SUMMARY REPORT 2023:

Strong results delivered – albeit below the record levels of 2022 – in a challenging market environment. VAT continues to invest in its readiness to capture the market recovery expected during 2024.

VAT is the leading supplier of high-vacuum valves and related services used in the manufacture of semiconductors, displays, solar cells and a variety of other high-precision products. The company reported the expected lower results as the business dynamics slowed, coupled with increasing macroeconomic uncertainties. On the back of its leading market position and technology strength, VAT continuously invests in innovation and production capacity to fully participate in the coming growth opportunities and aims to outgrow the market during the expected recovery in 2024 and beyond.

VAT

PASSION. PRECISION. PURITY.

Key figures

In CHF million	2023	2022	Change
Order intake	691.9	1,209.9	–42.8%
Order backlog as of December 31	291.6	517.7	–43.7%
Net sales	885.3	1,145.5	–22.7%
Gross profit	546.7	733.7	–25.5%
Gross profit margin	61.7%	64.1%	–
EBITDA	270.9	400.4	–32.3%
EBITDA margin	30.6%	35.0%	–
EBIT	228.6	359.4	–36.4%
EBIT margin	25.8%	31.4%	–
Net income	190.3	306.8	–38.0%
Net income margin	21.5%	26.8%	–
Basic earnings per share (in CHF)	6.35	10.23	–37.9%
Diluted earnings per share (in CHF)	6.34	10.22	–38.0%
Cash flow from operating activities	256.4	294.0	–12.8%
Capex[1]	69.2	66.2	4.5%
Capex margin	7.8%	5.8%	–
Free cash flow[2]	188.8	228.2	–17.3%
Free cash flow margin	21.3%	19.9%	–
Free cash flow conversion rate[3]	69.7%	57.0%	–
Free cash flow to equity[4]	181.8	224.6	–19.1%

As of December 31 In CHF million	2023	2022	Change
Total assets	1,168.5	1,274.8	–8.3%
Total liabilities	411.3	494.5	–16.8%
Equity	757.2	780.3	–2.9%
Net debt	63.2	36.8	71.7%
Net debt/EBITDA	0.2	0.1	153.8%
Invested capital[5]	599.6	642.6	–6.7%
NOPAT[6]	207.4	317.0	–34.6%
Return on invested capital (ROIC)	33.4%	57.3%	–
Dividend per share[7]	6.25	6.25	0.0%
Payout ratio[8]	103.1%	83.5%	–
Number of employees[9]	2,666	2,991	–10.9%

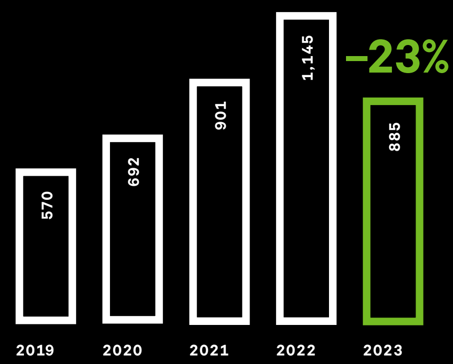
1 Capex: acquisitions of subsidiaries net of cash, purchases of property, plant and equipment, and intangible assets and proceeds from sale of property, plant and equipment.
2 Free cash flow: cash flow from operating activities minus cash flow from investing activities.
3 Free cash flow conversion rate: free cash flow as a percentage of EBITDA.
4 Free cash flow to equity: free cash flow less interest paid.
5 Invested capital is defined as total assets less acquired intangibles and non-interest bearing liabilities.
6 Net operating profit less adjusted taxes (NOPAT) is calculated as EBITDA minus depreciation and amortization plus finance income less taxes at the average Group rate of 16.0% (previous year 16.0%).
7 2023 dividend proposal of the VAT Board of Directors to its shareholders at the AGM on May 14, 2024; CHF 6.25 per share to be paid from accumulated gains.
8 Percentage of free cash flow to equity proposed to be paid out as dividend.
9 Number of employees expressed as full time equivalents (FTE).

Net sales
in CHF million

885

2022: 1,145

Net sales development
in CHF million



EBITDA
in CHF million

271

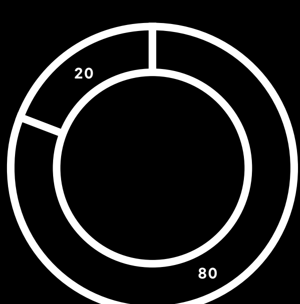
2022: 400

EBITDA margin
in %

30.6

2022: 35.0

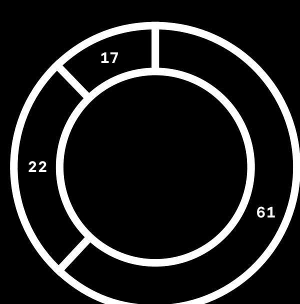
Net sales by segment
in %



80 VALVES
20 GLOBAL SERVICE

2022:
81 VALVES
19 GLOBAL SERVICE

Net sales by region
in %



61 ASIA
22 AMERICAS
17 EMEA

2022:
62 ASIA
26 AMERICAS
12 EMEA

Free cash flow
in CHF million

189

2022: 228

Dividend per share*
in CHF

6.25

2022: 6.25

* 2023 dividend proposal of the VAT Board of Directors to its shareholders at the AGM on May 14, 2024; CHF 6.25 per share to be paid from accumulated gains.

Dear Stakeholders,

Despite the market headwinds that characterized 2023, VAT continued to benefit from its leadership position in long-term growth markets, driven by global digitalization – including the application and rapid adoption of Artificial Intelligence (AI). This is being augmented by other factors, such as the need for sustainable energy and the increased use of vacuum processes in a wider range of industries. This proliferation of vacuum processes is playing optimally to VAT's core strength in vacuum valves and adjacencies, and is at the core of our sustainable growth strategy and value creation.

As expected, we experienced a softer trading year and consequently our results were lower than the record performance of 2022. Despite these challenging markets, macroeconomic and geopolitical uncertainties – but thanks to the efforts of our colleagues globally – VAT again delivered a very decent set of results overall. Maintaining the EBITDA margin above the 30% mark, despite a drop in sales of about 23% and a significant foreign exchange headwind, is further proof of the company's resilience and ability to weather changes in the business environment.

Despite the slower market in 2023, VAT continues to operate in an industry that is characterized by a variety of strong and sustainable growth drivers. While our business has cyclical swings, our markets are growing over time and periods of increased demand tend to last longer than the temporary softness. VAT constantly monitors and anticipates its customers' current and future needs to always be ready to support them and move quickly to meet their evolving requirements, from both capacity and technology perspectives. This includes having adequate production capacity, providing leading-edge technologies, a comprehensive product offering and employing the most skilled and experienced workforce who are ready and able to deliver.

VAT is also set to continue its success story and further widen its competitive position thanks to the benefits derived from our operational excellence and best-cost supply chains.

After six years at the helm of VAT, the end of 2023 saw the retirement of Chief Executive Officer Mike Allison. On behalf of the board, I would like to thank Mike for his professionalism, commitment and steady leadership of VAT. Over the past six years he has been a key force in leading and shaping our transition process and in putting VAT into the strong position it currently occupies.

VAT continued to focus on innovation, customer intimacy and being an attractive employer to bring the best people in our industry to VAT. In addition, we develop our own people, and our strong internal talent pipeline has enabled us to promote several internal candidates to top jobs in VAT. I was therefore delighted when the Board appointed Urs Gantner as our new Chief Executive Officer. As he takes up his role in 2024, Urs also marks two decades with the company. In addition, we also tapped into our internal talent pool when promoting Loïc Mazet as the new head of our Advanced Industrials business unit following Karin Dahlström's retirement.

In late 2023, the Board of Directors reviewed and confirmed the overall strategy communicated during the Capital Markets Day in December 2022. In practice, this means the previously identified growth and focus areas – and the overall direction for growth – are firmly in place and there was no need for major changes. VAT is on track to deliver on its 2027 targets, assuming underlying assumptions on the semiconductor industry's investments measured by the overall wafer fabrication equipment (WFE) volume remain broadly as forecast at about 135 billion US dollars in 2027.

VAT operates in dynamic and fast-changing markets and 2024 will be no different. We do expect to see gradually improved trading as we meet increased demand due to anticipated renewed investments, especially in the semiconductor industry. Indeed, our ongoing multi-million Swiss franc investments in our Swiss-based Innovation Center and in additional production capacity in Malaysia – even during the downturn – show we have a long-term strategic commitment to innovation, growth and in continuing to meet customer demand.

“These solid results show the company’s resilience and ability to weather changes in the business environment.”

DR. MARTIN KOMISCHKE
CHAIRMAN OF THE BOARD OF DIRECTORS

As sustainability and Environment, Social and Governance (ESG) in business grows in importance, VAT continues to integrate sustainability considerations – in their widest sense – within our core business. In 2023, VAT published its inaugural set of sustainability targets in its second Sustainability Report. As we continue to build a sustainability focused culture and mindset in the company, we have strengthened our management and governance structures. You can expect to see ongoing improvements in the implementation and transparent reporting of our sustainability related efforts in 2024 and beyond. Separately, our 2023 Sustainability Report outlines performance to date and progress towards our overall targets.

Recognizing that we experienced a tough year, I would like to extend my and the Board’s thanks and gratitude to our employees. I would also like to take this opportunity to put on record our appreciation for their cooperation in adjusting to the slower market and business dynamics, which even included a period of short time working in our Swiss facilities. I am in no doubt that our skilled, committed colleagues around the world are central to the long-term success of our business.

Our global production and value chain allows us to adjust capacity and cost while continuing to meet customers’ technology and service requirements. Our financial foundation and prudent yet value-generating capital allocation creates a stable platform for our business.

With 2023 behind us, and prospects for the future look brighter, your Board of Directors will recommend a dividend of CHF 6.25 per share and will ask for approval of this payout at the Annual General Meeting on May 14, 2024.

And finally, the Board and I extend our thanks to all our stakeholders. Without our loyal customers, dedicated suppliers and the good standing with the communities VAT operates in, our success would not be possible. We look forward to your continuing support and to working with you to develop and nurture this successful business, now and for the future.

Sincerely,

Dr. Martin Komischke

In a challenging market environment, VAT delivers strong results albeit below the record levels of 2022

In 2023, the global semiconductor industry – VAT's largest market – experienced the anticipated slowdown in investment activities, which had already started during the fourth quarter of 2022. While VAT's long-term demand drivers, such as the Internet of Things, cloud computing, wireless communications and artificial intelligence remained firmly in place, capital investments into additional manufacturing capacity took a breather after three years of unprecedented growth. The main reasons for this were the short-term market demand slowdown in the consumer sector, coupled with inflationary trends and geopolitical uncertainties.

Starting in late 2022, and for most of 2023, VAT customers adjusted their inventory to reflect the underlying demand. This translated directly into lower orders and sales for VAT. While the bottom of this downturn was reached in the first half of 2023, momentum was slow to return and slightly accelerated demand only fed through during the fourth quarter.

During the year, the most pronounced slowdown in the investment activity in the semiconductor sector was witnessed in the memory space and in the flash memory (NAND) sector where investments were a third lower than in 2022. In DRAM, the decline was 16% and the logic sector held its investment volume relatively stable which was only depressed by 2% compared to 2022. Technology progress continued with node sizes shrinking further with sub 7nm becoming more and more mainstream technologies, fueling additional investments in lithography tools. While the overall wafer fab equipment (WFE) investments for the non-lithography space declined by some 7% in 2023, lithography investments increased by more than 25% compared to a year earlier, to a large extent driven by demand for immersion tools from China. In 2023, for the first time, the largest portion of the wafer fab equipment investments came from end users in markets related to ICAPS – IoT, Communications, Automotive, Power and Sensors. Whereas the leading-edge foundry-logic segment use the most advanced process technologies, for primarily digital applications, ICAPS leverage mature or highly specialized process technologies to manufacture a wide range of devices. In addition, China invested heavily into its own semiconductor infrastructure, mainly in the lagging edge technologies. As a result, WFE volume in 2023 was flat compared to 2022, based on preliminary numbers compiled by TechInsight.

Net sales
in CHF million

885

2022: 1,145

In the Global Service business segment, which is also predominantly exposed to the semiconductor market, business declined in 2023 as fabs also reduced their inventories, especially in spare parts and consumables, as their capacity utilizations declined significantly. This development is common in phases of declining market demand for semiconductors; however, the inventory levels of spares and consumables was at an elevated level after the supply chain challenges witnessed in 2021 and 2022, coupled with record levels of capacity utilization. The lower number of new fab constructions also negatively impacted the sub-fab business, and upgrades and retrofit of existing tools were also weak.

In the Advanced Industrial markets, the order pattern was muted throughout 2023 as global industrial activity slowed. It was only towards the end of the year that a rebound was felt in certain industries in areas such as research, uranium enrichment and solar-related businesses.

Technology investments, ramping-up production capabilities and operational excellence remain key focus areas

As the global technology leader in valves with a focus on the development of additional adjacent products, VAT continued to make significant investments in innovation and product development, which are both major drivers of future growth and profitability. In 2023, R&D investments increased by about 7% compared to 2022 and amounted CHF 54 million, or 6% of net sales.

As a result of the ongoing innovation efforts and the close collaboration with its customers, VAT won 120 specifications for future manufacturing platforms, 21% higher than the specification wins recorded in 2022. These specification wins are proof of VAT's superior innovation and technology position, especially in all the leading-edge applications currently under development. These wins are also the foundation of VAT's future growth and expected market share gains.

VAT also continued its large investment program by executing the build-up of both its second manufacturing site in Penang, Malaysia and its Innovation Center in Switzerland. Once completed, Malaysia will have an installed annual production capacity of more than CHF 1 billion and, together with roughly CHF 1 billion annual capacity in Switzerland, represents sufficient production reserves to accommodate all foreseeable customer demand for the next couple of years. Investing proactively in creating sufficient capacity is one key differentiator and success factor in VAT's markets, as customers continue to consolidate their supplier base.

Work on the Innovation Center in Switzerland started during 2023 and is expected to be finalized in early 2025, offering both R&D and corporate working space. The new center will enable VAT to add some 100 additional engineers with specific experience in the field of mechatronics.

Lower overall results after three years of unprecedented growth

Against the background of weaker markets especially in the semiconductor-related businesses, VAT sales in 2023 declined from the record levels posted in 2022. In line with this drop in sales, EBITDA, EBITDA margin, free cash flow and net income also decreased. However, the absolute overall perfor-

EBITDA margin
EBITDA as % of net sales

30.6

2022: 35.0

Net income
in CHF million

190

2022: 307

mance remained at a very reasonable level, especially when considering the strong foreign exchange headwind triggered by the ongoing strength of the Swiss franc against all of VAT's trading currencies.

Total orders amounted to CHF 692 million, down 43% from the very high levels seen in 2022. The decline reflects our VAT's customers' inventory adjustments, especially in the semiconductor-related valves and service businesses. This was further impacted by the slowly normalizing supply chain situation, which reduced our customers' need to hold extra stock. Against this sharp order decline, which is the normal pattern in a business downturn in the sector, VAT executed a large part of the backlog it had at the end of 2022. At the end of 2023, VAT's order backlog amounted to CHF 292 million, which is still a healthy level going into 2024, but about 44% below the record level of CHF 518 million at the end of 2022.

Group net sales in 2023 fell below the CHF 1 billion mark and reached CHF 885 million, which is still the third highest sales volume in VAT's history, but approximately 23% below the volume recorded in 2022. The decline was most pronounced in the business unit Semiconductors, followed by the Global Service business. The business unit Advanced Industrials on the contrary, posted higher sales than in 2022, which was as a result of the good order intake of 2022. Foreign exchange movements, especially in the US dollar against the Swiss franc, had a sizeable negative impact of about 7 percentage points on the 2023 Group net sales.

Gross profit* declined 26% compared with 2022 to CHF 547 million, and the gross profit margin declined to 62% from 64% a year earlier, reflecting partly the inventory reduction of finished goods and work in progress. Personnel costs as a percentage of net sales increased from 20% in 2022 to 24% in 2023, reflecting VAT's commitment to carry an appropriate number of its highly qualified permanent employees through any temporary market softness to be ready to satisfy any customer demand in the next market upswing. In absolute terms, personnel costs declined by 7%, mainly the result of fewer temporary employees. The total number of employees (measured as full-time equivalents, FTEs) declined from 2,991 to 2,666, or 11% compared to a year earlier.

Despite another year of strong operational execution and cost discipline, EBITDA for the year decreased by 32% to CHF 271 million, reflecting mainly the impact from the lower volumes sold and investments in our workforce. Heding gains which are booked above the EBITDA line in other income had a positive impact. As a result, the full-year EBITDA margin declined by about 4.4 percentage points from 35% in 2022 to a still very healthy 30.6%, as VAT successfully executed its cost and productivity measures. While this is slightly below the EBITDA margin band of 32% to 37%, as communicated at the 2022 capital markets day, VAT consciously opted for continued

* Gross profit = net sales minus cost of materials plus/minus changes in inventories of finished goods and work in progress.

commitment to its highly qualified permanent employees as well as to an unchanged and actually higher total R&D spend in 2023. In the second half of 2023, the EBITDA margin had recovered to 32.1% which was within the target band. Foreign exchange movements, primarily in the US dollar against the Swiss franc, had a positive impact of about 1.6 percentage points on the reported 2023 EBITDA margin, as hedging gains recorded in other income above the EBITDA line offset negative impact on the operational items, such as the revaluation of accounts receivable or accounts payable.

Compared with 2022, VAT's 2023 EBIT amounted to CHF 229 million, down CHF 131 million, or 36%, while the EBIT margin decreased by about 6 percentage points to 25.8%.

Below the EBIT line, VAT incurred substantially higher net finance costs compared to the previous year. While finance income remained relatively stable, finance costs increased by 361% to CHF 24 million, mainly the result of net foreign exchange losses on financing activities. The net finance result amounted to minus CHF 21 million, compared to minus CHF 3 million a year earlier.

Earnings before taxes (EBT) decreased to CHF 207 million from CHF 356 million, down 42%. The effective tax rate for 2023 was only 8%, down from 14% in 2022. This was mainly driven by higher profits from Swiss entities, where statutory tax rates are lower, and the effect of prior year items in Swiss entities.

As a result of these factors – and as indicated by company management during the year – realized net income attributable to shareholders decreased in 2023, amounting to CHF 190 million, or 38% less compared with 2022.

On December 31, 2023, VAT's net debt amounted to CHF 63 million, representing a leverage ratio expressed as net debt-to-EBITDA of around 0.2 times, compared to a leverage ratio of 0.1 at the end of 2022. The average leverage over the course of 2023 was around 0.3 times net debt-to-EBITDA, as improving free cash flow generation through the year reduced net debt after the seasonal peak at the end of May when VAT paid its dividend. The equity ratio at year-end amounted to 65% compared with 61% a year earlier.

Substantial free cash flow despite lower EBITDA and higher capex support proposal of an unchanged dividend

One of VAT's key performance indicators and the basis for its dividend consideration is free cash flow, which in 2023 declined from its record level of CHF 228 million in 2022 and amounted to CHF 189 million, down 17% year-on-year. This still represents a high level, whereby cash inflow from operating activities decreased by about CHF 38 million while cash outflows for capex increased by CHF 3 million from CHF 66 million in 2022 to CHF 69 million in 2023.

Capex amounted to approximately 8% of net sales in 2022, above the company's guidance of 4–5% of sales on average. This is mainly due to investments in production capacity in Malaysia, where VAT is establishing a second factory scheduled to be opened in 2024, and investments in an Innovation Center in Haag, Switzerland, which is expected to be completed in early 2025.

Dividend proposal
in CHF

6.25

2023 actual: 6.25

At year-end 2023, net trade working capital amounted to CHF 244 million, approximately 19% lower than at the same time in 2022. Net trade working capital represented 28% of sales, a 2-percentage-point increase versus 2022, mainly as a precautionary measure in anticipation of the business acceleration expected in 2024.

Free cash flow as a percentage of net sales increased from 20% to 21% in 2023 and the free cash flow conversion rate was at 70% of EBITDA. Free cash flow to equity amounted to CHF 182 million compared with CHF 225 million in 2022.

At its Annual General Meeting on May 14, 2024, VAT's Board of Directors will propose an unchanged dividend for the fiscal year ending December 31, 2023, of CHF 6.25 per registered share, reflecting good free cash flow generation in 2023 and the expected positive business development in 2024. The proposed dividend of CHF 6.25 per registered share will be paid from the company's accumulated gains. The proposal amounts to a total dividend of CHF 187.5 million, or 103% of VAT's free cash flow to equity.

Improving market conditions through 2024 expected to lead to better annual results

VAT expects investments in semiconductor manufacturing equipment to gradually improve over the course of 2024 as investments – especially in the memory sector – are anticipated to recover from the lower levels seen in 2023.

However, short-term market factors such as slower progress on reducing inflation, concerns about the overall strength of the global economy, or ongoing geopolitical tensions represent uncertainty factors influencing the timing and magnitude of the expected recovery.

Another factor of uncertainty is the speed of investment in China's domestic semiconductor manufacturing capabilities. Massive additions to China's domestic manufacturing capabilities, mainly in the memory space but also in certain logic types, occurred during 2022 and 2023. While these investments happened in the so-called lagging edge nodes it nevertheless made up a large portion of the 2023 global WFE spend. Estimates by SEMI.org indicate that about 34% of global semiconductor investments in 2023 were carried out in China, a full eight percentage points more than in 2022. Whether this level of investment is maintained in 2024 is not obvious and it is also unclear how much the other large semiconductor nations in Asia like Taiwan, Korea or Japan will increase their investment amounts.

This uncertainty is also displayed in the rather wide range of WFE growth expectations by the semiconductor market research firms. On average, these firms look at WFE spend in 2024 between USD 90 – 100 billion with accelerated double digit growth in 2025.

This development is expected to benefit the semiconductor exposure in the Valves business and the Global Service business at VAT. Being the undisputed technology and market leader is expected to benefit the company in the anticipated recovery, especially as a large part of the spend will be geared towards the leading-edge technologies in both the logic and the memory area. In addition, VAT expects further growth in adjacent products such as advanced modules or motion components. Increasing factory capacity utilizations in the existing fabs will, on the other hand increase the requirement for spare parts and consumables for our service business. Together with the growing installed base of serviceable VAT products, Global Service is expected to grow again in 2024. The continued expansion of vacuum-based manufacturing into industries such as industrial coatings and e-beam applications is expected to benefit the Advanced Industrials business, while solar photovoltaic demand is expected to grow as the transition to renewable energies continues in most parts of the world.

On this basis, VAT expects full-year sales and EBITDA in 2024 to be higher compared to 2023. The EBITDA margin is also expected to increase, however the expected continuing strength of the Swiss franc against VAT's trading currencies will continue to present some headwinds to the company's margin recovery.

In 2024, VAT will complete construction of the new production facility in Malaysia, thereby ramping-up production and engineering services in Penang. At the same time, significant investments in R&D will also continue, including the new Innovation Center in Switzerland.

Net income and free cash flow are also expected to be higher, capex is forecast at CHF 70 – 80 million.

Valves

VAT's Valves segment designs and delivers the industry's broadest range of high-precision vacuum valves. In 2023, the segment comprised two business units: Semiconductors, serving the semiconductor industry and high-end flat-panel displays; and Advanced Industrials, for customers in a variety of industries, scientific research and solar photovoltaic markets. The Valves segment operates manufacturing facilities in Switzerland, Malaysia and Romania, with sales, product development and engineering support in all major markets.

In 2023 demand in the semiconductor markets was muted overall after three consecutive years of unprecedented growth. Although the industry's long-term demand drivers, such as the Internet of Things, cloud computing, wireless communications and artificial intelligence, are still firmly in place, short-term market demand for semiconductors slowed down – mainly in the consumer sector – affecting capital investments into additional manufacturing capacity. In addition, inflationary trends and geopolitical uncertainties added to lower overall investment activity in additional semiconductor manufacturing equipment and capacity.

The business impact for VAT's semiconductor business was mainly driven by the fact that customers ordered fewer products and services as they reduced their own existing inventory in anticipation of the lower volumes. This is a normal development in VAT's business as the company is considered an early cycle participant. VAT benefits early from an expected growth in the wafer fab equipment (WFE) spend, as customers must build inventory ahead of their volumes going up. Equally VAT is exposed early on to a downturn as customers adjust their inventories, as they anticipate future lower demand. As a result, VAT's semiconductor business declined more in 2023 than the overall WFE development showed. This underperformance was further impacted by the fact that the WFE is measured in US dollars, while VAT reports its performance in what was a strengthening Swiss franc during the period.

The segment's other business unit, Advanced Industrials, had a mixed performance. As this business is more project-driven, orders and sales development depend largely on the timing of project awards. While the overall use of vacuum-based manufacturing continued to expand steadily into various industries, such as precision coatings and electron beam equipment used in medical applications, 3D printing and scientific research, VAT also witnessed an increase in power generation-related activities, such as fusion projects as well as renewed demand for uranium enrichment technologies. Demand in the solar photovoltaic sector was steady on the back of increasing demand for renewable energy and more efficient solar cell technologies.

New all-time high in specification wins in Semiconductors

The Semiconductor business unit is VAT's largest and accounts for approximately 60% of the Group's total sales. As a result of the slowdown in the semiconductor equipment business orders and sales decreased by 49% and 33% respectively, amounting to orders of CHF 388 million and sales of CHF 518 million. This development was driven by the combination of postponements of certain WFE investments, de-stocking of inventories at our customers' end and the negative impact from the Swiss franc's strength against all of VAT's trading currencies. The negative business development was most apparent during the first half of 2023, with a gradual stabilization and recovery in the second half which strengthened towards the end of the year, indicating that the low point of the correction has been passed.

Despite these challenges, the business unit took further strategic steps to position itself for future growth by continuing its investment in innovation and production capacity. As a result, and marking a significant milestone for the business, a record number of key specification wins in leading-edge tools was achieved. Partially through the securing of these new contracts this business unit is expected to show the fastest growth in the segment in the coming years.

The Semiconductors business unit recorded important wins with adjacent products in areas where VAT is already present. Notably, these were in deposition and etching, but also wins with new adjacent products were recorded in applications where we expect substantial growth in the next upturn, such as Atomic Layer Deposition (ALD). In addition to these success-

Key figures Valves

In CHF million	2023	2022	Change
Order intake	554.4	970.9	–42.9%
– Semiconductors	387.7	765.4	–49.4%
– Advanced Industrials	166.7	205.4	–18.8%
Net sales	712.4	932.7	–23.6%
– Semiconductors	518.0	770.5	–32.8%
– Advanced Industrials	194.4	162.2	19.9%
Inter-segment sales	70.30	89.20	–21.2%
Segment net sales	782.7	1021.9	–23.4%
Segment EBITDA	239.3	354.5	–32.5%
Segment EBITDA margin	30.6%	34.7%	
Segment net operating assets	798.6	840.4	–5.0%
of which net trade working capital	202.8	260.9	–22.3%

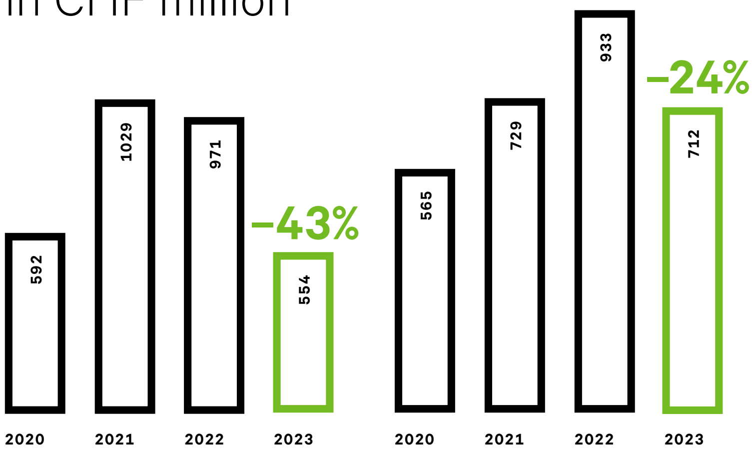
es in the semiconductor area, strategic wins in Displays were achieved in the field of evaporation (OLED IT) applications. Additionally, the business unit Semiconductors experienced fast growth in the Chinese markets.

To strengthen the business unit's readiness for the next upturn, VAT continued optimizing its supply chain for high-volume products while secondary source qualification and the strategic relocation of operations to the Malaysia facility were also undertaken. These initiatives not only position the business for increased efficiency and flexibility, but also positively impact its environmental footprint and cycle time.

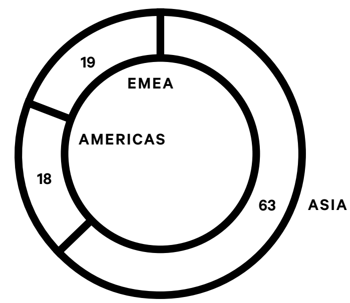
Advanced Industrials continues to grow 2023
The Advanced Industrials business unit serves a wide variety of customers with vacuum-based technologies in areas such as scientific instruments, crystal pulling for silicon production, thin-film coatings, and scientific research. In 2023, the business unit achieved all-time high net sales of CHF 194 million, a 20% increase over the previous year. This sales development was the result of larger project orders recorded in 2022 and the expansion of strategic markets. Order intake was negatively impactetd by lower activities in scientific instruments and some overstocking at solar customers in 2022. As a result, order intake in 2023 declined by 19% to CHF 167 million. Larger orders received towards the end of the year, however, indicate that the strategic positioning and execution is intact.

Demand was highest in Asia, with record 2023 sales fuelled by strong demand on research and working off the solar order backlog. In Europe, the business nearly matched their record order intake of the previous year through converting strategic research projects and satisfying high demand in the nuclear sector. The US market saw flat sales and negative order intake, particularly in the scientific instrument sector, which softened due to the semiconductor turndown, leading to a decrease in demand for metrology and inspection equipment.

Order intake & net sales
in CHF million



Net sales
by region %



Performance review 2023
Total orders in the Valves segment in 2023 amounted to CHF 554 million, down 43% from the previous year. Net sales reached CHF 712 million, a decrease of 24% compared with CHF 933 million in 2022. Geographically, the share of total segment sales was stable in Asia, mainly the result of strong China sales offsetting weakness in other countries in this area. Sales in the US – as a percentage of the segment's sales – decreased, while Europe increased, due to the strong sales growth in the Advanced Industrials business.

The segment reported EBITDA of CHF 239 million, down 33% from the year before, and a segment EBITDA margin of 30.6% versus 34.7% in 2022. The lower profitability was due to volume effects and adverse foreign exchange movements as the Swiss franc strengthened substantially against all major trading currencies. This more than offset the ongoing operational improvements, including increasing the share of component and raw material supplies from best-cost countries.

Market outlook 2024
The 2024 market outlook for the Valves segment presents a mildly positive picture. Capital spending in semiconductor manufacturing is expected to ramp-up during the year, with a faster paced increase in the later part of the year. This is due to the requirement for investments in areas such as High Bandwidth Memory (HBM) or leading-edge memory to support the expected proliferation of applications using artificial intelligence (AI), and the launch of Gate All Around (GAA) technology. The Display business is expected to further benefit from the OLED IT capacity expansions in Korea and China. In the business unit Advanced Industrials, the research sector is expected to soften due to the timing of certain high energy research projects. In scientific instruments the positive mid- and long-term trend is expected to continue as the sector is working off its backlog. The solar market is expected to be flat in 2024 after the strong growth in 2023. Overall, the Advanced industrials sector outlook remains attractive in 2024, driven by the energy transition and investments in nuclear applications, particularly with the expansion in fission (uranium enrichment) driven by the geopolitical developments in Europe.

Global Service

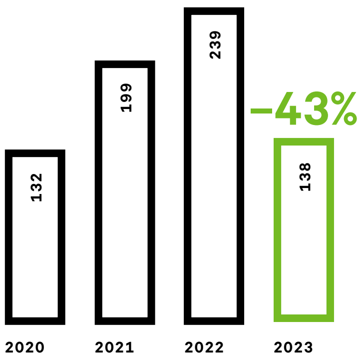
With the onset of the overall slowdown in the Semiconductor market, the Global Service segment saw significantly reduced order intake and sales in 2023, over the prior year. Utilization rates at both foundry and integrated device manufacturing (IDM) fab locations dropped significantly from the record levels seen in 2022, when industry-average utilization was close to 100%. These utilization rates in 2023 marked historic lows, in some sectors dipping below 70% for the first time in over two decades, before starting a timid recovery towards the end of the year. The steepest decline was seen in the memory sectors producing DRAM and NAND Flash devices. This decline in utilization rates, coupled with very high inventory levels built up at the end of 2022 – partly the result of the COVID-induced supply chain challenges in 2021 and 2022 – resulted in the significant drop for the service business in 2023 globally. The fall in the global market demand for services was consistent with VAT's Global Service sales being driven by three primary factors: VAT valve installed base, fab utilization, and fab inventory levels. In this case the larger than expected drop in utilization, coupled with the high customer inventory levels at the start of 2023, prevented service sales from keeping pace with the expanded valve installed base.

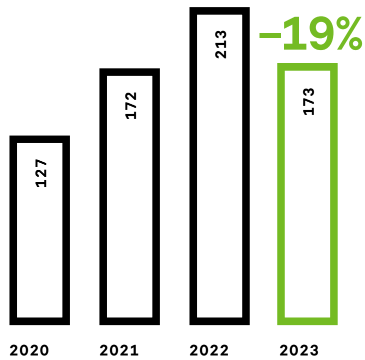
Despite these temporary market challenges, in 2023 the Global Service business unit continued to focus on new products for the after-market with the launch of several new valves designed specifically to be field replacement products of both VAT valves and competitor valves. A remote plasma source valve and a high stroke pendulum valve were brought to market and are being qualified at key customers. In addition, new repair offerings in Display and Solar applications were introduced and are expected to grow significantly in the next few years.

Key figures Global Service

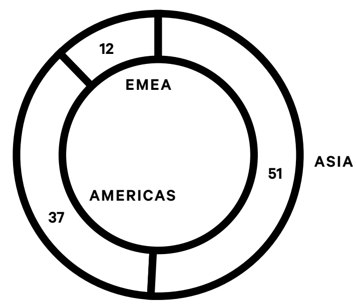
In CHF million	2023	2022	Change
Order intake	137.5	239.0	–42.5%
Net sales	172.9	212.7	–18.7%
Inter-segment sales	–	–	–
Segment net sales	172.9	212.7	–18.7%
Segment EBITDA	69.1	96.6	–28.5%
Segment EBITDA margin	39.9%	45.4%	
Segment net operating assets	132.2	131.8	0.3%
of which net trade working capital	40.7	36.4	11.8%

Order intake & net sales
in CHF million





Net sales
by region %



Performance review 2023

Orders in the Global Service segment decreased 43% year-on-year to CHF 138 million. Net sales were down 19% to CHF 173 million, as backlog execution buffered against the order decline. The sales decline was witnessed across all four major business areas of the Global Service business unit: Gates, Spares and repair, Retrofit and Service, ranging from 3% to 24% lower. EBITDA reduced by 29% versus 2022, to CHF 69 million. The EBITDA margin in 2023 was 40% compared to 45% a year earlier, mainly the result of lower VAT factory loading and the strength of the Swiss franc.

Market outlook 2024

Orders in the fourth quarter of 2023 began to pick up for the Global Service Business segment, reflecting the slightly improving fab utilization situation in the semiconductor industry. This development is expected to continue throughout 2024 with order intake expected to accelerate significantly in the second half of the year. In addition, VAT has used the slower market dynamics of 2023 to strengthen ties with a number of its key customers. Increasing business activity is expected with OEMs, IDMs, and foundries throughout the year, utilizing new business models to render additional support and value to these customers across VAT's large service network.

Consolidated financial statements for the financial year from January 1 to December 31, 2023

Consolidated income statement

January 1–December 31 In CHF thousand	Note	2023	2022
Net sales	**2.1, 2.2**	**885,316**	**1,145,479**
Raw materials and consumables used		−320,157	−443,884
Changes in inventories of finished goods and work in progress		−18,486	32,101
Personnel expenses	4.1	−213,409	−230,261
Other income	2.3	24,643	8,962
Other expenses	2.4	−86,996	−111,984
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**270,911**	**400,414**
Depreciation, amortization and impairment		−42,327	−40,969
Earnings before interest and taxes (EBIT)[1]		**228,584**	**359,446**
Finance income	5.1	2,611	2,233
Finance costs	5.1	−24,110	−5,229
Earnings before income taxes		**207,085**	**356,450**
Income tax expenses	6.1	−16,775	−49,671
Net income attributable to owners of the Company		**190,310**	**306,779**
Earnings per share (in CHF)			
Basic earnings per share	5.4	6.35	10.23
Diluted earnings per share	5.4	6.34	10.22

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

Consolidated statement of comprehensive income

January 1–December 31 In CHF thousand	Note	2023	2022
Net income attributable to owners of the Company		**190,310**	**306,779**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit obligations	4.3	–16,421	11,735
Related tax	6.1	2,343	–1,702
Subtotal		**–14,078**	**10,033**
Items that are or may be subsequently reclassified to profit or loss:			
Changes in the fair value of hedging reserves		6,518	2,583
Related tax	6.1	–921	–375
Currency translation adjustments		–14,391	–5,591
Subtotal		**–8,794**	**–3,383**
Other comprehensive income for the period (net of tax)		**–22,872**	**6,650**
Total comprehensive income for the period attributable to owners of the Company		**167,438**	**313,429**

The above consolidated income statement and consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 90 ff.

Consolidated balance sheet

In CHF thousand	Note	Dec 31, 2023	Dec 31, 2022
Assets			
Cash and cash equivalents		144,108	174,365
Trade and other receivables	3.1	108,752	163,204
Other investments, including derivatives	5.5	18,089	10,801
Prepayments and accrued income		4,375	9,621
Inventories	3.2	188,455	229,247
Current tax assets		1,913	2,602
Current assets		**465,692**	**589,839**
Property, plant and equipment	3.3	234,822	204,320
Investment properties		1,624	1,673
Intangible assets and goodwill	3.4	459,422	470,560
Other receivables	3.1	1,029	1,157
Other investments		891	876
Deferred tax assets	6.1	4,976	6,360
Non-current assets		**702,764**	**684,947**
Total assets		**1,168,456**	**1,274,786**

In CHF thousand	Note	Dec 31, 2023	Dec 31, 2022
Liabilities			
Trade and other payables	3.5	81,867	133,408
Loans and borrowings	5.3	201,053	202,998
Provisions	3.7	2,207	2,246
Derivative financial instruments	5.2	544	3,265
Accrued expenses and deferred income	3.6	36,783	42,360
Current tax liabilities		20,611	47,700
Current liabilities		**343,066**	**431,977**
Loans and borrowings	5.3	6,253	8,184
Other non-current liabilities		1,548	2,211
Deferred tax liabilities	6.1	43,492	49,358
Defined benefit obligations	4.3	16,936	2,737
Non-current liabilities		**68,229**	**62,490**
Total liabilities		**411,295**	**494,466**
Equity			
Share capital	5.4	3,000	3,000
Share premium		344	344
Reserves		–7,570	1,223
Treasury shares	5.4	–6,795	–5,317
Retained earnings[1]		768,183	781,069
Total equity attributable to owners of the Company		**757,161**	**780,320**
Total liabilities and equity		**1,168,456**	**1,274,786**

1 Includes remeasurements of DBO and other reserves

The above consolidated balance sheet should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 90 ff.

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						306,779	306,779
Total comprehensive income for the period attributable to owners of the Company			2,208	–5,591		10,033	6,650
Treasury shares acquired					–4,459		–4,459
Dividend payment		–7,498				–157,459	–164,957
Reclassification[1]		1,363				–1,363	0
Share-based payments (net of tax)					3,644	–1,708	1,936
Equity as of Dec 31, 2022	**3,000**	**344**	**4,657**	**–3,433**	**–5,317**	**781,069**	**780,320**

[1] 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.

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						190,310	190,310
Total comprehensive income for the period attributable to owners of the Company			5,597	–14,391		–14,078	–22,872
Treasury shares acquired					–5,742		–5,742
Dividend payment						–187,436	–187,436
Share-based payments (net of tax)					4,264	–1,683	2,581
Equity as of Dec 31, 2023	**3,000**	**344**	**10,254**	**–17,824**	**–6,795**	**768,183**	**757,161**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 90 ff.

Consolidated statement of cash flows

January 1–December 31 In CHF thousand	Note	2023	2022
Net income attributable to owners of the Company		**190,310**	**306,779**
Adjustments for:			
Depreciation, amortization and impairment		42,327	40,969
(Profit)/loss from disposal of property, plant and equipment		–120	–17
Change in defined benefit obligations		–2,199	752
Net impact from foreign exchange		7,681	5,737
Income tax expenses	6.1	16,775	49,671
Net finance costs	5.1	21,499	2,996
Other non-cash-effective adjustments		2,116	2,063
Change in trade and other receivables		42,833	–43,831
Change in prepayments and accrued income		4,949	–5,743
Change in inventories		25,859	–81,035
Change in trade and other payables		–49,565	54,587
Change in accrued expenses and deferred income		–1,029	–1,092
Change in provisions		–12	–352
Cash generated from operations		301,425	331,485
Income taxes paid		–45,019	–37,517
Cash flow from operating activities		**256,406**	**293,968**
Purchases of property, plant and equipment		–60,267	–58,974
Proceeds from sale of property, plant and equipment		294	17
Purchases of intangible assets and development expenditure		–8,969	–7,265
Interest received		1,294	426
Cash flow from investing activities		**–67,648**	**–65,797**
Proceeds from borrowings	5.3	310,000	80,000
Repayments of borrowings	5.3	–310,000	–80,000
Repayments of lease liabilities	5.3	–3,137	–3,164
Purchase of treasury shares		–5,742	–4,459
Dividend paid	5.4	–187,436	–164,957
Interest paid		–6,952	–3,575
Other finance expenses paid		–2,316	–1,082
Cash flow from financing activities		**–205,583**	**–177,238**
Net increase/(decrease) in cash and cash equivalents		**–16,825**	**50,933**
Cash and cash equivalents at beginning of period		174,365	127,152
Effect of movements in exchange rates on cash held		–13,432	–3,720
Cash and cash equivalents at end of period		**144,108**	**174,365**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes, which can be found in the VAT annual report page 90 ff.

Statutory financial statements VAT Group AG for the financial year from January 1 to December 31, 2023

Income statement

January 1–December 31 In CHF thousand	Note	2023	2022
Dividend income		230,000	170,000
Interest income		3,262	1,001
Other financial income	3.1	306	7
Total income		**233,568**	**171,008**
Interest expenses		–5,066	–3,302
Other financial expenses		–1,289	–1,317
Personnel expenses		–1,421	–1,209
Other operating expenses	3.2	–2,332	–2,216
Total expenses		**–10,107**	**–8,045**
Direct tax		–270	–62
Gain for the period		**223,190**	**162,901**

Balance sheet

As of December 31 In CHF thousand	Note	2023	2022
Assets			
Cash and cash equivalents		295	1,432
Other receivables due from third parties		40	73
Prepayments and accrued income		428	533
Current assets		**763**	**2,038**
Financial assets	3.4	662	1,004
Loans granted to companies in which the entity holds an investment		106,746	73,330
Investments in subsidiaries	3.3	868,724	868,724
Non-current assets		**976,131**	**943,058**
Total assets		**976,894**	**945,095**
Liabilities			
Short-term interest-bearing liabilities due to third parties	3.4	0	200,000
Other payables		23	1,609
Short-term provisions		241	67
Accrued expenses and deferred income	3.5	1,875	2,942
Current liabilities		**2,140**	**204,618**
Long-term interest-bearing liabilities due to third parties	3.4	200,000	0
Non-current liabilities		**200,000**	**0**
Total liabilities		**202,140**	**204,618**
Equity	3.6		
Share capital		3,000	3,000
Legal capital reserves:			
– Reserves from capital contributions		344	344
– Other capital reserves		3,682	3,682
Accumulated gains:			
– Profit brought forward		551,333	575,867
– Gain for the period		223,190	162,901
Treasury shares	3.7	–6,795	–5,317
Total equity attributable to owners of the Company		**774,754**	**740,478**
Total liabilities and equity		**976,894**	**945,095**

Investor Relations
VAT's Investor Relations team manages the company's interaction with the financial community, including attendance at key investor conferences and providing institutional investors and analysts with various opportunities to learn more about VAT Group's strategy, business operations and governance. Investor Relations is based at the Group's headquarters in Haag, Switzerland. More information is available on the VAT Group website: https://ir.vatvalve.com.

Key data on VAT registered shares

		2023	2022
Share capital	CHF	3,000,000	3,000,000
Number of shares on December 31		30,000,000	30,000,000
Nominal value per share	CHF	0.10	0.10
Shares outstanding		30,000,000	30,000,000
EBITDA per share	CHF	9.03	13.35
Free cash flow per share	CHF	6.29	7.61
Book value per share	CHF	25.24	26.01
Dividend per share[1]	CHF	6.25	6.25
Share price high	CHF	422.70	469.60
Share price low	CHF	252.80	198.70
Closing share price on December 31	CHF	421.50	252.80
Average daily trading volume	Shares	84’868	84,127
Average daily trading value	CHF million	28.1	23.8

1 Proposed by the Board of Directors.

Financial Calendar

Date	Event
2024	
Thursday, April 11, 2024	Q1 2024 trading update
Friday, May 5, 2024	Record date, closing of share register, 5.00p.m. CEST
Tuesday, May 14, 2024	Annual General Meeting, St Gallen, Switzerland
Thursday, May 16, 2024	Ex-date
Tuesday, May 21, 2024	Dividend payment
Thursday, July 18, 2024	Half-year 2024 results
Thursday, October 17, 2024	Q3 2024 trading update
2025	
Thursday, March 6, 2025	Q4 and Full-Year 2024 results

Contact

This complete report is only available in English.

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

Design/Layout/Production
Hilda Ltd.
www.hilda.ch

Print
J.E. Wolfensberger AG
www.wolfensberger-ag.ch

Concept
Linkgroup AG, Zurich
www.linkgroup.ch

This annual report is printed on FSC-certified paper.

MIX
Paper | Supporting responsible forestry
FSC® C007616
www.fsc.org

Climate neutral
Print product
ClimatePartner.com/11665-1703-1002

Forward-looking statements
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 2024:

VAT expects investments in semiconductor manufacturing equipment to gradually improve over the course of 2024.

On this basis, VAT expects full-year sales*, EBITDA, net income and free cash flow in 2024 to be higher compared to 2023.

* At constant foreign exchange rates

PASSION. PRECISION. PURITY.