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Second-quarter and half-year results 2019

August 8, 2019

Agenda

1	Highlights	Mike Allison, CEO
2	Second-quarter and half-year 2019 financial review	Stephan Bergamin, CFO
3	2019 priorities, conclusion and outlook	Mike Allison, CEO

Sequential growth in Q2 vs Q1 indicates bottom of current market cycle has been reached

Quarterly net sales sequentially up in Valves and Global Service, down in Industry	Focus on cost, technology and innovation	Market share gains continue in H1, spec wins key to future success
Execution of Global Service yields double-digit sales growth	Six months EBITDA margin of 25.1%, well above previous trough levels	Market expectations for H2 remain mixed, no substantial recovery expected before 2020

Low-cycle six-month results in line with expectations vs strong first half of 2018

Segment (% of total net sales)	VAT Group AG (100%)	Valves (75%)	Global Service (22%)	Industry (3%)
				
Net sales	CHF 263m	CHF 198m	CHF 56m	CHF 9m
EBITDA margin[1]	25.1%	25.4%	44.2%	9%

[1] Segment margin based on segment net sales

Market trends remain mixed across all our major business segments

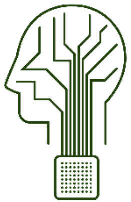
Semiconductors
- WFE investments substantially down, driven by memory; foundry and advanced logic strong
- Technology advances continue, industry preparing for next upcycle

Display
- Overall investments in display equipment down especially in Korea, few OLED projects in China
- TV sizes still dominated by LCD (Gen 10.5)

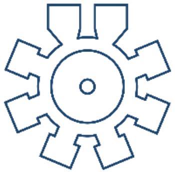
Solar
- PERC remains major technology, Hetero Junction Technology still challenging
- Market demand for new PV manufacturing equipment in China remains high

Industry & Research
- Growth prospects continue in several industrial applications, including automotive, medical etc.
- Research spending by governments remains healthy, particle physics (CERN, ITER)

Our three medium-term growth dimensions remain in place



1st dimension: End market growth
- Medium-term digitalization growth trends such as IoT, AI, AR, etc. remain in place
- Hyperscale applications, cloud storage growing, PC market recovery
- 5G build-up gaining steam, paving the way for new applications, e.g. autonomous vehicles



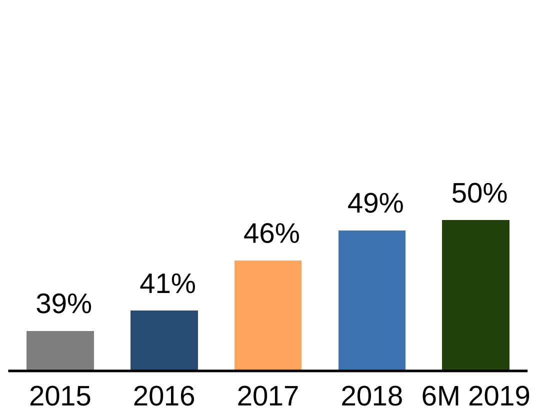
2nd dimension: Equipment growth
- Capacity adjustments continue, increasing investment activities expected during 2020
- Technology advances in logic and foundry continue, memory slowdown bottoming out
- Overall investment climate still negatively affected by China/USA trade conflict

3rd dimension: Vacuum valve growth
- Record number of new platforms and applications being developed
- EUV lithography firmly established in small nodes, ecosystem requires more vacuum
- “Zero” particle environments drive opportunities for VAT motion components and modules

No 1 market position further strengthened – specification wins remain on high level

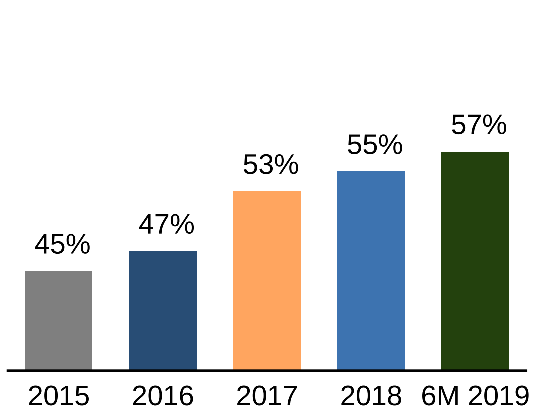
Market share All Industries [1]

Total vacuum valve market size
2015: USD 804m
2016: USD 969m
2017: USD 1’179m
2018: USD 1’138m
6M 2019E: USD 391m



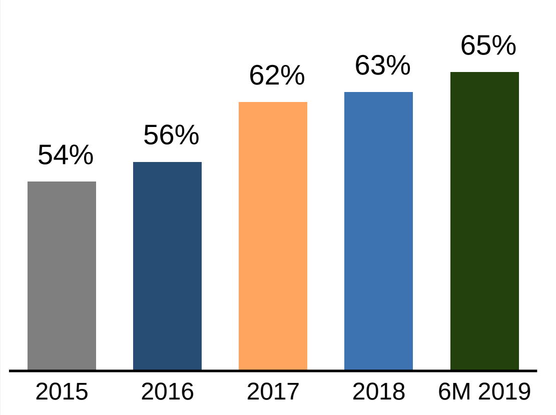
Market share Semi & Related [2]

Total vacuum valve market size
2015: USD 531m
2016: USD 688m
2017: USD 855m
2018: USD 807m
6M 2019E: USD 251m



Market share Semi [3]

Total vacuum valve market size
2015: USD 350m
2016: USD 400m
2017: USD 539m
2018: USD 502m
6M 2019E: USD 158m



Source: VLSI Research July 2019, based on 1Q19 actual plus 2Q19 estimated
[1] All Industries includes semi & related, General Vacuum.
[2] Semi & related includes Semiconductors, Displays, Solar, LED Lighting, Hard Disk Drive.
[3] Semi includes Semiconductors, LED and HDD

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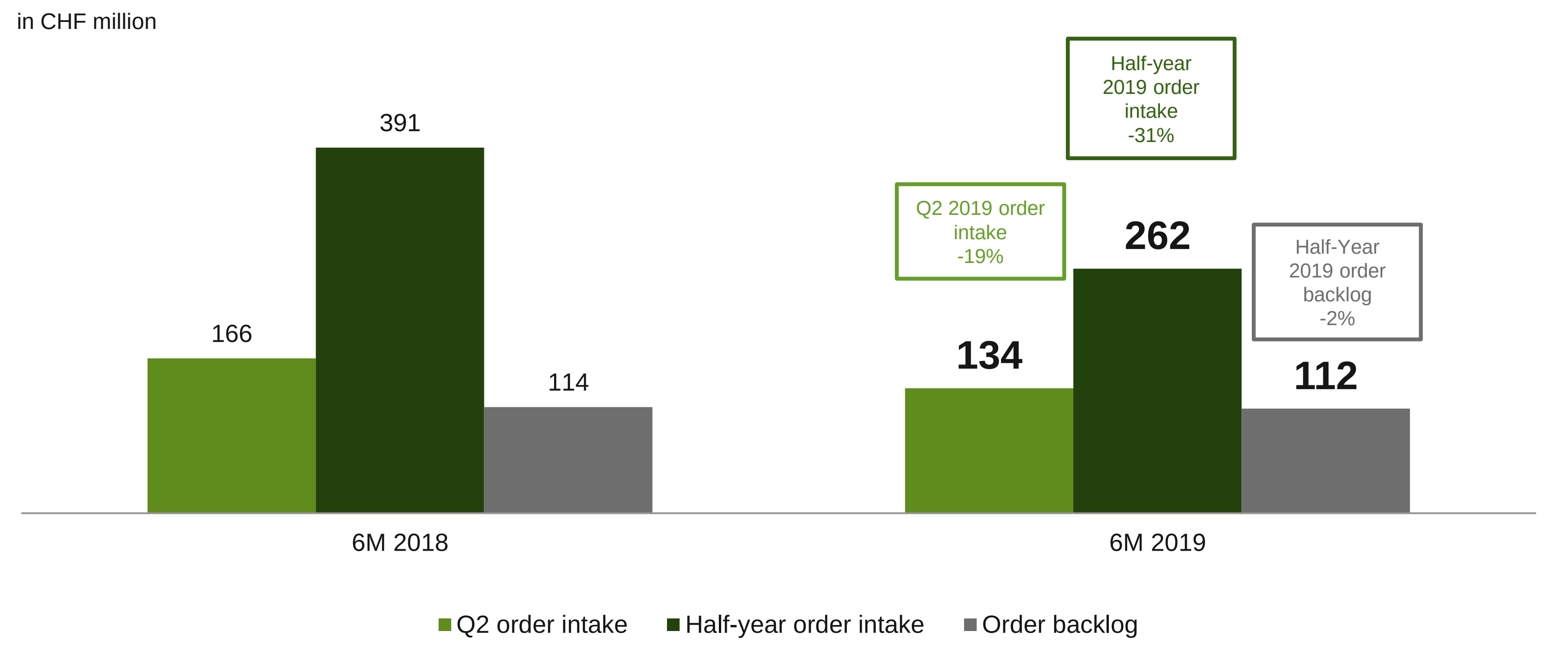
6M 2019 – Group key figures

Third party net sales CHF 263 m -32%	EBITDA CHF 66 m -46%	EBITDA margin 25.1% (-5.5pp) EBIT margin 16.3% (-10.9pp)
Free cash flow CHF 45 m -4%	Free cash flow margin 17% (+5pp) Free cash flow conversion 69% (+30pp)	Net debt/EBITDA 1.5x

6M 19 order decline reflects moderation after record levels in 2018, sequential development indicates bottoming out of down cycle

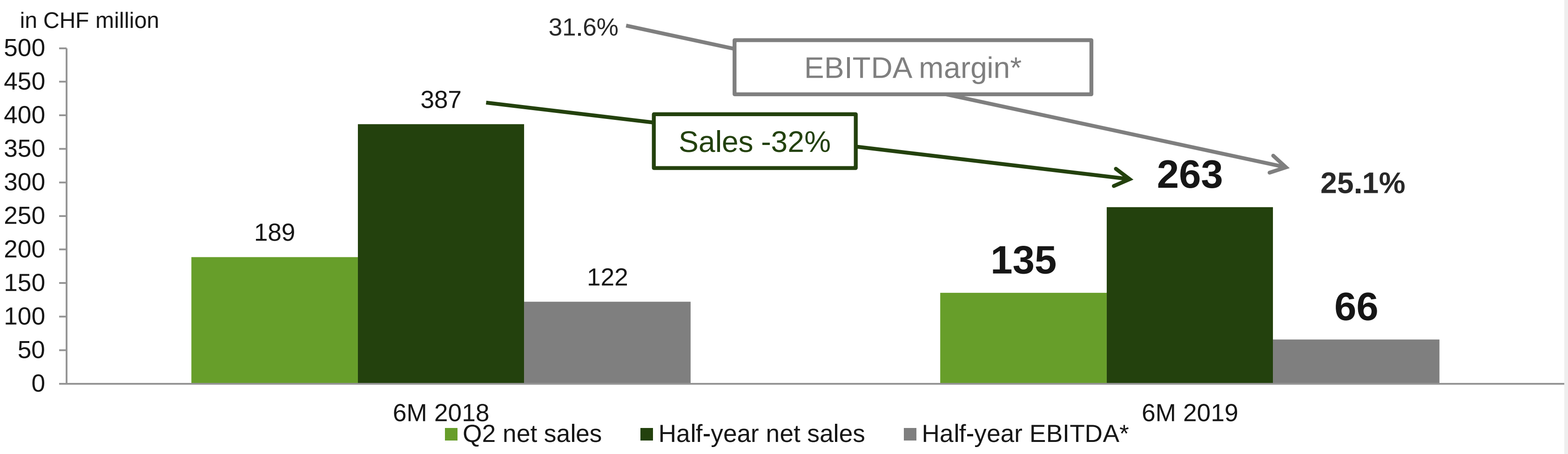


Order backlog as of June 30, 2019 and December 31, 2018

Volume reductions largest contributor to negative sales bridge

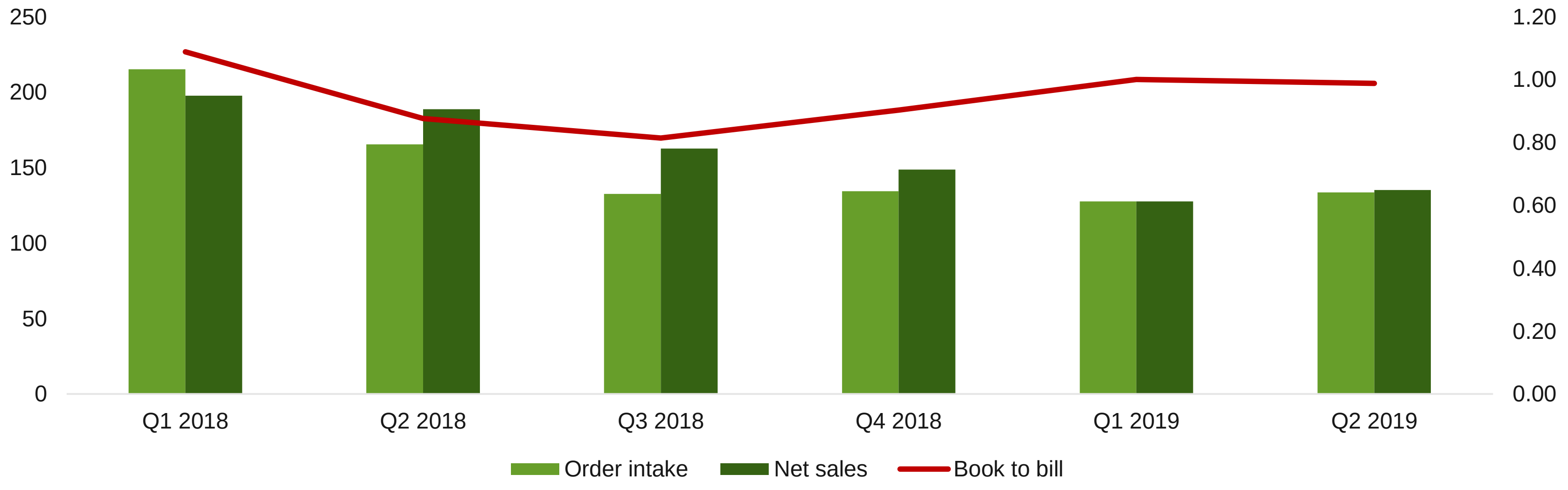
- Volume declines in Semi and Display more than offset advances in Global Service and General Vacuum
- Healthy pricing environment despite lower volumes, FX only with minor impact

EBITDA margin above previous trough; demonstrates VAT's flexible operating structure and strong cost management



- Lower topline results reflected in EBITDA and EBITDA margin
- EBITDA margin well above previous trough levels, result of VAT's flexible operating structure and strong cost management
- Net negative impact of 1.3 percentage points on EBITDA from FX headwind and IFRS 16 adoption

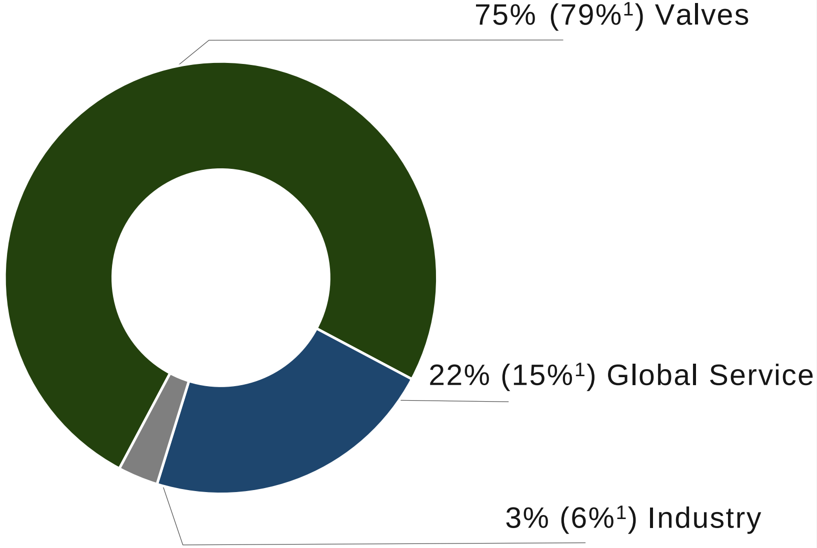
Sequential positive order and sales development; stable book-to-bill



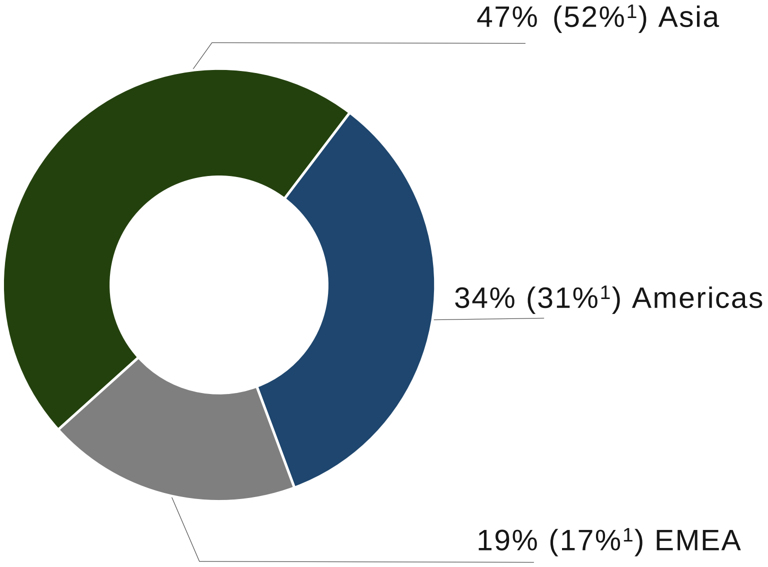
- Continuous sequential decline in order intake and sales since record Q1 2018 stopped
- Book-to-bill ratio recovered to around 1x sales, supported by gains in Service and General Vacuum

Half-year 2019 net sales CHF 263 million

Net sales by market segment



Net sales by region



[1] 2018 numbers

Valves: 75% of net sales

in CHF million	Q2 2019	Q2 2018	Change
Order intake	101.2	136.2	-25.7%
Net Sales	101.4	159.5	-36.4%

in CHF million	6M 2019	6M 2018	Change
Order intake	199.3	311.4	-36.0%
Net sales	197.7	323.3	-38.8%
Segment EBITDA	56.5	118.9	-52.5%
EBITDA margin	25.4%	34.5%	

Semiconductors & Modules

- Reductions in investment expected to have reached the bottom in H1 2019
- VAT increased engineering capacity to better serve customer needs

Display & Solar

- Chinese display investments compensate partially soft demand from South Korea, solar driven by China
- Major market players continue R&D in new applications (foldable phones, premium OLED TVs)
- Down-cycle seems to be bottoming out, 6M book-to-bill at 1.2 times

General Vacuum

- First order received for a vacuum furnace application for battery drying in China

Global Service: 22% of net sales

in CHF million	Q2 2019	Q2 2018	Change
Order intake	28.0	25.8	8.5%
Net Sales	29.5	24.0	22.9%

in CHF million	6M 2019	6M 2018	Change
Order intake	55.1	53.6	2.8%
Net sales	56.4	50.7	11.2%
Segment EBITDA	25.0	24.3	2.9%
EBITDA margin	44.2%	47.8%	

Portfolio expansion yields first results

- Sales growth driven by repair services and spare parts
- Expansion and upgrade of retrofit portfolio allowing customers to improve performance of existing tools
- Development of new products for the subfab market to broaden the portfolio of products for this critical portion of the business
- Designed to provide safer and cleaner management of subfab systems resulting in less maintenance for the end users
- Investments in dedicated service infrastructure continue in the major Asian markets and US

Industry: 3% of net sales

in CHF million	Q2 2019	Q2 2018	Change
Order intake	4.5	3.6	25.0%
Net Sales	4.4	5.3	-17.0%

in CHF million	6M 2019	6M 2018	Change
Order intake	7.2	16.0	-55.0%
Net sales	8.9	12.6	-29.4%
Segment EBITDA	1.2	2.7	-55.6%
EBITDA margin	9.1%	15.1%	

Business model adjustments continue

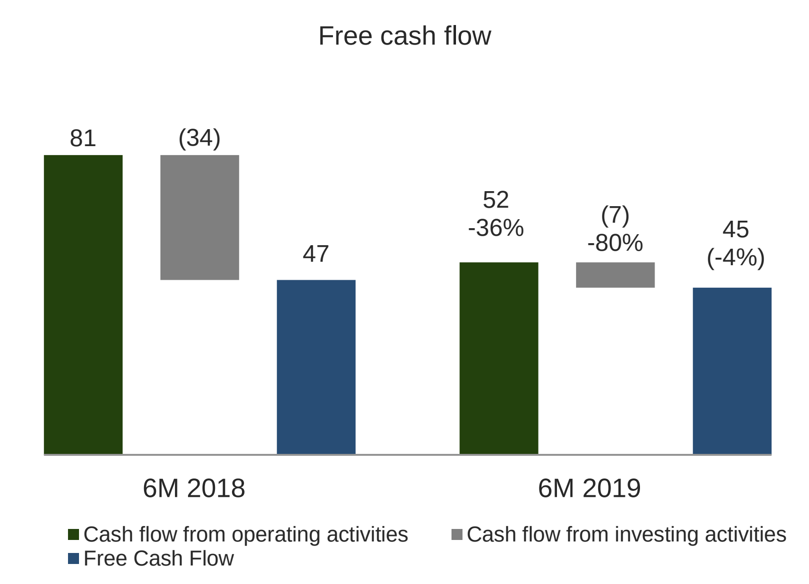
- New scope of Industry segment since January 1, 2019
- Bellows business moved to Valves segment
- Damper for high-efficiency automotive fuel injection systems are by far the largest part of the segment
- Weak performance mainly due to the temporary reduction in demand for these dampers, reflecting the introduction of new emission regulations in several markets

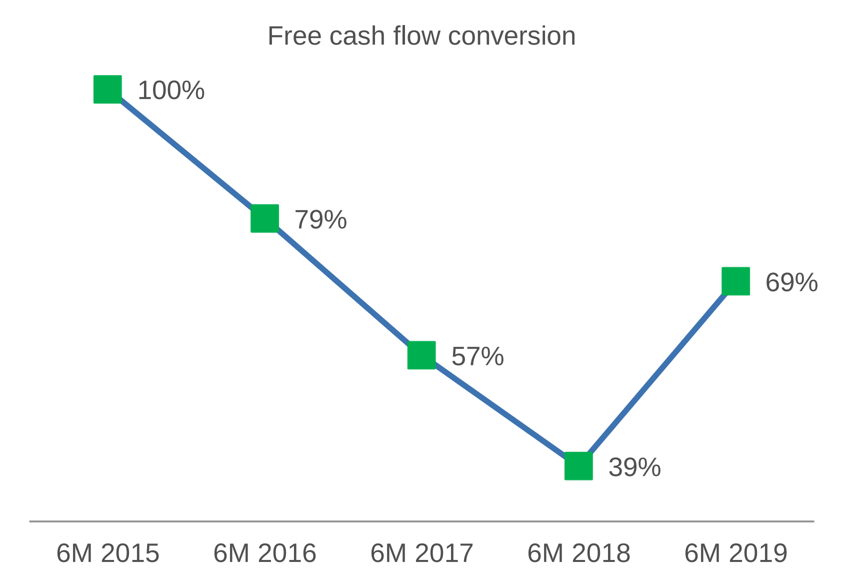
Lower operational results, higher depreciation and timing of tax recognition feed through bottom line

in CHF million	6M 2019	6M 2018	Change
EBIT	43.0	105.0	-59.1%
Finance net	-4.6	-5.2	-11.6%
EBT	38.4	99.8	-61.6%
Income tax expenses	-13.5	-16.3	
Effective Tax Rate	-35.2%	-16.3%	
Net income	24.9	83.6	-70.2%

- Lower operational result and higher depreciation levels (+35%) negatively affect EBIT
- New Swiss tax regulation led to timing difference between tax recognition and tax credits, expected to normalize during second half of 2019

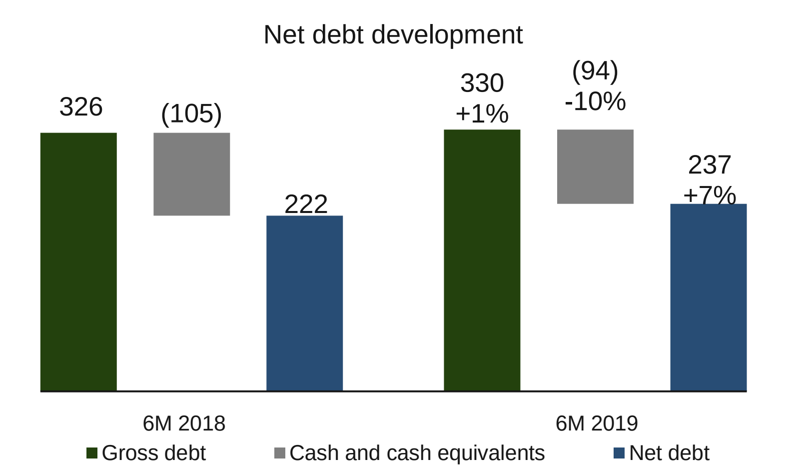
Healthy free cash flow generation despite lower operational results; cash flow conversion recovers

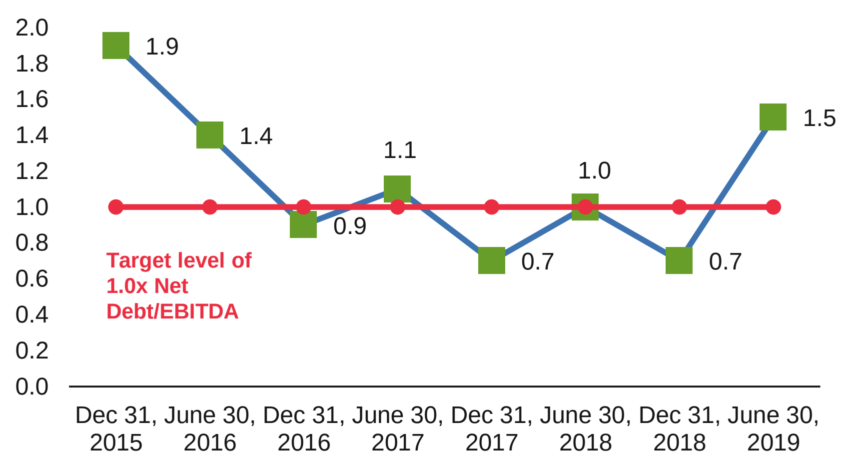




- Lower operational results yield weaker cash flow from operations; net trade working capital down CHF 8 million, but at 26% of net sales (medium-term target of 20%)
- Finalization of factory expansion in Malaysia in 2018 allows for substantial Capex savings

Seasonally higher leverage ratio, year-end net debt expected to fall below 1x EBITDA





- Slightly higher net debt the result of small reduction in cash balance
- Gross debt 2018 comprises CHF 200 million bond issued in May 2018 and revolving credit facility

- Seasonally higher leverage level after payment of CHF 120 million dividend in May 2019 coupled with lower EBITDA
- Year-end leverage expected to fall below 1x

Summary of 6M 2019 financial results

Achievements 6M 2019

- Expected reduction in operating results compared to record first half in 2018
- EBITDA margin as expected about 200bps above previous trough levels on a combination of lower turnover, investments in operational improvements and FX headwind
- Sound free cash flow generation due to lower Capex and trade working capital reduction in absolute terms
- Net income and EPS additionally affected by timing differences under new Swiss tax regulations

Finance priorities second half of 2019

- Continue cost improvement programs with aim to increase EBITDA margin in H2 2019
- Manage further reduction of trade working capital in absolute terms and as a percentage of net sales (medium-term target of 20% remains in place)
- Disciplined approach to Capex, contain it between CHF 28 – 32 million

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External market factors remain volatile but bottom of down-cycle seems reached

Semiconductor

- Order activity continues to be substantially below the record levels of 2017/2018
- General caution dominates at all levels, investment decisions still pushed out
- Memory inventories to gradually decline; ASP erosion seems to be bottoming out
- Ramp activities for 7nm and 5nm logic chips (IDMs and foundry) are slowly gaining momentum
- Latest market forecasts[1] for 2019 indicate:
  - Semiconductor IC market likely to decline -12% (-5% in February forecasts)
  - Semiconductor Capex projected to decline -16% (-12%) with memory Capex -31% (-26%)
  - Wafer Fab Equipment market expected to decline between -19% and -22% (-15% to -20%)
  - Vacuum Processing Equipment market expected to decline about -24% (-20%)

[1] VLSI research July 2019

New applications in OLED may offset decline in LCD activity

Display

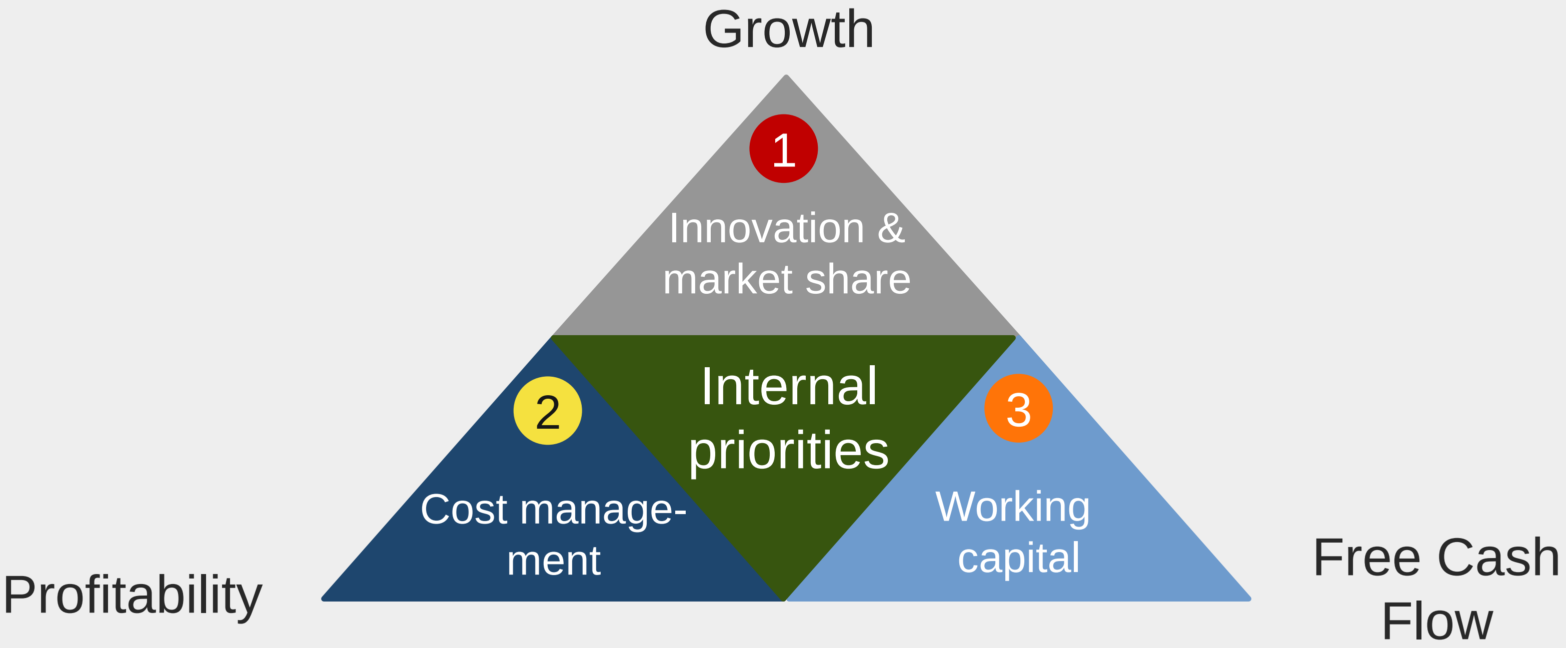
- Smartphone sales still moderating; introduction of new technologies (foldable smartphones) starting; OLED displays more widely introduced; 5G installations ongoing, demand driver for 2020/21 smartphone sales
- Large TV LCD displays continue to fuel investments in G10.5 Fabs
- Overcapacity situation triggered by excess display Capex in 2017 and 2018 gradually normalizing but at slow pace
- Display equipment market expected to decline about -23% (-38% in March)

Solar

- Crystalline silicon remains largest market accounting for more than 75% of total solar revenues, thin film expected to grow steadily in the near-term
- Investments by Chinese panel manufacturers increase demand for vacuum equipment

[1] DSCC July 2019

VAT's focus remains on its three key levers to strengthen competitive position



Conclusion

Market trends and VAT focus

- VAT’s medium-term growth drivers such as the Internet of Things, cloud computing and storage, artificial intelligence and many other global digitalization trends are expected to fuel further demand for semiconductors and advanced displays and remain firmly in place
- While VAT’s second-quarter 2019 orders and sales indicate an end to the cyclical market downturn, visibility for the rest of 2019 remains limited
- Independent market researchers and VAT customers now expect investments to slowly recover during 2020 with first signs still possible toward year-end 2019
- Trade disputes remain big uncertainty
- VAT’s focus on service expected to yield strong results

Qualitative outlook for full-year 2019; top line guidance for Q3 2019

Full-year 2019

- VAT expects 2019 net sales[1] to be lower compared with 2018
- VAT also expects EBITDA and EBITDA margin to be lower than 2018
- VAT maintains its mid-term EBITDA margin target of 33% by further improvements of VAT's overall cost structure
- Net income also expected to be lower, while Capex is expected to be CHF 28 - 32 million
- Free cash flow expected to be higher on working capital reduction and lower Capex

Q3 2019 guidance

- For the third quarter of 2019, VAT expects net sales[1] to be between CHF 130 - 140 million

[1] at constant foreign exchange rates

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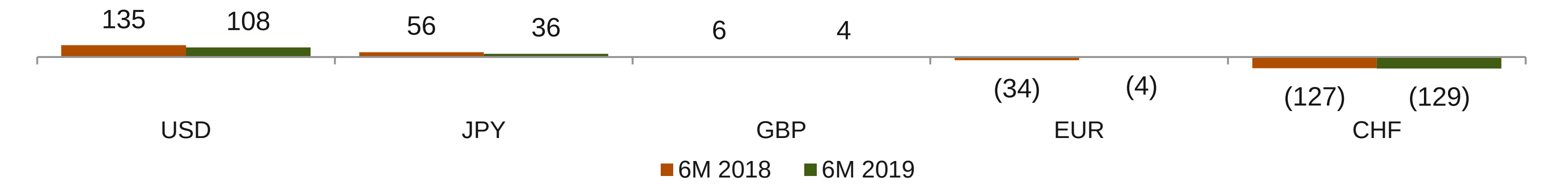
Q&A Session

Initiatives to mitigate foreign exchange exposure

FX	Status on FX exposure initiatives
USD	▪ Ongoing initiative to increase global sourcing (mainly Asia and Eastern Europe) ▪ Denomination of debt in USD ▪ FX hedging on up to 100% of net cash flows on 18-month rolling basis
JPY	▪ FX hedging of up to 100% of net cash flows on 18-month rolling basis
EUR	▪ EUR exposure increased due to sourcing and Capex in EUR

Net cash flow exposure to main currencies[1]



[1] Net cash flow after financing activity incl. Capex and loan interest expense

Information

Investor information

Listing:	SIX Swiss Exchange
Currency:	CHF
Ticker symbol:	VACN
ISIN:	CH 031 186490 1

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Financial calendar

Q3 2019 trading update	Thursday, October 24, 2019
VAT Capital Market Day	Monday, November 11, 2019
Full-year 2019 results	Thursday, March 5, 2020

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.

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