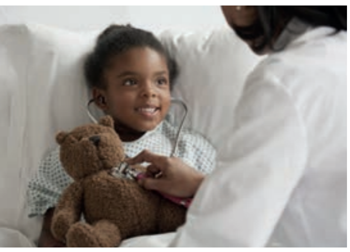
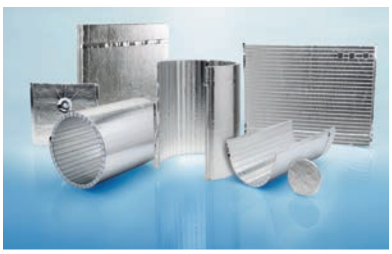
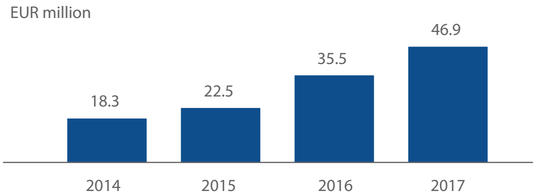
ALWAYS THE RIGHT TEMPERATURE



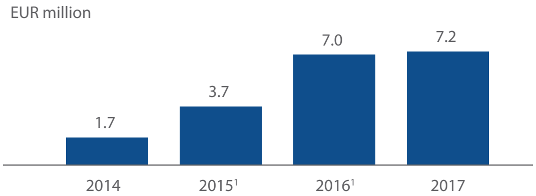


Annual Report | 2017

Revenue 2014 – 2017

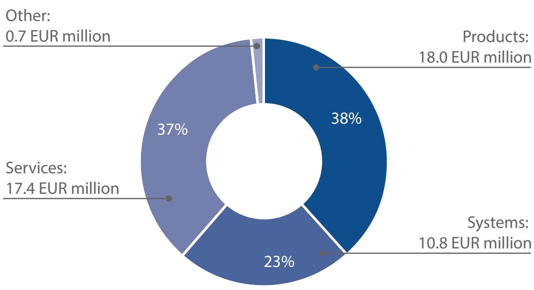


EBITDA 2014 – 2017

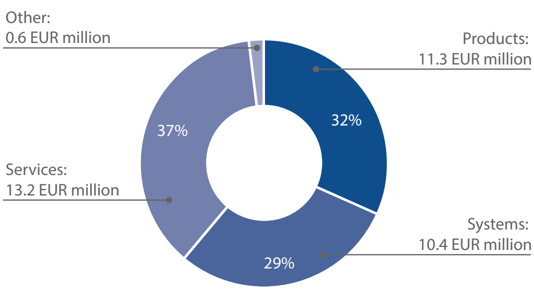


* Adjusted for one-off expenses for the IPO

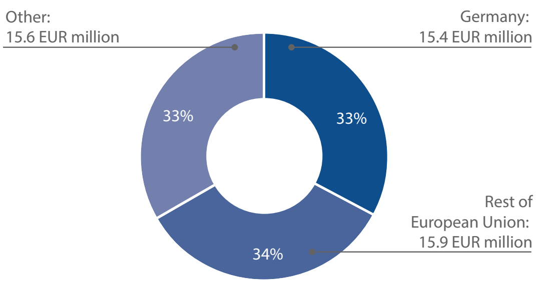
Revenue by Segments 2017



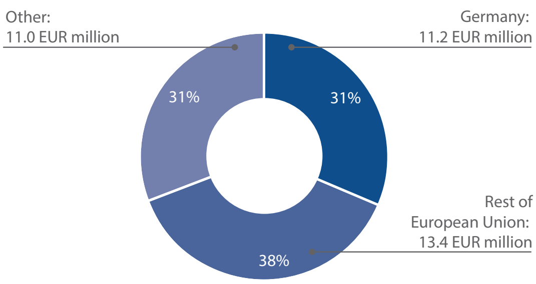
Revenue by Segments 2016



Revenue by Regions 2017



Revenue by Regions 2016



EBITDA by Reporting Segments

ONE TECHNOLOGY PLATFORM, MULTIPLE TARGET SECTORS

SERVICES (37 %)

SYSTEMS (23 %)

PRODUCTS (38 %)

Healthcare & Logistics (62 %)
Pharma and biotech thermal transport systems: boxes & containers

Appliances & Food (26 %)
Refrigerators, freezers, food transport systems

Technics & Industry (9 %)
Hot water tanks, hot water boilers, pipelines, industrial devices

Building (3 %)
Floors, curtain walls, terraces, roofs

Mobility (0.1 %)
Refrigerated trucks, delivery vans, aircrafts, passenger cars

Busniess lines (% group revenue)

Target sectors (% group revenue)

ALWAYS THE RIGHT TEMPERATURE

How do you ensure that what should be kept cool is kept cool, and what should be kept warm is kept warm – and with only limited space available for insulation? va-Q-tec AG is a young, medium-sized high-tech company and a pioneer in the field of thermal insulation which has dedicated itself to the development and production of innovative insulation solutions based on energy-efficient, space-saving and at the same time environmentally-friendly vacuum insulation panels (VIPs).

Besides VIPs va-Q-tec manufactures and distributes other products such as thermal packaging solutions (containers and boxes) and thermal energy storage components (PCMs).

va-Q-tec's products save expensive energy through their efficient technology in many areas of our daily life: during transportation of pharmaceutical products, in refrigerators and freezers, in buildings, in technics & industry and also in cars and aircraft.

Since September 30, 2016 the va-Q-tec shares are listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. As a listed company va-Q-tec is subject to a number of legal and exchange regulated publication and transparency requirements. Beyond those statutory requirements, va-Q-tec wants to provide ongoing and comprehensive information to all its shareholders.

GROUP FINANCIAL FIGURES

EUR millions unless stated otherwise	**2017**	2016	Change
Revenues	46.9	35.5	+32 %
EBITDA (IFRS)	7.2	5.2	+38 %
EBITDA margin (IFRS)	13 %	12 %	
Adjustment	-	1.7	
EBITDA (adjusted)*	7.2	7.0	+4 %
EBITDA margin (adjusted)*	13 %	16 %	
Equity ratio	55 %	64 %	
Year-average number of employees	358	267	

* Adjusted for one-off expenses for the IPO. For more information see section 2.2.4 on the results of operations.

CONTENT

1 TO OUR SHAREHOLDERS

1.1 LETTER FROM THE MANAGEMENT BOARD

Dr. Joachim Kuhn (CEO), Stefan Döhmen (CFO)

Ladies and gentlemen, dear shareholders,

va-Q-tec looks back on a reporting year during which the company proved to be very successful globally, and reported strong growth. va-Q-tec completed its first full year as a company listed on the stock market, and started to invest the growth capital it had raised. Special features of the 2017 financial year included significant investments in site expansions, capacities and structures, internationalisation, the further expansion of the container box fleets, and investments in our employees.

Revenue was up 32 % year-on-year from EUR 35.5 million to EUR 46.9 million. EBITDA increased by 4 % to EUR 7.2 million. The client base also expanded to include some major new customers. As of the end of the year, the va-Q-tec Group employed a total of 390 staff (+84) at meanwhile eight locations worldwide. Our staff derive from 20 different nations. We expressly regard this broad international base of knowledge and expertise (diversity) as a benefit in terms of competition, and for the atmosphere within our Group. Together with the numerous logistics sites of the international rental business, va-Q-tec already acts as a recognised global player, and as a reliable partner to blue-chip customers worldwide.

Not far from its old site in Würzburg, va-Q-tec seized a favourable opportunity and acquired an existing property to construct its new headquarters with considerably expanded production facilities. Strong sales revenue growth and positive growth prospects have led us to create further capacities and spaces. A manufacturing company generating such strong sales revenue growth also needs to invest in the requisite infrastructure. With this move within Würzburg, va-Q-tec is reuniting its meanwhile up to five Würzburg sublocations into one area. Specifically, these are the previous headquarters, container construction, part of the Group-wide production of vacuum insulation panels and the fulfilment centre/service centre for the rental of containers and boxes. Synergy effects and considerable efficiency enhancements in operational processes are also connected with this integration. Thanks to good infrastructure, the new space offers optimal preconditions for receiving and delivering va-Q-tec products as well as further expansion possibilities. As a consequence, we are retaining our connection long-term with Würzburg, our hometown and where the company was founded. With its good transportation connections, central location in Europe, and charm, we believe Würzburg forms an ideal base for our very internationally oriented Group. Work has also started on a large-scale new construction at our second site in Kölleda, Thuringia, where we meanwhile produce more than 75 % of all our manufactured parts. The expansion space already acquired in 2013 facilitates an urgently-required space increase for a new production hall with integrated warehouse and modern laboratory for thermal measurements. The aim is to expand capacities to produce phase change materials, vacuum insulation panels and complete thermal box systems. Commissioning of the new construction in Kölleda is planned for the second quarter of 2018.

As part of the expansions at both locations, va-Q-tec has also made considerable investments in its internal structures and processes. In its first full year on the stock market, measures implemented by the company included modernising and optimising its IT systems.

The rental fleet for the global “Serviced Rental” of thermal containers was expanded further during the financial year elapsed, as planned. Overall, customers were able to make recourse to almost 1,500 containers as of the year-end. In 2018, too, va-Q-tec plans to top this fleet up by a further 500 units to a total of 2,000 containers in order to meet demand. The Group already operates the largest fleet of high-performance thermal containers of its type and the second largest in the overall market. This planned expansion will enable va-Q-tec to create the foundation for further strong growth in its Services segment. In addition, va-Q-tec invested further in its successful fleet of small thermal boxes, which we meanwhile also offer in a rental model across Europe. Furthermore, we opened new network stations in Japan, India, Australia and Italy. Customers can now make recourse to 25 active network stations. Extensive partnerships have been agreed with further renowned airlines such as Lufthansa and Emirates. These partnerships further expand the worldwide availability of va-Q-tec rental containers for pharmaceutical customers. The measures we undertook in the 2017 reporting period form the foundation for continued growth in the Serviced Rental business of va-Q-tec.

With the forming of subsidiaries in Switzerland and Japan as well as the preparations to open new branch operations in the USA, va-Q-tec has also reached important milestones in its internationalisation.

The Swiss subsidiary renders services (conditioning and cleaning of rental boxes, “fulfilment services”) for Swiss Post in the cold chain logistics area. For va-Q-tec, this service signifies the start of a strategic partnership with Swiss Post in its home market. Through its existing fleet of pharmacy distribution boxes, Swiss Post is making recourse to the outstanding technology and process experience of va-Q-tec in the area of the temperature-managed transportation of pharmaceutical products. With this subsidiary, the Group is thereby strengthening its local presence and market position in Switzerland, one of the most significant producer countries of pharmaceuticals worldwide.

The Asia-Pacific region is regarded as a further major growth market. The subsidiary in Japan pursues the objective of enhancing the perception of va-Q-tec as a locally rooted and reliable provider in the world's third-largest economy.

With our greatly strengthened presence in the USA, especially the assembly of thermal boxes and sales of all va-Q-tec products and services will occur locally in the future. The new fulfilment centre in Langhorne, Pennsylvania, forms a central element of the va-Q-tec growth strategy, as its location adjacent to Philadelphia, New York and Boston and their renowned biotechnology, healthcare and pharmaceutical hubs provides ideal infrastructures. This close proximity enables the company to offer its customers even faster and more reliable service. With the new fulfilment centre, va-Q-tec will become a full-service provider in the area of the temperature-controlled transportation of high-quality products in North America. The company's North American business is to be expanded considerably further as a consequence.

va-Q-tec is one of the innovation leaders – if not THE innovation leader – in the area of thermal insulation and cold chain logistics. Especially sectors such as biotechnology and pharmaceuticals face significant challenges in terms of ever more stringent regulatory requirements made of product safety and temperature-controlled transport chains, referred to in brief as "TempChains": by 2020, 27 of the 50 topselling medications world-wide will already require warehousing and transportation. Innovative va-Q-tec high-performance packaging products ensure such TempChains are fully compliant. Good refrigeration is not always the most important factor in this context. Instead – in accordance with our motto "Always the Right Temperature" – what matters is to keep the transportation temperature of containers and boxes constant under all climatic and external conditions. We have successfully established this top-performing va-Q-tec technology in extremely varied industrial and commercial sectors during the course our company's history. Accordingly, formerly small corporate areas such as Technics & Industry reported further considerable growth during the financial year elapsed. In this area, regulatory requirements made of the energy efficiency of boilers and heating systems – under the banner of "energy labelling" – are driving demand for the high-performance insulation solutions offered by va-Q-tec. The company succeeded in acquiring major new customers in this segment with its "va-Q-shell" product innovation.

As a technology pioneer and global player with product, system and service businesses, va-Q-tec continues to operate at the interface of the three megatrends driving our growth:

- energy efficiency,
- product and patient security and safety,
- globalisation of supply chains

We believe these megatrends are fully intact and irreversible. va-Q-tec is positioned outstandingly with its technologies and services to offer effective solutions for the resultant challenges and opportunities and thereby benefit from such trends.

In the future, the innovative combination of hardware and IT solutions – referred to as TempChain 4.0 – will become ever more important. For us, intelligent boxes, fleet data management and predictive analysis in the temperature-controlled transportation area constitute the pillars of our future growth.

We would like to extend our special thanks to the two members who stepped down from the Management Board, Dr. Roland Caps and Christopher Hoffmann. Dr. Caps, who founded va-Q-tec and was a member of its Management Board for 15 years, continues to be available to the company as Head of Innovation and Quality. Mr. Hoffmann was active within the Group as both our Chief Financial Officer and as the Management Board member responsible for International Business Development. In July 2017, Mr. Stefan Döhmen assumed from him the role of Chief Financial Officer at va-Q-tec AG. With his great commitment, Mr. Hoffmann played a significant role in shaping the company's IPO on the Frankfurt Stock Exchange in 2016.

The Management Board's thanks are also due to our faithful employees, our investors as well as our business partners and customers. Without their collaboration, commitment, constantly constructive collaboration and potentials, the growth and major progress achieved in many areas during the financial year elapsed would have been impossible.

For the Management Board, your support and your confidence are an incentive and an added motivation to pursue the path that we have adopted, and establish va-Q-tec as a worldwide recognised technology leader and specialist for thermal efficiency and temperature-controlled logistics. We look forward to progressing further on this path together with you.

09 April 2018

Dr. Joachim Kuhn
(CEO)

Stefan Döhmen
(CFO)

1.2 SUPERVISORY BOARD REPORT

Dr. Gerald Hommel, Aufsichtsratsvorsitzender

Dear shareholders,

The Supervisory Board is pleased to report to you in this annual report on its work during the first full financial year after the company's IPO. The year was again a very eventful year for the va-Q-tec Group and continued to be characterised by strong growth. In the 2017 reporting year, the Supervisory Board fulfilled with care the tasks incumbent upon it pursuant to the law, the company's bylaws and its rules of business procedure, on behalf of all shareholders, taking into consideration the claims of other stakeholders.

The shares of va-Q-tec have been traded on the Frankfurt Stock Exchange since 30 September 2016. With the listing in the Prime Standard segment, the company is subject to stringent transparency and publicity requirements. These listing obligations also affect work in the Supervisory Board. New regulations are in place that have a direct bearing on the Supervisory Board and its collaboration with the Management Board. In cooperation with the Management Board, the Supervisory Board ensures that processes and structures are established with the company that meet the stock exchange requirements.

The Supervisory Board's main task is to consult with and supervise the Management Board. Focus areas of such activities in the reporting period especially included the international orientation of va-Q-tec for further profitable growth, corporate planning overall, corporate finance and the considerable investments in the new Group headquarters in Würzburg, the expansion of the location in Kölleda, as well as in the container and box fleets. The company's first Annual General Meeting (AGM) after its IPO was held on 19 June 2017. This encountered significant interest among investors, with more than 70% of the capital being represented at the AGM.

The Supervisory Board consulted with and supported the Management Board in the related implementation work, as well as in the legal and organisational duties arising from the IPO. The Supervisory Board was involved in all Management Board matters and decisions of central importance to the company at an early stage and on an intensive basis. The collaboration between the Management and Supervisory boards was always trusting, constructive, appropriate, helpful and efficient.

Following indepth examination and consultation, the Supervisory Board passed resolutions where required by the law, the company's bylaws or the rules of business procedure.

The Supervisory Board also maintained close contact with the Management Board between the regular meetings during the 2017 financial year. The Chairman and individual Supervisory Board members were also in constant bilateral contact with Management Board members, consulting with them on various business transactions. The Management Board fully complied with information duties arising from the law and the rules of business procedure. The Management Board informed the Supervisory Board regularly, promptly and comprehensively concerning the business position, business trends, corporate planning, the financial position and results of operations, significant business transactions of the company and the Group, as well as concerning the risk position and risk management.

As shown in this annual report, the development and growth of va-Q-tec is to be appraised positively. The Supervisory Board conducted a critical evaluation of business transactions central to the company's development, and contributed corresponding suggestions and ideas for discussion with the Management Board. Measures and transactions requiring approval were consulted upon between the Management and Supervisory boards, with appropriate decisions being taken.

Personnel changes in the Supervisory and Management boards
No personnel changes arose in the Supervisory Board in the reporting period. Dr. Roland Caps, Management Board member with responsibility for Research and Development, stepped down from office as of the end of his regular appointment on 30 June 2017. He continues to be available to the company as Head of the Research and Development Area, an area he founded together with Dr. Joachim Kuhn. As of 01 July 2017, the Supervisory Board appointed Mr. Stefan Döhmen to be the new Chief Financial Officer of the va-Q-tec Group. Mr. Döhmen has many years of management experience at listed in internationally active groups. Until the end if his appointment as a Management Board member of va-Q-tec AG (31 December 2017), Mr. Christopher Hoffmann assumed the tasks of International Business Development.

The Supervisory Board extended its thanks to Dr. Caps and Mr. Hoffmann for their committed work as well as their constantly trusting collaboration with the Supervisory Board. Dr. Joachim Kuhn remains Management Board Chairman (CEO). His appointment as Management Board Chairman currently runs until 31 December 2018. Mr. Döhmen has been appointed as a Management Board member until 31 December 2019.

Due to the small number of Management Board members, the Supervisory Board has set the ratio of women on the Management Board at 0 %. For itself, the Supervisory Board set a proportion of women at 16.66 % from 30 June 2017 (fulfilment date), corresponding to one out of six members.

Meetings of the Supervisory Board and its committees
The Supervisory Board consulted about the operative and strategic position of va-Q-tec as part of its regular consultations, with written and verbal reports by the Management Board providing it with extensive information about business and financial developments. Consultations in 2017 focused on the high level of Group capital expenditure, including on the acquisition and renovation of the new headquarters of va-Q-tec AG in Würzburg and the expansion of the Kölleda site. The Supervisory Board convened for a total of six plenary meetings in accordance with the company's bylaws, and for an extraordinary meeting. All meetings were held in Würzburg. Four Supervisory Board members attended all meetings. Two Supervisory Board members were excused from the regular Supervisory Board meeting in April 2017 and two Supervisory Board members were unable to attend the extraordinary meeting at the end of April 2017. Of the Management Board members, Mr. Hoffmann was unable to attend due to the business meetings, and Dr. Caps was excused from one meeting.

At the **first meeting on 15 February 2017**, the Management Board reported on the status of the preparation and auditing of the 2016 financial statements for both the parent entity and the Group as well as on business trends during the first two months of 2017. The Supervisory Board concerned itself with the fundamentally revised, optimised and formalised risk management system of the va-Q-tec Group including the early risk identification process. The corporate governance statement and the statement of conformity with the German Corporate Governance Code were also discussed and approved. Moreover, following in-depth discussion by the Supervisory Board, the investments to build a new central location in Würzburg and to expand the Kölleda site, for which the Management Board had applied, were approved.

The Supervisory Board convened for its second meeting on **07 April 2017**. Along with the report of the Management Board and the audit committee concerning the status of the separate annual financial statements and consolidated financial statements as well as current business trends, especially the newly arisen possibility to purchase an existing property close to the previous headquarters instead of the new construction at Heuchelhof was discussed intensively, and approved unanimously given the significant benefits in terms of size, time and cost. The Management Board also informed the Supervisory Board about the status of the foreign subsidiaries, including the successful formation of the Swiss and Japanese Group companies at the start of the 2017 financial year. At the same time, options for greater involvement in the Asian region were discussed with the Supervisory Board.

An extraordinary meeting of the Supervisory Board was held on **24 April 2017**. The only item on the agenda was the presentation, discussion and approval of the annual report, annual financial statements, management report and notes to the financial statements for both the separate and consolidated financial statements for va-Q-tec AG for the 2016 financial year. Following in-depth discussion and numerous questions, the Supervisory Board passed a unanimous resolution concerning the approval and adoption of the 2016 separate annual financial statements as well as the approval of 2016 consolidated financial statements, including the management reports.

The **third ordinary meeting on 18 May 2017** focused on discussing the development of the UK subsidiary. For this purpose, the two managing directors Dominik Hyde and Sven Larsen had been invited to give a report to the Supervisory Board. The announced audit by the DPR (German Financial Reporting Enforcement Panel/FREP) formed a further focus of the Supervisory Board meeting. Mrs. Maaß and Mr. Rattler from Rödl & Partner, who had also been invited to attend the meeting as guests, informed the Supervisory Board about the background and prospective audit process, and gave comments and recommendations relating to the approach in this project. Moreover, the status of preparations for the forthcoming first Annual General Meeting after the IPO was presented to the Supervisory Board, and the preliminary results for the first quarter 2017 as well as the current business trends in the second quarter were presented.

The **fourth meeting on 10 July 2017** focused on an explanation by the Management Board of the current business and financial position, as part of which it also presented the 2017 half-year figures for va-Q-tec AG. The Management Board also provided information about personnel changes in the management team at the UK subsidiary, va-Q-tec UK Ltd, as well as concerning the status of the DPR audit and the realignment and internationalisation of the insurance concept. Moreover, the Supervisory Board approved the signing of a kEUR 450 convertible loan with the "SUMTEQ GmbH" investment.

At the fifth meeting at the end of September, Group business trends in the first half the year and up to the end of August were analysed and discussed intensively. The fact that revenues and total income continued to register very strong year-on-year growth was noted positively. The cost of materials ratio was at the previous year's level due to the revenue mix, however, and other operating expenses also increased at a slightly faster rate than total income. A further important discussion point of the fifth Supervisory Board meeting was again the progress achieved with the new construction in Kölleda and renovation work at the new site in Würzburg. Mr. Kuhn explained that the company was now operating close to its capacity limits and that the investments in buildings and plant were urgently required to cover the expected demand for VIPs for the coming years. Dr. Kuhn also reported on a potential co-investor for the equity investment in SUMTEQ GmbH as well as about potential partnerships with Asian companies. Finally, Mr. Andreas Stein reported to the Supervisory Board about his experiences and approach as the new compliance officer, as he had assumed this responsibility from Management Board member Dr. Caps, who had stepped down as of 30 June 2017.

The **sixth and final ordinary meeting** of the plenary Supervisory Board in the 2017 financial year was held on **15 December 2017**. The focus was on the presentation and explanation of the planning figures for 2018 by the Management Board. After in-depth discussion, the Supervisory Board approved the Group budget including the investment budget for the 2018 financial year. A resolution relating to strengthening the equity of the UK subsidiary was also passed at the meeting.

In the reporting year, all members of the Supervisory Board participated at more than half of the Supervisory Board meetings; all Supervisory Board members also participated in more than half of the meetings of committees to which they belonged (section 5.4.7 DCGK). The Supervisory Board met regularly together with the Management Board, apart from when consulting about its compensation (section 3.6 DCGK). For more information, please refer to the corporate governance report that forms part of this annual report.

Committees

The Supervisory Board has formed subcommittees in accordance with the German Corporate Governance Code. Specifically, these are the Nomination, Audit and General committees.

Establishing a new compensation scheme for the Management Board members formed a topic that the General Committee covered in the financial year elapsed, in order to anchor the long-term components of bonuses and even better reflect the German Corporate Governance Code. This compensation scheme is to be valid for all financial years from 01 January 2018. The current Management Board contracts are to be adjusted accordingly.

No conflicts of interest occurred within the Supervisory Board in the reporting period.

Audit of the separate and consolidated financial statements

Pursuant to Section 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared based on International Financial Reporting Standards (IFRS) as applicable in the European Union. The auditors elected by the AGM, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Jena, audited the separate financial statements of va-Q-tec AG as well as the consolidated financial statements, both for the financial year ending 31 December 2017, together with the respective management reports for va-Q-tec AG and the va-Q-tec Group, including the financial bookkeeping, and in each case awarded them unqualified audit certificates on **09 April 2018**. The auditors also assured themselves that the Management Board has established an internal control and risk management system appropriate in its implementation and design to provide early warning of developments jeopardising the company as a going concern.

At the Audit Committee meeting on 23 March 2018 and at the Supervisory Board meeting on 09 April 2018, the Supervisory Board discussed with the auditors and examined in depth the financial statements for va-Q-tec AG and for the va-Q-tec Group, the Management Board's proposal for the application of unappropriated profit, as well as the reports prepared by the auditor. The auditor participated in the consultations on the financial statements at this Supervisory Board meeting and informed the Supervisory Board of its audit findings and its findings concerning the internal control and risk management system.

The Supervisory Board concurs with the recommendation of its Audit Committee and approved the separate financial statements and management report as well as the consolidated financial statements and Group management report of va-Q-tec AG for the 2017 financial year. The separate financial statements of va-Q-tec AG have been adopted as a consequence. The Supervisory Board also concurs with the Management Board's proposal concerning the application of unappropriated net profit.

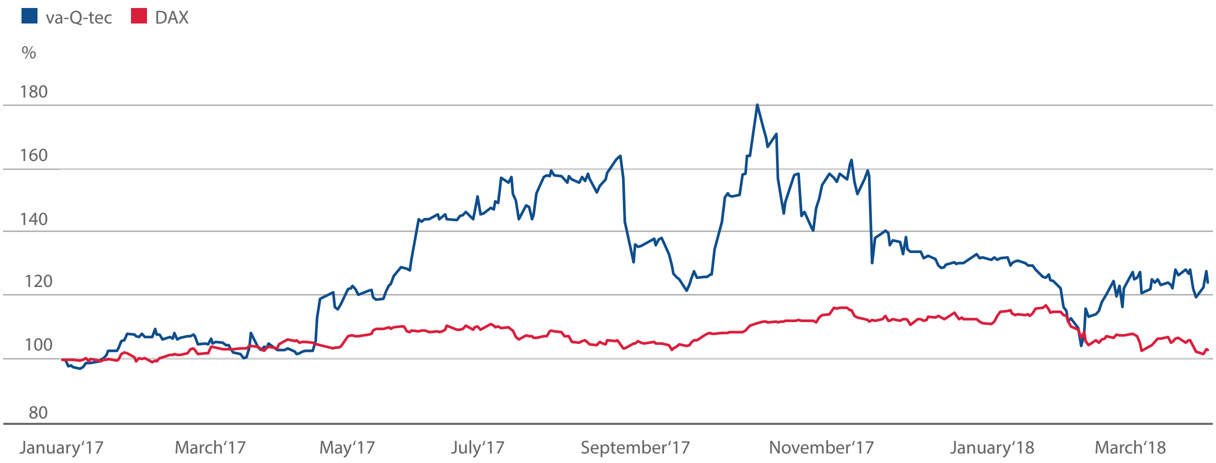
Thanks and outlook

The Supervisory Board would like to thank the Management Board for their good collaboration during the 2017 financial year. The very special thanks of the Supervisory Board are due to all staff at va-Q-tec. Year "One" after the IPO was again characterised by many important milestones and strong growth. This would not have been possible without the commitment, positive attitude and quality awareness of all employees.

Dr. Gerald Hommel
Chairman of the board

1.3 THE VA-Q-TEC SHARE

Share performance 02 January 2017 – 28 March 2018



Capital market environment

The 2017 year reflected a benign stock market environment in which worldwide robust economic growth above the average of many years, low inflation rates, low interest rates, to date manageable Brexit consequences as well as diminished political risks thanks to the election outcomes in France and the Netherlands led to positive sentiment in equity markets. The shares of va-Q-tec have been listed on the Frankfurt Stock Exchange since 30 September 2016. In comparatively low share liquidity, the share has since always traded above its issue price, including trading above levels of EUR 20 at certain times during the year. It closed the 2017 year at EUR 18.34. This corresponds to a market capitalisation of around EUR 240 million. The share price amounted to EUR 17.25 as of 28 March 2018.

Basic information

German securities code (WKN)	663668
ISIN	DE0006636681
Ticker symbol	VQT
Trading segment	Prime Standard (Regulierter Markt)
Number of shares	13.089.502
First listing	30 September 2016

1.4 CORPORATE STORY: SAVING COSTS AND TIME – ABSOLUTE TEMPERATURE RELIABILITY

Medications save lives. Before patients are able to receive them, they undergo long approval processes. Engaged by pharmaceutical companies, contractual partners for clinical trials (CTS) ensure that investigational medicinal products (IMPs) are approved for the market. The reliable, temperature-sensitive dispatch of IMPs is indispensable to international clinical trials, delivering sensitive products to trials ready to be applied within the right temperature range on the test individuals involved. Ultimately, the aim is for clinical trials to achieve rapid successful results and make medications available to patients.

The challenge: reliable and uncomplicated thermal packaging system

"The renowned and globally active company CTS – an important partner to the pharmaceutical sector – was looking for a packaging solution for the temperature-controlled transportation of IMPs – reliable, and without temperature deviations," explains Bastian Seidel, Business Development Manager at va-Q-tec: "It was particularly important for them to have sufficient thermal boxes available locally – but without them needing to operate their own fleet – already preconditioned, in different sizes and in the relevant temperature ranges."

Thermal boxes from va-Q-tec, equipped with vacuum insulation panels (VIPs) and phase change materials (PCMs), are designed to comprise a reliable alternative to conventional packaging containing water-based cooling elements. The company also wished to outsource the pre-cooling of the boxes for the 2 – 8°C (refrigerator) and 15 – 25°C (controlled room temperature) ranges. The ultimate aim was to benefit from a packaging system without temperature deviations, and cut personnel and warehousing costs.

The solution: all-round service for transport boxes and handling

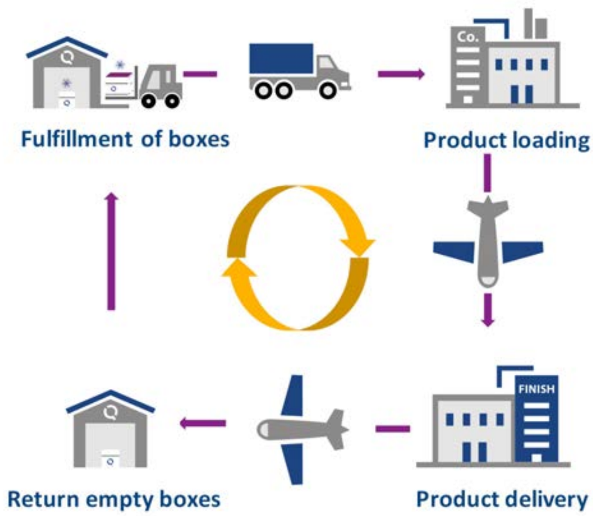
"Within just three months, we succeeded in establishing a fully functioning fulfilment centre for temperature-controlled transportation directly next to our customer's production site," adds Seidel. "We're proud to have dispatched more than 200,000 boxes since then, which have been delivered without temperature deviations to the test persons." va-Q-tec provides a complete system and reliable technology for this innovative rental service: thermal boxes of the va-Q-proof type, which ensure temperature-controlled transports for more than four days without external energy input, are preconditioned in the fulfilment centre to the desired temperature and performance. The logistics partner, a globally operating so-called integrator, delivers these daily to the contract manufacturer. The IMPs are loaded and sent to trial centres across the whole of Europe for utilisation on individuals participating in trials. When the packages are returned, va-Q-tec maintains and prepares them for the next thermal transport.

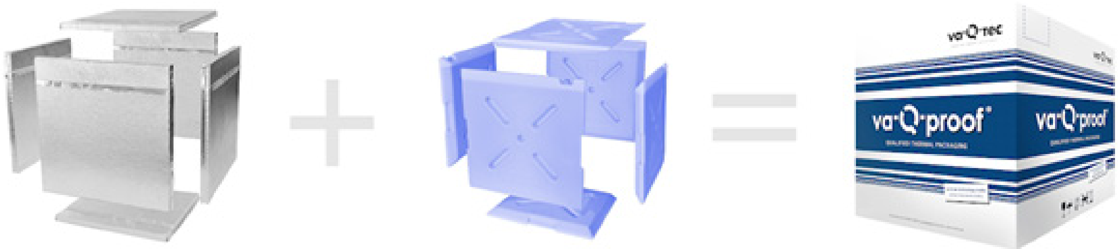
va-Q-tec has already been offering passive air freight containers within a global rental system for more than five years. va-Q-tec has now also launched this attractive alternative to purchasing for smaller thermal boxes on the market, thereby also offering further customers a new and unique service.

The added value: reliable thermal quality and cost savings

With this new rental concept for temperature-stable packaging, va-Q-tec offers all-round service for compliance within the cold chain, the so-called TempChain. Pharmaceutical companies worldwide without their own fleets can use it to benefit from optimised processes and individually adapted high-performance boxes, and save on warehousing space and personnel costs.

The passive systems of va-Q-tec ensure the constant temperature of transported goods without external energy input. The extraordinary performance and quality of these reusable systems are ensured through a patented inspection system – va-Q-check – and by the fact that the company, as a specialist, produces all the core components itself.





VIPs PCMs va-Q-proof thermal box

1.5 CORPORATE GOVERNANCE REPORT

1.5.1 Corporate governance statement and conformity statement by the Management and Supervisory boards

The Management and Supervisory boards of va-Q-tec AG are always aware of the importance of national and international standards of good and responsible corporate governance, and are committed to such standards. Good corporate governance practice establishes and strengthens the trust and confidence of international and national stakeholders in the management and supervision of the Group. They underscore the objective of the Management and Supervisory Boards to create shared values for all the Group's stakeholders in alignment with the principles of the social market economy. Not least in order to also communicate with the capital market with a high degree of transparency, the IPO was implemented in the Prime Standard of the Frankfurt Stock Exchange – the segment entailing the highest transparency requirements.

The following subsections concern the corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB). Specifically, the corporate governance statement comprises the conformity statement pursuant to Section 161 of the German Stock Corporation Act (AktG) and additionally relevant disclosures on corporate governance practices, a description of the working methodology of the Management and Supervisory boards, as well as the composition of the Supervisory Board's committees.

1.5.1.1 Conformity statement by the Management and Supervisory boards

Statement by the Management and Supervisory boards of va-Q-tec AG on the recommendations of the "Government Commission German Corporate Governance Code" pursuant to Section 161 AktG
"Since issuing its last conformity statement on 6 June 2017 with the divergences listed therein to the recommendations of the German Corporate Governance Code in the version dated 5 May 2015 published on 12 June 2015 in the German Federal Gazette (Bundesanzeiger), va-Q-tec has conformed and will conform in the future, with the exception of the divergences explained below, with the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 published by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette on 24 April/19 May 2017:

- **Section 4.2.5 (3) and (4):** "In addition, for each Management Board member, the compensation report shall present:
  - the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;
  - the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, analysed the relevant reference years;
  - for pension provisions and other benefits, the service costs in/for the year under review.

  The model tables provided in the appendix shall be used to present this information."

  Difference and reason: Management Board compensation is disclosed pursuant to statutory regulations and taking into account the resolution by the company's AGM on 31 May 2016. Accordingly, the disclosure of individualised Management Board compensation in the company's separate and consolidated financial statements, which are to be prepared for the 2016-2020 financial years (inclusive), are not presented pursuant to Section 286 (5) Clause 1 of the German Commercial Code (HGB). Pursuant to Section 315a (2) HGB, the company publishes a compensation report in the Group management report of the annual report.

- **Section 7.1.2 Clause 3:** "The consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; mandatory financial information to be published during the course of the year shall be publicly accessible within 45 days of the end of the reporting period."

  Difference and reason: The German Corporate Governance Code recommends that the consolidated financial statements and the group management report are to be made publicly accessible within 90 days after the end of the financial year, and mandatory financial information to be published during the year within 45 days after the end of the reporting period. In part, the company has not complied, and does not comply, with the aforementioned deadlines to publish the consolidated financial statements and the Group management report, as well as the binding financial information to be published during the course of the year, although the company does comply with the statutory publication dates as well as the publication dates in the stock exchange regulations for the Frankfurt Stock Exchange in the subsegment of the Regulated Market with further admission obligations (Prime Standard) of four months for the annual financial report, three months for the half-year financial report and two months for quarterly statements."

1.5.1.2 Disclosures relevant to corporate governance practices

The Management and Supervisory boards set great store by an open corporate and management culture. Positive interaction within the company – a "good working climate" – is very important for the company's business and financial performance, and for satisfied customers, employees, partners and shareholders. This type of culture of interaction and open internal communication fosters awareness of, and compliance with, statutory regulations, ethical standards, as well as economic and social principles.

In order to ensure ethical behaviour, va-Q-tec AG has established corresponding standards in a Group-wide corporate compliance policy. Core elements include, firstly, the basic values it codifies such as personal integrity, respect for diversity, and compliance in business life. The Corporate Compliance Policy also sets out – in Group guidelines – instructions for business behaviour in any ethically dubious situations. The compliance program is translated into practice and further developed in collaboration between the Management and Supervisory boards.

va-Q-tec AG complies with all statutory requirements in terms of good corporate governance as well as the recommendations of the German Corporate Governance Code, apart from the exceptions specified and explained in the conformity statement. The Management and Supervisory boards informed employees as part of the IPO on relevant matters of capital market law, and prepared related information documents.

1.5.1.3 Description of the working methodology of the Management and Supervisory boards as well as the composition and working methodology of the Supervisory Board's committees

Working methodology of the Management Board

As a German public stock corporation, va-Q-tec AG operates a dual governance system in accordance with German stock corporation law regulations. This consists of the Management Board and the Supervisory Board.

The Management Board of va-Q-tec AG manages the company's business at its own responsibility. It is bound by the company's interests in this context, and obligated to enhance the company's sustainable value. It develops the company's strategic orientation, coordinates it with the company's Supervisory Board and ensures it is implemented. The Management Board discusses the status of strategy implementation at regular intervals with the Management Board. It also caters for appropriate risk management and risk controlling within the company. The Management Board members perform their tasks according to statutory provisions, the company's bylaws, AGM and Supervisory Board resolutions, their respective employment contracts as well as the rules of business procedure for the Management Board, and work to ensure that the company and its subsidiaries also comply with them.

The Management Board works together closely and on a basis of trust with the Management Board for the company's benefit. The joint goal of the Management and Supervisory boards is to implement the growth strategy and exploit the various application possibilities on offer for the Group's technologies. The Supervisory Board appoints the Management Board members, recalls them from office and determines the allocation of their responsibilities. It can also appoint a Management Board Chair (CEO).

The Management Board of va-Q-tec AG comprises three members as of 31 December 2017:

Name	Function	Management Board member since	Contract end
Dr. Joachim Kuhn	Chief Executive Officer	2001	31/12/2018
Stefan Döhmen	Chief Financial Officer	2017	31/12/2019
Christopher Hoffmann	Management Board member responsible for International Business Development	2013	31/12/2017

Dr. Roland Caps, co-founder and Chief Development Officer of va-Q-tec to date, stepped down from the Management Board as of 30 June 2017, and continues to bear operational responsibility for the technological development of va-Q-tec as head of the innovation and quality department. The Management Board mandate of Mr. Christopher Hoffmann expired contractually as of 31 December 2017. Mr. Hoffmann's responsibilities will be assumed in future by the meanwhile strengthened management teams of the va-Q-tec companies locally in the respective countries and regions. Furthermore, Mr. Hoffmann was the company's Chief Financial Officer until July 2017. In July 2017, Mr. Stefan Döhmen assumed the role of Chief Financial Officer at va-Q-tec AG. Mr. Hoffmann played a key role, with great commitment, in structuring the company's flotation on the Frankfurt Stock Exchange in 2016, and in the growth story of va-Q-tec AG. The Management and Supervisory boards of va-Q-tec AG would like to thank Mr. Hoffmann for their trust-based partnership.

The Management Board is jointly responsible for managing the company's business for the Group's benefit. The Management Board members are individually responsible for the areas allocated to them. The business allocation plan allocates the tasks to the individual Management Board members as follows as of 31 December 2017:

Dr. Joachim Kuhn: Chief Executive Officer – CEO:

- Technology
- Production
- Sales and marketing
- Personnel

Stefan Döhmen Chief Financial Officer – CFO:

- Finance
- Financial communication (IR)
- Purchasing
- IT
- Legal

Christopher Hoffmann: International Business Development

- Coordinating and expanding the business in the USA, the UK as well as in Switzerland

Besides his activity on the Management Board of va-Q-tec AG, Dr. Kuhn is Chairman of the Advisory Board of SUMTEQ GmbH, a company in which va-Q-tec AG holds a minority interest. The Management Board members do not engage in other secondary activities. .

The Supervisory Board last updated and approved the rules of business procedure for the Management Board on 31 May 2016. These include, in particular, the regulations for the working methodology for the Management Board and the distribution of responsibilities between the Management Board members, as well as their collaboration with the Supervisory Board. They define a set of transactions requiring mandatory approval by the Supervisory Board. All Management Board resolutions are passed with a simple majority of the votes, unless the law requires another majority. Management Board meetings are held regularly several times a month. The Management Board also remains in close contact between its regular meetings, both with each other and with the Supervisory Board.

Working methodology of the Supervisory Board

The Supervisory Board of va-Q-tec AG regularly consults with and supervises the Management Board in its management of the company. The Supervisory Board performs its activities according to statutory provisions, the company's bylaws, and its rules of business procedure. The recommendations of the German Corporate Governance Code concerning the Supervisory Board are complied with, unless noted otherwise in the statement by the Management and Supervisory boards pursuant to Section 161 of the German Stock Corporation Act (AktG) published on the company's website. In performing its tasks, it works together closely and on a basis of trust with the Management Board for the company's benefit, and appoints and recalls from office the Management Board members. Moreover, it also pays attention to diversity in the composition of the Management Board, especially striving for an appropriate inclusion of women in this context. Together with the Management Board, it caters for long-term corporate planning.

Supervisory Board resolutions are generally passed at its meetings. They can also be passed without convening a meeting, and voting can also occur verbally, in writing, by telephone, fax or email, if so ordered by the Supervisory Board Chair and to the extent that no Supervisory Board member immediately objects to such a procedure. Supervisory Board resolutions are passed with simple majorities, unless prescribed otherwise by law or the company's bylaws.

Dr. Gerald Hommel, Winfried Klar, Dr. Barbara Ooms-Gnauck, Uwe Lamann, Dr. Eberhard Kroth, Uwe Kraemer

All Supervisory Board members are obligated to pursue the company's interests. In its decisions it cannot pursue personal interests, or exploit the company's business opportunities for itself, for related natural or legal persons, or for another institution or association in which, or for which, it acts. All Supervisory Board members must immediately disclose to the Supervisory Board conflicts of interest, especially those arising based on a consultancy or board function at customers, suppliers, lenders or other third parties.

Pursuant to Section 2 (1) of the rules of business procedure for the Supervisory Board, the members in their entirety should possess the knowledge, capabilities and specialist experience to perform their tasks properly. Furthermore, pursuant to Section 2 IV of the rules of business procedure for the Supervisory Board, at least one independent member of the Supervisory Board must possess specialist expertise in the areas of financial accounting or auditing. The Supervisory Board sets specific targets for its composition, taking into consideration the recommendations of the German Corporate Governance Code.

Composition of the Supervisory Board

The Supervisory Board currently consists of the following six individuals:

Dr. Gerald Hommel, born 21/01/1959, Supervisory Board Chairman (appointed until 2018)

- German citizenship
- Undergraduate study of economic sciences at the universities of Mainz and Würzburg, degree in business management (1985)
- 1985 – 1997 Pharmaceutical wholesaling, most recently Managing Director at PHOENIX Pharma Einkauf GmbH, Dreieich
- 1997 – 1999 Central regulation, Management Board member of GESKO eG, Gerlingen
- Independent pharmaceuticals entrepreneur since 1999
- Doctorate in economic and social history from the University of Frankfurt am Main (2014)
- Supervisory Board Chairman since 2014

Uwe Lamann, born 17/11/1949, Deputy Supervisory Board Chairman (appointed until 2018)

- German citizenship
- Engineering degree in communications technology from Cologne University (1976)
- 1999 – 2012 Management Board of Leoni AG, Nuremberg, Head of Central R&D
- Member of the Supervisory Board of Nedschroef Holding B.V. since 2007
- Member of the Advisory Board of Baumüller Nürnberg GmbH since 2013
- Deputy Supervisory Board Chairman since 2014

Uwe Andreas Krämer, born 27/10/1978
(appointed until 2018)

- German citizenship
- Degree in business information technology from the Technical University of Darmstadt (2006)
- 2006 – 2008 Investment Banking Division, Goldman Sachs, Frankfurt
- 2008 – 2014 Venture & growth capital investor focusing on software and internet technology, ViewPoint Capital, Frankfurt/Zürich
- 2014 – 2016 Growth capital investor focusing on cleantech, Zouk Capital, London
- Supervisory Board member since 2015
- Managing Director & CFO/CCO of Fision AG, Zürich, since 2016

Winfried Klar, born 10/10/1954
(appointed until 2018)

- German citizenship
- Degree in business administration from the University of Münster (1979)
- Auditor and tax consultant PwC Düsseldorf (1980-1990)
- 1991 – 1992 Head of Group development EVONIK (formerly RAG)
- 1993 – 2003 Managing Director, Management Board member, CFO at various companies
- 2004 – 2009: Managing Director and CFO of VESTOLIT GmbH & Co KG, Marl
- 2009 – 2013: Managing Director and CFO of MAUSER Holding GmbH, Brühl
- Management consulting in the Middle East since 2013
- Supervisory Board member since 2013
- Audit Committee Chairman since 2016

Dr. Eberhard Kroth, born: 15/09/1956
(appointed until 2018)

- German citizenship
- Undergraduate studies and doctorate at the Technical University of Darmstadt (1985)
- 1986 – 1994 Company officer and Technical Director at Reis Robotics, Reis GmbH & Co KG
- 1994 – 2010 Managing Director at Reis Robotics, Reis GmbH & Co KG
- 2010 – 2016 Managing Director at Reis Group Holding GmbH
- 2014 – 2016 Managing Director & Chief Technical Officer (CTO) of KUKA Industries GmbH
- Since 2017 Managing Shareholder of RoPro4.0 GmbH
- Supervisory Board member since 2013

Dr. Barbara Ooms-Gnauck, born 28/10/1957
(appointed until 2018)

- Belgian citizenship
- Study of chemistry and ecotrophology at the University of Bonn, degree in ecotrophology (1983)
- Study of jurisprudence of the University of Göttingen, First State Examination (2001)
- Probationary Training Period at the District Court of Kassel, Second State Examination (2004)
- Lawyer, partner at GKMP Rechtsanwälte Steuerberater Wirtschaftsprüfer
- Doctorate awarded by the University of Constance (2012)
- Specialist lawyer for administration law (2016)
- Shareholder of Gnauck Rechtsanwälte GbR since 2010
- Supervisory Board member since 2014

Composition and working methodology of the Supervisory Board committees
The Supervisory Board of va-Q-tec AG has set up three committees at present: an Audit Committee, a Nomination Committee and a General Committee.

The Audit Committee consists of the following members until the end of their respective period of office:

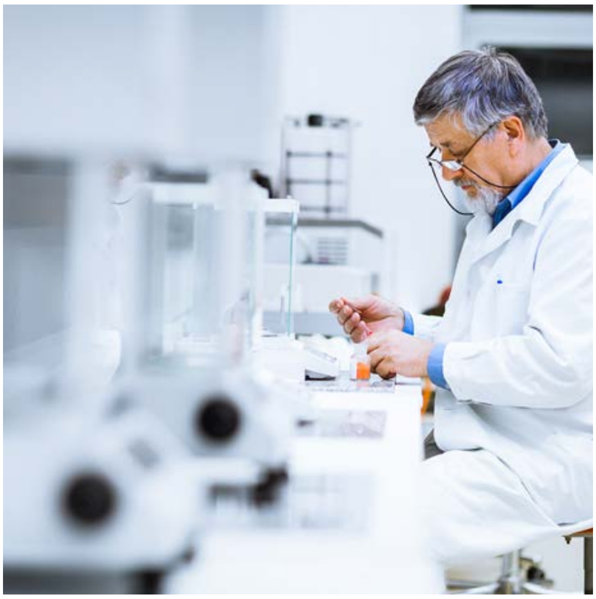
- Winfried Klar: Chair
- Dr. Gerald Hommel: Deputy Chair
- Dr. Eberhard Kroth: Member

The **Audit Committee** concerns itself especially with questions relating to financial accounting and supervising the financial accounting process, the efficacy of the internal control system, the risk management system, compliance and the internal audit system, as well as the audit of the financial statements. The latter especially in relation to the auditor's independence, the services additionally rendered by the auditor, the awarding of the audit mandate to the auditor, determining the audit focus areas and agreeing the audit fee.

The **Nomination Committee** consists of the following members until the end of the respective period of:

- Dr. Gerald Hommel: Chair
- Uwe Lamann: Deputy Chair
- Dr. Barbara Ooms-Gnauck: Member
- Uwe Andreas Kraemer: Member

The Nomination Committee proposes suitable candidates to the Supervisory Board for its election proposals to the AGM.



The **General Committee** consists of the following members until the end of the respective period of:

- Dr. Gerald Hommel: Chair
- Uwe Lamann: Deputy Chair
- Dr. Barbara Ooms-Gnauck: Member

The Supervisory Board Chair chairs the General Committee. The General Committee consults on key corporate governance topics and prepares Supervisory Board resolutions. Along with long-term successor planning for the Management Board, the General Committee prepares Supervisory Board resolutions especially concerning the following matters:

- Appointment and recall from office of Management Board members as well as appointment of a Management Board Chair (CEO)
- Concluding, amending and terminating appointment contracts with Management Board members
- Structure of the Management Board compensation scheme including key contractual elements and total compensation of the individual Management Board members

5. Interests held by the Management and Supervisory boards

As of the end of the 2017 financial year, the members of the Management and Supervisory boards held the following direct interests in the share capital of va-Q-tec AG:

Shareholder	Shares
Management board	3,585,100
Supervisory board	81,667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GROUP MANAGEMENT REPORT

2 GROUP MANAGEMENT REPORT

2.1 BASIS OF THE VA-Q-TEC GROUP

2.1.1 Business model, market and strategic orientation

2.1.1.1 Business model and market

va-Q-tec is a technologically leading supplier of highly efficient products and global solutions in the thermal insulation area. The offerings of va-Q-tec in the Group's divisions of Products, Systems and Services are applied in thermo-logistics, the refrigeration industry, in industrial and technical applications such as water boilers, the construction industry and in the mobility area.

In its Products division, the company develops, produces and markets innovative vacuum insulation panels ("VIPs") and phase change materials ("PCMs"). VIPs are high-performance insulation panels between 5 mm and 50 mm in diameter that are particularly suited to space-saving and energy-efficient temperature control. PCMs are cold and heat storage materials that absorb and store thermal energy during a freezing or heating process. Various temperature ranges can be established through utilising various storage materials such as paraffins and salt solutions. In its Systems division, va-Q-tec also produces passive thermal packaging systems, containers and boxes through combining VIPs and PCMs, which maintain constant temperatures for up to 200 hours without recourse to external energy.

In its Services division, va-Q-tec operates a fleet of rental containers it produces itself, which allow temperature-sensitive transports to be operated cost-efficiently and securely. va-Q-tec has run this business through its UK subsidiary since 2011. For this purpose, va-Q-tec has established a comprehensive global partner network consisting of airlines, freight forwarding firms and service partners. Since 2015, va-Q-tec AG has also been operating a business for high-performance thermal transport boxes the company produces itself. These transportation solutions enjoy particularly strong demand from the healthcare industry.

To augment this, va-Q-tec offers consultancy services related to thermal insulation. This makes va-Q-tec a problem-solver in the cold chain logistics area and other thermal technology areas.

With this extensive portfolio, va-Q-tec serves customers from the following target sectors:

- Healthcare & Logistics; e.g. containers and transport boxes for temperature-sensitive transports, plus rental service
- Appliances & Food, e.g. insulation of refrigeration/ freezing equipment and food containers
- Technics & Industry, e.g. insulating water boilers, pipelines, laboratory equipment and ultra-low temperature refrigeration units
- Building, e.g. building insulation (façades, roofs, floors)
- Mobility, e.g. insulation in refrigeration trucks, automobiles, trains and aircraft

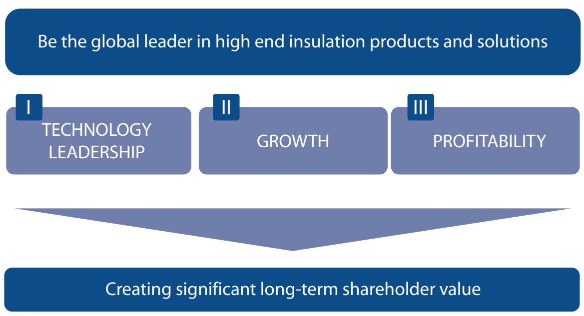
All applications in the respective target sectors are subject to high requirements in terms of the performance and durability of the thermal insulation. Moreover, space restrictions mostly exist in relation to installation.

The following market trends play a key role for the target market of Healthcare & Logistics. Clinical research and pharmaceuticals production is characterised by increasing globalisation. Demand for ever more complex and often temperature-sensitive biotech medications is rising constantly, the demands made of product safety ("good distribution practice of medicinal products for human use" – GDP) are becoming increasingly more stringent, and healthcare system expenditures are growing continuously. The Group's businesses in the target markets of Appliances & Food, Technics & Industry, Building and Mobility are particularly affected by the growth drivers of rising energy efficiency and urbanisation.

2.1.1.2 Strategic orientation

va-Q-tec operates in a very dynamic, innovation-driven and global market environment that is being developed further constantly in line with the aforementioned megatrends.

Three pillar strategy



Within this market environment, va-Q-tec pursues the objective of expanding its position as one of the globally leading providers of highly efficient productions and solutions in the thermal insulation area, and sustainably influencing cold chain logistics. To reach this goal, va-Q-tec pursues three strategic approaches:

I. Technology leadership

To benefit from the global trends, the Group focuses on securing and further expanding its leading innovation and technology position in the thermal insulation area with VIPs and PCMs. va-Q-tec stands for its "Always the Right Temperature" mission statement in the cold chain of the healthcare industry and many other end applications. The company works continuously on innovative technologies, process innovations and new business models that can change not only cold chain logistics but also thermal insulation in many industries in the future. va-Q-tec aims to constantly enhance its own innovative strength and capability. Such efforts focus on advanced VIP types such as for higher temperatures, new thermal packaging and innovative materials. In accordance with this objective, the Group invests in highly qualified personnel, product development and fundamental research. Selective M&A activities, such as acquiring an interest in the Cologne-based materials start-up SUMTEQ to gain access to its new technologies also form part of the strategy. Above and beyond this, va-Q-tec pursues cooperation ventures with technology partners in externally supported R&D projects. The medium-term target remains to defend the leading technology position and further expand it.

II. Growth

The technology platform of va-Q-tec offers high-growth possibilities through the broad application of its products, systems and services in the aforementioned target sectors. va-Q-tec is strongly oriented to growth. The company's processes, organisational structure and business model are aligned to scalability and consistent exploitation of growth opportunities. The company is on a clearly defined expansion path with its increasingly international presence, strengthening of its solid financing base and focus on business relationships with major customers.

va-Q-tec is oriented to high-growth markets that also offer the company attractive target margins. Pharmaceutical and biotech customers have long been of great significance for va-Q-tec: as its most important business pillar, the Healthcare & Logistics end-market accounts for around 62% of the revenue of va-Q-tec in 2017 (previous year: 69%). In the temperature-managed logistics area, the global healthcare industry is relying increasing-ly on high-quality solutions such as offered by va-Q-tec.

At present, potential healthcare customers are still frequently using packaging solutions based on conventional insulation materials and basic water and ice mixtures. With the rising quality requirements made of cold chains – under the "good distribution practices" motto – customers are substituting these types of basic solutions with high-performance thermal packaging. With its rental models ("Serviced Rental"), va-Q-tec is also targeting demanding customers that are particularly cost-sensitive in relation to packaging solutions. With precisely customised rental solutions for high-performance thermal packaging, va-Q-tec also offers them a product with attractive value for money. For this reason, va-Q-tec expects to grow further globally in the Healthcare & Logistics end-market over the coming years, while outperforming the growth rates of the underlying markets for (healthcare) cold chain logistics. The aim is to become the globally leading provider of services and packaging solutions in this market.

In the other target sectors, too, the company is endeavouring to benefit to an above-average extent from growth opportunities, such as the energy efficiency trend. The company's technology platform, which has grown over the past years, is to be established in defined end-markets. In the short and medium term, va-Q-tec is aiming for significant growth in the Appliances & Food area. To a growing extent and with higher regulatory requirements made of the energy efficiency classes of refrigerators, such equipment increasingly needs to be insulated with VIPs. High-quality VIPs from va-Q-tec – with their insulation performance testable in the manufacturing processes of OEMs – will benefit particularly from this trend. Growth in VIP product sales is also anticipated in the end-market of Technics & Industry through introducing energy efficiency classes for water boilers, for example. Manufacturers are increasingly equipping their premium products with va-Q-tec VIPs to achieve the best energy-efficiency class. Here, too, the company expects that better insulated products will establish themselves increasingly in the mass market. Medium- and long-term, the end-markets of Mobility and Building offer additional growth drivers for the Group.

Overall, the company anticipates continued revenue growth in the low to mid double-digit percentage range year-on-year over the next three years.

III. Profitability

Profitability is indispensable to secure the company and its competitiveness. Profitability forms the third pillar of the corporate strategy and thereby represents a significant corporate steering metric.

Various measures in the operational excellence area are being continuously advanced to deliver profitable growth. Such Management Board initiatives relate primarily to measures to constantly optimise and harmonise quality, processes, the organisation, resource consumption as well as IT systems across the Group. Economies of scale derive from the significant expansion of the Group's business activities and corresponding sales revenue growth: the purchasing terms on which the Group can procure intermediate products and third-party services improve significantly with the expansion of business and sales revenues, and consequently rising purchasing volumes. The cost increases for Group support functions such as personnel, marketing, financial accounting and controlling do not match the top-line growth rate. Profitability is also improved by vertical integration into downstream stages of the value chain such as services and new business models including the rental of boxes and containers ("Serviced Rental"). This forwards integration and control of upstream value steps to improve profitability forms a central element of the corporate strategy. As a result of the aforementioned operative and strategic measures, the company is aiming for a medium- and long-term improvement in the EBITDA margin to in excess of 25 %.

Group structure, employees, investments and steering

At the start of the period under review, the Group consisted of four companies. During the reporting period, subsidiaries were formed in Switzerland and in Japan. A total of six companies thereby formed the va-Q-tec Group as of the end of the reporting period, comprising the parent company and five foreign subsidiaries. From these six companies, the Group's three operating segments are derived – the German segment (va-Q-tec AG), the UK segment (va-Q-tec Ltd (UK) and the Other segment (va-Q-tec Ltd (Korea), va-Q-tec Inc. (USA), va-Q-tec Switzerland AG (Switzerland) and va-Q-tec Japan G.K. (Japan).

The parent company va-Q-tec AG ("German segment") wholly owned all five foreign subsidiaries as of 31 December 2017.

In the German segment, va-Q-tec AG covers all three divisions (Products, Systems and Services), whereby the "Services" division reflects the business with rental boxes since 2015. va-Q-tec Ltd (UK) primarily comprises the "Services" division with its focus on the rental business of (returnable) containers. The "Other" segment comprises the business activities of the subsidiaries va-Q-tec Ltd (South Korea), va-Q-tec USA Inc. (USA), va-Q-tec Switzerland AG (Switzerland) and va-Q-tec G.K. (Japan). The South Korean subsidiary is responsible for both the purchasing and the business development of all three of the Group's business areas in Asia. The subsidiary in the USA operated primarily as the Group's sales company in North America until the financial year elapsed. The company has invested to a greater extent in personnel and business development at the US subsidiary during 2017 compared with previous years. With the aim of establishing local production of thermal packaging systems, a repair station for rental containers and a local centre to rent small boxes, warehousing and office spaces were rented and a local management team was established on the US East Coast. va-Q-tec Switzerland AG renders services (conditioning and cleaning of rental boxes, "fulfilment services") for Swiss Post in the cold chain logistics area. Through its fleet of thermal distribution boxes, Swiss Post is making recourse to the outstanding technology and process experience of va-Q-tec. As a sales company, the subsidiary in Japan pursues the objective of enhancing the perception of va-Q-tec as a locally rooted and reliable provider in the world's third-largest economy, and of distributing va-Q-tec products and services there.

For the purposes of corporate management and controlling, the divisions are reflected in the three reporting segments, whereby va-Q-tec (Korea), va-Q-tec (USA), va-Q-tec Switzerland and va-Q-tec G.K. (Japan) are aggregated to form one reporting segment (Other).

To manage the three reporting segments, the management monitors these areas individually and across the Group based on detailed and regular reports. The management steers the allocation of resources based on this information and institutes countermeasures where performance falls short of target. A streamlined Group structure ensures the Group management can intervene efficiently in the subsidiaries' important business decisions.

Central metrics of the va-Q-tec Group that serve corporate steering by the management include revenue, earnings before interest, tax, depreciation and amortisation (EBITDA) and the equity ratio. Compared with the previous year, the steering system at va-Q-tec AG has not changed. The Group's specific steering metrics are presented in greater detail below:

Sales revenue growth is the basic indicator of business performance and growth, and of the attractiveness of the Group's products, systems and services. This metric reflects the extent to which the company succeeds in exploiting the potential of its unique and very differentiated technology platform, and of underlying market growth. Viewed at the level of the reporting segments and geographic distribution, revenue also serves as an indicator of the success and performance of the Group's business models.

EBITDA serves as the metric for profitability. To this is then added as a subsidiary measure the EBITDA margin measured in relation to total income as a benchmark for the Group's operative performance and profitability. Due to the special situation in the previous 2016 financial year, adjusted EBITDA and the adjusted EBITDA margin for the 2016 comparative period are additionally applied to explain and compare the 2017 reporting period. The adjustments relate exclusively to the one-off special effects due to the IPO in the financial year 2016. These are explained in more detail in section 2.2.4 Results of operations. As a fast-growing technology company, va-Q-tec AG invests significant shares of its financial resources in machinery, plant and its fleet of containers and boxes for rental services. Furthermore, in the 2017 reporting period the company started to aggregate its Würzburg locations into a single management, technology and logistics centre. An existing commercial property in Würzburg was acquired for this purpose, generating cost benefits compared with the original planning (building a new headquarters on a plot of land acquired by the company). A high level of depreciation during the current phase of establishing infrastructure and fleet distorts the actual picture of financial performance. For this reason, EBITDA, as an earnings figure before depreciation presents a more precise view of the company's performance.

The equity ratio informs the management and external shareholders about the strength of the va-Q-tec Group's balance sheet, its capacity to withstand crises, its creditworthiness and its credit risk. In the medium term, the company regards an equity ratio with a target of > 40 % as representing a balanced relationship between debt and equity, and consequently of the risk distributed among equity investors and creditors. From the current financial year, the company plans to include return on capital employed (ROCE) as a further key indicator, as Management Board compensation will be additionally aligned to this metric in the future.

In the area of non-financial performance indicators, the number of employees serves as an indicator and central steering metric of the growth in the Group's operating activities.

The following overview presents the growth in the relevant management metrics.

The section 2.2.4 "Financial position and performance" provides a detailed discussion of these key indicators.

kEUR unless stated otherwise	**2017**	2016	Delta
Revenues	46,926	35,529	+32 %
EBITDA (IFRS)	7,210	5,216	+38 %
EBITDA margin (IFRS)	13 %	12 %	
Adjustment*	-	1,737	
EBITDA (adjusted)*	7,210	6,954	+4 %
EBITDA margin (adjusted)*	*13 %*	*16 %*	
Equity ratio	55 %	64 %	
Year-average number of employees	358	267	

* Adjusted for one-off expenses for the IPO. For more information see section 2.2.4 on the results of operations.

2.1.2 Research and development

va-Q-tec is one of the leading technology innovators in the development and production of energy-efficient and space-saving VIPs, high-performance PCMs and thermal packaging systems. The research and development area is of strategic importance to secure and further extend the company's technology leadership in the thermal insulation areas. Group research at va-Q-tec operates across the whole company, developing technologies for future-viable products and solutions for the Group companies.

va-Q-tec operates a portfolio of internal and external R&D projects that not only serve basic research on VIPs but also relate to five of the target sectors defined by va-Q-tec that require advanced thermal heat insulation and energy storage.

As a spin-off from a university – the Bavarian Centre for Applied Energy Research (ZAE Bayern) – va-Q-tec maintains partnerships with international associations, research institutions, universities and colleges. Internally, the company has established its own R&D organisation with extensive capacities for basic research and, in particular, application-oriented research.

The past years' successful R&D activities have created a portfolio of patents that is reflected in the leading technology platform.

The worldwide unique va-Q-check® quality control system enables the insulation of VIPs to be controlled before use, or boxes and containers to be approved for reuse through measuring internal gas pressure. va-Q-tec VIPs are thereby the only heat insulation whose performance and efficacy can be measured and controlled at the place of use. This fosters confidence and trust in VIP technology and enables va-Q-tec to meet its high-quality requirements of a demanding customer group, including complying securely, and on an evidenced basis, with the thermal protection requirements for cold chain transportation, for example. The patented va-Q-pro vacuum insulation panel is a largely freely formable, powder-filled VIP, from which holes and sections can be cut on the production side and which can be manufactured in three-dimensional geometry. These properties and flexible structuring possibilities allow va-Q-pro to be deployed in very different application areas, including for batteries in e-vehicles or to insulate parts of aircraft, such as the galley, for example.

va-Q-tec conducted basic research in 2017 in applying VIPs in entirely new temperature ranges, for example. While conventional VIPs are typically deployed in the -80 to +80°C temperature range, va-Q-tec is working on expanding VIPs' deployment range through optimally combining various case materials and core materials. The significant interest held in the Cologne-based start-up SUMTEQ is of strategic importance in the area of fundamental research for core VIP materials. The joint target of va-Q-tec and SUMTEQ is the pilot testing and market launch of SUMTEQ's submicroporous foams as a further high-performance insulation material. This strategic partnership offers both companies the opportunity to contribute their respective specialist and technical research and development expertise, and thereby generate added value for their customers.

In the year under review, va-Q-tec worked mainly on expanding and improving its existing product portfolio: with va-Q-shell, va-Q-tec further developed a product to market maturity in partnership with customers from the water boiler area. va-Q-shell consists essentially of two polyurethane shell halves with integrated VIPs. Deploying va-Q-shell enables 50-60 % energy savings compared with traditional solutions with conventional insulation. With VIPs, water boilers achieve the A+ labelling according to the EU norm mandatory since September 2015.

In the Systems area, the va-Q-pal development project adds to the portfolio of passive thermal packaging systems that can maintain constant temperatures over several days without the addition of external energy. Pallet-sized thermal packaging is designed for the temperature-managed transportation of valuable biological pharmaceuticals. It consists of a surrounding packaging consisting of carbon, VIPs, and PCM batteries that protect from temperature fluctuations due to external temperatures. In this context, va-Q-pal is being developed as a particularly cost-efficient and marketable solution for single use, rounding out the offering of va-Q-tec in this area.

The "va-Q-box", one of the company's first systems, was extensively redesigned during the financial year elapsed. The related aims included improvements to design and handling as well as adjusting to standard market sizes, in order to expand the potential customer base for the va-Q-box in the gastronomy sector. The va-Q-box is being marketed through the company's own webshop directly to end-customers (B2C), among other channels, thereby also serving as the basis for an expanded portfolio in this sector.

va-Q-tec is diversifying its business activities by expanding its services (Serviced Rental of containers and boxes) along the vertical value chain. For this purpose, for its customers the Group defines processes for logistic processes for utilising boxes and containers. At the same time, customers are advised on the optimal implementation of the packaging solutions into existing systems. To manage such logistic processes, va-Q-tec is also increasingly developing progressive software solutions. For this purpose, resources in the IT area were boosted significantly in the reporting period, including to use IT support to manage logistics processes in Serviced Rental, for example.

The technology platform is secured through around 170 industrial property rights and applications for industrial property rights. These relate mainly to efficient manufacturing methods for powder-filled VIPs as well as the va-Q-check® quality control system, a sensor technology to measure vacuums in VIPs. A total of 11 industrial property rights were issued in the reporting period, including two German patents and two European patents.

The company made further investments in its research and development area in the year under review. Expenditure for this area amounted to kEUR 1,938, up on the previous year's level (kEUR 1,246). Research and development costs of kEUR 104 (previous year: kEUR 52) were capitalised in total in the reporting period. Amortisation of development costs capitalised in previous years amounted to kEUR 119.

2.2 BUSINESS REPORT

2.2.1 Macroeconomic environment and Group-specific conditions

The International Monetary Fund (IMF) estimates that the world economy expanded by 3.7 % in 2017. For 2018, the IMF anticipates a stronger global growth dynamic reflected in a 3.9 % growth rate. Developing and emerging economies will make an above-average contribution to global growth, according to the forecast. As in the previous year, the IMF identifies macroeconomic uncertainties in the economic consequences of the United Kingdom's decision to leave the European Union ("BREXIT"), for example. As of the previous year, va-Q-tec does not expect any significantly negative effects from the BREXIT decision on its business in the UK reporting segment, as although operative management occurs from the UK, actual value creation is generated across the globally distributed container fleet.

In the USA, the Federal Reserve took further steps to turn around the direction of its interest rates. Given extremely low interest rates in the other big currency zones – yen and euro – the interest-rate spread to the US dollar widens, which could lead to an appreciation of the US dollar in relation to the euro. Exports from US companies would become more expensive as a consequence. Imports, including products and services of the va-Q-tec Group, would become relatively less expensive. In its election campaign, the newly elected US government expressed a preference for protectionism ("America First") and a critical view of the healthcare system ("Obamacare"), which could negatively affect the business of the Group and its customers in the USA. At the same time, the US government is planning an extremely expansive fiscal policy due to tax reform and investments in defence and infrastructure, which in turn could lead to a depreciation of the US dollar compared with the euro, driving up the prices of imports into the USA. As a globally positioned Group, va-Q-tec consequently sees itself exposed to both opportunities and risks in macroeconomic terms.

Key revenue drivers for the va-Q-tec Group include the two end-markets of Healthcare & Logistics as well as Appliances & Food, which together represent an 88 % share of consolidated revenue.

With its German and UK segments, va-Q-tec operates in the market for thermal packaging systems – particularly for the healthcare industry as the most important sales market for va-Q-tec. Market research agency IMARC takes an optimistic view of market growth over the coming years: over the 2015-2021 period, IMARC expects an average annual growth rate of 9.2 %, whereby va-Q-tec assumes the relevant market subsegments (high-performance packaging systems) will grow faster. High regulatory requirements made of cold chain logistics (under the motto "Good Distribution Practices") are making ever more efficient packaging systems necessary for pharmaceutical industry customers. Moreover, IMARC assumes that 27 of the 50 top-selling medications worldwide will require cold chain logistics in the 2-8°C range by 2020. va-Q-tec is convinced it can grow faster than the market with its high-quality system solutions for sale as well as innovative rental solutions ("Serviced Rental" of thermal packaging systems). Especially with groundbreaking rental solutions, va-Q-tec aims to enter markets that conventional thermal packaging systems have served to date.

After the healthcare industry, manufacturers of refrigeration and freezing equipment are the second most important customer. The market for vacuum insulation panels in refrigeration and freezing equipment is growing at an annual rate of almost 21 % in the 2014-2019 period, according to an estimate produced by LUX Research in 2015. va-Q-tec expects to enjoy somewhat higher growth rates in this end-market due to its particularly durable and high-quality products.

Overall, va-Q-tec addresses growing markets with its product business with VIPs: in Germany, approximately 60 % of primary energy is utilised for thermal purposes – refrigeration or heating in other words – according to the Working Group on Energy Balances (AGEB), a statistical office established by seven German energy sector associations. With a worldwide increase in primary energy prices for consumers, greater awareness among customers about energy saving and more stringent statutory regulation, the economic and political incentive is increasing to invest in energy efficiency, and consequently in va-Q-tec products.

2.2.2 Business trends

In the 2017 financial year, the Group's business activities focused on managing the strong revenue growth and the creation of important organisational and construction preconditions for continued business expansion. The company also further advanced the internationalisation of its business and the expansion of its capacities in its production area and for rental containers.

Products division (sale of VIPs)
In the Products division, new customers were acquired in the target sectors of Appliances & Food and Technics & Industry. At the same time, business with existing customers was expanded further. This success reflects, firstly, the high quality, performance and durability of VIPs. Secondly, va-Q-tec is distinguished by a high degree of delivery reliability, which is of fundamental importance in the company's target markets. Regulatory changes also exerted a favourable impact on business. For example, hot water tanks in heating systems with volumes up to 2,000 litres have formed part of Europe-wide energy efficiency labelling since September 2017, as has already been standard for refrigerators for many years. The currently highest energy efficiency class of A+ is technically feasible only with VIPs in this context. Boilers with energy efficiency classes below the "C" category can no longer be produced. As a consequence of this additional driver, Products business growth with VIPs in 2017 was ahead of the Management Board's expectations. The Group's production capacities are largely fully utilised especially thanks to very high demand in this division, which led the company to start to expand its capacities in the reporting period.

Systems division (sale of thermal packaging systems)
The first customers were acquired in 2017 with the "va-Q-one" thermal box, which was launched in Q4 2016, a cost-efficient one-way solution for secure temperature-sensitive freight transportation. This product is particularly suitable for transports with no return transport for economic reasons. At the same time, the project business with existing major customers proved stable overall, reporting good growth. In contrast with the previous year, however, no new major customers were equipped with their own fleet, nor were existing major customers further developed. The previous year's level of revenue was nevertheless exceeded by regular orders.

Services division (rental and pre-cooling of thermal packaging systems)
The Services division reports solid and pleasing growth overall: in the German reporting segment, operating activities deriving from the pan-European rental of thermal boxes from the hub in Dublin increased significantly in the reporting period. Especially for the optimised management of box fleets, va-Q-tec has developed software and successfully tested and optimised it at the pilot hub in Würzburg. This software is now being rolled out to other hubs. In the domestic fleet area, service revenues from the partnership with Swiss Post also reported continuous growth.

In the UK reporting segment, va-Q-tec has succeeded in acquiring further globally operating customers, as well as two large biotech companies, including one from the APAC region and one from the USA. Business with already existing clients also remained on its positive track, reporting continuous volume growth overall. Many of these routes have not yet reached their full revenue volume, and consequently still bear further growth potential. Other customers, for example, are still in the early phases of the demanding qualification process with their routes. Further network stations opened during the course of the current year in Japan, India, Australia and Italy bolster the presence of va-Q-tec in the APAC region as well as Southern Europe, and the availability of services in the markets there. The fleet of temperature-controlled air freight containers reached a size of almost 1,500 as of the year-end, expanding by approximately 50 %. With just under 1,500 passively temperature-controlled containers, va-Q-tec thereby already commands the largest fleet of flight thermocontainers of its type today and the second largest of any type at all in the market. During the reporting period, va-Q-tec has also added to its partner network of airlines, freight forwarding companies and other logistics partners. Extensive partnerships were arranged with additional airlines such as Lufthansa, Emirates SkyCargo, TAP Cargo and Egyptair Cargo during the 2017 financial year, for example. Such partnerships further enhance the availability of va-Q-tec rental containers for pharmaceutical customers, especially in Asia, Latin America and the Middle East. The measures undertaken in the 2017 reporting period form the foundation for further growth in the container rental business of va-Q-tec. The aforementioned progress achieved across the reporting segments has led to a positive trend in terms of two out of three of the Group's overriding strategic targets – growth and technology leadership.

Sales revenue across all divisions registered significant year-on-year growth of 32 %, and adjusted EBITDA was up by 4 %.

National and international business trends

A start was made in the period under review with integrating the five Würzburg locations into a central management, technology and logistics headquarters. This step serves to boost operating efficiency, expand capacities for production and logistics, and bundle technological competencies. For this purpose, an existing commercial property in Würzburg was acquired less expensively than the original planning (new construction), with the company being able to move into it and utilise it much faster than a new building. Development works were started immediately, and are planned to end in Q2 2018. The company also invested further in production capacities and personnel in order to secure the continuation of the dynamic growth path of va-Q-tec. Internal resources were significantly strengthened for this purpose, such as the IT, marketing and sales areas.

In February 2017, va-Q-tec formed a Swiss subsidiary, va-Q-tec Switzerland AG. With this subsidiary, the Group is strengthening its local presence and market position in Switzerland, one of the most significant pharmaceutical-producing countries worldwide. The va-Q-tec Switzerland AG subsidiary is allocated to the "Other" segment. For va-Q-tec, this important milestone also signifies the start of a strategic partnership with Swiss Post in its home market. The Swiss subsidiary renders services (conditioning and cleaning of rental boxes, "fulfilment services") for Swiss Post in the cold chain logistics area. Swiss Post makes recourse to the qualified technology and process experience of va-Q-tec for its box fleet to deliver to pharmacies. The subsidiary in Japan, which was founded in April, pursues the objective of enhancing the perception of va-Q-tec as a locally rooted and reliable provider in the world's third-largest economy. Significant investments were made in 2017 in personnel and business development at the US subsidiary, which has existed since 2013. Warehousing and office spaces were rented, and a local management team was established on the US East Coast with the aim of establishing local production of thermal packaging systems, a repair station for rental containers and a local centre to rent small boxes.

In June 2017, the company's first public Annual General Meeting since its IPO on the Frankfurt Stock Exchange was held. Personnel changes to the Management Board were also announced as part of the AGM. As planned, Dr. Roland Caps stepped down from the Management Board as of 30 June 2017. Christopher Hoffmann switched from the role of Chief Financial Officer to the newly created role for Business Development and Internationalisation. Stefan Döhmen assumed the CFO role from Mr. Hoffmann.

Greater use has been made of consultancy services following the IPO. Equally, IT consulting services that are indispensable for further growth have resulted in additional expenses, which are partly independent of the operating business.

In connection with the greater public awareness thanks to the IPO, the consolidated financial statements as of 31 December 2016 were audited by the German Financial Reporting Enforcement Panel (FREP). No erroneous financial accounting was found in the 2016 consolidated financial statements. Along with legal and consultancy services, especially the marked appreciation of the euro in the second quarter of 2017 led to foreign currency expenses significantly above expectations, and consequently higher other operating expenses.

The Group has hired significantly, adding a total of 91 individuals to its staff. Both experienced specialists and young career starters have been taken on worldwide to support the company's growth. Talented young individuals from the ranks of former working students from the University of Würzburg have also been taken on.

The cash inflow from the IPO in the previous year, which bolstered equity and attracted growth capital, was particularly important for liquidity and for the financing position. In the 2017 financial year, the equity ratio reduced by 9 percentage points, from 64 % in the prior-year period to 55 %. The refinancing terms have improved considerably thanks to the high equity ratio.

The company developed well overall in the 2017 financial year. The strong, purely organic growth was continued. Key characteristics of business trends included a very strong Products business and brisk Services business.

2.2.3 Non-financial performance indicators

Employees at va-Q-tec

As a technology company with broad coverage of the value chain, va-Q-tec ascribes particular significance to its staff and their qualifications. The employees' knowledge, skills, further development and commitment are essential for the further success and performance of va-Q-tec. Staff received both in-house and external training measures during the year under review. Along with corresponding functional training sessions for employees, the focus was on the cross-functional topic of project management. va-Q-tec employs a high number of students, especially in research and development. A total of 17 working students were employed at va-Q-tec (previous year: 18). The average of employees (excluding Management Board members and trainees) grew by 91, from 267 to 358 in the 2017 financial year.

Sales revenues reported positive performance overall thanks to the good order position. A high level of new order intake, up considerably on the previous year's level, was recorded in the 2017 financial year. The order book position as of 31 December 2017 increased compared with the previous year, supporting the company's positive outlook. Given this, va-Q-tec grew its revenues in the financial year elapsed by 32 % year-on-year to reach kEUR 46,926. The revenue growth in this context was driven particularly and to an extent extending beyond planning by the Products business (sale of VIPs), as well as by the Services business. The business with products was up by kEUR 6,744, from kEUR 11,287 to kEUR 18,031 (+60 %). In the Systems division, revenues grew by kEUR 394, from kEUR 10,426 to kEUR 10,820 (+4 %). With Services, the Group generated revenues of kEUR 17,366, compared with kEUR 13,189 previous year (kEUR 4,177, +32 %).

2.2.4 Business results and analysis of the financial position and performance

Results of operations

EUR millions unless stated otherwise	**2017** (IFRS)	**2016** (IFRS)	Adjustment	**2016** adjusted	**Δ 17 / 16** adjusted
Revenues	46,926	35,529	-	35,529	32 %
Total income	57,447	42,878	-	42,878	34 %
Cost of materials and services	-24,676	-17,325	-	-17,325	42 %
Gross profit	32,771	25,553	-	25,553	28 %
Personnel expenses	-15,616	-11,815	169	-11,646	34 %
Other operating expenses	-9,945	-8,522	1,568	-6,954	43 %
EBITDA	7,210	5,216	1,737	6,953	4 %
EBITDA margin	13 %	12 %		16 %	
Depreciation, amortisation and impairment losses	-7,528	-5,639	-	-5,639	33 %
EBIT	-318	-423	1,737	1,314	
Result from equity accounted investments	-79	-59	-	-59	
Net financial result	-513	-1,619	400	-1,219	
EBT	-910	-2,101	2,137	36	

* Adjusted for one-off expenses for the IPO

Despite the very strong revenue growth in 2017, various extraordinary operative effects in the fourth quarter of 2017 led to revenue shifts and foregone revenues in a low single-digit range in millions of euros. The on-boarding process for two major customers in the Services business is proving more time-intensive than expected, for example. For this reason, no significant revenues were yet achieved with these two customers in the fourth quarter of 2017. This is also delaying the planned revenue ramp-up with both customers in the 2018 financial year. Considerable revenue shifts into the 2018 financial year also arose because of one major customer's decision to prospectively purchase a box fleet in 2018, rather than in the fourth quarter of 2017 as originally planned. Additional revenue shortfalls occurred in Q4 2017 due to the extraordinarily severe hurricane damage in Puerto Rico, preventing the network station there from fulfilling numerous service contracts. One major pharmaceuticals customer receives its container services out of Puerto Rico. The network station resumed regular operation during the fourth quarter of 2017.

Because of these developments in the fourth quarter 2017, va-Q-tec failed to fully achieve its 35-40 % revenue growth target for the 2017 financial year. For this reason, as part of publishing its 2017 nine-month report, va-Q-tec forecast year-on-year revenue growth of between 28 % and 32 % for 2017. With 32 % revenue growth, the upper end of these adjusted expectations for 2017 was reached. For earnings before interest, tax, depreciation and amortisation (EBITDA), the company most recently forecast an increase compared with the previous year's adjusted EBITDA (originally: continued strong growth). With 4 % growth, the adjusted target was reached.

The German segment (va-Q-tec AG) contributed kEUR 32,613 to consolidated revenue (previous year: kEUR 27,991), and the UK segment (va-Q-tec UK) kEUR 13,987 (previous year: kEUR 11,613).

Total income was up by 34 % to kEUR 57,447 in the financial year elapsed, reflecting the revenue growth. Work performed by the company and capitalised of kEUR 6,702 in 2017 was generated mainly from the continued expansion of the container and box fleets (previous year: kEUR 4,507). Other operating income of kEUR 1,813 (previous year: kEUR 1,418) derived from releasing the special item deriving from container sale-and-leaseback transactions.

This special liability item arises from the sale of self-produced containers by the parent company va-Q-tec AG or by va-Q-tec UK Ltd to leasing companies, and subsequent finance leaseback by the UK subsidiary. It represents the difference between the market price of the container and its production cost, and is released over a five-year depreciation period and added to other operating income (please see note 3.2.1 "Sale and finance leaseback transactions" in the notes to the consolidated financial statements for more information).

The cost of materials was up from kEUR 17,324 to kEUR 24,676, faster than the rate of total income growth and leading to a deterioration in the cost of materials ratio to 43 % (previous year: 40 %). The cost of purchased services also formed part of costs of materials, and increased by kEUR 4,056 to kEUR 8,018 (previous year: EUR 3,962). This was due to the significantly greater utilisation of warehousing, logistics and fulfilment services at partner companies as part of "Serviced Rental". The cost ratio is burdened by the change in the product mix, despite greater efficiency in purchasing, and optimised fleet management. The effects from producing vacuum insulation panels, which is intensive in terms of cost of materials, outweighed due to the very strong growth in the Products division.

To better compare operating performance at va-Q-tec over the course of time, in the following section for expenses from the 2016 financial year, adjustments are made to reflect expenses incurred as part of the IPO. These expenses were only incurred at va-Q-tec AG (German reporting segment) (see table above for more information about the adjustment).

Personnel expenses were up from kEUR 11,646 in the previous year to kEUR 15,616 in the 2017 financial year (+34 %), thereby remaining at a constant level of 27 % in relation to total income. Above and beyond this, the absolute increase is attributable to the hiring of new employees to realise the planned growth and the recruiting of highly qualified specialist personnel to further optimise business processes. The current product mix especially necessitates the hiring of manufacturing employees.

Other operating expenses rose from kEUR 6,954 (adjusted) in the previous year to kEUR 9,945 (+43 %) in the reporting period. Along with the growth-related increase, reasons for the rise include, among other items, effects from foreign currency transactions as well as a higher level of costs as part of expanding business (IT consulting) and some one-off advisory services necessitated by the IPO. Moreover, extraordinary and one-off expenses of around kEUR 539 for rental boxes that have left the rental box network, but that are also offset by higher proceeds, led to an increase in other operating expenses. Measured against total income, this results in a slightly higher other operating expense ratio of 17 % for 2017 (previous year: 16 %).

In line with the sales revenue growth during 2017, earnings before interest, tax, depreciation and amortisation (EBITDA) rose from kEUR 6,953 (adjusted) in the previous year to kEUR 7,210, representing a 13 % EBITDA margin (previous year: 16 %). As a consequence, the Group forecast, which was adjusted as of Q3 2017, of a year-on-year increase in adjusted EBITDA (originally: continued strong growth) was fulfilled.

Depreciation, amortisation and impairment losses recorded a marked increase of 33 % to kEUR 7,528 (previous year: kEUR 5,639), reflecting a high level of investments in containers and boxes with respectively short depreciation periods.

Earnings before interest and tax (EBIT) reduced from kEUR 1,314 (adjusted) to kEUR -318. This is equally attributable to the higher level of depreciation and amortisation charges incurred in line with the business growth and the higher level of cost of materials, as well as an increase in other operating expenses.

The net financial result improved from kEUR -1,219 in the previous year to kEUR -513, thanks to considerably better borrowing terms as well as a one-off effect connected with the purchase of land and buildings for the new corporate headquarters in Würzburg. As part of the acquisition, obligations from existing mortgage loans were to be assumed with the purchase price. va-Q-tec AG subsequently refinanced these loans on more favourable terms compared with the original terms as the result of successful negotiations, generating income of kEUR 359 overall.

A pre-tax loss (EBT) of kEUR -910 is incurred for the 2017 reporting period, compared with a profit of kEUR 36 (adjusted) in the prior-year period.

The reporting segments performed as follows in the 2017 financial year:

German reporting segment (va-Q-tec AG)

EUR millions unless stated otherwise	**2017 (IFRS)**	**2016** (IFRS)	Adjustment	**2016** adjusted	**Δ 17/16** adjusted
Revenues	43,174	29,223	-	29,223	48%
EBITDA	5,740	2,506	1,737	4,243	35%
Equity ratio	71%	81%	-	n/a	
Average number of employees	317	238	-	n/a	

* Adjusted for one-off expenses for the IPO

The German reporting segment (va-Q-tec AG) grew its revenues by kEUR 13,951 (+48%), from kEUR 29,223 in the previous year to kEUR 43,174 in the 2017 financial year. The sales revenue growth was generated mainly thanks to additional sales revenues from the sale of VIPs to manufacturers of refrigerators, hot water storage units, boilers and other equipment, as well as to the sale and rental of thermal packaging. The sale of containers to leasing companies and the UK subsidiary also boosted sales revenue. In the financial year elapsed, sales revenues also include payments from customers for thermal boxes unreturned within the rental network in an amount of kEUR 921 (previous year: kEUR 528). The establishment of box fleets was reflected in a significantly higher level of work performed by the company and capitalised. EBITDA was up by 35% to kEUR 5,740 (previous year: kEUR 4,243). The equity ratio stood at 71% as of 31 December 2017 (previous year: 81%). The average number of employees rose by 79 to 317 (previous year: 238).

UK reporting segment (va-Q-tec UK Ltd)

EUR millions unless stated otherwise	**2017 (IFRS)**	**2016** (IFRS)	Δ
Revenues	15,401	12,559	23%
EBITDA	4,656	3,361	39%
Equity ratio	15%	19%	
Average number of employees	32	25	

Sales revenues in this segment grew by 23% from kEUR 12,559 in the previous year to kEUR 15,401 in 2017. Pure sales revenues from container rental increased at a stronger rate of 28%, from kEUR 10,801 to kEUR 13,847. Thanks to stringent cost management and improved profitability on the container rental business, EBITDA in this segment also increased by +39% from kEUR 3,361 in the previous year to kEUR 4,656. The average number of employees rose from 25 to 32. The equity ratio amounted to 15% in 2017, compared with 19% in the previous year. The parent company also extended kEUR 5,521 of loans in 2017. Given the current business situation – characterised by the constant expansion of the container fleet and of the operating business – it is anticipated that the parent company will continue to provide support for the capital backing of the UK subsidiary for two further years.

Other reporting segment

EUR millions unless stated otherwise	**2017 (IFRS)**	**2016** (IFRS)	Δ
Revenues	1,404	724	94%
EBITDA	14	109	
Equity ratio	24%	-12%	
Average number of employees	9	4	

The subsidiaries in Korea, Japan, Switzerland and the USA together comprise the Other reporting segment. The subsidiaries in Switzerland and Korea generate sales revenues with third parties, whereas the business in Japan and the USA is billed almost exclusively by va-Q-tec AG or va-Q-tec Ltd (UK). The subsidiaries in the Other reporting segment are important for local presence, the expansion of regional operating activities, and the perception of va-Q-tec as a reliable global and regional partner. The Other reporting segment reports higher revenue overall, reflecting Services revenues (Swiss subsidiary), an increased level of sales and purchasing commissions, as well as the first-time inclusion of the Swiss and Japanese subsidiaries in the reporting period. EBITDA decreased to kEUR 14 in the 2017 financial year (previous year: kEUR 109). This is chiefly attributable to higher personal expenses and the establishment of the country companies. The average number of employees amounted to 9 individuals (previous year: 4), and the equity ratio stood at 24 % (previous year: -12 %).

Financial position

Principles and goals of financial management

The financing strategy of va-Q-tec is oriented to providing the funds required for strong growth. Recourse is made in this context to various financing instruments such as loans, leasing, factoring, overdrafts and government subsidies. Existing reserves are invested on a neutral-interest basis and credit lines are optimised in terms of their interest rates. In this context, total liquidity based on unutilised credit lines of kEUR 9,000 significantly exceeds liquidity based on the company's own funds. Interest-rate risks and some currency risks are hedged with corresponding swaps.

Liquidity

EUR millions unless stated otherwise	2017	2016
Net cash flow from operating activities	1,470	-1,104
Net cash flow from investing activities	-1,099	-35,333
Net cash flow from financing activities	294	39,850
Net change in cash and cash equivalents	**601**	**3,414**

Net cash flow from operating activities before working capital changes stood at kEUR 3,190 in the period under review. In the prior-year period, this figure was kEUR 1,085 lower at kEUR 2,105. The change is partly attributable to the better consolidated net result and the higher level of depreciation and amortisation. Including working capital changes, net cash flow from operating activities rose to a total of kEUR 1,470, kEUR 2,574 above the previous year's level of kEUR -1,104. Adjusted for kEUR 1,568 of additional expenses reported under net cash flow from operating activities in the 2016 financial year in connection with the IPO, net cash flow from operating activities reduced by kEUR 1,006 in 2017.

EUR millions	2017	2016
Net cash flow from operating activities (IFRS)	1,470	-1,104
Adjustment	-	1,568
Net cash flow from operating activities (adjusted)	1,470	464

Cash flow from investing activities changed from kEUR -35,333 in the prior-year period to EUR -1,099 in the financial year under review. This includes kEUR 21,000 of proceeds from liquidating short-term deposits (previous year: outgoing payment of kEUR 30,000). The purchase of property, plant and equipment resulted in kEUR -22,439 of this amount, compared with kEUR -5,412 in the previous-year period. This is particularly attributable to outgoing payments to purchase the new building complex in Würzburg and to establish the container and box fleets. The purchase costs for the land and buildings amounted to kEUR 10,450 based on IFRS. In the context of the acquisition, an existing loan liability with a fair value of kEUR 7,024 thousand (non-cash) was assumed. The cash flow from financing activities of kEUR 294 (previous year: kEUR 39,850) derives from the net increase in bank borrowings and from the finance leasing for the container fleet, with the previous year's figure reflecting the cash inflow from the IPO.

Net assets and capital structure

Assets

EUR	**31/12/2017**	31/12/2016
Non-current assets		
Intangible assets	885	441
Property, plant and equipment	55,402	31,411
Investment property	1,614	-
Equity accounted investments	357	436
Financial assets	283	67
Other non-financial assets	634	234
Deferred tax assets	2,880	2,839
Total non-current assets	**62,055**	**35,428**
Current assets		
Inventories	8,942	5,684
Trade receivables	8,005	7,142
Other financial assets - of which term deposits (6-12 months): kEUR 9,000 (previous year: kEUR 30,000)	9,117	30,184
Tax assets	67	378
Other non-financial assets	2,104	748
Cash and cash equivalents	5,201	4,600
Total current assets	**33,436**	**48,736**
Total assets	**95,491**	**84,164**

To construct an integrated production and administration site at the Würzburg Heuchelhof location, a space including warehouse hall was acquired in February 2017, adjoining the plot of land already acquired in 2016. Due to a market opportunity arising short-term, a further plot of land along with existing production and administrative buildings was acquired in Alfred-Nobel-Strasse 33 in Würzburg in April 2017. The company intends to use this existing property as the company's central and sole location in Würzburg. The investment volume for both properties amounted to a total of kEUR 16,782. Secondly, significant growth continued in the financial year elapsed in the container fleet of the UK reporting segment and the box fleets of the German reporting segment to meet growing demand and expected future demand. Compared with 31 December 2016, this increased property, plant and equipment by kEUR 23,991 to kEUR 55,402 as of 31 December 2017. Total non-current assets rose from kEUR 35,428 as of 31 December 2016 to kEUR 62,056.

Inventories reported a sharp rise of kEUR 3,258, from kEUR 5,684 as of the 2016 year-end to kEUR 8,942, attributable not only to strong revenue growth but also a higher level of security stocks and improved purchasing terms. The revenue growth also led to a 12 % increase in trade receivables compared with 31 December 2016. The trade receivables have increased from kEUR 7,142 as of the 2016 year-end to kEUR 8,005 as of 31 December 2017. Current other financial assets, which also include the IPO proceeds invested on a neutral-interest basis, reduced by kEUR 21,067, from kEUR 30,184 as of 31 December 2016 to kEUR 9,117 as of the 31 December 2017 balance sheet date. This is chiefly attributable to the aforementioned investments, for which the company's own funds were also deployed. Total current assets rose from kEUR 48,736 as of 31 December 2016 to kEUR 33,436 as of the 2017 year-end. Total assets grew from kEUR 84,164 to kEUR 95,491 over the same period.

The cash inflow from the IPO in the previous financial year led to a marked increase in liquid assets. These funds were invested in deposits with terms of between six and twelve months on a neutral interest basis and are now being gradually invested in accordance with the IPO plans. Overall, the Group's liquidity position improved thanks to the better refinancing terms, reflecting the IPO. The high level of investments and the company's strong growth during the financial year elapsed nevertheless led to significant cash outflows. Other current financial assets and the cash position, which reflects cash inflows from the IPO, reduced accordingly from kEUR 34,784 to kEUR 14,318.

Investments

Investment activity in the 2017 financial year focused on expanding production capacities, real estate and the fleets of air freight containers and thermal boxes. A total of kEUR 36,570 was invested in property, plant and equipment (previous year: kEUR 9,274 million). The existing production capacities at both plants in Würzburg and Kölleda almost fully utilised, especially in peak periods, thanks to the higher demand in all target sectors – and especially thanks to the very high demand in the Products area. For this reason, the planning and partial realisation of new capacities was continued in 2017. For example, an existing commercial property in Würzburg was acquired as a management, technology and logistics centre, and expansion works started at the Kölleda site. To this extent, investments in land and buildings of kEUR 14,842 were significantly above the previous year's level (kEUR 1,656). Investments in technical equipment increased from kEUR 302 to kEUR 1,563. A total of kEUR 11,099 was invested in the container fleet (previous year: kEUR 4,565). This includes non-cash amounts of kEUR 3,401 from the container sale-and-finance-leaseback transaction. Investments in operating and office equipment of kEUR 2,725 due to the build-up of the rental box fleets in the German reporting segment were markedly above the previous year's level of (kEUR 1,824). An amount of kEUR 499 was invested in intangible assets the company itself has created (previous year: kEUR 52).

Equity and liabilities

EUR	31/12/2017	31/12/2016
Equity		
Issued share capital	13,090	13,090
Treasury shares	-54	-471
Additional paid-in capital	46,158	46,666
Cumulative other comprehensive income	-28	-33
Retained earnings	-6,174	-5,316
Equity attributable to parent company owners	52,992	53,936
Total equity	**52,992**	**53,936**
Non-current liabilities and provisions		
Provisions	39	17
Bank borrowings	11,146	2,173
Other financial liabilities	3,949	4,012
Other non-financial liabilities	8,438	7,151
Deferred tax liabilities	-	-
Total non-current liabilities and provisions	**23,572**	**13,353**
Current liabilities and provisions		
Provisions	38	38
Bank borrowings	2,958	5,410
Other financial liabilities	6,507	5,791
Trade payables	5,244	2,347
Tax liabilities	15	215
Other non-financial liabilities	4,165	3,074
Total current liabilities and provisions	**18,927**	**16,875**
Total assets	**95,491**	**84,164**

Compared with 31 December 2016, changes to the capital structure occurred as of 31 December 2017 due to debt-financed investments. Consolidated equity reduced by kEUR 944 as of 31 December 2017, equivalent to an equity ratio of 55 % in relation to total assets (31 December 2016: 64 %).

Non-current bank borrowings rose from kEUR 2,173 to kEUR 11,146 due to new loans to finance the acquisition of the commercial property in Würzburg. Current bank borrowings decreased from kEUR 5,410 to kEUR 2,958 reflecting less utilisation of overdraft lines.

Non-current other financial liabilities decreased slightly from kEUR 4,012 to kEUR 3,949. Non-current other non-financial liabilities increased by kEUR 1,287, from kEUR 7,151 to kEUR 8,438. Development banks disbursed kEUR 795 of funds to va-Q-tec in the reporting period for investments. Current other non-financial liabilities rose from kEUR 3,074 to kEUR 4,165 as a consequence of the further appreciation of the special item for container profits.

Bank borrowings plus plant leasing of kEUR 21,220 comprised 22 % of total equity and liabilities (previous year: kEUR 15,460; 18 %). At the level of the UK reporting segment, further container-sale-and-leaseback transactions were concluded as part of expanding the container fleet. The volume of finance leasing reduced by kEUR 760, from kEUR 7,877 in the 2016 year to kEUR 7,117 in the 2017 financial year elapsed. Current liabilities and provisions stood at kEUR 18,927 in the financial year under review, representing 20 % of total equity and liabilities (previous year: kEUR 16,875, 20 %). The Group's non-current liabilities amounted to kEUR 23,572, corresponding to 25 % of total assets previous year: kEUR 13,353; 16 %). Trade payables totalled kEUR 5,244, compared with kEUR 2,347 in the previous year. Due to the strengthened equity backing, lending terms for newly drawn down borrowings, especially finance leasing, were improved significantly.

Overall statement on business progress

Overall, the Management Board appraises the business progress during the 2017 financial year positively. Very strong demand in the Products area (sale of VIPs) and the marked growth in the Services business contributed to the strong revenue growth overall. In the Services business, numerous routes have not yet reached their full revenue volume. Other customers, for example, are still in the early phases of the demanding qualification process with their routes, and bear growth potential for following years. At the same time, the Systems business (projects with existing major customers) proved stable overall. In contrast to the previous year, however, no new major customers were equipped with their own fleet of thermal boxes, nor were existing major customers significantly further developed. The previous year's revenue level was nevertheless exceeded by regular orders.

The previous year's revenues were exceeded nevertheless.

The previous year's revenues were exceeded nevertheless. Despite the very strong revenue growth of 42 % during the first nine months of 2017, the aforementioned extraordinary operating effects in the fourth quarter of 2017 and a very strong fourth quarter (2016) in a year-on-year comparison led full-year revenue growth to weaken to 32 %.

The gross profit proved stable given the current product mix of lower-margin product revenues. The Group also further enhanced its purchasing efficiency. The Group's profitability has nevertheless failed to improve significantly following the IPO. For example, greater utilisation of external advisory services and of IT consulting services indispensable to further growth, as well as expenses incurred as part of expanding the business in the USA, resulted in additional costs for the development of future business, some of which are independent of the operating business. Along with legal and consultancy services, especially the marked appreciation of the euro in relation to many currencies in the second and third quarters of the financial year led to foreign currency expenses significantly above expectations. Strong demand in the Products business and related capacity utilisation (peak utilisation) additionally incurred higher expenses, such as in the temporary help area. The increase in the number of employees – indispensable to the further growth trend – also generated higher personal expenses than anticipated.

The Group has significantly expanded its capacities for VIP production as well as box and container rental in accordance with expected sales opportunities. The management is of the view that va-Q-tec is thereby very well positioned to sustainably exploit the growth opportunities offered by its end-markets long-term and expand its technology position.

2.3 FORECAST

2.3.1 Outlook

The following forecasts for the trend in management metrics were made under the assumption of a continuation of robust macroeconomic growth in 2018. Moreover, they are also based on the expected positive growth rates in the market for VIPs and insulation materials overall. Furthermore, a high growth dynamic is expected in the market for thermal packaging and services, particularly in the high-performance thermal packaging segment. These assumptions are underpinned by estimates produced by market research institute IMARC and Lux Research, which already expect growth in the low double-digit percentage range (see 2.2.1 Macroeconomic environment and Group-specific conditions). Above and beyond this, va-Q-tec expects to benefit to an above-average extent from the megatrends of energy efficiency, regulation of cold chains (product safety) and globalisation of value chains. Also taking into consideration the opportunities and risks entailed in operating activities as outlined in section 2.4.2, the company identifies growth levers in tapping new markets and application areas in terms of both products (e.g. last mile to the pharmacy all the utilisation of rental containers for temperature-sensitive goods outside the pharmaceuticals industry) and geography (new and further developed country markets such as North America).

Overall statement
For the 2018 financial year, the company expects revenue to report further strong growth compared to 2017 to reach a range of between EUR 56 million and EUR 63 million in the three reporting segments and in the underlying divisions. Somewhat moderate growth is planned in the first quarter of the current financial year due to the very strong start to the previous year. Marked sales revenue growth is especially expected in the Services and Products divisions, as we expect demand for energy-efficient high-performance products and reliable transportation solutions to expand further along with greater environmental awareness and increasing regulation.

For earnings before interest, tax, depreciation and amortisation (EBITDA), the company expects strong year-on-year growth for the 2018 financial year due to operating economies of scale and a changed product mix with a greater proportion of higher-margin services.

The equity ratio is planned to reduce to prospectively 45 % in the 2018 financial year due to the continued intended utilisation of favourably priced debt funding for investments.

The number of employees will increase further significantly to facilitate the anticipated growth, albeit not as fast as the expected revenue growth rate.

As a consequence, the Management Board of va-Q-tec AG expects above-average revenue growth compared with the target markets, accompanied by rising profitability.

2.3.2 Forward-looking statements

This report includes forward-looking statements based on current assumptions and forecasts of the management of va-Q-tec AG. Such statements are subject to risks and uncertainties. These and other factors can lead the company's actual results, financial position, development, or performance to differ significantly from the estimates provided here. The company assumes no obligation of any kind to update such forward-looking statements and adjust them to future events or developments.

2.4 REPORT ON OPPORTUNITIES AND RISKS

2.4.1 Risk management and internal control system

Risk management va-Q-tec is based on three main aspects:

- a risk-aware corporate culture
- a formalised risk management system
- the internal control system

Anchoring risk awareness within the corporate culture
All successful business activity is connected with the conscious assumption of risk. It is crucial to the corporate governance of va-Q-tec that existing and newly added risks are handled in such a way to enable them to be managed actively, and incur as few losses as possible. Opportunities in a business sense should also be utilised to enhance the company's value for all stakeholders. va-Q-tec enjoys a high degree of "risk awareness", which is communicated openly and transparently. From the Management Board's perspective, risk awareness that is put into practice is one of the most efficient instruments for handling risks. If employees are aware of risks and handle them entrepreneurially, the risk of losses being incurred because of risks being realised is diminished. Risks are disclosed and managed proactively and transparently in such an environment. The establishment and company-wide communication of compliance guidelines also fosters greater awareness of compliant behaviour. A compliance management system was introduced in 2016 that defines a code of conduct for both internal and external business activity. The compliance officer appointed in this context records, processes and reports to the Supervisory Board and its Audit Committee on all relevant compliance cases.

Risk management system
Risk management at va-Q-tec refers to the systematic engaging with risks, understood as negative events whose occurrence can incur losses and/or unforeseen costs within the company. To meet this requirement, internal and external risks for all segments and subsidiaries are systematically surveyed, measured, steered, managed and reported to the Management and Supervisory boards with the risk management system.

To supplement the existing internal and external control system, the Group management of va-Q-tec implemented a further developed and formalised risk management system (RMS) in the 2016 financial year for this purpose. The past years' experience in risk identification has been included in the new RMS. The insights gained as part of preparing the listing prospectus and first-time preparation of IFRS financial statements at the time of the IPO in 2016 were also included in the risk inventory. Furthermore, the RMS was continuously further developed during the course of the 2017 financial year.

A new data protection concept was implemented, and a new IT security manager was appointed to improve the protection of critical company data. Thanks to strengthening processes in central purchasing (end-to-end dual control principle in invoice approvals) and the reformulation of the signatures regulation, cost control and approvals processes were structured more transparently and validly. A legal department was also created for the Management Board, to efficiently support the legal evaluation of business matters in-house. Moreover, the RMS was integrated into the overarching quality management system according to ISO, and now forms part of the ISO-based auditing process.

The aims of the risk management system at va-Q-tec are, as a matter of principle, to avoid, reduce and transfer risks, including through corresponding insurance cover, for example. Along with compliance with regulatory requirements, systematic risk management secures sustainable competitiveness long-term. Such risk management also aims to identify potential going concern risks at an early stage. Risk management at va-Q-tec is not only a security instrument but also a management instrument. Identified risks also offer new business opportunities and competitive advantages.

The RMS is based on a reporting process, a defined risk inventory and risk assessment during the course of the year. As part of the risk inventory, the respective decision-makers and experts within the specialist areas appraise all significant risks. Risks identified within the va-Q-tec Group are measured according to their potential loss, taking event probabilities into account. The risks identified as part of the risk analysis are categorised into risk classes according to their event probability and impact, by multiplying their respective effect by their respective event probability. The bandwidth of event probabilities and effects starts at "very low" and ends at "very high". Risks can thereby be differentiated and prioritised according to the resultant expected risk value. The specialist areas are required to identify and report new risks as part of risk appraisal during the course of the year. The information that is aggregated in this manner is summarised in risk files that are addressed and reported to the Management Board of the va-Q-tec Group. All risks – newly added as well as existing – are also to be monitored and reported continuously. Requisite countermeasures are launched quickly, and monitored subsequently.

New risks and significantly changed risks also form fixed agenda items at all regular management meetings, at each Management Board meeting and at each Supervisory Board meeting. They are discussed as part of results briefings between the Management Board of the va-Q-tec Group and the managers of the specialist areas. A review is also conducted as to whether risk minimising measures that have already been taken are sufficient, or whether further steps are to be initiated (such as in terms of ad hoc capital market communications). The Group risk management system enables the company's management to identify significant risks at an early stage, to launch countermeasures and to supervise their implementation. The auditor also examines the risk early warning system to ensure it is suited to the early identification of going concern risks.

Accounting-related internal control system

va-Q-tec operates a clear organisational, corporate, as well as control and supervision structure. Planning, reporting, controlling and early warning systems and processes exist across the company for the comprehensive analysis and management of earnings-relevant risk factors and going concern risks. The functions in all areas of the (Group) financial accounting process (e.g. financial accounting, bookkeeping and controlling) are clearly allocated. To date, va-Q-tec AG has refrained from operating a separate internal audit function due to the company's somewhat small dimensions and limited complexity. Use is mainly made of standard software (Navision) as far as installed financial systems are concerned. Recourse is made to standard consolidation software to prepare separate and consolidated financial statements. Here, existing structures have to be adjusted constantly to reflect the company's growth and changing conditions, such as capital market requirements.

The IFRS consolidated financial statements are prepared based on a standard reporting format for submission by all Group companies to the central administration in Würzburg. The validation processes applied there and additional plausibility checks ensure that the separate financial statements of the subsidiaries and of va-Q-tec AG are complete and correct.

The internal control and risk management system relating to the financial accounting process ensures that business transactions are recorded, processed and appraised correctly from a financial accounting standpoint, before being transferred to external financial reporting.

Payment transactions are performed electronically with embedded control mechanisms (dual control principle with a selected group of individuals). External service providers implement payroll transactions.

The organisational, corporate as well as controlling and supervisory structure determines the framework of the ICS. Clear statutory and in-house regulations and guidelines ensure a standard and proper financial accounting process. Check mechanisms within the areas directly involved in the financial accounting process, review by the internal control function, backup from the independent auditors and early risk identification by the risk management function should ensure that (Group) financial accounting is free of error.

2.4.2 Operating risks

va-Q-tec measures risks based on their estimated event probabilities and potential effects on the company's financial position and performance, as well as reputation. Measurement of risk loss levels and event probabilities leads to the following examples of key risk indicators.

Event probability	Loss level in EUR	Risk indicator
very low	0 – 50,000	1
low	50,000 – 500,000	4
medium	500,000 – 1,000,000	9
high	1,000,000 – 5,000,000	16
very high	> 5,000,000	25

The Management Board applies the following scheme to measure the characteristic of a risk based on its risk indicator:

Risk indicators	Risk characteristic
0 - 5	Low
5 - 15	Medium
> 15	High

Overall, the following section presents risks after instituting countermeasures.

Risks in the value chain
As a manufacturing company, va-Q-tec has to make recourse to suppliers for intermediate products. va-Q-tec procures the main raw materials, consumables and intermediate products from a limited number of key suppliers. For some materials, only a few purchasing sources are available due to the specific characteristics. The purchasing strategy of va-Q-tec consequently aims to reduce dependency on individual or a few suppliers by qualifying and selecting new suppliers ("dual" or "multiple" sourcing). As in previous years, in 2017 the company continued to newly qualify and select second- and third-tier suppliers for intermediate products and materials. The company also intentionally includes international suppliers in its selection to avoid regional dependency. A medium risk exists for va-Q-tec AG overall due to its limited number of suppliers.

Production stoppages and operational interruptions represent a further risk. The company depends on the continuous operation of its production systems to ensure it can meet delivery requirements, especially to major industrial customers whose value chains are closely intermeshed with that of va-Q-tec. va-Q-tec produces at two geographically separate sites in Würzburg and Kölleda. Stoppage at one site has no significant effects on the other site, where production can continue. The individual production systems, where possible and economically feasible, are also decoupled from each other through technical measures, so the stoppage of an individual system does not restrict the operation of other plants.

Along with the outage of existing systems, a risk can also arise in the insufficient overall capacity of the production systems. Along with productivity and efficiency improvements to the existing systems, the company's strong growth can also require early and forward-looking investment in capacity expansions, as the requisite plants sometimes require long delivery times. The company could nevertheless be surprised by sudden market developments, potentially being unable to satisfy all customer orders on the customers' requested dates. Through regular ad hoc reporting on new order trends between the sales areas and the Management Board, the company endeavours to identify such developments at an early stage and counteract them with appropriate measures. For example, these can temporarily consist of higher levels of security stocks, additional working shifts or the utilisation of less appropriate plant for production, in order to bridge the time gap until additional capacities are commissioned. The Management Board gauges the risk of long-lasting production outage from the aforementioned reasons as a low, whereas it appraises the risk of insufficient capacity as medium.

The rental services ("Serviced Rental") are particularly dependent on external logistics providers, which are not only responsible for operative processes at the network stations – for cleaning, warehousing and cooling processes, in other words – but also for transporting the preconditioned containers and boxes to the end-customers. This can lead to interruptions to operations and damage to reputation. Auditing and close-meshed controlling by the company's own logistics specialists serve to assure the quality of "Serviced Rental" for the pharmaceuticals industry globally. For this reason, the Management Board gauges this risk as medium.

Personnel risks

The company's operating activities and success depend on qualified managerial and key personnel. The company's very well-trained personnel have acquired specific knowledge, skills and commercial contacts, partly through working for the company for many years. va-Q-tec counters the risk of losing such staff not only through measures aimed at employee loyalty, but also through diversifying the knowledge base through the workforce: key staff departures at va-Q-tec are avoided through employee development, diversification of the knowledge base within the company, and compensation in line with the market. Employee motivation and satisfaction is also boosted through performance-based compensation components, regular further training and the good corporate culture with the possibility to help shape disruptive business models. The risks to which va-Q-tec is exposed due to a change of key staff are appraised as medium level risks.

Market and competition risks

The Group in its business activities has a strong focus on major industrial customers. This initially leads to a greater level of customer concentration. The company is constantly reducing the resultant risk through its growing number of customers, and diversification. Further protection exists thanks to a high level of customer loyalty, especially in the healthcare industry. The Group generally endeavours to establish and maintain a close, trusting and sustainable business relationship with all partners, employees and customers, and consequently gauges such risk as medium, and as a risk that can be reduced further.

As a young, fast-growing company, va-Q-tec might potentially be unable to effectively advance and shape its growth. The Group is in a phase of significant investment in personnel, sales activities, rental fleets, infrastructure and research & development. To this extent, were actual growth to prove lower than planned, the risk exists of a negative effect on operating results. As a matter of principle, the Management Board decides on such future investments with due objectivity and sense of proportion, and always based on specific expectations about market trends. Insufficiently researched and/or excessively early investments are avoided as a consequence.

At the same time, significantly higher actual growth than planned generates the risk of a negative effect on the customer relationship due to non-compliance with delivery deadlines, delivery bottlenecks etc, and thereby also on the operating results. Here, too, sound judgement and the early identification of market developments through regular coordination with the sales areas constitute an important instrument to reduce risk, thereby identifying in good time the requirement for capacity expansions, with early decisions being made by the Management and Supervisory boards concerning the necessary investments in production plants and buildings. The Management Board assesses the remaining risk as medium.

An intensification of the competitive environment also represents a significant risk. This can generate more pressure on prices and margins.

The company protects itself from such risk through two strategic levers, namely cost optimisation measures and innovative products and services. Cost optimisation includes, for example, increasingly automated production and particularly efficient purchasing of intermediate products, with selective backwards integration to upstream value chain steps. The innovation topic includes research and development activities, which have already led to commercially successful, high-quality and particularly differentiated products since the company was formed. The company's range of products and services distinguishes itself from that of its competitors in many aspects: examples include the unique possibility to test the quality of the insulation "in situ", or the production of VIPs with sections extracted and in three-dimensional form. Overall, the Group gauges the risk due to newly emerging competitors or a more aggressive competitive situation as medium.

Cyclical target markets

Especially the target sectors of Appliances & Food, Technics & Industry and Building are dependent on the economic situation. The Management Board gauges this risk as low, as the underlying drivers of the business of va-Q-tec (increasing regulation and energy efficiency) are less susceptible to economic cycles.

Financial risks

The central finance department of va-Q-tec utilises revolving liquidity plans to monitor liquidity risk. The Group was solvent at all times. The company enjoys an excellent financial position after the IPO. Its current liquidity, improved rating and positive business development enable further improvements in borrowing opportunities and terms. Interest risks deriving from existing long-term lending facilities are hedged through interest-rate swaps. The Group is exposed to interest-rate risk on its short-term overdrafts, although such risk is currently unlikely to materialise. Currency risks are also limited due to the fact that most invoicing occurs in euros (the company's functional currency) as well as by way of the company's internationalisation. Overall, the Group consequently gauges risks in its financial area as low.

In an overall view of risks, va-Q-tec is predominantly exposed to general business risks (performance risks) and financial risks. The Management Board does not identify any individual or aggregated risks as going concern risks. The company is positioned both strategically and financially to exploit the business opportunities on offer to it.

2.4.3 Future development opportunities

Increasing regulation

Increasing regulation in cold chain logistics for pharmaceutical products is enhancing the requirements made of the reliability of thermal packaging and consequently demand for high-performance thermal packaging. In terms of their conformity with regulatory requirements, the passive packaging solutions of va-Q-tec offer significant benefits compared with conventional solutions based on styrofoam and ice. va-Q-tec possesses extensive knowledge concerning regulatory compliance in the respective countries and regions. Laborious and expensive qualification measures at healthcare industry customers – along with corresponding quality assurance and process documentation – deliver the requisite expertise for the successful implementation of packaging solutions for customers. Only a few companies are currently capable of successfully combining the necessary characteristics of thermal packaging within a complex, reliable and at the same time user-friendly offering. With its technology platform, va-Q-tec is one of the few companies worldwide to meet the high requirements. Increasingly complex regulation makes it necessary for a company to constantly further develop itself and research new technologies. In such an environment, high barriers to entering the market for thermal packaging are beneficial for va-Q-tec.

In other target sectors, too, demand for VIPs is increasing due to regulation: customers in the Technics & Industry target sector currently face a change in the regulatory environment in important core markets: like many household devices, heating system boilers have since recently been subject to the European Union's Ecodesign Directive – in other words, their energy efficiency is made transparent to the end-consumer through a labelling system consisting of energy efficiency classes. Moreover, equipment with high energy consumption and a low energy efficiency class is excluded from the European domestic market. Customers of va-Q-tec currently use VIPs mainly to position premium boilers in the highest efficiency classes. In future, and with more stringent regulation, we believe VIP-insulated boilers from the premium segment will also penetrate the mass market.

New markets

Since it was founded, va-Q-tec has worked on developing new products and services that open up additional markets and application possibilities for vacuum insulation. Along with basic research and product predevelopment – such as VIPs for entirely new temperature ranges – examples in this context include food logistics and the mobility area.

Both existing thermal packaging and thermal packaging in development, as well as the "service rental" of va-Q-tec, are currently designed for deployment almost exclusively in the healthcare industry. A trend to increasingly temperature-sensitive goods and manufacturing processes is now identifiable in many industries, however. As a consequence, growth opportunities are arising in new application areas for va-Q-tec technology. Examples include utilising rental containers for temperature-sensitive goods outside the pharmaceuticals industry (such as manufacturing resources in the opto-electronic industry).

In the e-commerce area, major international providers and start-ups are currently implementing new business models to deliver food products purchased online directly to end-consumers. We believe the transportation of easily perishable food to the end-customer will be regulated even more stringently in the future. The high-performance thermal packaging of va-Q-tec are very well suited to such transports.

Strong growth opportunities are also on offer to va-Q-tec in the target sector of mobility: in the future, thermal management in vehicles with both conventional and electric engines will become increasingly significant: carbon dioxide can be saved in conventional vehicles through insulation measures in vehicle cabins and through storing heat energy from the cooling cycle. In vehicles with electric engines, range depends on the optimal working temperature of the vehicle battery as well as the electricity consumed by peripheral functions such as heating and interior air conditioning. In the opinion of va-Q-tec, OEMs can extend the related vehicle range by deploying vacuum insulation. In the building sector, the opportunity arises to benefit from the currently outstanding situation in the construction cycle, along with ever more stringent energy efficiency standards for new buildings and renovations. va-Q-tec VIPs could be deployed here to enhance energy efficiency.

Along with the aforementioned market opportunities in terms of products and services, the Management Board also identifies considerable future growth opportunities in geographic expansion. The internationalisation of business activities and the company's entry into new global markets open up major sales opportunities for the Group. Equally, its international presence can be exploited to tap new sources of raw materials, consumables and intermediate products, and for efficient purchasing.

By way of summary, the Management Board is of the opinion that the opportunities pertaining to the development and growth of the business outweigh the aforementioned risks.

2.4.4 Risk reporting on the deployment of financial instruments

The Group is exposed to various financial risks due to its operating activities. The Group's risk management aims to minimise the potential negative effects on the Group's financial position. Financial instruments are deployed to only a limited extent at va-Q-tec.

Currency risk within the Group was medium in 2017. In the German reporting segment, almost 100% of sales and approximately 96% of purchases were processed in euros. In the UK reporting segment, some sales revenues were generated in US dollars. The costs attributable to such revenues are largely also incurred in US dollars. Risk-reducing natural hedging consequently exists for the US dollar. The Management Board gauges the remaining currency risk relating to the US dollar as medium.

Interest-rate hedging instruments continue to exist to hedge interest payments on long-term loans at a standard market interest rate level. An interest-rate hedge was also arranged for a long-term loan drawn down in 2016. No interest-rate hedge was arranged for existing variable interest overdrafts. None of these hedges is recognised as a hedge in the meaning of IAS 39.

No separate financial instruments are held to hedge against default on receivables. The risk of defaults on receivables is relatively low due to the high credit standing of the customer base. No receivables factoring is conducted apart from classical reverse factoring for customers with very high credit ratings. For one further major customer, reverse factoring was arranged through a major European bank in 2016.

The financial investments reported under other financial assets in the consolidated financial statements exclusively comprise euro-denominated deposits with a term of up to twelve months held at German banks belonging to a German deposit guarantee fund.

Above and beyond the financial instruments described here, the Group holds no further financial instruments that are important for appraising the Group's position or prospective development. Please refer to the sections on "Financial instruments" and "Risk management" in the notes to the consolidated financial statements for more details.

2.5 COMPENSATION REPORT

In accordance with its corporate government principles, va-Q-tec aims for performance-based and sustainable compensation for the work of the Management and Supervisory boards. Compensation comprises both basic and variable components.

Management Board
In accordance with the requirements of the German Stock Corporation Act (AktG), and the recommendations of the German Corporate Governance Code (DCGK), the compensation of the Management Board members consists of both basic and variable elements. Variable compensation comprises a cash component paid as an annual bonus. A long-term share-based compensation component (option program) existed for one Management Board member. With the IPO va-Q-tec AG, the beneficiary's exercise terms were met as part of the option program. The beneficiary exercised his options in time as of 30 September 2017.

All compensation elements are appropriate both individually and in their entirety. The Supervisory Board concerns itself intensively with the appropriateness and standard nature of Management Board compensation, taking into consideration all criteria set out in Section 87 of the German Stock Corporation Act (AktG) and Section 4.2.2 Clauses 4 and 5 of the German Corporate Governance Code (DCGK), such as the individual Management Board members' tasks, personal performance as well as the financial situation, performance and future prospects of va-Q-tec AG.

In March 2017, external compensation experts confirmed to the Supervisory Board the fundamental appropriateness of the Management Board compensation. The fixed compensation corresponds to the annual fixed salary; in addition, to Management Board members utilised a company car until 30 June, and three until 1 July. D&O insurance is in place for all va-Q-tec Group boards. The Management Board members themselves bear the cost of the 10% deductible. The annual basic salary is set for the entire duration of an employment contract and is paid in twelve monthly instalments. Factors on which it is based include the individual Management Board members' tasks, and on the Group's current business and financial position, performance and future prospects. The variable compensation element of the cash component paid in the form of an annual bonus is based on reaching the Group's sales and earnings targets; it is limited in terms of amount to 1.4 times the amount payable on 100 % target attainment.

The Supervisory Board approves the annual Group targets to measure the variable cash component. It also sets the targets.

The Management Board members' contracts include no separate payments for the instance of a termination of their contracts due to a change of control.

The total compensation of the Management Board amounted to kEUR 740 in the 2017 reporting year (previous year: kEUR 638). The basic compensation amounted to kEUR 593 (previous year: kEUR 501); this also includes payments for benefits in kind such as a company car. Variable cash compensation stood at a total of kEUR 126 (previous year: kEUR 115). Defined contribution pension commitments have existed for the Management Board members since 2014. To this end, kEUR 21 (previous year: kEUR 22) was paid into an external, congruently reinsured pension fund in the year under review. For this reason, no provisions for pensions have been formed on the balance sheet. Accordingly, fixed compensation including benefits in kind and pension fund contributions accounts for 83 % of total compensation (previous year: 82 %).

No loans or advances were granted to members of the Management Board.

In accordance with the AGM resolution dated 31 May 2016, va-Q-tec discloses the total compensation of the Management Board, but not the individual shares for the individual members. This practice complies with Section 314 (1) No. 6, 286 (5) of the German Commercial Code (HGB).

Supervisory Board
The AGM sets Supervisory Board compensation. The compensation of the Supervisory Board of va-Q-tec AG is regulated in Section 14 of the bylaws of va-Q-tec AG.

With effect as of 1 July 2017, the compensation of the members of the Supervisory Board was re-regulated by way of AGM resolution of 19 June 2017, in order to ensure that the compensation complies with the recommendations of the German Corporate Governance Code: each member of the Supervisory Board who is not the Supervisory Board Chair or Deputy Supervisory Board Chair receives monthly fixed compensation of EUR 1,200 ("fixed compensation"). The Supervisory Board Chair received twice the fixed compensation and the Deputy Supervisory Board Chair receives 1.5 times this amount. To the extent that he or she is not also the Supervisory Board Chair or Deputy Supervisory Board Chair, the Audit Committee Chair receives 1.5 times the fixed compensation. To the extent that he or she is not also the Supervisory Board Chair or Deputy Supervisory Board Chair, the chair of a Supervisory Board committee that is not the Audit Committee receives 1.25 times the fixed compensation. Each member of the Supervisory Board who is also a member of the committee or of several committees of the Supervisory Board receives a meeting fee equivalent EUR 1,500 per committee meeting, albeit to a maximum of six committee meetings per financial year. If a member of the Supervisory Board is the chair of several Supervisory Board committees, he or she receives only the compensation for one committee, and specifically for the committee where the highest compensation is paid to the Supervisory Board member.

The Supervisory Board received compensation of kEUR 159 for the 2017 reporting year (previous year: kEUR 125). This total includes the reimbursement of the outlays incurred by each Supervisory Board member as well as the VAT incurred on his or her compensation and reimbursement of outlays. The company bore the cost of the premium for the D&O insurance concluded for the Supervisory Board members in the previous financial year. By AGM resolution of 19 June 2017, a deductible for the Supervisory Board members to be borne personally in relation to the D&O insurance was implemented in an amount of kEUR 100 for each member. Consultancy and other services in an amount of kEUR 27 (previous year: kEUR 75) were also compensated. These were rendered especially as part of real estate purchasing and renovations, as well as in connection with the establishment of the international business.

2.6 TAKEOVER LAW DISCLOSURES AND NOTES PURSUANT TO SECTION 315A HGB

The following section presents the disclosures as of 31 December 2017 pursuant to Article 9 (1) lit. c) (ii) SE-VO, Section 22 (6) SEAG in combination with Section 289a, Section 315a (1) of the German Commercial Code (HGB). Facts relating to Section 289a (1), Section 315a (1) HGB, which are not met at va-Q-tec AG, are not mentioned. The following subsection provides an insight into the takeover law relationships as of the 31 December 2017 balance sheet date, and explains them in greater detail.

2.6.1 Composition of the subscribed share capital

The share capital of va-Q-tec AG amounts to EUR 13,089,502.00, and is divided into 13,089,502 ordinary registered shares. The share capital is fully paid in. The shares carry the same rights and obligations. Each share grants one vote at the general meeting of shareholders. Exceptions to this include shares the company itself holds (treasury shares), from which no rights accrue to va-Q-tec AG, such as the right to vote at the general meeting of shareholders. As of the balance sheet date, va-Q-tec AG held 13,566 treasury shares (previous year: 134,466). For information about changes in the treasury share position, please refer to the notes to the consolidated financial statements in this annual report.

2.6.2 Restrictions affecting voting rights or the transfer of shares

Above and beyond the time-delimited lock-up regulations for the Management Board, Supervisory Board and previous shareholders, which were agreed as part of the IPO and which have meanwhile expired during the financial year elapsed, the Management Board is not aware of any restrictions affecting voting rights all the transfer of shares.

2.6.3 Interests in the share capital exceeding 10 % of the voting rights

Pursuant to the German Securities Trading Act (WpHG), all investors reaching, exceeding or falling short of voting rights thresholds pursuant to Section 21 WpHG through purchase, sale or in another manner are required to report such transactions to the respective company and to the German Federal Financial Supervisory Authority (BaFin). To this extent, the Management Board of va-Q-tec AG is aware of the following individuals and companies whose interests exceed 10 % of the voting rights:

Name	Country	No. of shares	Interest in the share capital
Dr. Joachim Kuhn	DE	1,978,667	15.12 %
Dr. Roland Caps	DE	1,606,433	12.27 %
Total		**3,585,100**	**27.39 %**

Rules concerning the appointment and recall from office of Management Board members
Pursuant to Section 84 of the German Stock Corporation Act (AktG) and the bylaws of va-Q-tec AG, the Supervisory Board appoints the members of the Management Board. Pursuant to the company's bylaws, the Management Board consists of one or several individuals. The Supervisory Board determines the number of Management Board members. If the Management Board consists of several members, Management Board resolutions are passed with a simple voting majority. If the Supervisory Board has appointed a Management Board Chair and if the Management Board consists of at least three members the vote of the Management Board Chair is decisive given an equal number of votes on a resolution.

Rules concerning bylaw amendments
Amendments to the bylaws require an AGM resolution. AGM resolutions require a simple voting majority unless a greater majority is imperative by law.

Management Board authorisations relating to the issuing and repurchase of shares
va-Q-tec AG has both approved share capital and

contingent share capital as follows:

Approved share capital
Based on an AGM resolution of 31 May 2016, the Management Board is authorised to increase the share capital, with Supervisory Board assent, once or on several occasions until 30 May 2021 against cash and/or non-cash capital contributions by a total of up to EUR 4,278,187, whereby shareholders' subscription rights can be excluded.

Contingent capital
Pursuant to Section 6.5 of the company's bylaws, the share capital is conditionally increased by EUR 1,000,000 through issuing up to 1,000,000 new ordinary registered shares (Contingent Capital 2016). The Contingent Capital 2016 serves exclusively to grant shares on the exercise of conversion and option rights.

Significant agreements in the case of a change of control due to a takeover offer and compensation agreements in the case of a takeover offer

No significant agreements on the part of the company exist that are subject to a change of control following a takeover offer.

2.7 CORPORATE GOVERNANCE STATEMENT

The company has published the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB), including the statement relating to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG), on its website at www.va-Q-tec.com within the Investor Relations area, under the link https://ir.va-q-tec.com/websites/vaqtec/German/530/erklaerungen-und-dokumente.html.


JYP20419VQ
va-Q-tainer TWINx
JYP20417VQ
JYP20423VQ
JYP20418VQ
va-Q-proof
QUALIFIED THERMAL PACKAGING
va-Q-one
QUALIFIED THERMAL PACKAGING
va-Q-tec
JYP60168 VQ

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

3 CONSOLIDATED FINANCIAL STATEMENTS 2017 OF VA-Q-TEC AG

CONSOLIDATED INCOME STATEMENT

kEUR	Notes	2017	2016
Revenue	**4.1.1**	**46,926**	**35,529**
Change in inventories		671	743
Work performed by the company and capitalised	4.1.2	6,702	4,507
Other operating income	4.1.3	3,148	2,099
Total income		**57,447**	**42,878**
Cost of raw materials and services	4.1.4	-24,676	-17,325
Gross profit		**32,771**	**25,553**
Personnel expenses	4.1.5	-15,616	-11,815
Other operating expenses	4.1.7	-9,945	-8,522
EBITDA		**7,210**	**5,216**
Depreciation, amortisation and impairment losses	4.1.6	-7,528	-5,639
Earnings before interest and tax (EBIT)		**-318**	**-423**
Result from equity accounted investments	**4.1.8**	**-79**	**-59**
Financial income		387	4
Financial expenses		-900	-1,623
Net financial result	**4.1.9**	**-513**	**-1,619**
Earnings before tax (EBT)		**-910**	**-2,101**
Income tax	4.1.10	52	313
Net income		**-858**	**-1,788**
Consolidated net income attributable to owners of va-Q-tec AG		**-858**	**-1,727**
Consolidated net income attributable to non-controlling interests		-	-61
Earnings per share - basic	**4.1.11**	**-0.07**	**-0.17**
Earnings per share - diluted	**4.1.11**	**-**	**-0.17**

CONSOLIDATED STATEMENT OF COMPEHENSIVE INCOME

kEUR	Notes	**2017**	2016
Net Income		**-858**	**-1,788**
Consolidated other comprehensive income			
Currency translation differences	4.2.2.1	6	-12
Total other comprehensive income that will be reclassified to profit or loss		**6**	**-12**
Consolidated total comprehensive income		**-852**	**-1,800**
Consolidated total comprehensive income attributable to owners of va-Q-tec AG		**-852**	**-1,739**
Consolidated total comprehensive income attributable to non-controlling interests		**-**	-61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

kEUR	Notes	31/12/2017	31/12/2016
Non-current assets			
Intangible assets	4.2.1.1	885	441
Property, plant and equipment	4.2.1.2	55,402	31,411
Investment property	4.2.1.3	1,614	-
Equity accounted interest	4.2.1.4	357	436
Financial assets	4.2.1.5	283	67
Other non-financial assets	4.2.1.6	634	234
Deferred tax assets	4.1.10	2,880	2,839
Total non-current assets		**62,055**	**35,428**
Current assets			
Inventories	4.2.1.7	8,942	5,684
Trade receivables	4.2.1.8	8,005	7,142
Other financial assets - of which deposits (6 - 12 months): kEUR 9,000 (previous year: kEUR 30,000)	4.2.1.5	9,117	30,184
Current tax assets		67	378
Other current assets	4.2.1.6	2,104	748
Cash and cash equivalents	4.2.1.9	5,201	4,600
Total current assets		**33,436**	**48,736**
Total assets		**95,491**	**84,164**

Equity and Liabilities

kEUR	Notes	**31/12/2017**	31/12/2016
Equity	**4.2.2.1**		
Issued share capital		13,090	13,090
Treasury shares		-54	-471
Additional paid-in capital		46,158	46,666
Cumulative other comprehensive income		-28	-33
Retained earnings		-6,174	-5,316
Total equity		**52,992**	**53,936**
Non-current liabilities			
Provisions	4.2.2.2	39	17
Bank borrowings	4.2.2.3	11,146	2,173
Other financial liabilities	4.2.2.4	3,949	4,012
Other non-financial liabilities	4.2.2.5	8,438	7,151
Total non-current liabilities		**23,572**	**13,353**
Current liabilities			
Provisions	4.2.2.2	38	38
Bank borrowings	4.2.2.3	2,958	5,410
Other financial liabilities	4.2.2.4	6,507	5,791
Trade payables	4.2.2.6	5,244	2,347
Tax liabilities		15	215
Other non-financial liabilities	4.2.2.5	4,165	3,074
Total current liabilities		**18,927**	**16,875**
Total equity and liabilities		**95,491**	**84,164**

CONSOLIDATED STATEMENT OF CASH FLOW

kEUR	**2017**	2016
Cash flow from operating activities		
Net income	-858	-1,788
Current income taxes recognised income statement	-7	-163
Income taxes paid	-	4
Net finance costs recognised income statement	513	1,619
Interest received	1	-
Interest paid	-1,387	-1,200
Non-cash losses from equity accounted investments	79	59
Depreciation, amortisation and impairment losses	7,528	5,639
Gain/loss from disposal of non-current assets	-418	-386
Change in other assets	-1,578	-790
Change in other liabilities	1,649	790
Change in provisions	23	-69
Other non-cash expenses or income	-2,355	-1,610
Cash flow from operating activities before working capital changes	**3,190**	**2,105**
Change in inventories	-3,147	-1,197
Change in trade receivables	-862	-2,726
Change in trade payables	2,289	714
Net cash flow from operating activities	**1,470**	**-1,104**
Cash flow from investing activities		
Payments for investment in intangible assets	-581	-181
Proceeds from disposal of property, plant and equipment	921	385
Payments for investments in property, plant and equipment	-22,439	-5,412
proceeds from the release of short term time desposits	21,000	-
Payments for investments in short-term deposits	-	-30,000
Payments for acquisition of interests in associates	-	-125
Net cash flow from investing activities	**-1,099**	**-35,333**

kEUR	**2017**	2016
Cash flow from financing activities		
Proceeds from equity increases	-	46,125
Proceeds from shareholders' reimbursement for equity transaction	-	469
Payments to purchase of treasury shares	-92	-763
Payments for equity transaction costs	-	-2,327
Proceeds from bank loans	5,411	1,367
Repayments of bank loans	-5,060	-2,694
Repayment of other financial liabilities	-	-1,323
Proceeds from sale-and-finance-leaseback transactions	6,726	4,087
Proceeds from government grants	795	-
Payments for finance leases liabilities	-7,486	-5,091
Net Cash flow from financing activities	**294**	**39,850**
Change in cash and cash equivalents before exchange rate effects	**665**	**3,413**
Effect of exchange rate changes on cash and cash equivalents	-64	1
Change in cash and cash equivalents	**601**	**3,414**
Cash and cash equivalents at start of period	**4,600**	**1,186**
Cash and cash equivalents at end of period	**5,201**	**4,600**

For more information please see note 4.3 in the notes to the consolidated financial statements.

CONSOLIDATED CHANGES IN EQUITY

kEUR	Issued share capital	Treasury shares	Additional paid-in capital
01/01/2016	**4,578**	**-**	**9,030**
Net income	-	-	-
Consolidated other comprehensive income	-	-	-
Consolidated total comprehensive income	**-**	-	-
Issue of share options	-	-	169
Purchase of treasury shares	-	-763	-
Sale of treasury shares	-	360	1,187
Capital increase from company funds (share split)	4,579	-68	-4,511
Non-cash capital increase/acquisition of non-controlling interests	183	-	-295
Capital increase through issue proceeds	3,750	-	42,375
Transfer to reserves	-	-	**-**
Change in non-controlling interest	-	-	**-**
Distributions	-	-	-
Equity transaction costs	-	-	-1,615
Proportional reimbursement of equity transaction costs	-	-	326
31/12/2016	**13,090**	**-471**	**46,666**

Retained earnings	Cumulative other comprehensive income	Equity attributable to parent company owners	Non-controlling interests	Total equity
	Currency translation reserves			
-3,589	**-21**	**9,998**	**-7**	**9,991**
-1,727	-	-1,727	-61	-1,788
-	-12	-12	-	-12
-1,727	**-12**	**-1,739**	**-61**	**-1,800**
-	-	169	-	169
-	-	-763	-	-763
-	-	1,547	-	1,547
-	-	-	-	-
-	-	-112	68	-44
-	-	46,125	-	46,125
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-1,615	-	-1,615
-	-	326	-	326
-5,316	**-33**	**53,936**	**-**	**53,936**

kEUR	Issued share capital	Treasury shares	Additional paid-in capital
01/01/2017	**13,090**	**-471**	**46,666**
Net income	-	-	-
Consolidated other comprehensive income	-	-	-
Consolidated total comprehensive income	**-**	**-**	**-**
Issue of share options	-	-	-
Purchase of treasury shares	-	-	-
Sale of treasury shares	-	-	-
Capital increase from company funds (share split)	-	-	-
Non-cash capital increase/ acquisition of non-controlling interests	-	-92	-
Capital increase through issue proceeds	-	509	-509
Transfer to reserves	-	-	-
Change in non-controlling interest	-	-	-
Distributions	-	-	-
Equity transaction costs	-	-	-
Proportional reimbursement of equity transaction costs	-	-	-
31/12/2017	**13,090**	**-54**	**46,158**

For more information please see note 4.2.2.1 in the notes to the consolidated financial statements.

Retained earnings	Cumulative other comprehensive income	Equity attributable to parent company owners	Non-controlling interests	Total equity
	Currency translation reserves			
-5,316	**-33**	**53,936**	**-**	**53,936**
-858	-	-858	-	-858
-	6	6	-	6
-858	**6**	**-852**	**-**	**-852**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-92	-	-92
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-6,174	**-28**	**52,992**	**-**	**52,992**

1 GENERAL INFORMATION

1.1 INFORMATION ABOUT THE COMPANY

The company va-Q-tec AG, which has its headquarters in Germany, 97080 Würzburg, Alfred-Nobel-Strasse 33, is entered in the commercial register of Würzburg under commercial register sheet number 7368. Along with va-Q-tec AG itself, the consolidated financial statements of va-Q-tec AG also include its subsidiaries (hereinafter also referred to as “va-Q-tec”, the “va-Q-tec Group” or the “company”). va-Q-tec is a technologically leading provider of highly efficient products and solutions in the thermal insulation area. The company develops, produces and sells innovative products for reliable and energy-efficient temperature controlling and insulation – vacuum insulation panels (“VIPs”) and phase change materials (“PCMs”). va-Q-tec also produces passive thermal packaging systems (containers and boxes) through optimally combining VIPs and PCMs. To implement temperature-sensitive logistics chains, va-Q-tec offers within a global partner network the rental of containers and boxes that meet demanding thermal protection standards. Along with healthcare & logistics as the main market, va-Q-tec addresses the following further markets: Appliances & Food, Technics & Industry, Mobility and Building.

This set of consolidated financial statements of va-Q-tec for the financial year ending 31 December 2017 was approved for publication by the Management Board on 9 April 2017.

1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

va-Q-tec AG is the ultimate parent company of the va-Q-tec Group and consequently prepares the consolidated financial statements for the smallest and largest group of companies. va-Q-tec AG has been listed on the stock market since 30 September 2016 and has consequently been capital market oriented since this date. Despite falling short of the size criteria pursuant to Section 293 of the German Commercial Code (HGB), it is obligated pursuant to Section 293 (5) HGB to prepare consolidated financial statements as a consequence. va-Q-tec prepares its consolidated financial statements as of 31 December 2017 based on International Financial Reporting Standards (IFRS), as applicable in the EU, and the commercial law regulations to be applied additionally pursuant to Section 315a (1) HGB. The term IFRS also comprises all still valid International Accounting Standards (IAS) as well as all interpretations and amendments of the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC) – and of the former Standing Interpretations Committee (SIC).

These consolidated financial statements were prepared on the basis of historical cost. Exceptions to this include derivative financial instruments that were recognised at fair value on the reporting date. The corresponding note is provided as part of the respective accounting policies.

Historical cost is generally based on fair value, which represents the consideration rendered in exchange for the asset.

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies irrespective of whether the price is directly observable, or has to be estimated by applying a valuation method.

The fair value that is to be determined for certain disclosures and calculation methods is not always available as a market price. Frequently, it has to be calculated on the basis of various measurement parameters. Depending on the availability of observable parameters and the significance of such parameters for fair value measurement overall, the fair value is allocated to one of the levels 1, 2 or 3 (fair value hierarchy). This allocation occurs on the following basis:

- Level 1 inputs comprise quoted prices (unadjusted) on active markets for identical assets or liabilities to which va-Q-tec can access at the measurement date.
- Level 2 inputs comprise inputs other than Level 1 quoted prices, for which the value of the asset or liability is either directly observable, or can be derived indirectly from other prices.
- Level 3 inputs are unobservable inputs for the asset or liability.

As a rule, the Group classifies assets and liabilities as current if they will be realised or settled prospectively within twelve months after the reporting date. If assets and liabilities comprise both a current and a non-current element, they are divided into their term components and reported as current and non-current assets or liabilities in accordance with the balance sheet structure.

The consolidated income statement is prepared according to the nature of expense method.

The consolidated financial statements are prepared in thousands of euros (kEUR), which is both the functional and the reporting currency of va-Q-tec. Differences of up to one unit (kEUR, %) relate to arithmetic rounding differences.

1.3 EFFECTS OF NEW ACCOUNTING STANDARDS

The va-Q-tec Group has applied uniform accounting methods for all the periods presented in its IFRS consolidated financial statements. These comply with the mandatory applicable IFRS in the EU in the 2017 financial year.

The accounting policies applied correspond to those applied in the previous year, as a matter of principle.

The following new standards and interpretations or amendments to existing standards and interpretations required mandatory application for financial years commencing from 1 January 2017, and were applied for the first time by the company.

Standard	Title	Mandatory application for financial years commencing from
Amendments to IAS 7	Disclosure Initiative	01/01/2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017

The newly applicable accounting standards resulted in no significant effects on the consolidated financial statements.

The following standards and interpretations and amendments to existing standards and interpretations were approved by both the IASB and the EU, and come into force for financial years commencing after 1 January 2017. The company has not applied these regulations early.

Standard	Title	Mandatory application for financial years commencing from
Improvements to IFRS (2014-2016)	Annual Improvements to IFRS, Cycle 2014-2016	01/01/2017 and 01/01/2018 respectively
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018
Clarifications relating to IFRS 15	Revenue from Contracts with Customers	01/01/2018
IFRS 9	Financial Instruments	01/01/2018
Amendments to IAS 40	Transfers of Investment Property	01/01/2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01/01/2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01/01/2019
IFRS 16	Leases	01/01/2019

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers", which fully replaces the previous revenue recognition regulations, consisting of standards IAS 18 and IAS 11 as well as various interpretations of standards. The new standard determines uniform basic principles applicable for all sectors and for all categories of sales revenue transactions. The level and timing, or period, for which revenue is to be recognised is to be assessed in future is based on a five-step model. IFRS 15 also includes expanded requirements relating to disclosures in the notes to the financial statements and includes several further regulations concerning detailed presentations, such as the presentation of contract costs and contract amendments. The standard is applicable for financial years beginning from 1 January 2018. EU endorsement occurred on 22 September 2016.

The clarification of IFRS 15 was published in April 2016 and includes three specific amendments and exempting transition regulations relating to IFRS 15. The transition regulations relate to two exceptions in practice. Firstly, a company must not re-present contracts concluded at the start of the earliest presented period. Secondly, the effects of all amendments implemented before the earliest presented period are reported on an aggregated basis. The published amendments are applicable for financial years beginning on or after 1 January 2018. The effective date is consequently the same date as the introduction of IFRS 15 itself. EU endorsement occurred on 31 October 2017.

In 2017, the va-Q-tec Group generated revenues with sales of transportation containers, VIPs and PCMs in an amount of kEUR 28,851 (previous year: kEUR 21,713), equivalent to 61.5 % (previous year: 61.1 %) of total revenue, and with the rental of containers and boxes an amount of kEUR 17,366 (previous year: kEUR 13,189), equivalent to 37.0 % of total revenue (previous year: 37.1 %). These revenue areas comprise 98.5 % of total revenue (previous year: 98.2 %). Accordingly, in examining the effect of the new regulation, we have focused on these business areas of significance for the Group. Within these business areas, the main customer contracts of significant Group companies were examined and analysed according to the principles-based, five-step IFRS 15 model. For some partial services of certain contract types, the timing of revenue recognition will change, as period-related revenue recognition is to be applied for such partial services, instead of date-related revenue recognition, with variable contract components being recognised earlier. This will lead to changes to the statement of financial position due to the separate reporting of contract assets and contract liabilities, as well as in the notes the financial statements due to expanded quantitative and qualitative disclosures. Overall, the Group expects no significant effect on the presentation of the Group's financial position and performance, or earnings per share.

The new IFRS 9 sets regulations for the recognition of financial instruments and replaces IAS 39 Financial Instruments: Recognition and Measurement. In particular, IFRS 9 prescribes new classification methods for financial instruments, which will have a probable effect on the classification and subsequent presentation of the company's financial assets. The new standard also introduces the model of expected losses for assets, which will require adjustments across the company to the accounting principles for value allowances applied to trade receivables.

Despite the amendment to the accounting principles for value allowances applied to trade receivables, no significant quantitative effect is anticipated on the consolidated financial statements due to the short-term nature of the trade receivables and the company's previous accounting method for value allowances for trade receivables.

IFRS 9 will not have a significant effect on either the company's financial assets or the derecognition of finan-cial assets, as the new guidelines largely derive from IAS 39. The actual effects of applying IFRS 9 on the consolidated financial statements in 2018 will depend largely on the financial instruments va-Q-tec will hold as of that date, and the economic conditions prevailing on that date.

On 13 January 2016, the IASB published IFRS 16 Leases, which was adopted by the EU and also published on 9 November 2017.

This standard must be applied for the first time for financial years beginning on or after 1 January 2019. The Group is utilising the transition option and is also not applying IFRS 16 until from this date.

This new standard abolishes the differentiation between finance leases and operating leases, leading to a standard lease accounting model for all lessees. Accordingly, all leases with a term of more than 12 months and leases for low-value assets must be recognised at the lessee.

With the introduction of IFRS 16, the Group anticipates significant effects on parts of the consolidated financial statements and the presentation of the financial position and performance:

- Consolidated statement of financial position: First-time application will lead to a considerable increase in both non-current assets and financial liabilities. This balance sheet lengthening will reduce the consolidated equity ratio and increase net debt accordingly.
- Consolidated income statement: In contrast to previous reporting, amortisation of right-of-use assets and interest expenses deriving from the reversal of discounts applied to lease liabilities will be recognised in the future. This leads to an improvement in EBIT. The interest expense from the lease payment initially affects earnings before tax. Assuming constant interest payments, earnings before tax are lower in the first years compared to an expense recognised straight-line pursuant to IAS 17 (Operating Lease).
- Consolidated statement of cash flows: The modified reporting of lease expenses leads to improvements in cash flows from operating activities and a deterioration in cash flows from financing activities.
- Notes to the consolidated financial statements: Expanded disclosures (leasing expense for low-value assets, leasing expense for current assets, interest payments on the lease liability). Moreover, a term analysis of the lease liabilities is to be implemented separately from other financial liabilities.
- In the lessor balance sheet, IFRS 16 does not differ significantly from the previous IAS 17. Lessors continued to differentiate between finance leases and operating leases.

As the container fleet is already recognised as a finance lease, the Group expects no further adjustments in this area due to the introduction of IFRS 16.

The following standards will become effective in the forthcoming years, but have not yet been endorsed by the EU:

Standard	Title	Mandatory application for financial years commencing from
Improvements to IFRS (2015-2017)	Annual Improvements to IFRS, Cycle 2015-2017	01/01/2019
Amendments to IAS 28	Investments in Associates and Joint Ventures	01/01/2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	01/01/2019
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019
IFRS 17	Insurance Contracts	01/01/2021
Modifications to the framework concept	Revisions of the framework concept	01/01/2020

The company is currently analysing the potential effects from standards or amendments to standards that have not yet been endorsed by the EU on the consolidated financial statements of va-Q-tec.

1.4 ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the accounting policies, the Group's management has made discretionary decisions that affect the amounts reported in the consolidated financial statements. Accordingly, assumptions and estimates are to be made to a certain extent when preparing consolidated financial statements that affect the amount and the reporting of recognised assets and liabilities, income and expenses, and contingent liabilities in the reporting period.

The assumptions and estimates are based on premises that in all cases reflect the currently available status of information at the time of each case. The expected future business trend also particularly reflects the circumstances prevailing at the time when the consolidated financial statements were prepared, as well as a realistically imputed future trend in the environment. As a result of developments in these overall conditions differing from the management's assumptions and lying outside its sphere of influence, the resultant amounts can differ from the originally expected estimated values.

The estimates and assumptions that are applied are presented in the notes to the individual items of the statement of financial position and income statement in section 3 "Accounting policies". The main effects impacting the amounts arise in the following areas:

- Determining useful economic lives for intangible assets and for property, plant and equipment, including assets leased as part of finance leases
- Classification of leases as operating leases or finance leases
- Impairment testing of assets based on appraisal of identifiable risks
- Impairment testing of deferred tax assets in relation to tax loss carryforwards
- Assessing the derecognition criteria of trade receivables as part of factoring agreements
- Estimating market yield curves as part of measuring derivative financial instruments
- Best possible estimate of the most probable settlement amount as part of the recognition and measurement of provisions
- Classification of share-based payment where va-Q-tec is granted a contractual option to settle in cash or through issuing equity instruments
- Fair value measurement of granted equity instruments on the grant date in the case of equity-settled share-based payment
- Assessing any requirement to separate, and measuring, embedded derivatives

2 CONSOLIDATION

2.1 CONSOLIDATION SCOPE

The consolidation scope is derived by applying IFRS 10 (Consolidated Financial Statements). In the consolidated financial statements of va-Q-tec AG as of 31 December 2017, the following subsidiaries were fully consolidated:

Name	Headquarters	Equity interest 31.12.2017	Equity interest 31.12.2016
va-Q-tec Ltd. (UK)	Rochester, UK	100 %	100 %
va-Q-tec Inc. (USA)	East Rutherford, NJ, USA	100 %	100 %
va-Q-tec Ltd. (Korea)	Joong-gu, Incheon, Republic of Korea	100 %	100 %
va-Q-tec Switzerland AG (Switzerland)	Zürich, (Switzerland)	100 %	0 %
va-Q-tec Japan G.K. (Japan)	Tokyo, Japan	100 %	0 %

va-Q-tec AG and its subsidiaries together form the va-Q-tec Group. Please refer to the segment reporting for key financial information about the subsidiaries.

Besides the interests in the aforementioned fully consolidated subsidiaries, as of the reporting date va-Q-tec AG holds an interest of 18.5 % in SUMTEQ GmbH, Cologne. Due to corporate law agreements that enable va-Q-tec to exert significant influence over financial and business policy decisions, this interest is to be classified as an associate, and accounted in the consolidated financial statements using the equity method.

2.2 CONSOLIDATION SCOPE CHANGES AND OTHER ACQUISITIONS AND DISPOSALS

In February 2017, va-Q-tec founded a subsidiary in Switzerland. This subsidiary is to initially render ancillary services for Swiss Post in the cold chain logistics area, and is responsible for local organisation of thermal packaging sales. Local presence also bolsters the market position of va-Q-tec in Switzerland, one of the biggest pharmaceutical manufacturing countries in the world.

Moreover, va-Q-tec founded a subsidiary in Japan in April 2017. A stronger local presence to support commercial activities in Japan is to be established with this company. No significant revenues have yet been generated with the two companies, and no significant effects on results arise.

2.3 CONSOLIDATION PRINCIPLES

The consolidated financial statements are based on uniform accounting principles. The annual financial statements of the companies included in the consolidation scope were adjusted where required in order to align them with the accounting policies applied in the Group. All of the annual financial statements of the companies included in the consolidated financial statements are prepared on the basis of the reporting date of the consolidated financial statements.

Subsidiaries are those companies where the Group holds existing rights that endow it with the current capability to manage the companies' relevant activities. Relevant activities are those activities that significantly affect the company's profitability. For this reason, control exists if the Group is exposed to variable returns from its relationship to a company, and as a result of its power over the relevant activities it has the capability to influence these returns. In the va-Q-tec Group, the ability of control is based in all cases on a direct voting majority held by va-Q-tec AG. Inclusion of companies in the consolidated financial statements of va-Q-tec AG begins on the date from which the possibility of control exists. It ends if this control no longer exists.

As part of capital consolidation (consolidation of the investment account), the carrying amounts of the participating interests are offset with the subsidiary's proportional equity. As all subsidiaries comprise companies that va-Q-tec has founded, initial consolidation has not resulted in any differential amount.

Intragroup transactions are fully adjusted. This entails the offsetting of significant receivables, liabilities and provisions between the consolidated companies, and the elimination of intercompany profits and losses. Intragroup revenues are offset with the corresponding expenses. Tax deferrals required pursuant to IAS 12 are applied to any temporary differences on consolidation.

Changes to the Group's percentage interests held in subsidiaries that do not result in a loss of control are recognised as equity transactions.

An associate is a company where va-Q-tec exerts significant influence. Significant influence is defined here as the ability to collaborate in the financial and business policy decisions of the participating interest without controlling it, or managing it jointly. If va-Q-tec AG directly or indirectly holds between 20% and 50% of the voting rights in the participating interest, the assumption exists that significant influence can be exercised. Given a directly or indirectly held voting rights interest of less than 20%, no significant influence is assumed unless it can be proven clearly.

Equity accounted investments are initially recognised at acquisition cost, before being recognised in subsequent periods at the proportionate value of their amortised net assets. This entails increasing or reducing the carrying amounts annually to reflect the proportionate profits and losses, dividend distributions, and all further equity changes. Unrealised gains based on transactions with associates are eliminated against the carrying amount of the participating interest according to the scope of the va-Q-tec interest. Unrealised losses are eliminated in the same manner, although only to the extent that no indications of impairment exist. Goodwill is not reported separately, but is instead included in the valuation of the participating interest. Goodwill is not amortised. Disclosed hidden reserves are amortised. Impairment losses are applied to equity accounted investments if their recoverable amount falls below their carrying amount.

As with the first-time inclusion of the acquired part, a status-preserving increase in the interest held leads to an assessment and disclosure of proportional hidden reserves and potential goodwill.

2.4 FOREIGN CURRENCY TRANSLATION

The consolidated financial statements have been prepared in accordance with the functional currency concept. The functional currency of va-Q-tec AG is the primary currency of the economic environment in which the va-Q-tec Group operates. This corresponds to the euro, which also corresponds to the reporting currency for the consolidated financial statements. The functional currency of the subsidiaries in the USA, South Korea, Switzerland and Japan is in each case the national currency, as these subsidiaries conduct their business independently in their respective markets. The functional currency of the UK company corresponds to the euro.

In the financial statements of each Group company, business transactions denominated in foreign currencies are translated into the functional currency applying the rates valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated applying the rate prevailing on each reporting date. Non-monetary assets and liabilities measured at cost are translated at the exchange rate prevailing on the date when they are initially recognised on the statement of financial position. The foreign currency gains and losses arising from these translations are recognised in the consolidated income statement under other operating income or other operating expenses.

To prepare the consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries whose functional currency is not the euro are translated into euros applying the exchange rates on the reporting date. Income and expenses are translated at the average rate for the period, unless translation exchange rates during the period are subject to sharp fluctuations. In such cases, the exchange rates on the transaction date would be applied. Translation differences from the translation of foreign operations into the Group currency are recognised under consolidated other comprehensive income, and accumulated within equity.

The exchange rates into euros for the significant currencies in the Group applied for the translation are presented in the following table:

	Closing rate		**Average rate**	
	31/12/2017	31/12/2016	**2017**	2016
British pound	0.8872	0.8562	0.8761	0.8444
US dollar	1.1993	1.0541	1.1293	1.0543
South Korean won	1,279.6100	1,269.3600	1,275.8267	1,248.4762
Swiss franc	1.1702	-	1.1116	-
Japanese Yen	135.0100	-	126.6544	-

3 ACCOUNTING POLICIES

3.1 CONSOLIDATED INCOME STATEMENT

Revenues
Sales revenues are measured at the fair value of the consideration received or to be received, and reflect the amounts that are to be received for goods and services in the normal course of business.

Sales revenues from the sale of goods are reported when the significant risks and rewards arising from ownership of the goods have transferred the customer, a price has been agreed, or can be calculated, and if payment is probable. Sales revenues from services are recognised to the extent that the service has been rendered, and the amount of the revenue can be measured reliably. Payments for unreturned thermal boxes in connection with rental services rendered are reported as revenue. Rebates, bonuses, VAT and other taxes associated with the service are deducted from sales revenues.

Net financial result
Interest income and interest expenses reported under the net financial result are deferred and accrued in accordance with their respective terms, taking the outstanding loan sum and the applicable interest rate into account. The effective interest method is applied in this context.

Income tax
The expense for taxes on income represents the sum of current income tax expense and deferred tax. The current income tax expense is calculated on the basis of taxable income for the year. Taxable earnings differ from the earnings before tax reported in the consolidated income statement, as these do not include income and expense items that were taxable or tax-deductible in other years, as well as items on which no tax is generally incurred, or which are generally not tax-deductible.

Deferred taxes are recognised in accordance with the balance sheet liability method as presented in IAS 12 (Income Taxes). This entails forming deferred tax items for temporary differences between tax valuations and valuations on the consolidated balance sheet, as well as for tax loss carryforwards. Deferred tax assets are only taking into consideration if it is probable that the corresponding tax benefits will also be realised. Loss carryforwards for which deferred tax assets have been formed are expected to be utilised within the five-year planning period. The carrying amount of deferred tax assets is reviewed each year on the reporting date, with an impairment loss being applied if it is no longer probable that sufficient taxable income will be available to fully or partially realise the asset.

Deferred tax liabilities are formed for taxable temporary differences arising from interests in subsidiaries, unless the Group can control the reversal of the temporary differences, and it is probable that the temporary difference will not reverse within the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset to the extent that they relate to the same taxpayer, and exist in relation to the same tax authority.

To measure deferred tax, future years' tax rates are applied if the related legislation has already been enacted, or the legislative process has essentially been concluded. Deferred taxes are recognised in profit or loss, as a matter of principle. To the extent that the charges or reliefs underlying deferred taxes are carried directly to equity, the formation or release of deferred taxes also occurs directly in equity.

Earnings per share

Earnings per share (basic earnings per share) are calculated on the basis of IAS 33 (Earnings per share). Basic earnings per share are calculated by dividing the after-tax profits attributable to the parent company shareholders by the weighted average number of shares in issue during the financial year under review. In previous years, consolidated results did not need to be allocated to different share classes in this context, as both ordinary shares and preference shares enjoyed equal entitlement to dividends. All of the preference shares were converted into ordinary shares in 2016 (please see section 4.2.2.1 for more details). Diluted earnings per share are reported separately. No potentially dilutive instruments were in issue as of 31 December 2017, by contrast with the previous year.

3.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.2.1 Assets

Intangible assets

Pursuant to IAS 38, intangible assets are capitalised if a future economic benefit is expected from utilisation of the asset, and the costs of the asset can be calculated reliably.

Individually purchased intangible assets are recognised at purchase cost on initial recognition, and intangible assets that the company has generated itself are recognised at production cost. In subsequent periods, intangible assets are measured at cost less cumulative amortisation and any cumulative impairment losses. Research costs are expensed in the period in which they are incurred.

Intangible assets with limited useful life are amortised straight-line over their useful life, and impairment-tested as soon as any indications emerge that they might have become impaired. The estimated useful life and amortisation method are reviewed at the end of the annual reporting period, and any changes to the estimated value are taken into account in subsequent measurement. Amortisation is based on the following useful lives:

Software	3 – 5 years
Internally generated intangible assets	6 years

Gains or losses on the derecognition of intangible assets are calculated as the difference between net disposal proceeds and the asset's carrying amount, and recognised in profit or loss within other operating income or other operating expenses in the period in which the asset is derecognised.

An intangible asset arising from internal development (or the development phase of an internal project) is recognised if the corresponding criteria of IAS 38.57 are shown to have been met. Capitalised production costs of internally generated intangible assets comprise costs directly attributable to the development process, and development-related overheads.

Property, plant and equipment

Property, plant and equipment are utilised for business purposes, and measured at cost less cumulative depreciation and cumulative impairment losses.

The purchase costs of an item of property, plant and equipment comprise all costs attributable to the purchase of the asset. Repair and maintenance charges are expensed in the income statement in the financial year in which they are incurred. Internally generated assets are initially measured at directly attributable production cost plus production-related overheads.

Borrowing costs that are directly attributable to the acquisition, construction or production of a so-called qualifying asset as part of the cost of that asset are capitalised as part of cost pursuant to IFRS. Neither in the period under review nor in the comparable period were any qualifying assets purchased or produced for which a capitalisation of borrowing costs would be required.

Property, plant and equipment is depreciated straight-line in accordance with its type of use and duration of use. Depreciation starts on the date on which the assets are available for their intended use. The residual values, depreciation methods and useful lives are reviewed annually and adjusted where required. Depreciation is based mainly of the following useful lives:

Buildings	
Buildings	33 – 40 years
Outdoor and other facilities	8 – 19 years
Production equipment and machinery	
Production plants	8 – 12 years
Other production equipment and machinery	3 – 10 years
Operating and office equipment	3 – 15 years
Container fleet	5 years
Box fleet	2 – 4 years

If any indications of impairment exist, property, plant and equipment are tested for potential impairment accordingly.

Gains or losses arising from the disposal or derecognition of an item of property, plant and equipment are calculated as the difference between disposal proceeds and the asset's carrying amount, and recognised in profit or loss among other operating income or other operating expenses.

Investment property

Investment property comprises land and buildings held to generate rental income and for the purposes of value appreciation, rather than being utilised for the company's own production, to deliver goods or render services, for administrative purposes or for sale as part of ordinary operating activities. Investment property is measured at cost less accumulated depreciation and impairment losses.

If indications of impairment exist, investment property is tested for potential impairment accordingly.

Impairment testing

Intangible assets with indefinite useful lives, as well as intangible assets that are not yet ready for utilisation, are not amortised, but are instead tested annually for impairment. Assets that are amortised are impairment-tested where an indication exists that the asset's carrying amount may no longer be recoverable. An impairment loss is recognised equivalent to the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell, and its value in use. The value in use in this context is calculated on the basis of the estimated future cash flows from the utilisation and disposal of the asset, applying the discounted cash flow method. A pre-tax interest rate in line with market conditions is applied as the discounting rate in this context. If no recoverable amount can be calculated for an individual asset, the recoverable amount is calculated for the smallest identifiable group of assets (cash-generating unit) to which the respective asset can be allocated.

If the reasons for the impairment loss no longer apply at a later date, a reversal of the impairment loss is realised up to the level of the new recoverable amount, as a matter of principle. Such reversals of impairment losses are limited to the amortised carrying amount that would have arisen without the impairment loss applied in the past.

No indicators of potential impairment were identified. Accordingly, no impairment losses or reversals of impairment losses pursuant to IAS 36 were applied in either the period under review, or in the previous year.

Leases

Group as lessee

The Group leases or enters into hire-purchase agreements for certain intangible assets, and property, plant and equipment. Such transactions are categorised as either operating or financing leases at the start of the respective lease. Pursuant to IAS 17, leases are classified as finance leases if the lease agreement essentially transfers all risks and rewards connected with ownership to the lessee. Assets from finance leases are recognised on the date of addition at the lower of the present value of the minimum lease payments and the leased asset's fair value. At the same time, a lease liability equivalent to the same amount is recognised among other current and non-current financial liabilities. As part of subsequent measurement, the asset from a finance lease is depreciated straight-line over the shorter of its economic useful life or its lease duration. Where indications of impairment exist, impairment losses are applied to the leased asset. Minimum lease payments are divided into interest and capital repayment components. The interest component in this context is expensed within the net financial result in the consolidated income statement. The capital repayment component reduces the lease liability.

Leases where the significant proportion of the risks and rewards remain with the lessor are classified as operating leases. The related lease expenses are expensed under other operating expenses in the consolidated income statement.

Sale-and-finance-leaseback transactions

As part of sale-and-finance-leaseback transactions, the Group sells containers to leasing companies, and then leases them back. As a result of the leaseback, the Group re-assumes all significant risks and rewards connected with ownership, and classifies the lease as a finance lease. The revenues from these sale-and-finance-leaseback transactions are eliminated in full. As all containers are produced and leased back via sale-and-finance-leaseback transactions in the same period, the related additions from own work performed by the enterprise and capitalised are offset with the same disposals of equal amount, and reported under changes to the cost of the container fleet under property, plant and equipment. Initial recognition of the finance lease asset is according to the general regulations of IAS 17, and results in a capitalisation of the leased asset and the corresponding liability.

The excess of the cash accruing to va-Q-tec (sales price) resulting from the sale of containers over the carrying amount or the own work capitalised cannot be recognised immediately in profit or loss in the case of sale-and-finance-leaseback transactions, but is instead recognised on the liabilities side of the balance sheet under non-financial liabilities as deferred income (special item for deferred container profits). This deferred income is released through profit or loss over the 5-year lease duration, and reported under other operating income in the consolidated income statement.

Group as lessor

The Group acts as lessor in operating leases. This concerns the short-term rental of containers to third parties. Such leases are generally short-term in nature, and the risks and rewards connected with ownership do not transfer to the lessee. The leased containers are reported under non-current assets, and the lease income is presented within sales revenue.

Inventories

Inventories are measured at the lower of cost and net realisable value. When calculating purchase costs, ancillary purchase costs are added, and purchase price reductions are deducted. Production costs include direct materials and manufacturing costs, as well as the production-related share of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The loss-free valuation entails applying inter alia discounts accounting for marketability.

Financial instruments and financial assets

Financial assets comprise especially receivables, derivative financial instruments with positive market values, and cash. Recognition and measurement is performed in accordance with IAS 39. Financial assets are recognised if the Group is contractually entitled to receive cash or other financial assets from third parties. Purchases and sales of financial assets are recognised as of the settlement date, as a matter of principle. Financial assets are initially recognised at fair value, plus transaction costs where relevant. Transaction costs of financial assets that are measured at fair value through profit or loss are expensed. Subsequent measurement is performed in accordance with allocation to the categories of financial assets pursuant to IAS 39.

Financial assets measured at fair value through profit or loss comprise financial assets held for trading, including derivative financial instruments that were not designated as hedging instruments. Changes to the fair values of financial assets in this category are expensed. The gain or loss arising from measuring derivative financial instruments is expensed under the net financial result, unless the derivative is included as a hedging instrument as part of the hedge (hedge accounting), and is effective as such. No hedge accounting was applied either in the current year or in the previous year.

Loans and receivables are non-derivative financial assets that are not quoted in an active market. They are measured at amortised cost applying the effective interest method, and take any impairment into account. Trade receivables, receivables included among other financial assets, and cash and cash equivalents are allocated to this measurement category.

As in the previous year, in the year under review financial assets were held as held-to-maturity financial investments in the form of short-term deposits. As in the previous year, no available-for-sale financial assets existed.

Financial assets are tested for potential impairment on each reporting date. If any objective indications of impairment exist, an impairment loss is expensed equivalent to the difference between the asset's carrying amount and the present value of its expected future cash flows, and recognised within a separate impairment account. If the level of the impairment reduces in subsequent periods due to events that have occurred objectively after the date when the impairment was recognised, the impairment is reversed in the equivalent amount through profit or loss. Impaired receivables are derecognised if they are assessed as uncollectible.

The Group derecognises a financial asset if the contractual rights to the cash flows from an asset expire, or it receives rights to receive cash flows in a transaction in which all significant risks and opportunities connected with the ownership of the financial asset are also transferred. A portion of such transferred financial assets that originate or remain within the Group is recognised as a separate asset or separate liability.

3.2.2 Equity and liabilities

Equity

Equity comprises cash and non-cash capital contributions that substantiate a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised at the issue proceeds received, less directly attributable transaction costs. Transaction costs comprise costs that would not have been incurred without the issue of the equity instrument. These are deducted from additional paid-in capital taking all tax effects into account. The consolidated statement of changes in equity presents the development of the consolidated equity of the va-Q-tec Group for the 2017 and 2016 financial years.

Treasury shares

va-Q-tec applies the cost method to recognise the treasury shares it acquired for the first time in 2016, whereby the costs to purchase the treasury shares are reported within a separate item within equity.

Share-based payment

Equity-settled, share-based payment for employees is measured at the fair value of the equity instrument on the grant date. The measurement of the program with allocations in 2013 and 2016 respectively lead to a fair value of zero euros and EUR 11.93 per option respectively (before the share split). Taking the share split into account, the fair value amounted to EUR 5.97 per option for the allocations in 2016. An exit event occurred with the implementation of the IPO in September 2016, making the options exercisable and discontinuing the option program.

The "Other disclosures" section provides further information about share-based payment within the va-Q-tec Group.

Government grants

A government grant is not recognised until there is reasonable assurance that the company will comply with the conditions attaching to it, and that the grant will be received. They are recognised in profit or loss in the period in which the Group bears the corresponding expenses that are to be offset by the grants. Government grants whose most important condition is the purchase, construction or other type of acquisition of long-term assets are recognised as non-financial liabilities on the statement of financial position. They are released through profit or loss within other operating income based on the corresponding asset's useful life. In 2017, va-Q-tec AG received kEUR 795 of public grants to purchase non-current assets.

Provisions

Provisions are reported if a current legal or constructive obligation has arisen for the Group from a past event that is likely to result in a future outflow of resources embodying economic benefits, and the level of this obligation can be estimated reliably.

The amount recognised as a provision corresponds to the best possible estimate of the consideration required to settle the current obligation as of the reporting date, whereby risks and uncertainties connected with the obligation are taken into account. All significant cost factors are included in the measurement of provisions. If the interest effect is material, non-current provisions with a remaining term of more than one year are reported at the discounted settlement amount as of the balance sheet date. If it is to be expected that the economic benefit required to settle an obligation for which a provision has been formed will be reimbursed wholly or partly by third parties, the receivable is recognised as an asset if it is as good as certain that the reimbursement will occur, and the level of the receivable can be measured reliably.

Provisions for warranties are formed on the date when the respective goods are sold, or the corresponding services are rendered. The level of the provision is based onhistorical trends, and an estimate of future warranty cases.

Financial liabilities

Financial liabilities comprise mainly bank borrowings, trade payables, and other financial liabilities. They are measured at fair value on initial recognition, and subsequently – except derivative financial instruments measured at fair value – at amortised cost applying the effective interest method, less directly attributable transaction costs where relevant.

4 NOTES

4.1 CONSOLIDATED INCOME STATEMENT

4.1.1 Revenues

The revenues are comprised as follows:

kEUR	**2017**	2016
Products	18,031	11,287
Systems	10,820	10,426
Services	17,366	13,189
Other	709	627
Group, total	**46,926**	**35,529**

The product and system business comprises the production and sale of vacuum insulation panels and heat storage components. These products are sold in the following sectors: Healthcare & Logistics, Appliances & Food, Technics & Industry, Mobility and Building. Revenue increased significantly thanks to acquiring new customers in the target sectors of Appliances & Food as well as Technics & Industry, and through expanding business with existing customers, reflecting the high quality, performance and durability of VIPs.

The Systems business comprises the sale of thermal packaging to customers in the Healthcare & Logistics sector. First customers were acquired in the Systems area with the newly introduced "va-Q-one" thermal box, a cost-efficient one-way solution.

The Services business comprises the container and box rental business for the transportation of temperature-sensitive goods, predominantly products from the pharmaceuticals and biotech sectors. In particular, revenues from renting high-performance thermal boxes from the hub in Dublin reported significant growth in 2017. Other revenues are generated through thermal consulting and government-subsidised research projects.

Compared with the previous year, the business in the three main divisions of Products, Systems and Services together generated 32 % sales revenue growth. Service division revenues also include compensation payments from customers for thermal boxes unreturned within the rental network in an amount of kEUR 921 (previous year: kEUR 528).

Please refer to the section on segment reporting for more information.

4.1.2 Work performed by the company and capitalised

The following table shows the trend in work performed by the company and capitalised in the 2016 and 2017 financial years. Work performed by the company and capitalised deriving from the container and box fleets registered a significant increase in 2017 due to the strong growth of operating activities in this area.

kEUR	**2017**	2016
Work performed by the company and capitalised arising from container sale-and-finance-leaseback transactions	4,557	2,145
Work performed by the company and capitalised arising from expansion of rental-boxes-fleet	1,312	1,287
Other work performed by the company and capitalised	833	1,075
Group, total	**6,702**	**4,507**

Of the total research and development costs of kEUR 1,938 incurred in 2017 (previous year: kEUR 1,246), kEUR 104 (previous year: kEUR 52) meet IFRS capitalisation criteria. The other research and development costs were recognised in the corresponding items of the consolidated income statement, mainly under personnel expenses.

4.1.3 Other operating income

kEUR	2017	2016
Income from release of special item for deferred container profits	1.813	1.418
Income from release of special item for grants	456	79
Income from other accounting periods	432	434
Exchange rate gains	268	33
Renewable energy subsidies	21	20
Gains on fixed asset disposals	2	-
Income from insurance compensation	-	4
Other income	156	111
Group, total	**3.148**	**2.099**

Other operating income of kEUR 3,148 (previous year: kEUR 2,099) derives mainly from scheduled and continuous releases from the special item from sale-and-finance-leaseback transactions and government grants, as well as foreign currency transactions and income relating to other accounting periods.

4.1.4 Cost of materials and services

kEUR	2017	2016
Cost of raw materials and supplies	16,658	13,363
Cost of purchased services	8,018	3,962
Group, total	**24,676**	**17,325**

The cost of materials was up from kEUR 17,325 to kEUR 24,676 (+42 %), faster than the rate of total income growth, and corresponding to a higher cost of materials ratio of 43 % (previous year: 40 %). Costs of materials include costs for raw materials and for purchased services, especially logistics services in the container rental business. The cost ratio is burdened by the change in the product mix, despite greater efficiency in purchasing, and optimised fleet management. The effects from producing vacuum insulation panels, which is intensive in terms of cost of materials, outweighs due to the strong growth in the Products division.

4.1.5 Personnel expenses

The following table shows the trend in personnel expenses in the 2016 and 2017 financial years:

kEUR	2017	2016
Wages and salaries	13,243	10,228
Social security contributions	2,373	1,587
Group, total	**15,616**	**11,815**

Personnel expenses were up from kEUR 11,815 in the previous year to kEUR 15,616 in the 2017 reporting period (+32%), with the personal expense ratio in relation to total income thereby reducing from 28% to 27%. The absolute increase is attributable mainly to both the hiring of new staff in the production area as well as the recruitment of highly qualified specialist personnel. The growth of the va-Q-tec Group, the current product mix and the constant optimisation of business processes have led to this rise.

Social security contributions contain mainly employer contributions to statutory social security. A defined contribution pension scheme exists as part of German statutory pension insurance for employees in Germany, to which the va-Q-tec Group is required to make payments at the contribution rate prevailing during the period under review of 9.35% (previous year: 9.35%) (employer component) of pension compensation. The contributions rendered amounted to kEUR 892 in the reporting year (previous year: kEUR 657). In addition, va-Q-tec AG renders contributions of kEUR 86 (previous year: kEUR 74) to direct insurance as part of its company pension scheme. A defined contribution pension plan also exists at the subsidiaries in the UK and Korea. Contributions of kEUR 57 (previous year: kEUR 40) were expensed at the UK company and kEUR 12 (previous year: kEUR 0) were expensed at the Korean company. Defined contribution commitments have also existed for the Management Board members since 2014, for which kEUR 20 (previous year: kEUR 22) was paid into an external, congruently reinsured, pension fund in the current financial year. As a consequence, kEUR 1,067 (previous year: kEUR 794) of expenses for defined contribution pension plans were recognised.

Wages and salaries for the 2017 financial year do not include any costs from granting options to staff (previous year: kEUR 169). See section 5.3 for more information about share-based payment.

The average number of employees in the 2016 and 2017 financial years is presented below:

	2017	2016
Male employees	258	193
Female employees	100	74
Group, total	**358**	**267**

4.1.6 Depreciation, amortisation and impairment losses

Depreciation and amortisation charges of kEUR 7,528 were expensed in the 2017 financial year (previous year: kEUR 5,639). No impairment losses or reversals of impairment losses occurred in either of these financial years. The 34% increase is chiefly attributable to the high level of investments to establish and expand the container and box fleets.

4.1.7 Other operating expenses

kEUR	2017	2016
Legal, patent and consulting costs	2,208	1,356
Marketing and sales	1,551	1,389
Rent and leasing	1,092	958
Freight	728	509
Exchange rate losses	723	84
Repair and maintenance	705	639
Expense for asset disposal (boxes)	539	327
Other personnel expense	516	318
IT and other office costs	463	377
Insurance and contributions	314	191
Expense relating to other accounting periods	260	138
Supervisory Board compensation	164	125
IPO related expense	-	1,568
Other	682	543
Group, total	**9,945**	**8,522**

Despite the IPO costs incurred only in the previous year, other operating expenses in the 2017 reporting period registered an increase of 17% to kEUR 9,945 (previous year: kEUR 8,522). Related reasons included effects from foreign currency transactions as well as higher costs for IT consulting, legal advice and certification costs due to the greater requirements made as part of the stock market listing and as part of business expansion. Both insurance expenses and fees registered a rise, reflecting the company's growth. In the reporting period, expenses relating to other accounting periods include for the first time expenses for the 2016 annual report. Moreover, extraordinary and one-off expenses of around kEUR 539 for rental boxes that have left the network, but that are also offset by proceeds, led to an increase in expenses.

4.1.8 Result from equity accounted investments

A proportional negative result of kEUR 79 (previous year: kEUR 59) was incurred from an equity accounted investment in the current financial year.

4.1.9 Net Financial result

kEUR	2017	2016
Interest income	360	-
Income from derivative financial instruments	27	4
Financial income	**387**	**4**
Interest expense	-377	-462
Expenses from derivative financial instruments	-	-388
Interest expense from finance lease	-523	-773
Financial expenses	**-900**	**-1,623**
Net financial result	**-513**	**-1,619**

The net financial result is mainly characterised by a one-off effect connected with the purchase of land and buildings for the new corporate headquarters in Germany. The obligations initially assumed from the buyer as part of the purchase agreement, measured at a fair value of kEUR 7,024, were reduced as part of the subsequent refinancing negotiations with the banks. This generated net income of kEUR 360 in the second quarter. Moreover, the fact that expenses for interest on finance leases reduced thanks to the improved rating, and despite the significant fleet expansion, also exerted a positive effect.

4.1.10 Income tax

kEUR	**2017**	2016
Actual tax expense (tax income)		
Current period	7	-159
Prior periods	-	-4
Deferred tax expense (tax income)	**-59**	**-150**
Group, total	**-52**	**-313**

Deferred tax is calculated applying tax rates that are valid or expected to be valid based on current legislation in the individual countries as of the realisation date.

The tax reconciliation account explains the connection between the expected tax expense and the actually reported tax expense, which derives from the IFRS consolidated result before income tax, applying a 30.2 % income tax rate (previous year: 30.6 %). In each case, the income tax rate applied corresponds to the average domestic tax rate of va-Q-tec AG comprised of corporation tax (plus the solidarity surcharge) and trade tax. This reduced in 2017 due to a lower applicable trade tax rate at va-Q-tec AG.

kEUR	**2017**	2016
Consolidated earnings before tax	**-910**	**-2,101**
Expected income tax expense	30.2 %	30.6 %
Expected income tax expense (tax income)	**-275**	**-642**
Tax-free income	-13	-2
Non-tax-deductible operating expenses	54	51
Non-capitalised deferred taxes on temporary differences and tax loss carryforwards	148	505
Not recognised deferred tax for current income (IAS 12.15b)	-254	-
Effects from tax rate changes	154	-58
Utilisation of non-capitalised loss carryforwards	0	-149
Reported tax expense	-48	4
Divergent foreign tax rates	232	-24
Other effects	-50	2
Reported tax expense (tax income)	**-52**	**-313**

The amount of deferred taxes recognised directly in equity is composed as follows:

	2017			2016		
kEUR	**Before tax**	**Deferred tax**	**After tax**	Before tax	Deferred tax	After tax
Equity transaction costs offset in additional paid-in capital	-	-	-	-2,327	711	-1.615
Proportional reimbursement of equity transaction costs by previous shareholders	-	-	-	470	-144	326
Effect on additional paid-in capital	-	-	-	-1,857	568	-1,289

The following overview shows to which balance sheet items the deferred tax assets and deferred tax liabilities are to be allocated:

31/12/2017 kEUR	**Deferred tax assets 31/12/2017**	**Deferred tax liabilities 31/12/2017**
ASSETS		
Intangible assets	-	243
Property, plant and equipment	332	37
Interests in subsidiaries, joint ventures and associates	-	-
Non-current financial assets	-	10
Inventories	56	-
Trade receivables	-	14
Other current financial assets	-	1
Other current non-financial assets	-	-
EQUITY AND LIABILITIES	-	-
Non-current provisions	-	-
Non-current financial liabilities	16	-
Other non-current non-financial liabilities	1,637	-
Current provisions	-	-
Trade payables	-	-
Other current financial liabilities	-	-
Other current non-financial liabilities	705	-
Loss carryforwards	439	-
Total before offsetting	**3,185**	305
Offsetting	-305	
As reported	**2,880**	

31/12/2016 kEUR	Deferred tax assets 31/12/2016	Deferred tax liabilities 31/12/2016
ASSETS		
Intangible assets	-	30
Property, plant and equipment	166	182
Interests in subsidiaries, joint ventures and associates	-	-
Non-current financial assets	-	23
Inventories	87	-
Trade receivables	-	12
Other current financial assets	-	-
Other current non-financial assets	-	-
EQUITY AND LIABILITIES	-	-
Non-current provisions	-	-
Non-current financial liabilities	24	-
Other non-current non-financial liabilities	1,887	-
Current provisions	4	-
Other current financial liabilities	-	-
Other current non-financial liabilities	-	-
Loss carryforwards	919	-
Total before offsetting	**3,087**	**247**
Offsetting	-247	
As reported	**2,840**	

Deferred tax assets are only recognised if it is possible that these tax benefits can be realised. This entails taking into account all currently known positive and negative factors affecting future taxable results. Of the deferred tax assets, kEUR 684 (previous year: kEUR 1,013) are attributable to individual companies that have incurred tax losses in either the current reporting period or in the previous period. Due to the largely positive business trend (adjusted for special effects from the IPO), the Group generally assumes that its deferred tax assets can be utilised. Especially at the production company (va-Q-tec AG) and in the container service business (va-Q-tec Ltd (UK)), extensive investments in personnel, technology and capacities were realised in the years from 2012 to 2017. These investments are prerequisites for growth. Sustained profitability is assumed in the medium term, thereby allowing the deferred tax assets to be utilised.

As of 31 December 2017, tax loss carryforwards amount to EUR 1,872 (31 December 2016: EUR 1,305), for which no deferred tax assets were recognised. These tax loss carryforwards derive from the subsidiary in the UK. In 2017, the deferred tax assets relating to the tax loss carryforwards based on this year's loss-making situation at the company were limited to the level of the existing deferred tax liabilities. In 2017, no further impairment losses for deferred tax assets were required (previous year: kEUR 91). The tax loss carryforwards in the UK can be utilised on an unlimited basis.

The deferred tax assets of kEUR 572 recognised in relation to loss carryforwards of va-Q-tec AG in 2016 were already utilised in an amount of kEUR 310 thanks to the positive business trend in 2017, and still amount to kEUR 262 as of 31 December 2017.

The deferred tax assets recognised for the first time in 2016 in relation to the tax loss carryforwards of the subsidiaries in Korea in an amount of kEUR 11 and in the USA in an amount of kEUR 152 report the following changes: the deferred tax assets in relation to the tax loss carryforwards in Korea have been almost fully utilised to date thanks to the positive business trend. In the USA, the change in the tax rate reduced the tax loss carryforwards in an amount of kEUR 51. The change in the loss carryforward as well as a currency effect exerted a countervailing effect, as a consequence of which the deferred tax asset on the tax loss carryforward in the USA amounts to kEUR 110.

The tax loss carryforwards in the USA can be utilised for up to 20 years, and in Korea for up to 10 years.

4.1.11 Earnings per share

The calculation of basic (undiluted) earnings per share is based on the earnings attributable to the holders of ordinary shares and a weighted average of the number of ordinary shares in issue.

A dilution of earnings per share it is no longer reported in the financial year lapse, as the stock options were fully exercised in 2017.

Earnings per share are as follows:

	2017	2016
Consolidated net result after non controlling interests (EUR)	**-858**	**-1,727**
Weighted average number of shares	12,992,236	10,089,773
Earnings per share (EUR) (prior year incl. preference shares)	-0.07	-0.17
Weighted average number of shares - diluted	-	10,186,068
Earnings per share -diluted (EUR)	-	-0.17

Weighted average number of shares

Number of shares	2017	2016
Shares issued as 1 January	12,955,036	4,578,187
Retrospective effect of capital increase from company funds (share split)	-	4,578,187
Effect of purchase of treasury shares	-6,390	-186,144
Effect from issuing easury shares to acquire land	-	76,274
Effective non-cash contribution of the non-controlling interest in va-Q-tec Ltd. (UK)	-	55,691
Effect from capital increase for the IPO	-	955,479
Effect of vested share options - pro rata temporis 30.09.2016 - 31.12.2017	-	32,098
Effect of excercise of share options	43,590	-
Weighted average number of ordinary shares (undiluted / basic) as of 31 December	**12,992,236**	**10,089,773**
Effect of vested share options - for 01.01.2016 - 30.09.2016	-	96,295
Weighted average number of ordinary shares (diluted) as of 31 December	**12,992,236**	**10,186,068**

Please refer to the remarks about equity in section 4.2.2.1 for information about the composition of the issued share capital.

4.2 4.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.2.1 Assets

4.2.1.1 Intangible assets

Non-current assets

	Aquisition and production cost					
kEUR	**Balance on 01/01/2017**	Exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2017**
1. Software	758	-	82	-	-	840
2. Internally generated intangible assests	107	-	320	-	-	427
3. Internally generated intangible assests in production stage	-	-	179	-	-	179
Intangible assets, total	**865**	**-**	**581**	**-**	**-**	**1,446**

Non-current assets

	Depreciation, amortisation and impairment losses						Carrying amounts	
kEUR	**Balance on 01/01/2017**	Ex-change rate differen-ces	Depre-ciation, amortisati-on and Im-pairment losses in the finan-cial year	Reclassi-fications	Dispo-sals	**Balance on 31/12/2017**	**Balance on 31/12/2017**	Balance on 31/12/2016
1. Software	415	-	108	-	-	523	317	343
2. Internally gen-erated intangi-ble assests	9	-	29	-	-	38	389	98
3. Internally generated in-tangible assests in production stage	-	-	-	-	-	-	179	-
Intangible as-sets, total	**424**	**-**	**137**	**-**	**-**	**561**	**885**	**441**

Non-current assets

kEUR	Aquisition and production cost					
	Balance on 31/12/2016	exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2016**
1. Software und sonstige erworbene immaterielle Vermögenswerte	657	-	130	-	29	758
2. Selbsterstellte immaterielle Vermögenswerte	-	-	52	55	-	107
3. Selbsterstellte immaterielle Vermögenswerte im Bau	55	-	-	-55	-	-
4. Geschäfts- oder Firmenwert	-	-	-	-	-	-
Summe immaterielle Vermögenswerte	**713**	**-**	**181**	**-**	**29**	**865**

Non-current assets

kEUR	Depreciation, amortisation and impairment losses						Carrying amounts	
	Balance on 31/12/2016	Exchange rate differences	Depreciation, amortisation and Impairment losses in the financial year	Reclassi-fications	Disposals	**Balance on 31/12/2016**	**Balance on 31/12/2016**	Balance on 31/12/2015
1. Software und sonstige erworbene immaterielle Vermögenswerte	347	-	96	-	28	415	343	310
2. Selbsterstellte immaterielle Vermögenswerte	-	-	9	-	-	9	98	-
3. Selbsterstellte immaterielle Vermögenswerte im Bau	-	-	-	-	-	-	-	55
4. Geschäfts- oder Firmenwert	-	-	-	-	-	-	-	-
Summe immaterielle Vermögenswerte	**347**	**-**	**105**	**-**	**28**	**424**	**441**	**365**

The additions to the internally generated intangible assets item include the company's product and software development work, which it has capitalised.

No indicators of potential impairment were identified. Accordingly, no impairment losses or reversals of impairment losses pursuant to IAS 36 were applied in either the period under review, or in the previous year.

4.2.1.2 Property, plant and equipment

Non-current assets

	Aquisition and production cost					
kEUR	**Balance on 01/01/2017**	exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2017**
1. Land and buildings	6,636	-	14,842	-1,642	-	19,836
2. Production equipment and machinery	11,890	-	1,563	1,366	-24	14,843
3. Other plant, operating amd office equipment	5,275	-5	2,725	399	1,071	7,323
4. Container fleet	18,534	-	11,099	179	3,416	26,396
5. Plant under construction	3,910	-1	6,341	-1,916	-	8,334
Property, plant and equipment, total	**46,245**	**-6**	**36,570**	**-1,614**	**4,463**	**76,732**

Non-current assets

	Depreciation, amortisation and impairment losses						Carrying amounts	
kEUR	**Balance on 01/01/2017**	ex-change rate diffe-rences	Depreciati-on, amorti-sation and Impairment losses in the financi-al year	Reclassifi-cations	Disposals	**Balance on 31/12/2017**	**Balance on 31/12/2017**	**Balance on 31/12/2016**
1. Land and buildings	980	-	340	-9	-	1,311	18,525	5,656
2. Produc-tion equip-ment and machinery	5,386	-	1,336	-169	-30	6,583	8,260	6,505
3. Other plant, operating amd office equip-ment	2,526	2	1,324	65	577	3,340	3,983	2,749
4. Container fleet	5,942	-	4,391	113	350	10,096	16,300	12,591
5. Plant under construc-tion	-	-	-	-	-	-	8,334	3,910
Intangible assets, total	**14,834**	**2**	**7,391**	**-**	**897**	**21,330**	**55,402**	**31,411**

Non-current assets

	Aquisition and production cost					
kEUR	**Stand am 01/01/2016**	exchange rate differences	Additions	Reclassi-fications	Disposals	**Stand am 31/12/2016**
1. Land and buildings	4,980	-	1,656	-	-	6,636
2. Production equip-ment and machinery	11,555	-	302	37	4	11,890
3. Other plant, operating and office equipment	2,892	1	1,824	1,196	638	5,275
4. Container fleet	14,086	-	4,565	-31	86	18,534
5. Plant under construction	4,185	-	927	-1,202	-	3,910
Property, plant and equipment, total	**37,698**	**1**	**9,274**	**-**	**728**	**46,245**

Non-current assets

	Depreciation, amortisation and impairment losses						Carrying amounts	
kEUR	**Balance on 31/12/2016**	Exchange rate differences	Depreciation, amortisation and Impairment losses in the financial year	Reclassifications	Disposals	**Balance on 31/12/2016**	**Balance on 31/12/2016**	Balance on 31/12/2015
1. Land and buildings	816	-	164	-	-	980	5,656	4,164
2. Production equipment and machinery	4,078	-	1,189	122	3	5,386	6,504	7,477
3. Other plant, operating amd office equipment	2,102	-	749	-	325	2,526	2,749	789
4. Container fleet	2,659	-	3,432	-122	27	5,942	12,592	11,428
5. Plant under construction	-	-	-	-	-	-	3,910	4,185
Property, plant and equipment, total	**9,655**	**-**	**5,534**	**-**	**355**	**14,834**	**31,411**	**28,043**

Assets arising from finance leases are reported under property, plant and equipment. As of 31 December 2017, these are attributable in a net carrying amount of kEUR 14,634 to the container fleet (previous year: kEUR 12,254). Technical plant and machinery includes assets from finance leases with a net carrying amount as of 31 December 2017 of kEUR 961 (previous year: kEUR 844).

The parent company has also acquired an existing industrial property in Würzburg for the company's operating expansion. The purchase costs of the land and buildings including ancillary costs amounted to kEUR 10,632. In February 2017, a space with a warehousing hall in the Heuchelhof industrial zone was already purchased in an amount of kEUR 2,609.

Plant under construction increased to kEUR 8,334 as of the balance sheet date (previous year: kEUR 3,910). This increase derives mainly from the additional production building in Kölleda that is under construction, and the planned redevelopment of the new location in Würzburg.

The following items of property, plant and equipment serve to collateralise financial liabilities:

- All buildings and land in Kölleda serve as collateral for long-term bank loans.
- Building and land Alfred-Nobel-Str. 33 in Würzburg serves as collateral for two long-term bank loans with a land charge of kEUR 11,500.
- The photovoltaic plant and a production plant at the Kölleda site with a carrying amount of kEUR 881 (previous year: kEUR 844) serve as collateral for the financing from the bank and from the leasing company respectively. Of the other technical plant and machinery, a proportion with a carrying amount of kEUR 5,607 (previous year: kEUR 4,731) serves as collateral for long-term bank loans.
- From the "Other equipment" category, assets amounting to kEUR 1,037 (previous year: kEUR 950) at the Kölleda site serve as collateral for long-term bank loans.
- Completed but not yet operative containers included in the parent company's non-current assets in an amount of EUR 179 (previous year: kEUR 382) serve as collateral for the multi-bank loan that was arranged in 2016.
- The entire container fleet deriving from sale-and-finance-leaseback transactions serve the leasing companies as

collateral for the financing they grant.
No indicators of potential impairment were identified. Accordingly, no impairment losses or reversals of impairment losses pursuant to IAS 36 were applied in either the period under review, or in the previous year.

4.2.1.3 Equity accounted investments

Non-current assets

	Aquisition and production cost					
in kEUR	**Balance on 01/01/2017**	exchange rate differences	Additions	Reclassi-fications	Disposals	**Balance on 31/12/2017**
Investment Property	-	-	-	1,614	-	1,614

Non-current assets

	Depreciation, amortisation and impairment losses						Carrying amount	
in kEUR	**Balance on 01/01/2017**	ex-change rate diffe-rences	Depreciati-on, amorti-sation and Impairment losses in the financi-al year	Reclassifi-cations	Disposals	**Balance on 31/12/2017**	**Balance on 31/12/2017**	**Balance on 31/12/2016**
Investment Property	-	-	-	-	-	-	1,614	-

In February 2017, a plot of land including warehouse adjacent to the plot of land that was already acquired in 2016 was purchased in Würzburg to construct an integrated production and administration site there. Due to a market opportunity arising short-term, a further large plot of land along with existing production and administrative buildings was acquired in April 2017 in Alfred-Nobel-Strasse 33 in Würzburg, in order to use it to aggregate the Würzburg locations into a management, technology and logistics headquarters. A start was made with this in 2017.

By contrast with the original planning, the undeveloped land plots acquired in 2016 are held for value appreciation purposes as of 31 December, as the company is currently examining to which future utilisation the land plots are to be allocated. For this reason, these land plots were reclassified as of the reporting date to "investment property" with a carrying amount of kEUR 1,614. Given the short period since the purchase from third parties, the land plots' fair value corresponds to their reported carrying amount. The fair value of investment property is measured according to hierarchy Level 1 in the meaning of IFRS 13.

No indicators of potential impairment were identified. Accordingly, no impairment losses pursuant to IAS 36 were applied in the period under review.

4.2.1.4 Equity accounted investments

In September 2015, va-Q-tec AG acquired a non-controlling interest in Sumteq GmbH, Cologne, for kEUR 375, and raised it by a further kEUR 125 in November 2016. SUMTEQ is a young technology company, which is still research-oriented and develops innovative foams that are to be employed in the future as high-performance core materials for VIPs. The interest was increased in 2016, as contractually arranged, after SUMTEQ GmbH reached an important development milestone.

In July 2017, a convertible loan agreement was arranged between va-Q-tec AG, a further investor and SUMTEQ GmbH. According to the agreement, SUMTEQ can draw down kEUR 450 of loans from va-Q-tec AG. In return, va-Q-tec AG is entitled to waive the repayment of the loan amount and to instead receive further shares in SUMTEQ on reduced terms. As of 31 December 2017, SUMTEQ had not yet drawn down any loans from the shareholders. The section "Other financial obligations" presents further information about the convertible loan agreement.

The following table summarises the financial information for SUMTEQ, adjusted for fair value on the respective acquisition date, and extrapolating the effects to the reporting date. The table also provides a reconciliation of the summarised financial information with the reported carrying amount of the va-Q-tec interest in SUMTEQ. The information in the table that is presented includes the results of SUMTEQ for the 2017 financial year as well as for the comparable 2016 period.

Financial information for SUMTEQ GmbH

kEUR	**31/12/2017**	31/12/2016
Non-current assets	1,402	1,497
Current assets	72	382
Non-current liabilities	-420	-449
Current liabilities	-196	-146
Net assets (100 %)	**858**	**1,284**
Group share of net assets (18.5 %; previous year: 18.5 %)	159	238
Goodwill	198	198
Carrying amount of equity accounted investments	**357**	**436**

Financial information for SUMTEQ GmbH

kEUR	**2017**	2016
Revenues	132	64
Net result for the period	-426	-320
Other comprehensive income	-	-
Total comprehensive income (100 %)	**-426**	**-320**
Group share of total comprehensive income (18.5 %)	**-79**	**-59**

4.2.1.5 Other non-current and current financial assets

Other financial assets

kEUR	Non-current	Current	**Balance on 31/12/2017**
Fixed term deposits (6-12 months)	-	9,000	9,000
Suppliers with debit balances	-	33	33
Deposits	170	2	172
Miscellaneous	113	82	195
Group, total	**283**	**9,117**	**9,400**

Other financial assets

kEUR	Non-current	Current	**Balance on 31/12/2016**
Fixed term deposits (6-12 months)	-	30,000	30,000
Suppliers with debit balances	-	80	80
Deposits	64	1	65
Miscellaneous	3	103	106
Group, total	**67**	**30,184**	**30,251**

The other financial assets are neither overdue nor impaired. The term deposits relate to short-term money investments providing protection from penalty interest rates, with a term of between six and twelve months.

4.2.1.6 Other non-current and current non-financial assets

Other non-financial assets

kEUR	Non-current	Current	Balance on 31/12/2017
Advance payments on intangible assets	458	-	458
Advance payments on property, plant and equipment	1	-	1
Advance payments on inventories	-	12	12
VAT receivables	-	1,623	1,623
Advance payments and accrued income	175	306	481
Miscellaneous	-	163	163
Group, total	**634**	**2,105**	**2,739**

Other non-financial assets

kEUR	Non-current	Current	Balance on 31/12/2016
Advance payments on intangible assets	41	-	41
Advance payments on property, plant and equipment	-	-	-
Advance payments on inventories	-	1	1
VAT receivables	-	545	545
Advance payments and accrued income	194	171	365
Miscellaneous	-	31	31
Group, total	**235**	**748**	**983**

The other non-financial assets comprise mainly claims to reimbursement of energy tax as well as claims arising from customer relationships.

4.2.1.7 Inventories

The level of inventories rose by kEUR 3,258 overall (previous year: kEUR 1,107) thanks to the higher level of business activity at va-Q-tec.

Inventories

kEUR	31/12/2017	31/12/2016
Raw materials and supplies	4,994	2,603
Work in progress	307	233
Finished products and goods	3,641	2,848
Group, total	**8,942**	**5,684**

Inventories as of 31 December 2017 include kEUR 356 of impairment losses (previous year: kEUR 292). All of the changes in valuation allowances were recognised in profit or loss under changes in inventories. No reversals of valuation allowances were applied in either the reporting year or the previous year. The carrying amount of inventories recognised at net realisable value stands at kEUR 912 as of 31 December 2017 (previous year: kEUR 586).

Inventories of the parent company in an amount of kEUR 8,827 (previous year: kEUR 5,621) served as collateral assigned for a multi-bank loan arranged in 2016. For more information about the multibank loan, please refer to the notes on bank borrowings (section 4.2.2.3).

4.2.1.8 Trade receivables

Where a risk of default relates to a customer, specific valuation allowances are applied. The respective business unit head assesses the risk level on the basis of an analysis of specific cases.

Changes in valuation allowances to trade receiveables

kEUR	**2017**	2016
Balance at 1 January	**31**	**40**
Consumption	-	-
Release	-	-9
Addition	15	-
Balance at 31 December	**46**	**31**

Trade receivables in an amount of kEUR 4,644 (previous year: kEUR 4,273) served as a global assignment of collateral for a multi-bank loan arranged in 2016. For more information about the multibank loan, please refer to the notes on bank borrowings (section 4.2.2.3).

For further information about the trade receivables, please refer to the remarks concerning financial instruments (section 4.4) and risk management (section 4.6).

4.2.1.9 Cash and cash equivalents

The cash and cash equivalents comprise cash balances as well as cash accounts and short-term deposits at banks that had a remaining term of up to three months on addition.

kEUR	**31/12/2017**	31/12/2016
Current account balances	5,189	2,599
Savings account balances	10	2,000
Cash balances	2	1
Group, total	**5,201**	**4,600**

4.2.2 Equity and liabilities

4.2.2.1 Equity

The consolidated statement of changes in equity provides a separate presentation of the changes in equity and comprehensive income. The components of comprehensive income are presented on an aggregated basis in the statement of comprehensive income.

Issued share capital

The share capital of the parent entity va-Q-tec AG is reported as the issued share capital in the consolidated financial statements. The share capital of va-Q-tec AG amounts to kEUR 13,090 and is divided into 13,089,502 ordinary no par registered shares. The share capital is fully paid in. The shares are listed in the "Prime Standard" stock market segment of the Frankfurt Stock Exchange. All of the shares carry the same rights and obligations. Each share grants one vote at the general meeting of shareholders. Exceptions to this are shares that the company itself holds (treasury shares), from which no rights accrue to va-Q-tec AG, such as the right to vote at the general meeting of shareholders. As of the balance sheet date, va-Q-tec AG held 13,566 treasury shares. For this reason, the company's issued capital amounts to 13,075,936 shares as of the balance sheet date.

	Number of shares	Nominal value in EUR
Ordinary shares	13,089,502	13,090
Balance on 31/12/2017	**13,089,502**	**13,090**
Ordinary shares	13,089,502	13,090
Balance on 31/12/2016	**13,089,502**	**13,090**

Approved share capital

Based on an AGM resolution of 31 May 2016, the Management Board is authorised to increase the share capital, with Supervisory Board assent, once or on several occasions until 30 May 2021 against cash and/or non-cash capital contributions by a total of up to kEUR 4,278, whereby shareholders' subscription rights can be excluded.

Contingent capital

The company's share capital was unchanged in 2017. The contingent capital serves to grant shares on the exercise of conversion and warrant rights, or in the satisfaction of conversion or warrant obligations, to the holders or creditors of convertible bonds, bonds with warrants, participation rights and/or participation bonds, or a combination of such instruments, based on the authorisation resolution of the AGM of 31 May 2016. An increase in the share capital from the contingent capital was not implemented in 2017.

Treasury shares

Treasury shares in 2017 reduced by 120,900 shares, from 134,466 shares as of 31 December 2016, as in February (18,790 shares) and October (109,610 shares) the exercising of employee stock options occurred, which va-Q-tec AG settled through transfer of its treasury shares. This was offset by the repurchase of shares in February (7,500 shares). As a consequence, the number of treasury shares amounts to 13,566 shares as of 31 December 2017.

Additional paid-in capital

Additional paid-in capital mainly comprises shareholders' cash and non-cash capital contributions. Additional paid-in capital reduced by a total of kEUR 509 to kEUR 46,158 in 2017 (previous year: kEUR 46,666). The change arises from the transfer of shares to employees as part of the stock option program.

Consolidated total other comprehensive income

Consolidated total other comprehensive income includes the reserve arising from the foreign currency translation of the foreign subsidiaries' financial statements.

Retained earnings
Retained earnings mainly comprise cumulative profits carried forward, differential amounts arising from the first-time application of IFRS, and the share of periodic consolidated earnings that is attributable to the owners of va-Q-tec AG.

4.2.2.2 Non-current and current provisions

Provisions

kEUR	Warranties	Archiving	Litigation costs	Other	Total
Balance on 01.01.2017	-	13	26	16	55
Addition	-	4	25	35	64
Utilisation	-	-	26	12	38
Release	-	-	-	4	4
Balance on 31/12/2017	**-**	**17**	**25**	**35**	**77**
Non-current	**-**	**17**	**-**	**22**	**39**
Current	**-**	**-**	**25**	**13**	**38**

Provisions

kEUR	Warranties	Archiving	Litigation costs	Other	Total
Balance on 01.01.2016	25	17	17	64	123
Addition	-	-	23	12	35
Utilisation	-	-	6	-	6
Release	25	4	8	60	97
Balance on 31/12/2016	**-**	**13**	**26**	**16**	**55**
Non-current	**-**	**13**	**-**	**4**	**17**
Current	**-**	**-**	**26**	**12**	**38**

Provisions for litigation costs include the expected costs from both current and pending litigation. The other provisions are mainly provisions for pending losses arising from sales of products to customers where such sales have failed to cover their costs, and provisions for open services by suppliers.

The company refrained from discounting non-current provisions for reasons of materiality.

4.2.2.3 Non-current and current bank borrowings

The bank borrowings consist of long-term investment loans to finance land, buildings and plants, and short-term current account overdrafts to finance current assets.

Non-current investment loans are subject to covenants relating to the gearing and equity ratio of va-Q-tec AG and of the Group. They are secured through land charges and the collateral assignment of machinery and fixtures. The long-term loans have remaining terms of up to 10 years. The risk arising from variable-interest loans was hedged through interest-rate swaps, as in the past. Hedge accounting according to IAS 39 is not applied in this context.

A multibank agreement was concluded with the existing house banks in September 2016, which bundles and expands the existing overdrafts and creates a unified and scalable facility for the short-term financing of current assets. This financing facility amounts to kEUR 11,000 and covers the overdrafts of both the parent company and the UK subsidiary. The contract currently expires as of 31 March 2018. The renegotiation, which is in an advanced stage, should have been concluded by then, taking into consideration the changed capital base after the IPO. The current multi-bank agreement also includes a collateral trust agreement, agreeing both a collateral assignment of receivables of va-Q-tec AG as well as a global assignment of the trade receivables to the banking syndicate. Trade receivables affected by factoring and due from specific major customers are excluded from the global assignment as well as receivables from sponsorship and research projects. The draft version of the new multi-bank agreement no longer includes any collateral requirements, for example. Instead, the compliance with certain covenants by va-Q-tec AG is under consideration.

4.2.2.4 Other non-current and current financial liabilities

Financial liabilities

kEUR	Non-current	Current	**Balance on 31/12/2017**
Finance leases	3,793	3,323	7,116
Derivative financial instruments	52	-	52
Deferred liabilities for outstanding invoices	-	2,573	2,573
Accrued liability for financial auditors	-	233	233
Debtors with credit balance	-	32	32
Miscellaneous	104	346	450
Group, total	**3,949**	**6,507**	**10,456**

Financial liabilities

kEUR	Non-current	Current	Balance on 31/12/2016
Finance leases	3,926	3,951	7,877
Dormant investment	80	-	80
Derivative financial instruments	-	1,579	1,579
Factoring	-	186	186
Deferred liabilities for outstanding invoices	-	42	42
Miscellaneous	6	33	39
Group, total	**4,012**	**5,791**	**9,803**

The lease liabilities arise from property, plant and equipment capitalised by way of a finance lease. These primarily concern leases to finance the UK subsidiary's container fleet assets, which are financed chiefly through sale-and-finance-leaseback transactions, as well as production plants at the locations in Kölleda and Würzburg. The leased assets are reported under non-current assets.

The table below presents the lease payments due in the future, with their present values.

31/12/2017 kEUR	Future minimum lease payments	Interest	Present value (finance lease liabilities)
up to one year	3,612	288	3,324
longer than one year and up to five years	4,042	249	3,793
over five years	-	-	-
Total minimum lease payments	**7,654**	**537**	**7,117**

31/12/2016 kEUR	Future minimum lease payments	Interest	Present value (finance lease liabilities)
up to one year	4,444	493	3,951
longer than one year and up to five years	4,222	296	3,926
over five years	-	-	-
Total minimum lease payments	**8,666**	**789**	**7,877**

The derivative financial instruments position includes the negative market values from interest-rate swaps to hedge variable-interest non-current bank borrowings in an amount of kEUR 52 (previous year: kEUR 80).

4.2.2.5 Other non-current and current non-financial liabilities

Non-financial liabilities

kEUR	Non-current	Current	**Balance on 31/12/2017**
Special item for grants	3,560	423	3,983
Special item for deferred container profits	4,878	2,272	7,150
Employee bonuses	-	415	415
Liabilities from other taxes	-	163	163
Prepayments received for orders	-	271	271
Liabilities for unutilised vacation	-	219	219
VAT liabilities	-	10	10
Miscellaneous other non-financial liabilities	-	392	392
Other personnel liabilities	-	267	267
Social security liabilities	-	76	76
Miscellaneous	-	49	49
Group, total	**8,438**	**4,165**	**12,603**

Other non-financial liabilities

kEUR	Non-current	Current	**Balance on 31/12/2016**
Special item for grants	3,164	456	3,620
Special item for deferred container profits	3,987	1,556	5,543
Employee bonuses	-	345	345
Liabilities from other taxes	-	76	76
Prepayments received for orders	-	146	146
Liabilities for unutilised vacation	-	264	264
VAT liabilities	-	1	1
Miscellaneous other non-financial liabilities	-	230	230
Other personnel liabilities	-	167	167
Social security liabilities	-	14	14
Miscellaneous	-	49	49
Group, total	**7,151**	**3,074**	**10,225**

Government grants
In 2017, the company received an investment grant of kEUR 795 from the Government of Lower Franconia to invest in the new site at Würzburg. A further grant of kEUR 838 has already been approved for 2018. The investment grants serve the construction investments, machinery and facilities as well as the overall investment of the building in Würzburg newly acquired in 2017. These grants do not need to be repaid as long as the conditions are complied with, as expected.

Special item for grants

EUR	**2017**	2016
Balance at 1 January	3,620	4,054
Addition	795	-
Release	432	434
Neutral release	-	-
Balance at 31 December	**3,983**	**3,620**
- of which non-current	3,560	3,164
- of which current	423	456

Deferred income from sale-and-finance-leaseback transactions
In 2017, containers worth kEUR 6,726 (previous year: kEUR 4,087), employed as part of the container fleet, were sold via sale-and-finance-leaseback transactions. The significant increase in lease financing arises from greater demand in the container service business in 2017 and the resultant additions to the fleet. Profit margins in excess of manufacturing costs arising from the sale of containers are recognised as deferred income under liabilities (special item for deferred container profits). This deferred income will be released to other operating income over the containers' respective five-year useful life.

4.2.2.6 Trade payables

Trade payables are recognised at amortised cost. Their recognised values essentially correspond to their market values; they are due within one year.

4.3 CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow statement shows how the cash position has changed at va-Q-tec over the course of the reporting year due to cash inflows and outflows. Pursuant to IAS 7 (Statement of Cash Flows), a distinction is drawn between cash flows from operating, investing and financing activities. The change in liquid assets due to changes in exchange rates is presented separately.

The cash and cash equivalents in the cash flow statement comprise all cash positions reported on the statement of financial position, as well as cash accounts and short-term deposits at banks that have a remaining term of up to three months on addition, are subject to only minor value fluctuations, and their availability is not restricted.

The cash inflows and outflows from investing and financing activities are presented in accordance with the direct method. The cash inflows and cash outflows from investing activities in the current business comprise not only additions to intangible assets, disposals and additions to property, plant and equipment, but also the release of most of the term deposits with a term of between six and twelve months, which in the previous year reflected the investment of the IPO proceeds, as they were utilised to finance the capital expenditures. Financing activities include cash inflows from real estate financing and cash outflows from the repayment of bank borrowings, as well as outgoing payments for finance leases. Cash inflows from sale-and-finance-leaseback transactions as well as investment allowances and grants received are shown within separate items within cash flows from financing activities.

By contrast, cash inflows and cash outflows from operating activities are derived indirectly, starting from the consolidated net profit. To this end, the consolidated net profit is adjusted to reflect non-cash expenses and income, primarily depreciation, amortisation, impairment losses, deferred tax, the release of special items, the measurement of financial instruments, the fair value measurement of the assumed loan, and changes in provisions. These adjustments are supplemented by changes in other assets and liabilities, as well as working capital.

Investing and financing processes that have not resulted in a change in cash and cash equivalents are not reflected in the cash flow statement.

	Carrying amount 31/12/2016	cash transactions	non-cash transactions			Carrying amount 31/12/2017
kEUR			currency translation	change in valuation	other	
Bank borrowings	7,583	351	-	-	6,170	14,104
Finance lease liabilities	7,877	-760	-	-	-	7,117
Financial liabilities	15,460	-409	-	-	6,170	21,221

The other changes are attributable to the assumption of an existing loan liability in an amount of kEUR 6,170 in connection with the acquisition of the land plot complex in Würzburg (non-cash).

4.4 FINANCIAL INSTRUMENTS

The following table presents financial instruments with their carrying amounts and fair values, analysed by IAS 39 measurement categories. All of the fair values are allocated to one of the measurement levels of the fair value hierarchy. Where no corresponding allocation has occurred, it is assumed that the carrying amount corresponds to fair value. This relates mainly to trade receivables, cash and cash equivalents, miscellaneous current financial assets, trade payables and miscellaneous current financial liabilities, all of which have short remaining terms.

Section 1.2 "Basis of preparation of the financial statements" provides a definition of the fair value hierarchy levels. All allocations to levels are reviewed at the end of the reporting period. No reclassifications between levels occurred in either the reporting year or the previous year.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Values by measurement categories 2017

	Measu-rement category as per IAS 39 / IAS 17	Carrying amount		Fair value	of which: fair value		
		Amortized costs	Fair value				
kEUR		31/12/2017	31/12/2017	31/12/2017	Level 1	Level 2	Stufe 3
Financial Assets							
Trade accounts receivables	LaR	8,005		8,005			
Other financial assets							
of which: held to maturity	HtM	9,115		9,115			
of which: miscellaneous financial assets	LaR	286		286			
Cash and cash equivalents	LaR	5,201		5,201			
Total		**22,607**		**22,607**			
Financial liabilities							
Bank borrowings	FLAC	14,104		14,320		14,320	
Trade payables	FLAC	5,244		5,244			
Other financial liabilities							
of which: finance lease liabilities	IAS 17	7,117		7,338		7,338	
of which: derivative financial instruments without hedging relationship	FVtPL		52	52		52	
of which: miscellaneous other financial liabilities	FLAC	3,287		3,260		3,260	
Total		**29,752**	**52**	**30,214**			

Of which aggregated by measurement category as per IAS 39

kEUR		Carrying amount	Fair value
Loans and Receivables	LaR	13,492	13,492
Held to Maturity	HtM	9,115	9,115
Financial liabilities measured at amortised cost	FLAC	22,635	22,824
At fair value through P&L (liability)	FVtPL	52	52

Values by measurement categories 2016

	Measurement category as per IAS 39 / IAS 17	Carrying amount		Fair value	of which: fair value		
		Amortized costs	Fair value				
kEUR		31/12/2016	31/12/2016	31/12/2016	Level 1	Level 2	Level 3
Financial Assets							
Trade accounts receivables	LaR	7,142		7,142			
Other financial assets							
of which: held to maturity	HtM	30,000		30,000			
of which: miscellaneous financial assets	LaR	251		251			
Cash and cash equivalents	LaR	4,600		4,600			
Total		**41,993**		**41,993**			
Financial liabilities							
Bank borrowings	FLAC	7,583		7,583		7,583	
Trade payables	FLAC	2,347		2,347			
Other financial liabilities							
of which: finance lease liabilities	IAS 17	7,877		8,361		8,361	
of which: derivative financial instruments without hedging relationship	FVtPL		80	80		80	
of which: miscellaneous other financial liabilities	FLAC	1,847		1,847		1,847	
Total		**19,654**	**80**	**20,218**			

Of which aggregated by measurement category as per IAS 39

kEUR		Carrying amount	Fair value
Loans and Receivables	LaR	11,993	11,993
At fair value through P&L (aktiv)	FVtPL	30,000	30,000
Financial liabilities measured at amortised cost	FLAC	11,777	11,777
At fair value through P&L (passiv)	FVtPL	80	80

The fair value of Level 2 interest-bearing bank borrowings and finance lease liabilities is derived as the present value of the expected future cash flows. Discounting is applied on the basis of interest rates prevailing on the reporting date. In the case of variable interest liabilities, the carrying amounts generally correspond to fair values.

The fair value of Level 2 interest-rate swaps is calculated by discounting expected future cash flows on the basis of market interest rates valid on the respective reporting date for the contracts' remaining terms.

4.5 NET RESULT FROM FINANCIAL INSTRUMENTS

The net result relating to financial instruments as presented in the consolidated income statement is composed as follows:

2017 net results from

Measurement category as per IAS 39 / IAS 17	Interest income	Interest expense	Impairment losses	Subsequent fair value measurement	Currency translation
LaR	-	-	-	-	405
FVtPL	-	-	-	27	-
FLAC	360	-377	-	-	-45
IAS 17	-	-523	-	-	-
other	-	-	-	-	-5
Total	**360**	**-900**	**-**	**27**	**-455**

2016 net results from

Measurement category as per IAS 39 / IAS 17	Interest income	Interest expense	Impairment losses	Subsequent fair value measurement	Currency translation
LaR	-	-	-	4	-49
FVtPL	-	-	-	-	-
FLAC	-	-462	-	-388	-1
IAS 17	-	-772	-	-	-
other	-	-	-	-	-
Total	**-**	**-1,234**	**-**	**-384**	**-50**

4.6 RISK MANAGEMENT

As a company active internationally, va-Q-tec is exposed to credit, liquidity, and market risks during the course of its ordinary business activities. Market risks particularly result from changes to exchange rates and interest rates. Financial risk management measures are designed to manage and limit these market risks within the scope of operating and financial activities. Depending on the risk assessment, derivative hedging instruments are deployed, although generally only cash flow risks are hedged. Derivative financial instruments are used for operational hedging purposes, and are consequently not held for trading. Hedge accounting according to IAS 39 is not applied in this context. To reduce default risk, hedging transactions are entered into only with financial institutions with excellent credit ratings.

The basic principles of the financial policy are regularly controlled by the Management Board and monitored by the Supervisory Board.

Credit risks
Credit risk is the risk that business partners will not be able to meet their contractual obligations, and that the va-Q-tec Group will incur a financial loss as a consequence. In the course of its operating activities, the Group is exposed to default risk, especially in the case of trade receivables, as well as risks as part of its financing activities, including its derivative financial instruments.

The credit risk from trade receivables is managed at the company level (i.e. locally), and monitored constantly. Identifiable default risks applying to financial assets are reflected through impairment losses.

The maximum credit risk on the financial assets (including derivatives with positive market values) corresponds to the carrying amount recognised on the statement of financial position. The maximum credit risk stood at kEUR 17,405 as of the 31 December 2017 reporting date (previous year: kEUR 37,392). Due to the investments realised in the financial year under review, the reported credit risk has reduced accordingly, as most of the short-term deposits acquired in the previous year were utilised for the investments. The acquired short term deposits position amounted to kEUR 9,000 as of the financial year-end (previous year: kEUR 30,000).

The age structure of trade receivables to which no individual valuation allowances have been applied is displayed in the following table:

Trade receivables

EUR	**31/12/2017**	31/12/2016
Not overdue	5,341	5,307
Less than 30 days	1,486	1,104
30-90 days	806	558
91-360 days	364	92
More than 360 days	3	75
Unimpaired receivables	**8,000**	**7,136**
Carrying amount of impaired receivables	**5**	**5**
Total	**8,005**	**7,141**

Unimpaired trade receivables showed no indications of requiring the application of an impairment loss. The recoverability of receivables that are neither overdue nor impaired is regarded as very high. This assessment is due, above all, to the long-standing business relationships with most buyers, and our customers' credit ratings. The other financial assets are neither overdue nor impaired.

Due to the relatively high concentration of sales revenue on a few major customers, the sales function focuses to a great extent on acquiring new customers in all market areas addressed by va-Q-tec.

Liquidity risks

Liquidity risk i.e. the risk that va-Q-tec is unable to meet its financial obligations, is limited through the creation of the requisite financial flexibility, and through an effective cash management system. To manage its future liquidity position, va-Q-tec employs corresponding liquidity planning instruments. No liquidity bottlenecks were identifiable as of the reporting date. Unutilised overdraft lines existed were available to a sufficient extent.

Specific liquidity risks for the Group arise from the relatively high proportion of individual major customers with which no long-term contracts exist, and such customers' theoretical default risks or risks of departure, as well as from potential repayment obligations to banks given non-compliance with covenants, and in relation to subsidy institutions given non-compliance with subsidy terms. The management steers these potential liquidity risks through targeted commercial, financial and organisational measures.

The following lists show the contractually agreed, undiscounted interest and principal payments for the non-derivative and derivative financial liabilities as per IFRS 7. If the maturity date is not fixed, the liability is related to the earliest due date. Interest payments with variable interest yield are taken into account according to the terms applicable as of the reporting date. We mainly assume that the cash outflows will not occur earlier than shown.

The following table includes the repayment amount (including assumed future interest payments to be rendered) at the respective stated maturity date:

2017 | Repayment amounts on respective due date

kEUR	Bank borrowings	Other financial liabilities: Finance lease liabilities	Other financial liabilities: Derivative financial instruments	Other financial liabilities: Miscellaneous other financial liabilities	Trade payables	Total
2018	3,186	3,612	23	3,184	5,244	**15,249**
2019	1,251	1,429	18	103	-	**2,801**
2020	1,238	1,216	12	-	-	**2,466**
2021	1,150	872	6	-	-	**2,028**
2022	872	524	1	-	-	**1,397**
2023 and after	8,029	-	-	-	-	**8,029**
Total 31/12/2017	**15,726**	**7,653**	**60**	**3,287**	**5,244**	**31,970**

2016 | Repayment amounts on respective due date

kEUR	Bank borrowings	Other financial liabilities: Finance lease liabilities	Other financial liabilities: Derivative financial instruments	Other financial liabilities: Miscellaneous other financial liabilities	Trade payables	Total
2017	5,533	4,443	29	1,847	2,347	**14,199**
2018	567	2,885	23	6	-	**3,481**
2019	554	703	17	-	-	**1,274**
2020	540	489	11	-	-	**1,040**
2021	491	146	5	-	-	**642**
2022 and after	138	-	1	-	-	**139**
Total 31/12/2016	**7,823**	**8,666**	**86**	**1,853**	**2,347**	**20,775**

Collateral in the form of land charges on land and buildings at the Kölleda site and at the new headquarters in Würzburg, a collateral assignment of machinery and installation items, as well as collateral for finance leases in the form of production plants exist for va-Q-tec loans and bank overdrafts utilised as of the reporting date. Above and beyond this, the UK subsidiary's containers, which are leased as part of the container fleet, are assigned as collateral for finance leases. The overdrafts drawn down on the reporting date are collateralised by a global assignment of a trade receivables (except receivables covered by factoring and receivables from sponsorship and research projects) as well as a collateral assignment of inventories at the Würzburg site.

Currency risks

Foreign currency exchange rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in foreign currency exchange rates. va-Q-tec is exposed to this risk mainly from its operating activities (if revenues and/or expenses denominated in a currency differing from the functional currency of the respective Group company). Where financially feasible, va-Q-tec hedges its significant exchange rate risks by employing forward currency transactions. The hedging of value fluctuations of future cash flows from expected transactions involves planned costs denominated in foreign currency. Differences caused by exchange rates when financial statements are translated into the Group currency are not taken into consideration.

For the disclosure of market risks, IFRS 7 requires sensitivity analyses that show how changes to relevant risk variables (e.g. exchange rates, interest rates) might affect earnings and equity. To gauge periodic effects, a potential change in the risk variables is applied to the financial instruments position on the reporting date. This approach assumes that this year-end position is a representative for the financial year concerned.

The following sensitivity analysis is based on the USD, the GBP and the KRW (for the first time in 2016) as the significant foreign currencies for the va-Q-tec Group. The analysis is based on the status as of 31 December 2017 of the positions of receivables, liquid assets and liabilities denominated in USD, GBP and KRW. Effects on consolidated results and equity were calculated that are derived from the simulated USD, GBP and KRW exchange rates as of the reporting date.

The following currency scenarios arise: If the value of the USD had been 10% higher against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 208 (previous year: kEUR 149) higher, and consolidated equity would have been kEUR 208 (previous year: kEUR 149) higher. If the value of the USD had been 10% lower against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 208 (previous year: kEUR 149) lower, and consolidated equity would have been kEUR 208 (previous year: kEUR 149) lower. If the value of the GBP had been 10% higher against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 107 (previous year: kEUR 7) higher, and consolidated equity would have been kEUR 107 (previous year: kEUR 7) higher. If the value of the GBP had been 10% lower against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 107 (previous year: kEUR 7) lower, and consolidated equity would have been kEUR 107 (previous year: kEUR 7) lower. If the value of the KRW had been 10% higher against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 22 (previous year: kEUR 12) higher, and consolidated equity would have been kEUR 22 (previous year: kEUR 12) higher. If the value of the KRW had been 10% lower against the EUR as of the reporting date, consolidated profit/loss would have been kEUR 22 (previous year: kEUR 12) lower, and consolidated equity would have been kEUR 22 (previous year: kEUR 12) lower.

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in market interest rates. The risk of fluctuations in market interest rates to which the Group is exposed results primarily from variable rate loans and overdrafts. The Group manages its interest rate risk in relation to financial liabilities through employing interest rate derivatives in the form of interest rate swaps for long-term loans, whereby no hedge accounting is applied.

Interest rate risks according to IFRS 7 are calculated by means of a sensitivity analysis. The following sensitivity analysis includes both the effects on the net interest result due to variable interest financial instruments existing on the respective reporting date, and the value changes of the interest-rate swaps that have been concluded. The effects of variable market interest rates on consolidated results in equity were calculated.

If the market interest rate level as of the reporting date had been 100 basis points higher, the consolidated profit/loss would have been kEUR 12 lower (previous year: kEUR 28 lower), and consolidated equity would have been kEUR 12 lower (previous year: kEUR 28 lower). If the market interest-rate level as of the reporting date had been 100 basis points lower, the consolidated profit/loss would have been kEUR 7 higher (previous year: kEUR 40 higher), and consolidated equity would have been kEUR 7 higher (previous year: kEUR 40 higher)..

Capital management
The primary objective of capital management at va-Q-tec is the continuous and long-term enhancement and growth of the company's value, and the securing of its liquidity. A high credit rating and a good equity ratio represent important building blocks to this end. The Group manages its capital structure and implements adjustments while taking changes in economic conditions into account.

va-Q-tec regularly monitors its capital on the basis of various key figures. The equity ratio represents an important key indicator in this context. The Management Board has set a minimum 40% equity ratio as the medium-term target. The equity ratio stood at 55% as of the balance sheet date (previous year: 64%), thereby in the 2017 financial year lying significantly above the target set by the Management Board. The high level of investments and requisite financing will lead to a marked reduction in the equity ratio in the coming years.

With the IPO and current account overdrafts available as part of the multibank agreement arranged in September 2016, va-Q-tec AG has created a solid liquidity basis for the next years' business planning.

In the 2017 financial year, financial liabilities of the parent company va-Q-tec AG in amount of kEUR 2,094 (previous year: kEUR 2,592) were subject to financial covenants relating to the separate and consolidated financial statements of va-Q-tec AG. The covenants require gearing in each case of less than 3.0x a specific EBITDA metric as defined by the banks, and an equity ratio of at least 40%. The covenants were met as of the previous year's balance sheet date. The parent company's overdrafts drawn down on the reporting date are collateralised by a global assignment of a trade receivables (except receivables covered by factoring) as well as a collateral assignment of inventories at the Würzburg site. Financial liabilities of va-Q-tec Ltd (UK) from finance leases of kEUR 5,729 as of 31 December 2017 (previous year: kEUR 5,669) have been subject to a covenant based on the separate financial statements of va-Q-tec Ltd (UK). This covenant requires equity as recognised on the balance sheet of at least kEUR 2,500 as of the balance sheet date. This covenant was met as of the balance sheet date, as in the previous year.

5 OTHER DISCLOSURES

5.1 SEGMENT INFORMATION

For the purpose of segment reporting, the activities of the va-Q-tec Group are separated by operating segments based on the regulations of IFRS 8 (Operating segments). The structure is based on internal management and reporting on the basis of legal entities. The va-Q-tec Group operates in the three reporting segments of "va-Q-tec AG", "va-Q-tec Ltd (UK)" and "Other".

The activities of the German and UK reporting segments are unchanged compared with the previous year. In the Other reporting segment, the two newly founded subsidiaries in Switzerland and Japan strengthen the local presence in the respective regions. A fulfilment centre (conditioning and cleaning of rental boxes) was opened in Switzerland in the 2017 reporting period. The Korean subsidiary renders purchasing services. Along with sales services, the US subsidiary is generating the first independent third-party sales revenues for the Group.

By contrast with the previous year, the reporting and reporting management of the individual segments at va-Q-tec is directly according to IFRS. Insofar they are material, the supply and service relationships between the reporting segments are presented on a consolidated basis.

Starting from the total sum of the reporting segments, intragroup transactions are eliminated in the "Consolidation" column, particularly taking into account effects from the sale-and-finance-leaseback transactions.

Segment reporting FY 2017

kEUR	va-Q-tec AG	va-Q-tec Ltd. (UK)	Other	Operating divisions, total	Consoli-dation	Group
	IFRS	IFRS	IFRS			
External revenue	32,613	13,987	326	46,926	-	46,926
Internal revenue	10,561	1,414	1,078	13,053	-13,053	-
Total sales revenue	43,174	15,401	1,404	59,979	-13,053	46,926
Total income	47,354	15,867	1,416	64,637	-7,190	57,447
Cost of materials and services	-20,615	-6,273	-152	-27,040	2,364	-24,676
Personnel expenses	-13,297	-2,044	-353	-15,694	78	-15,616
Other operating expenses	-7,702	-2,894	-897	-11,493	1,548	-9,945
EBITDA	**5,740**	**4,656**	**14**	**10,410**	**-3,200**	**7,210**
Depreciation, amortisation and impairment losses	-2,990	-4,908	-13	-7,911	383	-7,528
EBIT	**2,750**	**-252**	**1**	**2,499**	**-2,817**	**-318**
Result from equity accounted investments	**-**	**-**	**-**	**-**	**-79**	**-79**
Financial income	549	-	-	549	-162	387
Financial expenses	-354	-690	-18	-1,062	162	-900
EBT	**2,945**	**-942**	**-17**	**1,986**	**-2,896**	**-910**
FY 2017 invest-ments	25,400	16,467	216	42,083	-4,934	37,149
Assets 31/12/2017	90,718	24,742	934	116,394	-20,902	95,493
Non-current assets 31/12/2017	39,202	18,359	225	57,786	-1,499	56,287
Equity accounted investments	-	-	-	-	357	357
Liabilities 31/12/2017	26,239	21,049	714	48,002	-5,503	42,501
FY 2017 employees [1]	317	32	9	358	-	358

[1] The number of employees includes Management Board members and trainees (2017:17; previous year: 0)

Segment reporting FY 2016

kEUR	va-Q-tec AG IFRS	va-Q-tec Ltd. (UK) IFRS	Other IFRS	Operating divisions, total	Consoli-dation	Group
External revenue	27,991	11,613	12	39,616	-4,087	35,529
Internal revenue	1,233	946	711	2,890	-2,890	-
Total sales revenue	29,224	12,559	723	42,506	-6,977	35,529
Total income	33,578	12,559	726	46,863	-3,985	42,878
Cost of materials and services	-13,666	-5,591	-8	-19,265	1,940	-17,324
Personnel expenses	-10,014	-1,657	-266	-11,937	123	-11,815
Other operating expenses	-7,392	-1,950	-342	-9,684	1,162	-8,522
EBITDA	**2,506**	**3,361**	**110**	**5,977**	**-760**	**5,217**
Depreciation, amortisation and impairment losses	-2,093	-3,529	-6	-5,629	-11	-5,640
EBIT	**413**	**-168**	**103**	**348**	**-771**	**-423**
Result from equity accounted investments					-59	-59
Financial income	76	-	-	76	-72	4
Financial expenses	-850	-821	-24	-1,695	72	-1,623
EBT	**-361**	**-989**	**80**	**-1,270**	**-831**	**-2,101**
FY 2016 invest-ments	4,780	4,449	5	9,234	221	9,455
Assets 31/12/2016	76,904	16,734	462	94,100	-9,936	84,164
Non-current assets 31/12/2016	18,891	13,149	28	32,068	-216	31,852
Equity accounted investments					436	436
Liabilities 31/12/2016	14,685	13,521	519	28,725	1,503	30,228
FY 2016 employees	238	25	4	267	-	267

In the 2017 financial year, va-Q-tec AG had one customer accounting for more than 10% of total consolidated revenue. Sales revenues of kEUR 5,765 were generated with this customer.

In the 2016 financial year, va-Q-tec AG and va-Q-tec UK Ltd each had one customer whose share of revenue accounted for more than 10% of total consolidated revenue. The corresponding sales revenues amounted to kEUR 5,697 and kEUR 5,264.

The revenues are distributed geographically as follows:

kEUR	**2017**	2016
Germany	15,386	11,183
Rest of European Union	15,949	13,439
Other EU countries	15,591	10,907
Group, total	**46,926**	**35,529**

The allocation of revenues with external customers to a geographic region is based on the customer's location. The geographic allocation of non-current assets is based on the domicile of the asset's owner, and is shown in the segment reporting according to legal entities presented above.

The allocation of revenues to Products, Systems and Services is as follows: Sales revenues of kEUR 18,031 (previous year: kEUR 11,287) were generated with product (vacuum insulation panels and individually sold heating storage components) in the financial year under review. The Group generated kEUR 10,820 of sales revenue with systems (thermal packaging and related components) in the reporting year (previous year: kEUR 10,426). Sales revenues of kEUR 17,366 were generated from services in the financial year under review (previous year: kEUR 13,189). Other sales revenues amounted to kEUR 709 in the financial year (previous year: kEUR 626).

5.2 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations exist deriving mainly from acceptance obligations, the construction stage in Würzburg and Kölleda, as well as marketing costs, operating leases for IT equipment and company vehicles, as well as from rental obligations for buildings. Furthermore, the obligation to grant a loan to the associated company SUMTEQ GmbH as part of a convertible loan agreement existed as of the reporting date. In July 2017, a convertible loan agreement was arranged between va-Q-tec AG, a further investor and SUMTEQ GmbH. According to the agreement, SUMTEQ can draw down kEUR 450 of loans from va-Q-tec AG. In return, va-Q-tec AG is entitled to waive the repayment of the loan amount and to receive further shares in SUMTEQ on reduced terms instead. As of 31 December 2017, SUMTEQ had not yet drawn down any loans from the shareholders.

The due dates of the other financial obligations are as follows::

Other financial liabilities (contingencies)

kEUR	**31/12/2017**	31/12/2016
Group, total	**12,793**	**1,398**
due within one year	10,720	844
due between one and five years	2,052	554
due after five years	21	-

The significant year-on-year increase is chiefly attributable to the acceptance obligations and the still-outstanding works in connection with the renovation of the property in Würzburg and the new construction in Kölleda as well as the convertible loan agreement with SUMTEQ GmbH. Moreover, a bill guarantee line in an amount of kEUR 24 exists with Commerzbank AG, under which va-Q-tec AG is liable for lending to third parties.

The stock option program for va-Q-tec staff announced in December 2017, which includes the rendering of part of the price paid for demonstrably purchased va-Q-tec shares, also led to a slight scope of contingent liabilities.

5.3 SHARE-BASED PAYMENT

In 2013, va-Q-tec had set up a virtual option program with a total volume of up to 188,591 virtual options (377,182 after the share split). The company had the unilateral right to settle the virtual options either through equity instruments or cash. va-Q-tec recognised the virtual option program as equity-settled share-based payment.

In January 2016, two senior staff members were awarded a total of 47,148 (after the share split: 94,296) virtual options with an exercise price of EUR 7.73 (after the share split: EUR 3.87) from the existing option program. The fair value on the grant date was calculated applying a standard option valuation model (Black Scholes). This assumed a share price of EUR 19.66 (after the share split: EUR 9.83), a term of four years, a yield rate of 0%, a congruent-maturity risk-free rate of -0.2% and the volatility of 25%. This volatility was assumed in light of the historical revenue and earnings trend and the still-early development stage of va-Q-tec. The calculation generated a fair value of EUR 11.93 (after the share split: EUR 5.97) per option. Of the options allocated in January 2016, a total of 14,144 (after the share split: 28,288) were vested as of 31 December 2016 (previous year: 0), for which a personnel expense of EUR 168,796 was recognised in the period under review.

In the 2013 financial year, initially just one key management member was allocated 94,296 (after the share split: 188,592) virtual options with an exercise price of EUR 7.73 (after the share split: EUR 3.87) from the option program. The fair value on the grant date was calculated applying a standard option valuation model (Black Scholes). This assumed a share price of EUR 1.44 (after the share split: EUR 0.72), a term of three years, a yield rate of 5.0%, a congruent-maturity risk-free rate of 0.5% and the volatility of 25%. This volatility was assumed in light of the historical revenue and earnings trend and the still-early development stage of va-Q-tec. The calculation generated a fair value of zero euros per option. Accordingly, no expense was recognised over the accumulation period to date. One of the requisite exit events occurred with the implementation of the IPO in September 2016, making the options exercisable and also closing the option program.

As part of the first exercising of stock options that occurred in February 2017, 18,790 treasury shares were issued for all the exercisable options of the two senior employees. As of the end of the exercise period on 30 September 2017, all further still-outstanding stock options were served through issuing 109,610 treasury shares, so that no more options were outstanding as of 31 December 2017. Above and beyond the options allocated and vested up until this exit event, no further allocation of options will occur under this program. The options not allocated until this date and options not vested until this date lapse without replacement.

5.4 RELATED PARTIES

IAS 24 requires the disclosure of the existence of related companies, and transactions with and outstanding balances in relation to, related companies, if they are not already included as consolidated companies in the consolidated financial statements, as well as related individuals. va-Q-tec AG is the Group's ultimate parent entity.

As a matter of principle, key management personnel and their close relatives are regarded as related individuals at the va-Q-tec Group. Key management personnel comprised the members of the Management and Supervisory Boards of va-Q-tec AG, as well as the managing directors of the foreign subsidiaries in Korea and the UK.

Related companies within the va-Q-tec Group are regarded as those companies over which va-Q-tec AG, the Management and Supervisory Board members and their close family relatives, can at least exercise significant influence, or which, for their part, can exert significant influence over va-Q-tec. As shareholder with a 16.33% at the start of the financial year (previous year: 16.33% interest), Cleantech Europe II S.à.r.L., Luxembourg, still represented a related company with significant influence during the course of the year. Due to the reduction of the interest to less than 10.00% during the course of the financial year under review, however, the company is no longer a related company with significant influence as of the 31 December 2017 reporting date. As associate company of va-Q-tec, SUMTEQ GmbH, Cologne, is also a related company. As of the reporting date, no open receivables or payment obligations with related companies existed. No further equity investments in SUMTEQ GmbH were realised in the reporting period (previous year: kEUR 125). Concerning the credit commitment arising from the convertible loan to SUMTEQ GmbH, please refer to the remarks concerning contingent liabilities in section 5.2 and the events after the reporting date in section 5.5.

Key management personnel of the va-Q-tec Group

Management Board	
Dr. Joachim Kuhn	since 01/04/2001
Stefan Döhmen	since 01/07/2017
Dr. Roland Caps	until 30/06/2017
Christopher Hoffmann	until 31/12/2017

Supervisory Board	
Dr. Gerald Hommel Chairman	since 27/06/2014
Uwe Lamann Deputy Chairman	since 27/06/2014
Dr. Barbara Ooms-Gnauck	since 27/06/2014
Winfried Klar	since 20/03/2013
Uwe Krämer	since 01/10/2015
Dr. Eberhard Kroth	since 20/03/2013

Managing directors of the subsidiaries	
Insook Yoo – va-Q-tec Ltd. (Korea)	since 07/07/2011
Sven Larsen – va-Q-tec Ltd. (UK)	since 01/01/2017
Dominik Hyde – va-Q-tec Ltd. (UK)	until 23/06/2017
Kevin Smith – va-Q-tec Ltd. (UK)	from 01/01/2017 until 13/08/2017

Total compensation of key management members of the va-Q-tec Group

kEUR	**2017**	2016
Short-term employee benefits	1,333	1,068
Post-employment benefits	37	29
Total compensation of key management members of the va-Q-tec Group	**1,370**	**1,097**

Management Board compensation

kEUR	**2017**	2016
Short-term employee benefits	719	616
Post-employment benefits	21	22
Total Management Board compensation	**740**	**638**

Compensation totalling kEUR 740 was paid to the Management Board in 2017 (previous year: kEUR 638). This compensation consisted of basic compensation of kEUR 593 (previous year: kEUR 501), performance-based annual bonuses of kEUR 126 (previous year: kEUR 115) and contributions to the company's pension scheme. Defined contribution pension commitments have existed for the Management Board members since 2014. To this end, kEUR 21 (previous year: kEUR 22) was paid into an external reinsured pension fund in the year under review. A total of 94,296 (188,592 after the share split) stock options were granted to one Management Board member on 1 July 2013. These were fully vested as of 30 September 2016 and were exercised by the option beneficiaries on time before 30 September 2017.

As in the previous year, no advances or loans were extended to Management Board members in the year under review.

As of 31 December 2017, one member of the Management Board had a personal guarantee outstanding to the Thüringer Aufbaubank in an amount of kEUR 200 (previous year: kEUR 345). This guarantee was issued in 2011 without consideration being granted in return by va-Q-tec AG. The reduction in the scope of guarantees issued by Management Board members in 2017 is attributable to the departure of one Management Board member.

va-Q-tec does not disclose the total compensation of the individual Management Board members specifying their names, as Section 314 (3) Clause 1, 286 (5) of the German Commercial Code (HGB) makes this expressly subject to a differing AGM resolution with a qualified majority of the share capital represented at the resolution. The AGM of va-Q-tec AG on 31 May 2016 passed the corresponding resolution with the requisite majority.

Supervisory Board compensation
Compensation of kEUR 159 was granted to the Supervisory Board members for the 2017 financial year (previous year: kEUR 125). In both the previous year and in the year under review, compensation included only a short-term component, and consists of compensation for normal Supervisory Board activity and expenses. In addition, consultancy services in an amount of kEUR 27 (previous year: kEUR 75) were compensated, rendered especially as part of the acquisition and renovation a real estate and in connection with establishing the international business.

As of 31 December 2017, this Supervisory Board compensation generates kEUR 48 of payment obligations for the company (31 December 2016: kEUR 44).

As in the previous year, no advances or loans were extended to Supervisory Board members in the year under review.

Other transactions with related parties
In contrast with the previous year, in the 2017 financial year there were neither cost reimbursements as part of the IPO by management members or a significantly involved company, nor the contribution of non-controlling interests in the UK subsidiary by a key management member, nor other miscellaneous transactions with related parties.

5.5 EVENTS AFTER THE REPORTING DATE

In relation to the convertible loan agreement, which was concluded between va-Q-tec AG and SUMTEQ GmbH in July 2017, SUMTEQ drew down the first tranche of kEUR 300 in January 2018. If the contractual conditions are met, SUMTEQ GmbH is entitled to call down the second tranche of kEUR 150. The total loan sum, which is available for a twelve-month period, amounts to kEUR 450 according to the agreement.

Former Management Board member Christopher Hoffmann, who was most recently responsible for the international business development of va-Q-tec and was previously the CFO, left the company as of 31 December 2017.

With effect as of 28 March 2018, va-Q-tec AG renewed the EUR 11 million multi- bank agreement existing since September 2016 with its house banks on amended terms, thereby taking into account the changing the financial position since the IPO. After the discontinuation of the distribution block, one of the significant changes consists in the discontinuation of any collateralisation of the agreed lending facility. Compliance with certain covenants by the company has been agreed instead. Furthermore, approval and reporting obligations were reduced considerably and adjusted to those of a listed company. The UK subsidiary was released from joint liability.

In the first quarter of 2018, the European Patent Office awarded va-Q-tec an important and very far-reaching patent concerning vacuum insulation panels (VIPs) and phase change materials (PCMs). The patent is European Patent EP 2 876 389 B1, which is valid in significant European countries. This patent includes, for example, all products of the va-Q-tainer series enabling the transportation of temperature-sensitive goods in compliance with international regulations, especially for the pharmaceuticals and biotech industries. va-Q-tec AG assumes that various market participants with their container solutions will infringe the patent that has now been issued, and is examining taking legal steps to protect the technical lead position of va-Q-tec in the passive containers area.

5.6 AUDITOR'S FEES

The fees for the services of the auditor Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Jena, of kEUR 330 (previous year: kEUR 783) comprise the following amounts:

kEUR	**2017**	2016
Financial statements audit (of which previous years: 24)	189	355
Other certification services	-	375
Tax advisory services (of which previous years: -1)	12	25
Other services (of which previous years: 10)	129	28
Group, total	**330**	**783**

The decrease in auditor's fees in the 2017 financial year reflects a reduction in advisory services, which were incurred in the previous year as part of the IPO, mainly due to the preparation of a letter of comfort.

5.7 STATEMENT OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE / CORPORATE GOVERNANCE STATEMENT

va-Q-tec AG has published on its website at www.va-Q-tec.com within the Investor Relations area the corporate governance statement pursuant to Section 289f of the German Commercial Code (HGB) including the statement relating to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG).

https://ir.va-q-tec.com/websites/vaqtec/German/530/erklaerungen-und-dokumente.html

Würzburg, 9 April 2018

va-Q-tec AG
The Management Board

Dr. Joachim Kuhn   Stefan Döhmen

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Würzburg, 09 April 2018

Dr. Joachim Kuhn (Vorsitzender des Vorstands)	Stefan Döhmen (Finanzvorstand)

INDEPENDENT AUDITOR'S REPORT

To va-Q-tec AG, Würzburg

Report on the audit of the consolidated financial statements and the Group management report

Audit opinions

We have audited the consolidated financial statements of va-Q-tec AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of va-Q-tec AG for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements we have not audited the content of those parts of the Group management report listed in the appendix.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material aspects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks entailed in future development. Our audit opinion on the Group management report does not cover the content of the parts of the Group management report listed in the appendix.

Pursuant to Section 322 (3) Clause 1 HGB, we declare that our audit has not led to any reservations concerning the legal compliance of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In our view, the matters presented below were the most significant as part of our audit.

Recognition and measurement of the operating property acquired for the new corporate headquarters in Würzburg

- Significance for the consolidated financial statements

Pursuant to a notary purchase agreement dated 5 April 2017, va-Q-tec AG acquired, in proximity to its corporate headquarters at that time, a business property, which until then was being used mainly by the vendor, including office and manufacturing buildings standing thereon, with the transfer of ownership, benefits and encumbrances at the latest as of 1 May 2017. The portion of the purchase price not to be rendered in cash related contractually to the assumption of loans with which the property had been financed previously.

This property serves as the new corporate headquarters and was generally usable for va-Q-tec AG on transfer. The property did not correspond to the condition planned by the management for its intended utilisation as an administrative headquarters and production site. For this purpose, extensive renovation, modernisation and reconstruction measures (building costs) of EUR 7.7 million were budgeted to be required. These measures were, and are still being, implemented by way of construction stages. As the stages are completed, the various corporate divisions will move into the property. The construction measures had been completed on two construction stages as of the balance sheet date. Full utilisation of the property is planned by mid-2018.

The property was recognised under property, plant and equipment under the "land and buildings" item and, to the extent that completion had not yet occurred, under the item "plant under construction". The measurement is based on purchase costs plus ancillary purchase costs taking straight-line depreciation into account, applied from the date of usability and taking subsequent capitalisations into consideration. The purchase costs include the contractually agreed cash component, the loan liability as per the purchase agreement assumed at fair value measurement in accordance with IFRS, as well as the subsequent construction costs, including work performed by the company. The useful life as well as the benchmarks for the allocation of the purchase price to the individual assets are derived based on a valuation survey. As of the balance sheet date, the level of the construction costs to be capitalised under "plant under construction" for the construction works that had been started but not yet billed was calculated based on the extent of building work completed.

Overall, the capitalised carrying amounts for the aforementioned property stand at EUR 15.2 million as of 31 December 2017. The recognition on the balance sheet of the property is partly subject to uncertainty due to the scope for the Management Board members to exercise discretion in producing estimates. Given this, and due to the one-off nature and related value level, the aforementioned matter was particularly important for our audit.

- Our approach in the audit

To audit the recognition and measurement of the acquired operating property, we obtained a detailed explanation of the accounting approach and the related internal control system that had been established in this connection, and assessed it for propriety and reliability. We also gained certainty concerning the existence of the construction measures as recognised on the balance sheet by way of examination as part of the preliminary audit, as of the balance sheet date, and for the main audit. Based on varied random samples, we checked whether the intended approach was implemented in this manner, and whether the costs underlying the valuation are attestable. We critically evaluated the valuation survey that was utilised, and analysed whether it was fit to serve as the basis for the resultant accounting decisions derived from it. We analysed the deferred and accrued items as of the balance sheet date through comparing our knowledge gained from the respective inspection with the records submitted to us, as well as the notification concerning the status of construction, and examined these for plausibility.

- Our conclusions

Our audit procedures relating to the recognition and measurement of the acquired operating property at the new company headquarters in Würzburg showed that the accounting treatment in the consolidated financial statements was applied objectively, appropriately and in accordance with applicable accounting regulations.

Accounting treatment of the containers the company produces, rents and finances through sale-and-leaseback transactions

- Significance for the consolidated financial statements

va-Q-tec AG sells thermal containers it produces itself to various leasing companies in the UK both directly as part of sale-and-leaseback transactions and, since the 2017 financial year, also indirectly through its subsidiary VA-Q-TEC LIMITED (UK). At the same time, VA-Q-TEC LIMITED(UK) leases these containers back from the leasing companies before renting them short-term to various customers. On an economic observation and from the Group's perspective, the rental containers are consequently produced for the purpose of short-term rental to third parties. The purpose of the business with the leasing companies is to finance the expansion of the rental business through further containers. In the 2017 financial year, Group companies arranged EUR 6.7 million of new sale-and-finance-leaseback transactions for containers (previous year: EUR 4.1 million).

Selling containers to the leasing companies and at the same time leasing them back represents a sale-and-leaseback transaction in the meaning of IAS 17.58. In accounting terms and pursuant to IAS 17.60, the transactions are to be treated as a sale-and-finance-leaseback transaction where the leasing company provides the financing to the Group and the containers serve as collateral. Pursuant to IAS 17.59, a surplus of sales proceeds over the costs of production of the containers may not be recognised directly in profit or loss. For the purposes of recognition in the income statement, a gross presentation was selected where the sale of the containers is reflected through deferring the profit, and where the finance lease is recognised according to the general regulations of IAS 17. In consequence, this leads to a remeasurement of the containers at the lower of fair value or the present value of the minimum lease payments. In subsequent measurement, the transactions are recognised according to general IAS 17 accounting regulations for finance leases. The deferred profit is recognised in profit or loss straight-line over the agreed lease period of five years.

The accounting presentation of such transactions is subject to particular risk given the Group's business model, the level of such transactions in terms of their value, and the complexity of the adjustment bookings required for their appropriate recognition and deferral. The appropriate application of the accounting standards is complex and partly based on the Management Board members' estimates and assumptions. Understanding the accounting treatment of the aforementioned transactions requires corresponding disclosures to be made in the notes to the financial statements.

- Our approach in the audit

Our audit approach comprised auditing the systematic approach and the relevant internal controls as well as implementing extensive statement-based audit procedures (especially individual-case audits), primarily relating to the accounting of the sale-and-leaseback of the thermal containers, the classification as finance leasing, as well as the level of the resultant obligations, the deferral of the disposal gain, as well as the accompanying consistent accounting treatment in accordance with IAS 17. Through corresponding instructions to the component auditor, we also ensured consistent application of the audit procedures for VA-Q-TEC LIMITED (UK).

- Our conclusions

From our perspective, the recognition and measurement of items connected with such sale-and-finance-leaseback transactions are presented objectively and appropriately in the consolidated financial statements, taking into consideration the requisite disclosures in the notes to the financial statements.

Other information

The Management Board members are responsible for the other information. The other information comprises:

- The remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report and our auditor's report,
- Unaudited content of those parts of the Group management report listed in the appendix to the auditor's report,
- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- The confirmation pursuant to Section 297 (2) Clause 4 of the German Commercial Code (HGB) regarding the consolidated financial statements and the confirmation pursuant to Section 315 (1) Clause 5 HGB regarding the Group management report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management and Supervisory boards for the consolidated financial statements and the Group management report

The Management Board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board members are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board members are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems
- Evaluate the appropriateness of accounting policies used by the Management Board members and the reasonableness of estimates made by the Management Board members and related disclosures
- Conclude on the appropriateness of the Management Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with the legal provisions, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board members in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as Group auditor by the Annual General Meeting on 19 June 2017. We were engaged by the Supervisory Board on 26 October 2017. We have been the auditor of the separate annual financial statements of va-Q-tec AG since the 2011 financial year and of its consolidated financial statements since the 2014 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Rattler.

Jena, 9 April 2018

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Maaß	Rattler
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Appendix to the auditor's report: Parts of the Group management report whose contents are unaudited

We have not audited the content of the following parts of the Group management report:
- the Group statement on corporate governance included in section 1.7 of the Group management report.

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FINANCIAL CALENDAR

09/05/2018	Publication quarterly financial report (call-date Q1)
28/06/2018	Annual General Meeting
22/08/2018	Publication half-yearly financial report
14/11/2018	Publication quarterly financial report (call-date Q3)

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