HALF-YEAR REPORT 2023:

The slowdown in semiconductor equipment spending shows expected impact on orders, sales, and profitability. As VAT believes that the market might have bottomed and expects that demand is set to gradually improve over the rest of 2023, it remains ready for higher volumes and returning to growth in 2024.

Q2 2023 results
- Orders down 56%, sales 23% lower vs. Q2 2022, reflecting lower investment activities mainly in the semiconductor sector
- Orders 14% higher vs. Q1 2023, indicating bottom of market might have been reached
- Book-to-bill ratio of 0.7; order backlog at CHF 340 million

Half-year 2023 results
- Orders down 55% year-on-year, sales decreased by 17%
- EBITDA margin at 29.2% on lower volumes and currency headwinds
- Operating cost adjustments ongoing while company maintains readiness for expected market recovery
- R&D spend and investment in additional production capacity on track

Outlook for 2023
- Investment conditions for VAT's Valves segment are expected to remain mixed in 2023, with demand in the Semiconductor business unit remaining below 2022 levels but gradually improving over the rest of the year. Further growth is forecast in Advanced Industrials. The Global Service segment sees weaker market conditions due to lower demand in its semiconductor business, offsetting the benefits from the larger installed base.
- VAT expects lower sales, EBITDA, net income, and free cash flow vs. 2022
- The company now expects its EBITDA-margin to be slightly below the 32–37% target band

Guidance for Q3 2023
- VAT expects sales of CHF 190–220 million , reflecting the current Swiss franc strength agains other currencies

VAT

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Key figures

In CHF million	6M 2023	6M 2022	Change
Order intake	291.7	648.5	–55.0%
Order backlog	339.7	559.4	–39.3%
Net sales	453.8	549.0	–17.3%
Gross profit	281.7	354.1	–20.5%
Gross profit margin	62.1%	64.5%	–
EBITDA	132.4	192.1	–31.1%
EBITDA margin	29.2%	35.0%	–
EBIT	111.7	172.1	–35.1%
EBIT margin	24.6%	31.3%	–
Net income	84.2	147.6	–42.9%
Net income margin	18.6%	26.9%	–
Earnings per share (in CHF)	2.81	4.92	–42.9%
Cash flow from operating activities	67.3	94.6	–28.8%
Capex[1]	31.3	16.1	94.5%
Capex margin	6.9%	2.9%	–
Free cash flow[2]	36.9	78.6	–53.0%
Free cash flow margin	8.1%	14.3%	–
Free cash flow conversion rate[3]	27.9%	40.9%	–

In CHF million	2023 as of June 30	2022 as of June 30	
Total assets	1,185.3	1,181.0	0.4%
Total liabilities	521.5	555.9	–6.2%
Equity	663.8	625.1	6.2%
Net debt	198.3	177.5	11.7%
Number of employees[4]	2,706	2,897	–6.6%

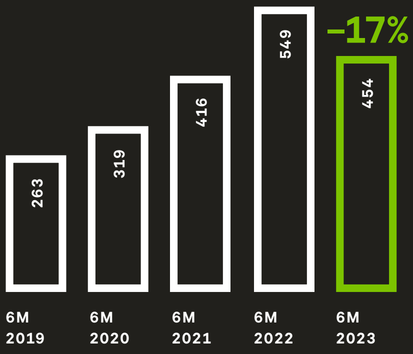
1 Capex comprises acquisitions of subsidiaries net of cash, purchases of property, plant and equipment, and intangible assets.
2 Free cash flow is calculated as cash flow from operating activities minus cash flow from investing activities.
3 The free cash flow conversion rate is calculated as free cash flow as a percentage of EBITDA.
4 Number of employees expressed as full-time equivalents (FTEs)

Net sales
in CHF million

453.8

2022: 549.0

Net sales development
in CHF million



EBITDA
in CHF million

132.4

2022: 192.1

EBITDA margin
in %

29.2

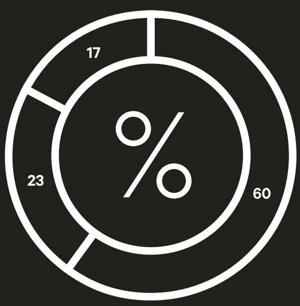
2022: 35.0

Net sales
by segment

79 VALVES
21 GLOBAL SERVICE

2022:
82 VALVES
18 GLOBAL SERVICE

Net sales
by region



60 ASIA
23 AMERICAS
17 EMEA

2022:
61 ASIA
26 AMERICAS
13 EMEA

Free cash flow
in CHF million

36.9

2022: 78.6

Slowdown in semiconductor equipment spending shows expected impact on orders, sales, and profitability

Q2 2023 summary
The slowdown in spending on capital equipment in the semiconductor industry – VAT's largest end market – continued in the second quarter of 2023, with demand and customer inventory levels substantially below the record levels in the same period a year earlier. This resulted in lower second quarter orders and sales in both the Valves and Global Service segments compared with the same quarter in 2022. However, total orders improved sequentially compared to the first quarter of the year, and the company believes the bottom of the market might have been reached, with a gradual increase in orders expected over the second half of 2023.

In VAT's Semiconductor business unit, weaker market demand in the second quarter continued to be driven by reduced spending in consumer-related areas, such as memory chips used in smartphones, tablets, and PCs, reflecting macroeconomic uncertainties related to interest rates, inflation, and GDP growth. Trade restrictions by the US and other countries on exports to China of integrated circuits and related manufacturing equipment continued to negatively impact high end-domestic investments and also non-domestic fab investments have slowed. Investments in leading-edge logic chips used for data processing, however, remained at a healthy level.

In the Advanced Industrials business unit, growing demand for scientific instruments and research, solar photovoltaic projects, and industrial coatings more than offset the slowdown in consumer-related sectors. VAT was able to take advantage of this positive environment thanks to targeted growth initiatives that have been implemented in this business in recent quarters.

The Global Service segment also felt the impact of the semiconductor market slowdown, albeit to a lesser extent than in the Semiconductor business unit. New orders decreased in the second quarter as original equipment manufacturers (OEMs), foundries, and integrated device manufacturers (IDMs) reduced inventories of spare parts in light of lower capacity utilization. This was partly offset by the stronger demand for repair services, upgrades, and retrofits.

As a result, and as preannounced on July 13, second quarter orders amounted to CHF 155 million, down 56% year-on-year, but approximately 14% higher than in the first quarter of 2023. Net sales were CHF 221 million, a 23% decrease compared with the same quarter in 2022, and in the upper half of the guidance of CHF 200–230 million communicated in mid-April. Foreign exchange movements, especially the US dollar against the Swiss franc, had a negative impact of about 8% on the change in reported Q2 sales. The second quarter book-to-bill ratio was 0.7, and the order backlog on June 30 amounted to CHF 340 million, 39% lower than at the end of the same period in 2022.

The Valves segment reported net sales of CHF 176 million in the second quarter, a 25% decrease compared with the same period a year earlier. Net sales in Global Service were down 12% at CHF 45 million.

Six-month 2023 summary
During the first six months of 2023, VAT's total order intake amounted to CHF 292 million, a decrease of 55% compared with the record levels seen in the previous year. Net sales declined 17% to CHF 454 million, with execution of the order book partially mitigating lower new orders. Foreign exchange movements, especially the US dollar against the Swiss franc, negatively impacted H1 sales by about 5%.

Orders in the Valves segment decreased by 58% during the first half of 2023 and amounted to CHF 223 million. Net sales were 20% lower at CHF 359 million. The Semiconductor business unit saw the strongest decline in both orders and sales as growth in leading-edge applications, such as lithography and atomic layer deposition, could not offset the ongoing slowdown in wafer fabrication equipment spending, especially in memory chip production. The business unit continues to focus on capturing new opportunities in leading-edge vacuum valve technologies, such as surface finishing, temperature management, and pressure curve control in advanced modules, while accelerating the development of additional adjacent products. The Advanced Industrials business unit continued to grow sales in a variety of key markets, with sales initiatives aimed at solar, scientific instruments, research applications, and precision coatings.

The Global Service segment reported 41% lower orders year-on-year while sales decreased by 6% to CHF 95 million. Growth in repair services, upgrades and retrofit areas could not offset lower sales of spare parts and consumables as customers reduced inventories on the back of lower fab capacity utilization.

Lower top line impacts EBITDA

Gross profit[1] for the first six months of 2023 amounted to CHF 282 million, a decrease of 20%. As a consequence, the first-half gross profit margin[2] decreased to 62% in 2023 from 65% in the same period in 2022.

EBITDA for the first half of the year decreased 31% to CHF 132 million while the EBITDA margin dropped to 29.2% versus 35.0% a year earlier. This decrease reflects the negative volume impact that could not be offset by operational measures focused on productivity and cost improvements. In addition, VAT continued to experience cost inflation in a variety of areas, including labor and logistics compared with 2022. EBIT for the first six months of 2023 decreased 35% to CHF 112 million, leading to an EBIT margin of 24.6% compared with 31.3% in the first half of 2022.

Below the EBIT line, net financial costs of CHF 11 million where significantly higher than a year ago as foreign exchange movements had negative impacts on loans and bank balances. The effective tax rate for the first six months of 2023 was 16% compared with 14% a year earlier.

Lower sales and EBITDA combined with the higher finance and tax charge led to a first-half 2023 net income of CHF 84 million, 43% lower than in the first six months of 2022.

On June 30, 2023, net debt amounted to CHF 198 million compared with CHF 178 million a year ago. The leverage ratio on a last-12-month (LTM) basis and measured as net debt to LTM EBITDA was 0.6 times, slightly up from 0.5 times a year earlier and from the 0.1 times level at the end of 2022. This is in line with the normal seasonal pattern that includes the dividend payment in May of each year. The equity ratio on June 30, 2023 was 56% compared with 53% on June 30, 2022.

Continued focus on technology and footprint strengths

Despite the market slowdown, VAT continued to invest in technology innovation and operational improvements in the first half of 2023. One measure of successful innovation is the number of specification wins, which are new products developed in close collaboration with customers for future vacuum equipment platforms and thus form a foundation for future sales growth and market share gains. Despite the lower investment activity in the semiconductor industry, specification wins, especially in high-end vacuum valves needed for the next generation of advanced semiconductors, remained on a high level. VAT recorded 41 wins during the first six months of 2023.

Operationally, total factory output at the company's production sites in Switzerland and Malaysia decreased in line with the lower sales volume compared with the first half of 2022. However, VAT is monitoring the market situation very closely, together with its customers, to ensure there is sufficient capacity available once the expected market recovery takes hold in early 2024. This includes construction of the second production site in Malaysia, which is on schedule to start production in the first half of 2024, including strategic partnerships with key suppliers. In addition, VAT started a short-time work program in June, initially for three months, that allows the company to retain its highly trained workforce through the downturn so that capacity can keep pace with the market rebound.

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

Free cash flow reflects market slowdown and continued capacity expansion

Free cash flow in the first six months of 2023 amounted to CHF 37 million, 53% lower than the year before. This is the result of lower EBITDA and operational cash flow coupled with higher capital expenditures (capex). Capex amounted to CHF 31 million in the first six months of 2023, up 95% compared with CHF 16 million in the first half of 2022, reflecting higher investments in capacity expansions in Malaysia and Switzerland which will be needed to meet higher demand expected in 2024 and beyond. Trade working capital amounted to CHF 310 million. As a percentage of last 12 months' net sales, net working capital increased slightly to approximately 30% from 29% a year earlier.

At the end of June 2023, VAT had 2,706 employees worldwide (measured as full-time equivalents, FTEs), a decrease of 191 FTEs, or 7%, versus the end of June 2022.

Second Sustainability Report published with new mid-term ESG targets

VAT published its second annual Sustainability Report at the beginning of July, providing stakeholders with a broader and more robust range of environment, social and governance (ESG) metrics, as well as the company's initial ESG targets.

The new disclosures are based on improved data collection in areas such as greenhouse gas (GHG) emissions, energy consumption, and waste generation. Reporting on occupational health and safety performance was expanded, along with hiring and employee turnover metrics.

VAT also carried out its first materiality assessment in 2022 to determine the effects of its activities, its value chain on the environment and society, as well as the risks and opportunities that ESG issues pose for the company. Based on this assessment, VAT targeted a 50% Scope 1 and Scope 2 reduction in GHG emissions by 2025 compared with 2022 levels. The company also aims to increase the proportion of women among new hires to 23% by 2027 and to 25% by 2030, as well as to increase the share of women in leadership positions to 25% by 2027.

Outlook 2023 – lower demand expected before return to growth in 2024

VAT continues to expect investments in semiconductor manufacturing equipment to remain at relatively low levels over the rest of 2023 compared with the record levels seen in 2022. This mainly reflects short-term market factors such as persistent inflation, weak economic growth in several key markets and ongoing geopolitical tensions, and related macroeconomic risks.

However, the sequential growth in orders in the second quarter of 2023 compared to the first quarter of the year indicates that the bottom of the market might have been reached. VAT expects this sequential demand improvement to continue in the remaining two quarters of the year and that the market will return to year-over-year growth starting in early 2024.

Based on these factors, VAT expects full-year sales and EBITDA in 2023 to be below the records set in 2022. The company now expects its full-year 2023 EBITDA-margin to be slightly below the 32–37% target band. This target for the period 2023–2027 was set at the 2022 Capital Markets Day and is based on a USD/CHF rate of 0.95. VAT will continue to invest in both innovation and capacity expansion, increasing its readiness to take advantage from the expected new technology buildouts in 2024 and beyond. Net income is also expected to be lower than in 2022.

VAT intends to continue ramping up production and engineering services at its facility in Malaysia, increasing its natural FX hedge by sourcing from best-cost countries, and gaining greater economies of scale in global supply chains. Significant investments in R&D will also continue, including its new Innovation Center in Switzerland. Overall, 2023 capex is forecast at CHF 80–85 million. Therefore, free cash flow is also expected to be below the 2022 record, but still at a high level.

Key figures Valves

In CHF million	Q2 2023	Q2 2022	Change[1]	6M 2023	6M 2022	Change[2]
Order intake	120.3	291.0	–58.7%	222.8	532.0	–58.1%
Semiconductors	79.1	239.4	–67.0%	137.9	431.4	–68.0%
Advanced Industrials	41.2	51.6	–20.2%	84.9	100.6	–15.6%
Net sales	175.7	234.2	–25.0%	358.6	448.2	–20.0%
Semiconductors	126.8	194.2	–34.7%	266.1	373.9	–28.8%
Advanced Industrials	48.9	40.1	21.7%	92.5	74.3	24.5%
Inter-segment sales	17.9	21.9	–18.3%	39.3	42.7	–8.0%
Segment net sales	193.6	256.2	–24.4%	397.9	490.9	–18.9%
Segment EBITDA				115.3	169.6	–32.0%
Segment EBITDA margin[3]				29.0%	34.6%	

Key figures Global Service

In CHF million	Q2 2023	Q2 2022	Change[1]	6M 2023	6M 2022	Change[2]
Order intake	34.9	63.3	–44.9%	68.9	116.5	–40.8%
Net sales	45.3	51.7	–12.4%	95.2	100.8	–5.5%
Inter-segment sales	–	–	–	–	–	–
Segment net sales	45.3	51.7	–12.4%	95.2	100.8	–5.5%
Segment EBITDA				37.9	45.7	–17.0%
Segment EBITDA margin[3]				39.8%	45.4%	

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	2023 unaudited	2022 unaudited
Net sales	**4, 5**	**453,750**	**548,958**
Raw materials and consumables used		–179,658	–228,943
Changes in inventories of finished goods and work in progress		7,583	34,122
Personnel expenses	8	–110,666	–112,038
Other income		7,388	3,968
Other expenses		–46,040	–53,983
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**132,357**	**192,085**
Depreciation, amortization and impairment		–20,706	–20,007
Earnings before interest and taxes (EBIT)[1]		**111,651**	**172,078**
Finance income		681	2,462
Finance costs		–11,961	–2,474
Earnings before income taxes		**100,371**	**172,066**
Income tax expenses	6	–16,171	–24,500
Net income attributable to owners of the Company		**84,200**	**147,565**
Earnings per share (in CHF)			
Basic earnings per share		2.81	4.92
Diluted earnings per share		2.81	4.92

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

Consolidated statement of comprehensive income

January 1–June 30 In CHF thousand	Note	2023 unaudited	2022 unaudited
Net income attributable to owners of the Company		**84,200**	**147,565**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	10	–5,355	13,644
Related tax	10	776	–1,978
Subtotal		**–4,579**	**11,666**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		1,899	–302
Related tax		–275	44
Currency translation adjustments		–8,640	–1,385
Subtotal		**–7,016**	**–1,643**
Other comprehensive income for the period (net of tax)		**–11,595**	**10,023**
Total comprehensive income for the period attributable to owners of the Company		**72,605**	**157,588**

Consolidated balance sheet

In CHF thousand	Note	30.06.2023 unaudited	31.12.2022 audited
Assets			
Cash and cash equivalents		120,470	174,365
Trade and other receivables		119,207	163,204
Other investments, including derivatives	11	12,624	10,801
Prepayments and accrued income		8,098	9,621
Inventories		230,207	229,247
Current tax assets		2,763	2,602
Current assets		**493,370**	**589,839**
Property, plant and equipment		215,686	204,320
Investment properties		1,649	1,673
Intangible assets and goodwill		464,122	470,560
Other receivables		1,100	1,157
Other investments		884	876
Deferred tax assets		8,444	6,360
Non-current assets		**691,884**	**684,947**
Total assets		**1,185,254**	**1,274,786**

In CHF thousand	Note	30.06.2023 unaudited	31.12.2022 audited
Liabilities			
Trade and other payables		66,102	133,408
Loans and borrowings	9	311,589	202,998
Provisions		2,208	2,246
Derivative financial instruments	11	567	3,265
Accrued expenses and deferred income		41,129	42,360
Current tax liabilities		36,120	47,700
Current liabilities		**457,715**	**431,977**
Loans and borrowings	9	7,149	8,184
Other non-current liabilities		2,327	2,211
Deferred tax liabilities		46,997	49,358
Defined benefit obligations		7,297	2,737
Non-current liabilities		**63,770**	**62,490**
Total liabilities		**521,485**	**494,466**
Equity			
Share capital		3,000	3,000
Share premium		344	344
Reserves		–5,792	1,223
Treasury shares		–4,009	–5,317
Retained earnings[1]		670,227	781,069
Total equity attributable to owners of the Company		**663,769**	**780,320**
Total liabilities and equity		**1,185,254**	**1,274,786**

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
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
Treasury shares acquired					–2,509		–2,509
Dividend payment		–7,498				–157,459	–164,957
Reclassification		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**

In CHF thousand	Share capital	Share premium	Hedging reserves	Translation reserves	Treasury shares	Retained earnings	Total equity
Equity as of Jan 1, 2023	**3,000**	**344**	**4,657**	**–3,433**	**–5,317**	**781,069**	**780,320**
Net income attributable to owners of the Company						84,200	84,200
Total comprehensive income for the period attributable to owners of the Company			1,624	–8,640		–4,579	–11,595
Treasury shares acquired					–2,957		–2,957
Dividend payment						–187,436	–187,436
Share-based payments (net of tax)					4,264	–3,028	1,236
Equity as of June 30, 2023, unaudited	**3,000**	**344**	**6,281**	**–12,073**	**–4,009**	**670,227**	**663,769**

Consolidated statement of cash flows

January 1–June 30 **In CHF thousand**	**Note**	**2023** **unaudited**	**2022** **unaudited**
Net income attributable to owners of the Company		**84,200**	**147,565**
Adjustments for:			
Depreciation, amortization and impairment		20,706	20,007
(Profit)/loss from disposal of property, plant and equipment		–96	0
Change in defined benefit obligations		–774	–83
Net impact from foreign exchange		2,332	5,053
Income tax expenses	6	16,171	24,500
Net finance costs		11,280	12
Other non-cash-effective adjustments		1,046	612
Change in trade and other receivables		38,393	–51,756
Change in prepayments and accrued income		1,319	–10,846
Change in inventories		–11,646	–58,459
Change in trade and other payables		–64,832	39,819
Change in accrued expenses and deferred income		508	2,320
Change in provisions		–25	–87
Cash generated from operations		98,584	118,658
Income taxes paid		–31,246	–24,102
Cash flow from operating activities		**67,338**	**94,556**
Purchases of property, plant and equipment		–27,749	–12,778
Proceeds from sale of property, plant and equipment		210	0
Purchases of intangible assets and development expenditure		–3,526	–3,301
Interest received		671	154
Cash flow from investing activities		**–30,393**	**–15,924**
Proceeds from borrowings	9	310,000	80,000
Repayments of borrowings	9	–200,000	0
Repayments of lease liabilities		–1,543	–1,413
Purchase of treasury shares		–2,957	–2,509
Dividend paid	7	–187,436	–164,957
Interest paid		–3,122	–3,160
Other finance expenses paid		–1,896	–561
Cash flow from financing activities		**–86,954**	**–92,599**
Net increase/(decrease) in cash and cash equivalents		–50,009	–13,967
Cash and cash equivalents at beginning of period		174,365	127,152
Effect of movements in exchange rates on cash held		–3,885	–967
Cash and cash equivalents at end of period		**120,470**	**112,218**

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, 2023, 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 July 26, 2023.

2. Basis of accounting of half-year report

The consolidated interim financial statements of the Group are presented in a condensed form and have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2022. 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, post-employment benefits, provisions, and contingent considerations.

3. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2022. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2023, and earlier application is permitted. They do not have a material effect on the Group's financial statements. The Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

4. 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, 2023 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Net sales	358,588	95,163	453,750		453,750
Inter-segment sales	39,300		39,300	–39,300	0
Segment net sales	**397,888**	**95,163**	**493,050**	**–39,300**	**453,750**
Segment EBITDA	**115,326**	**37,919**	**153,245**	**–20,888**	**132,357**

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**

As of June 30, 2023 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	890,896	126,395	1,017,291	1,649	1,018,940
Segment liabilities	30,823	652	31,474	281	31,755
Segment net operating assets	**860,073**	**125,743**	**985,817**	**1,368**	**987,185**
of which net trade working capital	273,503	32,507	306,009	–281	305,729

As of December 31, 2022 In CHF thousand	Valves	Global Service	Total segments	Corporate and eliminations	Total
Segment assets	916,333	139,462	1,055,796	1,673	1,057,469
Segment liabilities	75,907	7,708	83,615	377	83,992
Segment net operating assets	**840,427**	**131,754**	**972,181**	**1,296**	**973,478**
of which net trade working capital	260,905	36,396	297,301	–377	296,924

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	2023	2022
Segment EBITDA	153,245	215,324
Corporate and eliminations	–20,888	–23,239
Depreciation, amortization and impairment	–20,706	–20,007
Finance costs net	–11,280	–12
Earnings before income taxes	**100,371**	**172,066**

Assets

In CHF thousand	30.06.2023	31.12.2022
Segment assets	1,017,291	1,055,796
Corporate and eliminations	1,649	1,673
Cash and cash equivalents	120,470	174,365
Other assets[1]	45,844	42,952
Assets	**1,185,254**	**1,274,786**

1 The main positions included in other assets are other receivables, other investments, deferred tax assets and prepayments, and accrued income.

Liabilities

In CHF thousand	30.06.2023	31.12.2022
Segment liabilities	31,474	83,615
Corporate and eliminations	281	377
Loans and borrowings	318,738	211,182
Other liabilities[1] and provisions	170,992	199,292
Liabilities	**521,485**	**494,466**

1 Only trade payables are allocated to segments.

5. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers and is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Customers obtain control of the goods dependent on standard trade terms (Incoterms) or when services are rendered. The Group uses different Incoterms, generally EXW, FCA and DDP. Contracts include only standard warranty clauses and do not provide for separate purchase of warranty. Payment conditions are short term and therefore do not contain significant financing components.

Disaggregation of order intake and net sales

January 1–June 30, 2023 In CHF thousand	Valves	Global Service	Total
Order intake	222,788	68,888	291,676
Net sales by region			
Asia	223,741	49,500	273,241
Americas	70,074	33,342	103,416
EMEA	64,773	12,321	77,093
Segment net sales	**358,588**	**95,163**	**453,750**

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**

6. 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, 2023, is 15.1% compared to 15.7% for the six-month period ended June 30, 2022.

7. Dividend

In CHF thousand	2023	2022
Dividends paid	187,436	164,957

At the Annual General Meeting, held on May 16, 2023, the shareholders approved a dividend in the amount of CHF 6.25 per share for the financial year 2022 (prior year: CHF 5.50 per share). The dividend was paid out on May 23, 2023.

8. Share-based payments

Members of the Board of Directors receive 30% of total compensation in restricted shares. VAT Group granted 1,147 shares with a fair value of CHF 330.10 per share for the period 2022/23 (prior period: 958 shares). The shares were transferred in May 2023. For the period 2023/24, the Group allocated 209 shares (prior year: 297 shares).

Long-term incentive plans (LTIP) are in place for the Group's management. 13,846 shares with a fair value of CHF 319.60 per share were transferred in May 2023 for the LTIP 2020. For the ongoing plans, the number of outstanding performance share units (PSU) is 21,476 (prior year: 22,266).

These programs are accounted for as equity-settled share-based payment compensation. A total amount of CHF 1.0 million (prior period: CHF 0.7 million) was recognized directly in equity.

9. Loans and borrowings

VAT Group AG maintains a syndicated revolving loan facility of CHF 250.0 million, maturing on December 21, 2027, and includes an uncommitted extension option of two times one year. The outstanding loan as of June 30, 2023 amounts to CHF 110.0 million. The movement of the outstanding loan in the financial year 2023 was driven by raising of CHF 110.0 million.

Additionally, VAT Group AG maintains a syndicated term loan facility of CHF 200.0 million, maturing on May 30, 2025, and includes an uncommitted extension option of one time one year. The outstanding loan as of June 30, 2023 amounts to CHF 200.0 million. The movement of the outstanding loan in the financial year 2023 was driven by raising of CHF 200.0 million. The term loan facility has been utilized to repay the fixed-rate bond with a nominal value of CHF 200.0 million, which matured on May 23, 2023.

The facilities are subject to the financial covenant "total net debt/EBITDA" ratio, with which the Group complied with for the half-year 2023.

Loans under the revolving loan facility and the term loan facility can be utilized with revolving periods of one, three or six months. Due to the covenant and the revolving nature of the facilities, the utilized loans as of June 30, 2023 are classified as current liabilities.

10. Retirement benefit obligation

An actuarial loss, net of tax, of CHF 4.6 million (June 30, 2022, gain: CHF 11.7 million) was recognized through comprehensive income in the six-month period ended June 30, 2023. Although the assets contributed positively to the result, the lower discount rate ultimately caused a loss in the other comprehensive income.

11. 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	
		30.06.2023	31.12.2022	30.06.2023	31.12.2022
Derivatives held for hedging (USD)	Level 2[1]	233,465	226,492	6,328	8,617
Derivatives held for hedging (JPY)	Level 2[1]	60,083	30,424	5,743	1,786
Derivatives held for hedging (KRW)	Level 2[1]	20,751	10,264	517	362
Derivative assets		**314,299**	**267,179**	**12,588**	**10,765**
Equity shares	**Level 1[2]**	**0**	**0**	**36**	**36**
Thereof:					
Current assets		314,299	267,179	12,624	10,801
Derivatives held for hedging (USD)	Level 2[1]	41,641	50,521	–266	–591
Derivatives held for hedging (JPY)	Level 2[1]	0	34,261	0	–1,047
Derivatives held for hedging (KRW)	Level 2[1]	12,070	25,393	–301	–1,626
Derivative liabilities		**53,711**	**110,175**	**–567**	**–3,265**
Contingent considerations[4]	**Level 3[3]**	**2,700**	**2,700**	**–2,700**	**–2,700**
Thereof:					
Current liabilities		55,211	111,675	–2,067	–4,765
Non-current liabilities		1,200	1,200	–1,200	–1,200

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, 2023, the cash flow hedge reserve included net unrealized gains of CHF 6.3 million (prior period: unrealized gains of CHF 2.2 million), net of tax, on derivatives designated as cash flow hedges. Net gains of CHF 11.5 million (prior period: net losses of CHF 3.5 million) were reclassified to the profit and loss statement in 2023. 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.

12. Principal exchange rates

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

	Average exchange rates in CHF		Closing exchange rates in CHF		
	01.01.–30.06.2023	01.01.–30.06.2022	30.06.2023	31.12.2022	30.06.2022
1 Euro	0.99	1.03	0.98	0.99	1.00
100 Japanese Yen	0.68	0.77	0.62	0.71	0.70
100 Korean Won	0.07	0.08	0.07	0.07	0.07
1 Malaysian Ringgit	0.20	0.22	0.19	0.21	0.22
1 US Dollar	0.91	0.94	0.90	0.92	0.95

13. Events occurring after the end of the reporting period

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

Haag, Switzerland, July 27, 2023

Shareholder information

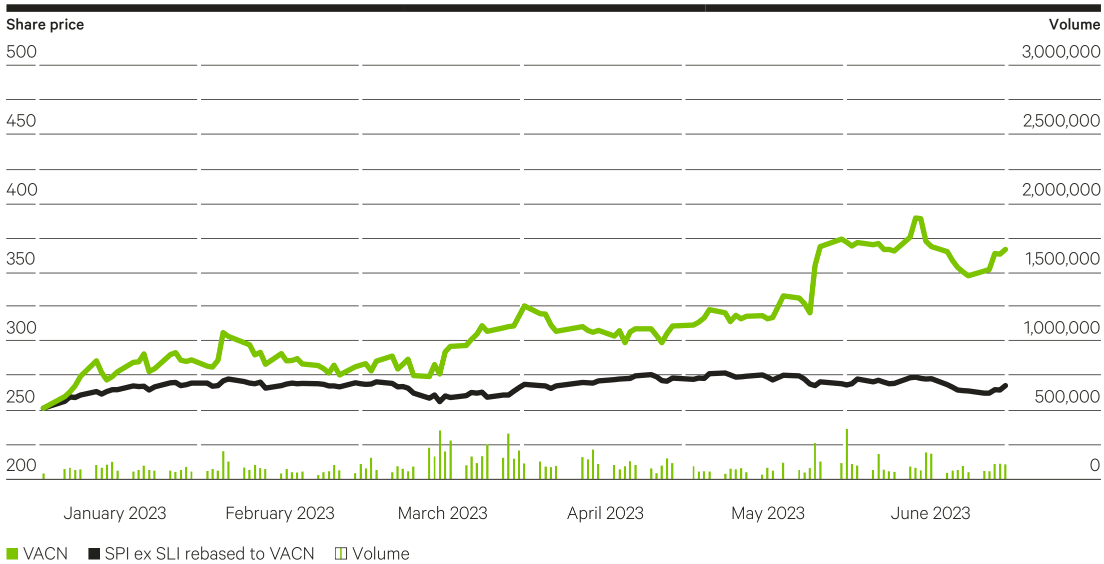
VAT's share price increased during the first six months of 2023, primarily reflecting expectations that the current slowdown in semiconductor equipment spending will reach its bottom this year before returning to growth in 2024. These expectations, together with slowly decreasing inflationary pressure, drove increased buying of semiconductor-related stocks such as VAT, outpacing growth in the broader stock market. With its focus on high-end vacuum valves, VAT is considered a pure play in this segment and, with its global leadership position, a way for investors to participate in the expected industry upturn.

VAT's share price on June 30, 2023 amounted to CHF 370, corresponding to a total market capitalization of CHF 11.1 billion, about 46% more than at the beginning of the year. The Swiss Leader Index increased by about 7% during that period. Trading liquidity in VAT shares increased from about 80,000 shares a day in the first six months of 2022 to approximately 107,000 shares per day in the first half of 2023.

VAT's major shareholders
Since the end of 2022, two additional shareholders have disclosed that they own more than 3% of VAT's outstanding shares. Together, the five shareholders each owning more than 3% of the outstanding shares hold a cumulative position amounting to about 28% of total shares. The free float of VAT shares, as defined by the SIX Swiss Exchange, amounted to approximately 90% at the end of June 2023. The number of registered shareholders was 20,441.

Dividend policy
On May 24, 2023, VAT paid its shareholders a dividend of CHF 6.25 per share for the business year 2022, 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 2023 to be in line with this policy.

Share price development



Stock exchange listing

Ticker symbol	VACN (SIX); VACN.S (Reuters); VACN SW (Bloomberg)	**Legal Entity Identifier (LEI)**	529900MVFK7NVALR7Y83
Valor number	31 186 490	**Nominal value**	CHF 0.10 per share
ISIN	CH0311864901	**Free float**	Approximately 90%
Market capitalization as of June 30, 2023	CHF 11.1 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
2023	
Thursday, October 12, 2023	Q3 2023 trading update
2024	
Tuesday, March 5, 2024	Full-year 2023 results

Contact

For further information please contact:

VAT Group AG
Seelistrasse 1
9469 Haag
T +41 81 771 61 61
www.vatvalve.com

Investor Relations & Sustainability
Michel R. Gerber
T +41 81 553 70 13
investors@vat.ch

Concept/Design/Realization
Linkgroup AG, Zurich
www.linkgroup.ch

Publishing platform: PublishingSuite®
Linkgroup AG, Zurich
www.linkgroup.ch

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 2023:

VAT expects semiconductor equipment investments to decline in 2023 on increased inflation risks and other short-term macro-economic factors, before recovering in 2024.

VAT expects 2023 full-year sales and EBITDA to be below the records set in 2022. The company now expects its EBITDA-margin to be slightly below the 32–37% target band*. Net income and free cash flow are also expected to be lower.

* Based on an USD/CHF rate of 0.95 as introduced at the 2022 Capital Markets Day

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