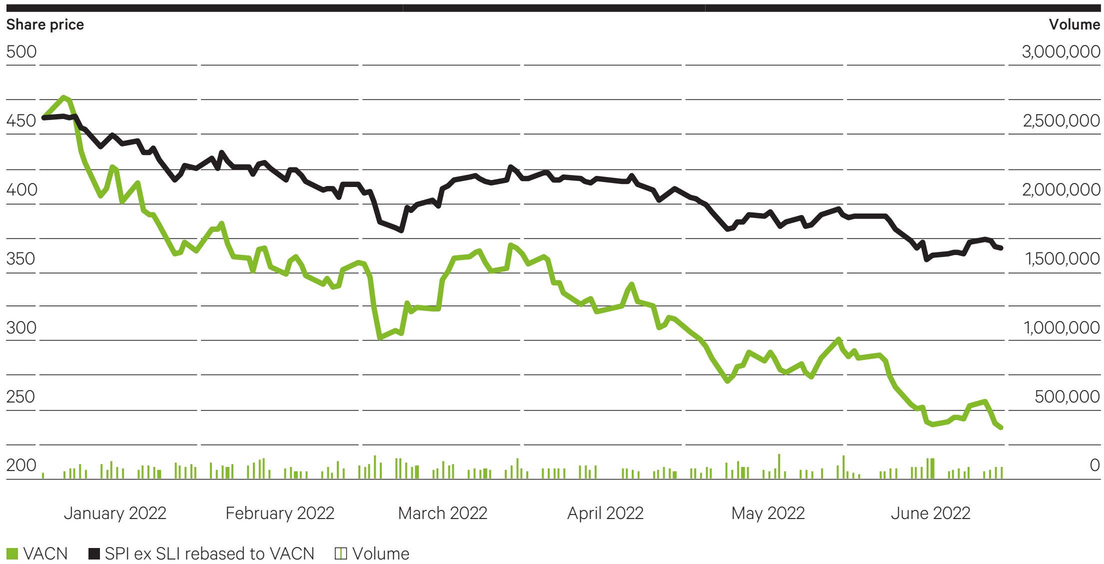
Dividend policy

On May 25, 2022, VAT paid its shareholders a dividend of CHF 5.50 per share for the business year 2021, in line with its stated policy to pay a dividend of up to 100% of free cash flow. VAT also expects its dividend for the business year 2022 to be in line with this policy.

VAT added to Swiss Leader Index

On March 31, 2022, VAT was included into the Swiss Leader Index (SLI), replacing Vifor Pharma AG that was delisted as the result of a takeover. The SLI measures the development of the 30 largest and most liquid instruments of the Swiss equity market SPI and thus increases the weight of smaller components versus the SMI.

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, 2022	CHF 6.8 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
2022	
Thursday, October 13, 2022	Q3 2022 trading update
Friday, December 2, 2022	2nd VAT Capital Markets Day, Zurich

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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.

OUTLOOK 2022:

VAT expects growth to continue in 2022 as it taps the significant opportunities offered by a strong market, especially in the semiconductor sector, as well as the successful execution of its strategy for profitable growth.

On this basis, VAT expects higher net sales*, EBITDA, EBITDA margin, net income and free cash flow in 2022 compared with 2021.

* At constant foreign exchange rates

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