

INVITATION TO THE ANNUAL GENERAL MEETING 2017:

We are pleased to invite the shareholders of VAT Group AG to our Annual General Meeting 2017.

Wednesday, May 17, 2017, 3:00 p.m.
(doors open at 2:00 p.m.)

**Olma Messen St. Gallen, hall 2.1, Splügenstrasse 12,
9008 St. Gallen**

The Invitation to the Annual General Meeting is published in English and German. The German version shall prevail.



PASSION. PRECISION. PURITY.

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Agenda and Proposals

1. Approval of 2016 Annual Report

Proposal The Board of Directors proposes that the Annual General Meeting approves the 2016 annual report, the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2016 financial year and acknowledges receipt of the audit report.

2. Appropriation of Results and Distribution from Capital Contribution Reserves

2.1. Appropriation of Results

Proposal The Board of Directors proposes that the Annual General Meeting approves that the accumulated losses of CHF –8,665,351 (comprising retained earnings of CHF 0 carried forward from the previous year and the net loss for 2016 of CHF –8,665,351) be carried forward to the new account.

2.2. Distribution from Capital Contribution Reserves

Proposal The Board of Directors proposes the distribution of CHF 4.00 per registered share payable out of capital contribution reserves in the form of a cash distribution. The Company will not make such distribution with respect to Company shares that it holds itself at the time of distribution.

If this proposal is approved, the distribution from reserves from capital contribution will be made on May 23, 2017. It will be free of Swiss federal withholding tax and will not be subject to income tax for Swiss resident individuals holding shares as a private investment. The last trading day with entitlement to receive a distribution is May 18, 2017. The shares will be traded ex dividend as of May 19, 2017.

3. Discharge of the Members of the Board of Directors and the Group Executive Committee

Proposal The Board of Directors proposes that the Annual General Meeting grants discharge to all members of the Board of Directors and of the Group Executive Committee (GEC) for the 2016 financial year in a single vote.

4. Elections

4.1. Election of the Chairman of the Board of Directors and further Members of the Board of Directors

4.1.1. Election of Dr. Martin Komischke as new member of the Board of Directors and as new Chairman of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting elects Dr. Martin Komischke as new member of the Board of Directors and as new Chairman of the Board of Directors until the end of the next Annual General Meeting.

A short CV is available in Appendix A of this invitation.

4.1.2. Re-election of Alfred Gantner as member of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting re-elects Mr. Alfred Gantner (Vice-Chairman) as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.3. Re-election of Ulrich Eckhardt as member of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting re-elects Ulrich Eckhardt as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.4. Re-election of Urs Leinhäuser as member of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting re-elects Urs Leinhäuser as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.5. Re-election of Karl Schlegel as member of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting re-elects Karl Schlegel as member of the Board of Directors until the end of the next Annual General Meeting.

4.1.6. Election of Dr. Hermann Gerlinger as new member of the Board of Directors

Proposal The Board of Directors proposes that the Annual General Meeting elects Dr. Hermann Gerlinger as new member of the Board of Directors until the end of the next Annual General Meeting.

A short CV is available in Appendix A.

4.2. Election of the Members of the Nomination and Compensation Committee

Proposal The Board of Directors proposes that the Annual General Meeting elects individually the following persons each as members of the Nomination and Compensation Committee until the end of the next Annual General Meeting:

4.2.1. Election of Dr. Martin Komischke as new member of the Nomination and Compensation Committee

4.2.2. Re-election of Ulrich Eckhardt as member of the Nomination and Compensation Committee

4.2.3. Re-election of Karl Schlegel as member of the Nomination and Compensation Committee

5. Re-election of the Independent Proxy

Proposal The Board of Directors proposes that the Annual General Meeting re-elects Roger Föhn, attorney-at-law, Kalchbühlstrasse 4, 8038 Zurich, as Independent Proxy from May 18, 2017, until the end of the next Annual General Meeting.

6. Re-election of the Statutory Auditors for the Financial Year 2017

Proposal The Board of Directors proposes that the Annual General Meeting re-elects KPMG AG, St. Gallen, as Statutory Auditors for the financial year 2017.

7. Amendments to the Articles of Association

Proposal The Board of Directors proposes to the Annual General Meeting to amend articles 12, 19, 25, 26 and 29 of the Articles of Association according to the proposed changes published in the Swiss Official Gazette of Commerce (SOGC). Explanations of the proposed changes to the Articles of Association as well as a comparison of the respective provisions of the current and the amended Articles of Association are listed in Appendix B of this invitation.

8. Compensation

Note For explanations and further details regarding the compensation proposals submitted to vote under agenda item 8, please refer to Appendix C of this invitation (“Shareholder Information on the Compensation Votes at the Annual General Meeting 2017”). In addition, the compensation system of VAT Group is described in the Compensation Report 2016.

8.1. Consultative Vote on the Compensation Report for the Financial Year 2016

Proposal The Board of Directors recommends that the Compensation Report 2016 contained in the Annual Report be accepted.

8.2. Approval of the Maximum Aggregate Amounts of Compensation of the Board of Directors

8.2.1. Approval of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Remainder of the Term of Office from January 1, 2017 to the Annual General Meeting 2017

Proposal The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 170,000 of the Board of Directors for the remainder of the term of office from January 1, 2017 to the Annual General Meeting 2017 be approved.

8.2.2. Approval of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Term of Office from the Annual General Meeting 2017 until the Annual General Meeting 2018

Proposal The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 900,000 of the Board of Directors for the term of office from the Annual General Meeting 2017 to the Annual General Meeting 2018 be approved.

8.3. Approval of the Maximum Aggregate Amounts of Fixed Compensation of the Group Executive Committee (GEC)

Proposal The Board of Directors proposes that the shareholders approve the following maximum aggregate amounts for the fixed compensation of the GEC:

8.3.1. Maximum aggregate amount of fixed compensation of CHF 1,550,000 for the financial year 2017

8.3.2. Maximum aggregate amount of fixed compensation of CHF 1,550,000 for the financial year 2018

8.4. Approval of Actual Short-Term Variable Compensation (STI) of the GEC for the Financial Year 2016

Proposal The Board of Directors proposes that the shareholders approve the actual amount of CHF 925,042 for the short-term variable compensation of the GEC for the financial year 2016.

8.5. Approval of the Maximum Aggregate Amounts of Long-Term Incentive (LTI) Compensation of the GEC

Proposal The Board of Directors proposes to the shareholders to approve the following maximum aggregate amounts for the long-term incentive (LTI) compensation of the GEC:

8.5.1. Maximum aggregate amount of LTI compensation of CHF 900,000 for the financial year 2017

8.5.2. Maximum aggregate amount of LTI compensation of CHF 1,100,000 for the financial year 2018

Appendix A: CVs of Proposed New Board Members

Dr. Martin Komischke



Proposed Title and Function
– Chairman of the Board of Directors
– Member of the Nomination and Compensation Committee

Year of Birth
1957

Nationality
German

Professional Background

Since Jul 2016	HOERBIGER Holding AG, Zug, Switzerland: Chairman of the Board of Directors
2004–Jun 2016	HOERBIGER Holding AG, Zug, Switzerland: Chairman of the Executive Board
1996–2003	HOERBIGER Holding AG, Zug, Switzerland: Member of the Executive Board, Strategic Business Unit Drive Technology
Since 1993	HOERBIGER GmbH, Schongau, Germany: Chairman of the Board of Directors
1992–1993	Kolbenschmidt AG, Neckarsulm, Germany: Business Unit Manager “Commercial Vehicle Engine Pistons, Neckarsulm”
1991–1992	Kolbenschmidt AG, Neckarsulm, Germany: Head of Department Piston Production Preparation
1989–1991	Mannesmann-Sachs AG, Schweinfurt, Germany: Departmental Head of Production
1988	Mannesmann-Sachs AG, Schweinfurt, Germany: Assistant to the Production Manager

Education

1988	Awarded doctorate of engineering (Dr.-Ing.) at the Laboratory for Machine Tools and Production Engineering (WZL) at the Mechanical Engineering Faculty of RWTH Aachen University
1977–1984	Studied General Electrical Engineering at RWTH Aachen University

Other Functions and Activities

Since 2016	Stäubli Holding AG, Freienbach, Switzerland: Member of the Board of Directors
Since 2013	Aixtron SE, Herzogenrath, Germany: Member of the Supervisory Board

Dr. Hermann Gerlinger



Proposed Title and Function
– Member of the Board of Directors

Year of Birth
1953

Nationality
German

Professional Background

2006–2016	Carl Zeiss AG, Oberkochen, Germany: Member of the Executive Board
2001–2016	Carl Zeiss SMT AG (since 2010: Carl Zeiss SMT GmbH), Oberkochen, Germany: CEO
1999–2000	Semiconductor Manufacturing Technology (SMT) ZEISS, Oberkochen, Germany: Executive Vice President
1993–1998	ZEISS AG, Oberkochen, Germany: Various management functions in the Lithography Optics Division
1990–1992	ZEISS AG, Oberkochen, Germany: Head of Optical Process Metrology
1984–1989	ZEISS AG, Oberkochen, Germany: Research Assistant and Project Manager Spectroscopy

Education

1983	Awarded doctorate (Dr. rer. nat.) in physics and astronomy at the University of Würzburg
1979	Master's degree (Diplom) in physics, University of Würzburg

Other Functions and Activities

Since 2017	Carl Zeiss AG, Oberkochen, Germany: Advisor to the Executive Board
Since 2011	Siltronic AG, Munich, Germany: Member of the Supervisory Board
Since 2015	German National Metrology Institute (PTB), Braunschweig, Germany: Member of the Advisory Board

Appendix B: Amendments to the Articles of Association

Introduction The Board of Directors proposes to the Annual General Meeting to amend articles 12, 19, 25, 26 and 29 of the Articles of Association according to the proposed changes published in the Swiss Official Gazette of Commerce (SOGC). These amendments concern articles dealing with compensation-related matters, which have to be updated given the proposed changes to our compensation system. Further amendments are primarily linguistic specifications and a limited number of smaller, technical clean-ups.

Article 12: Votes on Compensation

Proposal The Board of Directors proposes to amend Art. 12 as follows:

Current Wording	Revised Wording (changes highlighted in bold)
Each year, the General Meeting votes separately and bindingly on the proposals by the Board of Directors regarding the aggregate amounts of:	Each year, the General Meeting votes separately and bindingly on the proposals by the Board of Directors regarding the aggregate amounts of:
1. the compensation of the Board of Directors according to Article 25 for the term of office until the next ordinary General Meeting;	1. the maximum compensation of the Board of Directors according to Article 25 for the term of office until the next ordinary General Meeting;
2. a possible additional compensation of the Board of Directors for the preceding business year;	2. a possible additional compensation of the Board of Directors for the preceding business year;
3. the variable compensation of the executive management based on results and targets achieved in the preceding business year, which shall be paid immediately after approval;	3. the short-term variable compensation of the executive management based on results and targets achieved in the preceding business year, which shall be paid immediately after approval;
4. the fixed compensation of the executive management to be paid in the subsequent business year.	4. the maximum long-term variable compensation of the executive management for the subsequent business year.
	The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different time periods.
If the General Meeting does not approve the proposed amount of the proposed fixed or proposed variable compensation, as the case may be, the Board of Directors may either convene a new extraordinary General Meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next ordinary General Meeting.	If the General Meeting does not approve the proposed amount of the proposed fixed or proposed variable compensation, as the case may be, the Board of Directors may either convene a new, extraordinary General Meeting and make new proposals for approval or may submit the new proposals regarding compensation for retrospective approval at the next ordinary General Meeting.
The aggregate compensation amounts are deemed inclusive of all social security and pension contributions of the members of the Board of Directors resp. the executive management and the Company (contributions by employee and employer).	The aggregate compensation amounts are deemed inclusive of all social security and pension contributions of the members of the Board of Directors resp. the executive management and the Company (contributions by employee and employer).
	The Company or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.
The compensation approved by the General Meeting may be paid by the Company or by companies being directly or indirectly controlled by the Company.	The compensation approved by the General Meeting may be paid or granted by the Company or by companies being directly or indirectly controlled by the Company.

Explanations In line with the guidelines of the Swiss Code of Best Practice for Corporate Governance of economiesuisse, the Board of Directors proposes to delete the provision that allows for exceptional bonus payments to members of the Board of Directors. The Board of Directors further proposes to include a provision on the voting procedure for the new share-based compensation (LTI) for the members of the GEC: Shareholders shall annually approve the maximum aggregate amount to be granted to GEC members for the subsequent financial year. The remaining amendments to Art. 12 are linguistic specifications.

Article 19: Nomination and Compensation Committee

Proposal The Board of Directors proposes to amend Art. 19 as follows:

Current Wording	Revised Wording (changes highlighted in bold)
The General Meeting elects at least 2 members of the Board of Directors as members of the Nomination and Compensation Committee.	The General Meeting elects at least 2 3 members of the Board of Directors as members of the Nomination and Compensation Committee.
(...)	(...)

Explanations The Board of Directors proposes to increase the minimum number of members of the Nomination and Compensation Committee from currently two to three to reflect best practice corporate governance.

Article 25: Principles relating to the Compensation of the Members of the Board of Directors

Proposal The Board of Directors proposes to amend Art. 25 as follows:

Current Wording	Revised Wording (changes highlighted in bold)
The members of the Board of Directors shall receive a fixed basic fee and fixed fees for memberships in committees of the Board of Directors as well as a lump sum compensation for expenses that is determined by the full Board of Directors based on the proposal of the Nomination and Compensation Committee and subject to and within the limits of the aggregate amounts approved by the General Meeting. The compensation is awarded in cash and in form of a fixed number of shares in the Company. In exceptional cases and subject to and within the limits of the approval by the General Meeting, the members of the Board of Directors may be awarded a bonus.	The members of the Board of Directors shall receive a fixed basic fee and fixed fees for memberships in committees of the Board of Directors as well as a lump sum compensation for expenses that is determined by the full Board of Directors based on the proposal of the Nomination and Compensation Committee and subject to and within the limits of the aggregate amounts approved by the General Meeting. The compensation is awarded partly in cash and partly in form of a fixed number of shares in the Company, which are restricted during a period of several years. In exceptional cases and subject to and within the limits of the approval by the General Meeting, the members of the Board of Directors may be awarded a bonus.

Explanations In line with the guidelines of the Swiss Code of Best Practice for Corporate Governance of economiesuisse, the Board of Directors proposes to delete the provision that allows for exceptional bonus payments to Board members. The Board of Directors proposes to add that the shares to be awarded to members of the Board are subject to a multi-year blocking period.

Article 26: Principles of Compensation relating to the Members of the Executive Management

Proposal The Board of Directors proposes to amend Art. 26 as follows:

Current Wording	Revised Wording (changes highlighted in bold)
Subject to the approval by the General Meeting, the compensation of the members of the executive management consists of a fixed compensation in cash and a performance and success-based compensation in cash (Variable Cash Compensation).	Subject to the approval by the General Meeting, the compensation of the members of the executive management consists of a fixed compensation in cash and a performance and success-based compensation in cash (Variable Cash Compensation); and of variable compensation components, which comprise short-term and long-term compensation elements. The fixed compensation consists of the base salary and can also contain other compensation elements and benefits.
The Variable Cash Compensation is based on the level of achievement of specific pre-defined targets for a one year performance period. The targets may on the one hand comprise company related targets (e.g., net sales, EBITDA margin, capex margin, return on invested capital (ROIC), cash flow, etc.) and on the other hand individual targets. Upon proposal by the Nomination and Compensation Committee, the Board of Directors is responsible for the selection and weighting of target categories.	The Variable Cash Compensation short-term variable compensation is paid in cash and depends on the level of achievement of specific pre-defined targets for a one year performance period. The performance targets may on the one hand comprise company-related targets (e.g., net sales, EBITDA margin, capex margin, return on invested capital (ROIC), cash flow, etc.) and on the other hand individual targets: include individual targets, targets of the Company or the group companies and targets in relation to the market, other companies or comparable benchmarks, taking into account position and level of responsibility of the respective member of the executive management. Upon proposal by the Nomination and Compensation Committee, the Board of Directors is responsible for the selection and weighting of target categories-performance targets.

<p>The level of the Variable Cash Compensation is determined by the Board of Directors upon proposal by the Nomination and Compensation Committee for each member of the executive management as a percentage of the fixed compensation. The targets are determined annually for each member of the executive management at the beginning of the one year performance period by the Board of Directors upon proposal by the Nomination and Compensation Committee.</p>	<p>The level of the Variable Cash Compensation short-term variable compensation is determined by the Board of Directors upon proposal by the Nomination and Compensation Committee for each member of the executive management as a percentage of the fixed compensation. The performance targets are determined annually for each member of the executive management at the beginning of the one year performance period by the Board of Directors upon proposal by the Nomination and Compensation Committee.</p>
	<p>The long-term variable compensation shall be awarded in shares in the Company or rights to receive shares. The board of directors shall determine the terms and conditions of the long-term variable compensation in one or more plans or regulations.</p>
	<p>The long-term compensation plan is designed to offer members of the executive management an incentive to further develop their contribution towards the future success of the Company and the creation of shareholder value.</p>
	<p>The grant of shares or rights to receive shares and/or its vesting shall depend on the achievement of certain conditions spread over one or several financial years (such as continued employment and/or achievement of certain annual or multi-year performance targets of the Company or the group companies and targets in relation to the market, other companies or comparable benchmarks). The value of the shares and/or rights to receive shares is determined by the Board of Directors and may refer to the average stock price during a specified time period prior to the grant. The Board of Directors shall, upon proposal by the Nomination and Compensation Committee, determine the performance targets and their relative weight and shall assess the achievement of the performance targets at the end of the performance period. The achievement of the performance targets is generally based on a performance period of several years. The long-term variable compensation pay-outs shall be subject to caps that may be expressed as pre-determined multipliers of the respective target levels.</p>
	<p>The respective plans or regulations shall determine in particular the time of allocation/grant, the fair valuation, the applicable blocking, vesting or exercise periods (including their acceleration, reduction or removal in the event of pre-determined events such as a change of control or the termination of an employment agreement), the maximum award limit of shares or rights to receive shares, any claw back mechanism and discount on grant of shares or rights to receive shares.</p>
	<p>The Company may procure the required shares through purchases in the market or by using its conditional share capital.</p>
	<p>The allocation of equity securities or other rights with equity securities as underlying that members of the Board of Directors and members of the executive management receive in their function as shareholders of the Company (e.g. subscription rights within a capital increase or option rights within a capital reduction) shall not be regarded compensation and are not subject to this provision.</p>
<p>No additional compensation shall be awarded for activities in companies that are directly or indirectly controlled by the Company. Article 12 para. 4 remains reserved.</p>	<p>No additional compensation shall be awarded for activities in companies that are directly or indirectly controlled by the Company. Article 12 para. 4 remains reserved.</p>
	<p>Compensation may be paid or granted by the Company or companies controlled by it.</p>

Explanations The Board of Directors proposes to add a set of provisions to grant share-based awards to executive management members, the vesting of which shall be conditional upon the achievement of performance conditions over a three-year period. The Board of Directors determines the details of this long-term share-based compensation in a plan document.

Article 29: Additional Amount of Compensation for New Members of the Executive Management**Proposal** The Board of Directors proposes to amend Art. 29 as follows:

Current Wording	Revised Wording (Changes highlighted in bold)
If newly appointed or promoted members of the executive management take office after the General Meeting has approved the aggregate maximum amount of compensation of the members of the executive management for the next business year, such newly appointed or promoted members may receive for the period until the next ordinary General Meeting an aggregate compensation in each case of up to 50% of the last aggregate amount of compensation for the executive management approved by the General Meeting.	If newly appointed or promoted members of the executive management take office after the General Meeting has approved the aggregate maximum amount amounts of compensation of the members of the executive management for the next subsequent business year, such newly appointed or promoted members may receive for the period until the next ordinary General Meeting an aggregate compensation in each case of up to 50% of the last aggregate maximum amount amounts of compensation for the executive management approved by the General Meeting.
This additional of compensation amount may only be paid, if the aggregate amount of compensation for the executive management that has been approved by the General Meeting until the next General Meeting is not sufficient to compensate the newly appointed or promoted members. The General Meeting may not vote on this additional amount.	This additional of compensation amount may only be paid, if the aggregate maximum amount amounts of compensation for the executive management that has have been approved by the General Meeting until the next General Meeting is are not sufficient to compensate the newly appointed or promoted members. The General Meeting may not vote on this additional amount.
Within this additional amount of compensation, the Company can pay a bonus to compensate a newly joining member of the executive management for incurred disadvantages in connection with the change of employment. If the additional amount is not sufficient enough to compensate for the disadvantages / to pay the bonus, the part of the bonus surpassing the additional amount has to be approved by the next ordinary General Meeting.	Within this additional amount of compensation, the Company can pay a bonus to compensate a newly joining member of the executive management for incurred disadvantages in connection with the change of employment. If the additional amount is not sufficient enough to compensate for the disadvantages / to pay the bonus, the part of the bonus surpassing the additional amount has to be approved by the next ordinary General Meeting.

Explanations The proposed amendments to Art. 29 are linguistic specifications.

Appendix C: Shareholder Information on the Compensation Votes at the Annual General Meeting 2017 – Agenda Item 8

This appendix contains explanations and further details regarding the compensation proposals submitted to vote under agenda item 8. In addition, the compensation system of VAT Group is described in the Compensation Report 2016.

The binding votes on compensation amounts (votes 8.2. to 8.5.) are conducted according to the Ordinance against excessive compensation in stock listed corporations (Ordinance) and the Articles of Association of VAT Group AG.

Vote 8.1.

Consultative Vote on the Compensation Report for the 2016 Financial Year

Proposal The Board of Directors recommends that the Compensation Report 2016 contained in the Annual Report 2016 be accepted (consultative vote).

Explanation The Compensation Report incorporates the basic principles for the compensation of the Board of Directors and the Group Executive Committee as well as the compensation awarded to the members of these two bodies for the 2016 financial year. The Board of Directors is submitting the Compensation Report to shareholders for a consultative vote. The Compensation Report can be found on pages 62 to 69 of the Annual Report. The Annual Report can be accessed online at <http://www.vatvalve.com/InvestorRelations/investor-relations/financial-reports>.

Introduction to Vote 8.2.1. and Vote 8.2.2.

Binding Vote on the Maximum Aggregate Amounts of Compensation of the Board of Directors

In order to reinforce their independence, the members of the Board of Directors of VAT Group AG receive a fixed compensation consisting of both cash (70%) and restricted shares (30%) as summarized below. In addition, they are entitled to an annual lump sum reimbursement of CHF 1,500 and to a daily compensation of CHF 3,500 for any special tasks beyond their role as members of the Board of Directors. Members of the Board of Directors are neither eligible to variable or performance-based compensation nor entitled to participate in the pension benefit plans of VAT Group AG.

There will be two new committees of the Board of Directors as of the Annual General Meeting 2017:

Technology Committee

This committee assists the full Board of Directors in matters of technology and product development and shall deal in particular with the following tasks:

- Monitor international developments in technology in the target markets of the Company and assess emerging trends with regard to their relevance for the Company
- Develop a technology strategy and assess the research, development and product portfolio of the Company

The committee meets as often as business requires, but at least twice a year.

VATmotion Committee

This committee assists the full Board of Directors with regard to measures in all modules of the project VATmotion.

The committee meets as often as business requires, but at least twice a year.

Table 1: Structure and Levels of Board Compensation

In CHF per year (gross)	Chairman of the Board	Member of the Board
Fixed Basic Fee	200,000	75,000
	Chairman of the Committee	Member of the Committee
Audit Committee (AC)	25,000	10,000
Nomination and Compensation Committee (NCC)	25,000	10,000
New as of AGM 2017		
Technology Committee	15,000	10,000
VATmotion Committee	25,000	15,000

According to the Articles of Association of VAT Group AG, the shareholders vote yearly on the maximum aggregate amount of compensation of the Board of Directors for the upcoming term of office.

At this Annual General Meeting, shareholders are asked to approve two separate maximum compensation amounts for the Board of Directors (vote 8.2.1. and vote 8.2.2.). This is because shareholders at the last Annual General Meeting voted only on the maximum aggregate amount of compensation of the Board of Directors for the financial year, i.e. until the end of 2016, and not on the compensation for the entire term of office of the members of the Board of Directors (which is one year from one Annual General Meeting to the next Annual General Meeting). Therefore, an additional vote covering the remainder of the term of office from January 1, 2017 until the Annual General Meeting 2017 needs to be conducted at this Annual General Meeting.

Please note that the total compensation of CHF 481,720 awarded for the financial year 2016, together with the amount of CHF 170,000 that will be requested for the term of office from January 1, 2017 until the Annual General Meeting 2017, is within the maximum aggregate compensation amount of CHF 710,000 that was originally approved by the shareholders at the Annual General Meeting 2016.

Vote 8.2.1.

Binding Vote on the Maximum Aggregate Amount of Compensation of the Board of Directors for the Remainder of the Term of Office from January 1, 2017 to the Annual General Meeting 2017

Proposal The Board of Directors proposes that the maximum aggregate amount of compensation of CHF 170,000 of the Board of Directors for the remainder of the term of office from January 1, 2017 to the Annual General Meeting 2017 be approved.

Explanations The following table illustrates the composition of the proposed maximum aggregate amount of compensation of CHF 170,000 of the Board of Directors for the remainder of the term of office from January 1 until the Annual General Meeting 2017.

Table 2: Maximum Aggregate Amount of Compensation of the Board of Directors

1.1. 2017 – AGM 2017, in CHF (gross)	
Fixed compensation in cash ¹	111,000
Fixed compensation in shares ²	47,000
Social security contributions ³	12,000
Total	170,000

¹ Includes the fixed basic fee, committee fees and the lump sum expense reimbursement

² Market value of the shares granted. The number of shares is calculated by dividing the nominal amount by the average closing price during the last 20 trading days before the AGM 2017. The allocation day takes place within one month of the AGM 2017

³ Includes employer contributions to social security in respect of the fixed and the share-based compensation (based on market value at grant date)

The amount of CHF 170,000 for the remainder of the term of office from 1 January 2017 to the Annual General Meeting 2017 has been calculated on the basis of the current compensation structure and levels as explained above (including relevant social security contributions) and the current composition of the Board and its committees.

The actual compensation paid out will be included in the disclosure in the Compensation Report 2017, which will be submitted to shareholders for a consultative vote.

Vote 8.2.2.

Binding Vote on the Maximum Aggregate Amount of Compensation of the Board of Directors for the Term of Office from the Annual General Meeting 2017 until the Annual General Meeting 2018

Proposal The Board of Directors proposes to the Annual General Meeting to approve the maximum aggregate amount of compensation of CHF 900,000 of the Board of Directors for the term of office from the Annual General Meeting 2017 to the Annual General Meeting 2018.

Explanation The following table illustrates the composition of the proposed maximum aggregate amount of compensation of CHF 900,000 of the Board of Directors for the term of office from the Annual General Meeting 2017 to the Annual General Meeting 2018.

Table 3: Maximum Aggregate Amount of Compensation of the Board of Directors

AGM 2017 – AGM 2018, in CHF (gross)	
Fixed compensation in cash ¹	597,000
Fixed compensation in shares ²	237,000
Social security contributions ³	66,000
Total	900,000

¹ Includes the fixed basic fee, committee fees, an estimate for additional compensation for special tasks or projects and the lump sum expense reimbursement

² Market value of the shares granted. The number of shares is calculated by dividing the nominal amount by the average closing price during the last 20 trading days before the AGM 2018. The allocation day takes place within one month of the AGM 2018

³ Includes employer contributions to social security in respect of the fixed and the share-based compensation (based on market value on grant date)

The amount of CHF 900,000 for the term of office from the Annual General Meeting 2017 to the Annual General Meeting 2018 has been calculated on the basis of the compensation structure and levels outlined above, the new number of committees and members of the Board of Directors, an estimate of ten days of work for special tasks or projects and the assumption that all members of the Board of Directors will be elected at the Annual General Meeting 2017 as proposed.

The actual compensation paid out will be included in the disclosure in the Compensation Report 2017 and 2018, respectively, which will be submitted to shareholders for a consultative vote.

Vote 8.3.

Binding Votes on the Maximum Aggregate Amount of Fixed Compensation of the Group Executive Committee (GEC) for the Financial Years 2017 and 2018

Proposal The Board of Directors proposes to the shareholders to approve the following maximum aggregate amounts for the fixed compensation of the GEC:

8.3.1. Maximum aggregate amount of fixed compensation of CHF 1,550,000 for the financial year 2017

8.3.2. Maximum aggregate amount of fixed compensation of CHF 1,550,000 for the financial year 2018

Explanation According to the Articles of Association, shareholders vote annually on the maximum aggregate amount of fixed compensation of the GEC for the financial year following the Annual General Meeting. At this Annual General Meeting shareholders are asked to approve the fixed compensation for the GEC not only for the financial year 2018, but also for the financial year 2017. The vote at the last Annual General Meeting on the maximum aggregate amount of fixed compensation of the GEC referred to the financial year 2016. Therefore, the maximum aggregate amount of fixed compensation of the GEC for the financial year 2017 is submitted to shareholders' vote at this Annual General Meeting as well.

The compensation policy of the VAT Group AG is set to support the Company's business strategy and foster the commitment of all employees to the Company's long-term goals. Thus, the compensation of the members of the GEC is balanced between fixed and variable compensation and short- and long-term incentives so that management's interests are aligned with those of other stakeholders.

The variable compensation is performance-based and includes a short-term variable compensation (STI, see separate vote 8.4.) and a long-term incentive plan (LTI, in performance share units, see separate vote 8.5.1. and 8.5.2.). This system drives and rewards superior performance.

Table 4: Structure of Compensation of the GEC

	Program	Purpose	Plan Period
ABS	Monthly cash	Attract and retain	Continuous
STI	Cash bonus	Reward annual financial and individual performance	1 Jahr
LTI	Share plan	Reward long-term performance Align to shareholder's interests	3 years
Benefits	Pension and insurances	Protect against risks	Continuous
Non-tangible rewards such as work environment and culture, personal development and career opportunities			

The following table illustrates the proposed maximum aggregate amounts of fixed compensation of CHF 1,550,000 of the GEC for each of the financial years 2017 and 2018, respectively.

Table 5: Maximum Fixed Compensation of the GEC for each of the Financial Years 2017 and 2018

In CHF per year (gross)	
Annual base salaries and other fixed payments	1,095,000
Social security contributions ¹	455,000
Total Fixed Compensation	1,550,000

¹ Includes expected employer contributions to social security on all compensation elements (assuming a maximum payout of 150% for the Variable Cash Compensation and of 200% for the long-term incentive) and expected employer contributions to pension funds

The amount of CHF 1,550,000 has been calculated on the basis of the compensation structure outlined in Table 4 above for three members of the GEC including a reserve for unforeseen fluctuations of 5% for 2017 and 8% for 2018.

The actual compensation paid out will be disclosed in the Compensation Reports 2017 and 2018, respectively, which will be submitted to shareholders for a consultative vote.

Vote 8.4.

Binding Vote on the Actual Short-Term Variable Compensation (STI) of the GEC for the Financial Year 2016

Proposal The Board of Directors proposes to the shareholders to approve an actual short-term variable compensation amount of CHF 925,042 for the financial year 2016.

Explanation According to the Articles of Association, shareholders vote annually on the actual short-term variable compensation amount of the GEC for the preceding financial year.

The financial year 2016 has been a strong year for VAT Group with 23.6% net sales growth and 32.3% profitability increase (earnings before interest and tax) versus previous year. In the short-term variable compensation the achieved free cash flow of CHF 128 million is above the set target resulting in a payout of 106%. Individual target achievements contributed to an overall performance achievement of 110% for the CEO and 102% on average for the other GEC members.

Table 6: Short-Term Variable Compensation of the GEC for the Financial Year 2016

In CHF per year (gross)	
Short-term variable compensation (STI) for 2016¹	925,042

¹ Includes short-term variable compensation and expected employer contributions to social security and employer contributions to pension funds on the variable short-term compensation

The actual short-term variable compensation of the GEC for the financial year 2016 is disclosed in the Compensation Report 2016 on page 67.

Vote 8.5.

Binding Votes on the Maximum Aggregate Amount of the Long-Term Incentive (LTI) Compensation of the GEC for the Financial Years 2017 and 2018

Proposal The Board of Directors proposes to the shareholders to approve the following maximum aggregate amounts for the long-term incentive (LTI) compensation of the GEC:

8.5.1. Maximum aggregate amount of CHF 900,000 for the financial year 2017

8.5.2. Maximum aggregate amount of CHF 1,100,000 for the financial year 2018

Explanation According to the Articles of Association, shareholders vote annually on the aggregate maximum LTI amount of the GEC for the financial year following the Annual General Meeting.

At this Annual General Meeting, shareholders are asked to approve two amounts of LTI compensation for the GEC, one for the financial year 2017 and one for the financial year 2018. As outlined in the Compensation Report 2016 on page 69, the Board proposed the introduction of an LTI plan for the GEC and other executives for the financial year 2017 in order to motivate executives to create value for the Company and its shareholders in a sustainable manner. Going forward, part of the STI will be converted into an LTI awarded in the form of performance share units, subject to a three-year cliff vesting period depending on the achievement of the following performance conditions:

- Relative net sales growth, with a 50% weight
- Relative total shareholder return (TSR), with a 50% weight

Relative net sales growth and relative TSR performance will be compared to peer companies and expressed as a percentile rank, which determines a performance factor between 0 and 200%. The maximum performance factor of the LTI is capped at 200% of the grant value.

The following table illustrates the proposed maximum aggregate amounts of LTI compensation of the GEC for the financial years 2017 and 2018, respectively.

Table 7: Maximum LTI Compensation of the GEC

In CHF per year (gross)	
Maximum aggregate amount of LTI for the financial year 2017 ¹	900,000
Maximum aggregate amount of LTI for the financial year 2018 ¹	1,100,000

¹ Market value of the performance share units granted. The number of performance share units is determined by dividing the pre-defined nominal amount by the average closing price of the shares during the last 20 trading days before the allocation. The amounts submitted to vote assume a maximum target achievement (target amount multiplied by the maximum performance factor of 200%) and do not factor in changes in the share price during the vesting period

The amounts of CHF 900,000 and CHF 1,100,000 have been calculated on the basis of the compensation structure outlined in Table 4 for three members of the GEC (pro-rata grant for the new COO in 2017 and full grant in 2018) and assuming a maximum performance factor of 200%.

The LTI amount granted to the GEC in 2017 and 2018 will be disclosed in the Compensation Reports 2017 and 2018, respectively, which will be submitted to shareholders for a consultative vote.

Organizational Notes

Documents

A **short annual review 2016** is enclosed to this invitation. As of April 24, 2017, the **2016 annual report**, including the statutory financial statements of VAT Group AG and the consolidated financial statements for the 2016 financial year as well as the audit report, is available for inspection at the Company's headquarter at Seelistrasse 1, 9469 Haag (Rheintal). It can also be accessed online at <http://www.vatvalve.com/Investor-Relations/investor-relations/financial-reports>. A printed version of the annual report can also be ordered by using the enclosed registration form or by sending an e-mail to investors@vat.ch. Further enclosed to this invitation are the **reply form** with the form for **proxy and instructions** to the Independent Proxy as well as a reply envelope. As of **May 8, 2017**, the **admission card** will be sent by mail to the shareholders who have **enrolled** for the Annual General Meeting.

Representation and Proxy

With regard to representation at the Annual General Meeting on May 17, 2017 the following applies:

- a) Roger Föhn, attorney-at-law, Kalchbühlstrasse 4, 8038 Zürich, acts as **Independent Proxy**. If you wish to appoint Roger Föhn as your representative, please return your signed authorization and your instructions with the enclosed envelope. Instead of the written authorization you may also give your authorization and instructions to the Independent Proxy electronically. Please refer to section 1 of the enclosed reply form for further details.
- b) If you wish to appoint **another shareholder or a non-shareholder third party** as your representative, you have to return the enclosed registration form and the proxy by **May 10, 2017** at the latest with the enclosed envelope.

Voting Rights of Shareholders

Only those shareholders whose names are on record in the share register of VAT Group AG with voting rights on **May 12, 2017** (effective date) are entitled to attend the Annual General Meeting and exercise their voting rights.

Language

Please note that the Annual General Meeting will be held **in German**. Simultaneous interpreting services to English will not be available.

Venue and Directions

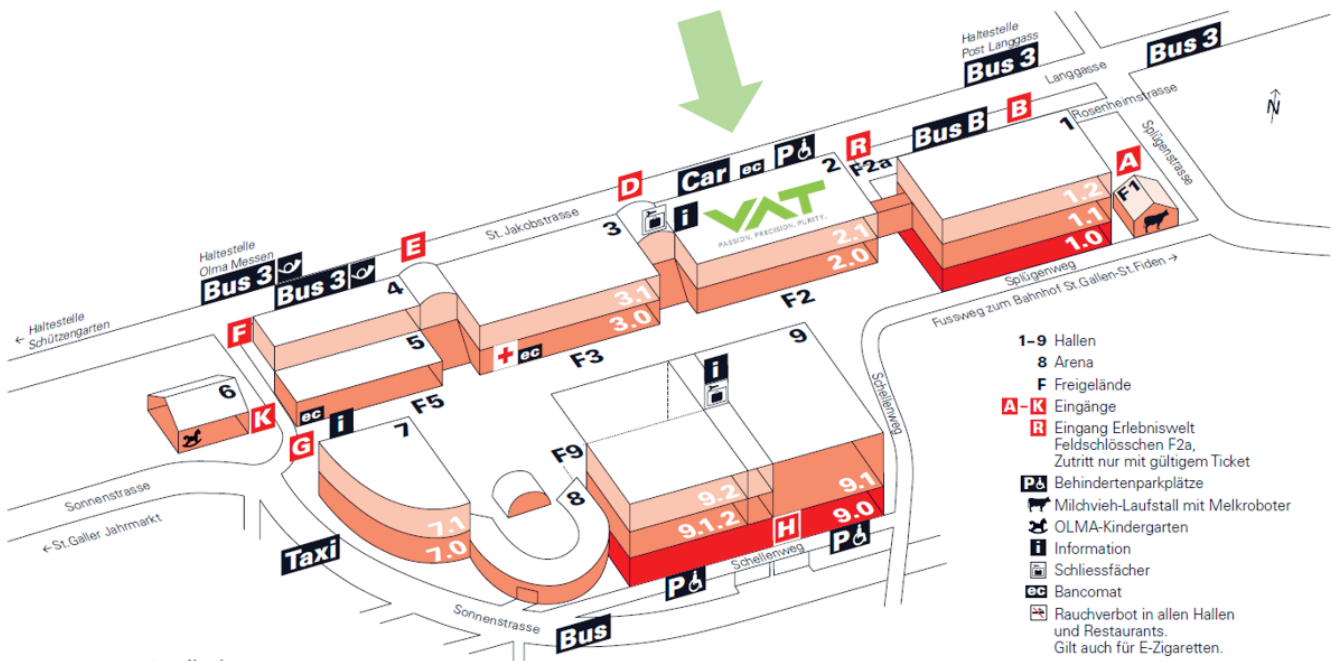
Olma Messen St. Gallen, hall 2.1, Splügenstrasse 12, 9008 St. Gallen

Arrival by public transport

From St. Gallen main station, please take bus no. 3 (direction Heiligkreuz) to stop "Olma Messen".

Arrival by car

For shareholders arriving by car, parking spaces are available at the Olma show grounds in St. Gallen and the Olma parking garage. The route is clearly marked from all directions (St. Gallen-St. Fiden exit, follow signs to "Olma Messen St. Gallen").



- 1-9 Hallen
- 8 Arena
- F Freigelände
- A-K Eingänge
- R Eingang Erlebniswelt
Feldschlösschen F2a,
Zutritt nur mit gültigem Ticket
- PA Behindertenparkplätze
- Milchvieh-Laufstall mit Melkroboter
- OLMA-Kindergarten
- i Information
- Schliessfächer
- Bancomat
- Rauchverbot in allen Hallen
und Restaurants.
Gilt auch für E-Zigaretten.
- Hunde sind auf dem
Messegelände nicht zugelassen.

st.gallerbus
Bus 3 Bus-Linie Nr. 3 «Bahnhof – Heiligkreuz – Bahnhof»
Bus B Extrabusse zum Parkplatz Breitfeld, ab 18.10 – 23.23 Uhr
 via Haltestellen Olma Messen, Schützengarten, Marktplatz und Bahnhof
Bus Busse vom Bahnhof (nur Ausstieg)

Car Vorfahrt mit Ausstieg und Einstieg



Publication

The resolutions of the Annual General Meeting may be inspected from 18 May 2017 to 7 June 2017 and will be made available online at www.vatvalve.com/InvestorRelations/investor-relations/annual-general-meeting.

Enclosures

- Short annual review 2016
- Reply form with form for proxy and instruction to the Independent Proxy
- Form from eComm regarding electronic voting
- Reply envelope

Haag, 20 April 2017

VAT Group AG



Chairman of the Board of Directors
Dr. Horst Heidsieck

Contact

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Concept/Design/Realization
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www.linkgroup.ch

This Invitation to the Annual General Meeting
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PASSION. PRECISION. PURITY.