

Quarterly statement | Q1 2020 (IFRS)



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1 ABOUT VA-Q-TEC

va-Q-tec is a pioneer in highly efficient products and solutions in the area of thermal insulation (super heat insulation) and temperature-controlled logistics (TempChain logistics). The company develops, produces and markets vacuum insulation panels (VIPs) as well as phase change materials (PCMs) for reliable and energy-efficient temperature controlling. In addition, va-Q-tec produces passive thermal packaging systems (containers and boxes) through optimally integrating VIPs and PCMs – these maintain constant inner temperatures, depending on type, for up to 240 hours without external energy input, irrespective of surrounding temperatures, whether extremely low, or high. In order to implement temperature-sensitive logistics chains, va-Q-tec – within a global partner network – operates a fleet of rental containers and boxes meeting high thermal protection standards, such as in the case of constant-temperature transports in the pharmaceuticals industry. Along with Healthcare & Logistics as the main market, va-Q-tec addresses the following further markets: Appliances & Food, Technics & Industry, Building and Mobility. The high-growth company, which was founded in 2001, is based in Würzburg, Germany.

Further information: www.va-q-tec.com

SIGNIFICANT EVENTS IN Q1 2020

- va-Q-tec reports strong revenue growth of +15% in Q1 2020; Q1 2020 revenues of EUR 17.6 million compared to EUR 15.2 million in Q1 2019 despite minor CoVid 19 effects
- The Services division (“Serviced Rental” of boxes and containers) made a strong contribution to the revenue trend with growth of +25%; the Systems business (thermal packaging) was very dynamic with an increase of +91%, while the Products business (sales of vacuum insulation panels) decreased by -28%, mainly due to CoVid 19 effects
- EBITDA Q1 2020 (+27%): EUR 2.8 million compared to EBITDA of EUR 2.2 million in Q1 2019; EBITDA margin improves from 13% in Q1 2019 to 14% in Q1 2020
- Healthcare sector strongly increased to 76% of revenues (Q1 2019: 60%); va-Q-tec thermo-container essential for temperature-controlled transport of CoVid-19 test kits
- Despite CoVid-19 effects in Q1 2020, moderate to medium growth still planned for this year – the forecast can thereby be confirmed

2 SIGNIFICANT EVENTS IN THE REPORTING PERIOD

The CoVid-19 crisis impressively demonstrates the importance of stable and secure supply chains. This is particularly true for the pharmaceutical industry: after all, the reliable transport of numerous drugs requires reliable transport solutions with stable temperatures. va-Q-tec generated 76 % of its revenues in Q1 2020 in the healthcare sector, and for the coming years continues to identify particularly great potential, especially in this sector, for TempChain logistics, i.e. safe transport solutions for temperature-sensitive products such as medications, test kits, vaccines etc. With its TempChain portfolio, va-Q-tec can precisely meet temperature stability requirements, thereby contributing significantly to product safety and quality.

With its temperature controlled transport solutions, va-Q-tec is actively contributing to the fight against the coronavirus: with the help of va-Q-tec solutions, several million Covid-19 test kits have already been shipped worldwide by air freight, e.g. from South Korea via Frankfurt to Brazil, and from Singapore to Mongolia or Sri Lanka. Treating ill people as quickly as possible in a targeted manner necessitates fast and reliable tests in large numbers, and worldwide. Test kits are scarce and therefore have to be transported in a thermally stable manner without quality or even product loss. Fast and safe transports by air freight are consequently necessary in order to deliver tests to where they are urgently needed. Many of the test kits may typically be transported at a maximum temperature of -20 °C. Thanks to their unique and patented technology, va-Q-tec rental containers are able to maintain a constant temperature between -15 °C and -25 °C for up to 10 days without energy supply, and are therefore particularly suitable for the safe transport of test kits.

Overall, business performance in the first quarter of 2020 was encouraging thanks to our highly sought-after product and service portfolio. The company dynamic revenue growth continued with a 15 % increase in revenue.

va-Q-tec's Services business, which comprises the container and box rental business for the transport of temperature sensitive goods mainly from the pharmaceutical and biotech sector, recorded an increase of 25 % to kEUR 8,152 in Q1 2020 compared to Q1 2019 (kEUR 6,535). Overall, va-Q-tec benefited from a significant expansion of its customer base. The expansion of the Services division will continue in the future and is considered a key growth factor for va-Q-tec.

In the Systems division (thermal packaging), revenues grew by 91 % year-on-year, from kEUR 2,491 to kEUR 4,761. Of particular significance for va-Q-tec in Q1 2020 was the major order from a leading Scandinavian pharmaceutical distributor and logistics company for several thousand thermal boxes based on va-Q-med® technology. For this order, the va-Q-tec applications team additionally adapted the boxes to customer requirements for this special application: in order to integrate the thermal packaging into local operating procedures and, above all, to be able to utilize it in the severe Scandinavian winters without problems, modifications had to be made to the thermal design. va-Q-med® technology ensures reliably constant temperatures during drug distribution, so that customers in Finland and Sweden receive temperature-sensitive drugs in top quality.

This order forms part of a growing number of last-mile projects in Germany (kohlpharma), Switzerland (Swiss Post), Singapore, and many other countries, and underscores the international recognition for va-Q-tec's thermal expertise and customized solutions. The "last mile" – the last mile from the wholesaler to the pharmacy, or from the (online) pharmacy directly to the patient – presents suppliers worldwide with major challenges. The TempChain required for drug logistics must be stringently adhered to and documented, in order to ensure that medications remain effective. va-Q-tec's innovative transport packaging offers a considerably safer, cost- and resource-saving alternative to conventional systems.

In the Products division (sale of vacuum insulation panels and phase change materials), revenues of kEUR 4,209 were down compared with the prior-year basis (previous year: kEUR 5,832). Firstly, CoVid-19-related production interruptions in customers' production plants towards the end of Q1 2020 had a negative impact on va-Q-tec's business. Secondly, since 2019 va Q-tec's customers have been experiencing increasing competitive pressure from Asia and Eastern Europe in their consumer markets for refrigerators and freezers. Accordingly, revenues in this division fell more sharply than planned at the start of the year. In the second half of 2020, va-Q-tec expects catch-up effects in the sale of vacuum insulation panels, but does not expect a return to the previous year's level.

Compared to the same quarter of the previous year, earnings before interest, tax, depreciation and amortization (EBITDA) increased by 27% from kEUR 2,225 to kEUR 2,815. The margin thereby rose from 13% to 14% in terms of total income, and from 15% to 16% in terms of revenues.

Although the actual macroeconomic consequences due to CoVid-19 are still uncertain, va-Q-tec is still well on track in 2020: despite CoVid-19 effects, the Management Board continues to expect moderate to medium-strong revenue growth with a constant EBITDA margin. The very high revenue share from the healthcare sector, in particular, contributes in this context. The healthcare industry is expected to be significantly less affected by CoVid-19 than other sectors of the economy.

3 FINANCIAL POSITION AND PERFORMANCE IN Q1 2020

3.1 RESULTS OF OPERATIONS

The following overview presents the main items of the income statement of the va-Q-tec Group in each case in comparison with the previous year's quarter.

kEUR unless stated otherwise	Q1 2020 (IFRS)	Q1 2019 (IFRS)	Δ 20 / 19
Revenues	17,587	15,236	+15 %
Total income	20,375	16,845	+21 %
Cost of materials and services	-8,377	-6,646	+26 %
Gross profit	11,998	10,199	+18 %
<i>Gross margin</i>	59%	61%	
Personnel expenses	-6,209	-5,375	+16 %
Other operating expenses	-2,974	-2,599	+14 %
EBITDA	2,815	2,225	+27 %
<i>EBITDA margin</i>	14%	13%	
Depreciation, amortisation and impairment losses	-2,984	-2,900	+3 %
EBIT	-169	-675	
<i>EBIT margin</i>	-1 %	-4 %	
Result from equity accounted investments	0	-48	
Net financial result	-270	-273	
EBT	-439	-996	
Number of employees	493	452	+9 %

In Q1 2020, va-Q-tec grew its revenue by 15% compared with Q1 2019 to kEUR 17,587. Revenue growth was generated by the Services division ("Serviced Rental" of boxes and containers) and the Systems division (sale of thermal packaging systems). By contrast, revenues in the Products division decreased

kEUR	Q1 2020	Q1 2019	Δ 20 / 19
Products	4,209	5,832	-28 %
Systems	4,761	2,491	+91 %
Services	8,152	6,535	+25 %

In the Systems division (sales of thermal packaging), revenues increased by kEUR 2,270, from kEUR 2,491 in the previous year to kEUR 4,761 (+91%). The Group generated revenues of kEUR 8,152 with Services ("Serviced Rental" of thermal packaging), compared with kEUR 6,535 million in the prior-year period, which is equivalent to an increase of kEUR 1,617 (\pm +25%). Business with Products (sales of vacuum insulation panels) decreased by kEUR 1,623 (-28%) in the reporting period, from kEUR 5,832 to kEUR 4,209, which is attributable to the CoVid-19 factory closures described above on the customer side and the generally growing intensity of competition in end-markets for refrigerators. All in all, this means that, despite the adverse macroeconomic environment, we have made a good start to the 2020 financial year. The healthcare area, which is reflected in the Systems and Services businesses, currently accounts for 76% of revenues (previous year: 60%).

Total income reported an increase of 21% to kEUR 20,375 (previous year: kEUR 16,845). The growth derives mainly from higher own work capitalized, including the continued expansion of the self-produced container and box fleets.

The cost of materials and purchased services rose by 26% from kEUR 6,646 in the previous year to kEUR 8,377. This increase is primarily due to the growth in the cost of services purchased as part of the cost of materials, which in turn mainly reflects the repositioning of empty airfreight containers necessitated in the course of the strong business expansion in this area and which has become much more expensive due to CoVid-19. Overall, the cost of materials ratio moved from 39% in the previous year to 41% in Q1 2020. In parallel, the gross profit ratio decreased to 59% in Q1 2020 (previous year: 61%).

Personnel expenses in Q1 2020 were up by kEUR 834 compared with the prior-year period, rising from kEUR 5,375 to kEUR 6,209 (+16%). Apart from usual wage and salary increases, the rise is mainly due to newly hired employees and the full cost effectiveness of staff recruited in the course of 2019.

In line with the general business growth, other operating expenses rose by kEUR 375, from kEUR 2,599 in the previous year's period to kEUR 2,974 in Q1 2020 (+14%). The ratio of other operating expenses to total income remained nearly unchanged at 15% (previous year: 15%).

As a consequence of the disproportionately low increase in expenses in relation to total income, earnings before interest, tax, depreciation and amortization (EBITDA) were up by kEUR 590 from kEUR 2,225 in the previous year to kEUR 2,815. This corresponds to an improvement of 27%, and an improved EBITDA margin of 14% in Q1 2020 in relation to total income (previous year: 13%) and 16% in relation to revenues (previous year: 15%).

Depreciation, amortization and impairment losses reported a slight increase to kEUR 2,984 (previous year: kEUR 2,900). Consequently, earnings before interest and tax (EBIT) also improved by kEUR 506 to kEUR -169 (previous year: kEUR -675).

Finance expenses remained almost constant compared to the same period of the previous year, at kEUR 270 in Q1 2020 (previous year: kEUR 273).

In Q1 2020, the company achieved a significantly improved result before tax (EBIT) of kEUR -439 (previous year: kEUR -996).

Reporting segments

The reporting segments performed as follows in Q1 2020:

German reporting segment (va-Q-tec AG)

kEUR unless stated otherwise	Q1 2020	Q1 2019	Δ 20/19
Revenues	12,459	9,972	+25 %
EBITDA	889	-37	
Number of employees	421	390	+31

In the **German reporting segment** (va-Q-tec AG), revenues grew from kEUR 9,972 in the previous year to kEUR 12,459 in Q1 2020 (+25%). The increase is mainly thanks to business growth in the Systems division and higher investments in self-produced containers for the global fleet. The same reasons apply to the positive development of EBITDA that increased significantly to kEUR 889 (previous year: kEUR -37). The number of employees stood at 421 at the end of the first quarter (previous year: 390).

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

kEUR unless stated otherwise	Q1 2020	Q1 2019	Δ 20/19
Revenues	7,397	5,660	+31 %
EBITDA	2,547	1,741	+46 %
Number of employees	46	40	+6

The **UK reporting segment** comprises mainly the rental of temperature-controlled containers for the global pharmaceuticals industry. Revenues in this segment reported a further significant increase in Q1 2020 of kEUR 1,737 (+31 %) from kEUR 5,660 in the previous year to kEUR 7,397. The UK reporting segment benefited from a significant broadening of its customer base. EBITDA in this segment increased by 46 % year-on-year from kEUR 1,741 in Q1 2019 to kEUR 2,547 in Q1 2020. Thus, an EBITDA ratio of 34,4% was achieved (previous year: 30,8%). The number of employees rose compared with the previous year's reporting date to 46 (previous year: 40).

Other reporting segment

kEUR unless stated otherwise	Q1 2020	Q1 2019	Δ 20/19
Revenues	1,886	1,647	+15 %
EBITDA	-93	-64	
Number of employees	26	22	+4

The subsidiaries in Singapore, Korea, Switzerland, Japan and the USA, which together form the Other reporting segment, also contributed to the increase in revenues. This was mainly thanks to the significant growth in own revenues in the regions. The subsidiaries in the USA and Switzerland have performed particularly well and are now making substantial revenue contributions. EBITDA amounted to kEUR -93 (previous year: kEUR -64). The number of staff stood at 26 as of the end of Q1 2020 (previous year: 22).

3.2 NET ASSETS AND CAPITAL STRUCTURE

Property, plant and equipment decreased slightly, by 1%, to kEUR 68,272 as of 31 March 2020, compared with kEUR 68,879 as of 31 December 2019.

By contrast, current assets increased by kEUR 3,355 to kEUR 30,367 as of 31 March 2020 due to the rise in liquid assets (31 December 2019: kEUR 27,012).

Consolidated equity reduced slightly, by kEUR 547 compared to 31 December 2019, to kEUR 42,160, with the equity ratio thereby remaining almost unchanged at 39% as of 31 March 2020.

Non-current bank borrowings rose slightly to kEUR 23,863 compared with 31 December 2019 due to the scheduled raising of long-term financing and a change in the form of financing for the container fleet from sale-and-finance-leaseback financing to loans. At the same time, current bank borrowings rose by kEUR 1,977 from kEUR 11,404 to kEUR 13,381.

Current liabilities and provisions amounted to kEUR 31,334 as of 31 March 2020, corresponding to 29% of total equity and liabilities (31 December 2019: kEUR 28,289, 27%). The Group's non-current liabilities and provisions amounted to kEUR 35,051 as of 31 March 2020. This corresponds to 32% of total equity and liabilities (31 December 2019: kEUR 34,793, 33%). Trade payables totaled kEUR 5,330 as of 31 March 2020, compared with kEUR 4,485 as of 31 December 2019.

3.3 FINANCIAL POSITION

Liquidity

Net cash flow from operating activities including changes in working capital improved significantly in Q1 2020, by kEUR 2,398 to kEUR 1,489 (previous year: kEUR -909). Before working capital changes, va-Q-tec generated a positive cash flow from operating activities of kEUR 2,016 as of the balance sheet date, compared with kEUR 505 in Q1 2019.

Cash flow from investing activities changed from kEUR -1,328 to kEUR -2,119. Here, payments for the purchase of property, plant and equipment reported a slight increase from kEUR -1,372 to kEUR -1,831. While especially the investments already realized in 2017 and 2018 form the basis for the further expansion of the company towards a revenue level of EUR 100 million, at the same time the company has had to invest more at short notice in self-produced containers for the global fleet. The main reason for this was higher global demand for the transport of healthcare products in va-Q-tec containers as a direct or indirect result of the CoVid-19 pandemic.

Overall, va-Q-tec's liquidity as of 31 March 2020 with a bank balance totalling kEUR 9,172 plus open credit lines and further financing options is satisfactory against the background of the positive operative liquidity trend.

4 CONSOLIDATED INCOME STATEMENT UNAUDITED

kEUR	Q1 2020	Q1 2019
Revenues	17,587	15,236
Changes in inventories	19	124
Work performed by the company and capitalised	1,639	429
Other operating income	1,130	1,056
Total income	20,375	16,845
Cost of materials and services	-8,377	-6,646
Gross profit	11,998	10,199
Personnel expenses	-6,209	-5,375
Other operating expenses	-2,974	-2,599
EBITDA	2,815	2,225
Depreciation, amortisation and impairment losses	-2,984	-2,900
Earnings before interest and tax (EBIT)	-169	-675
Results from equity accounted investments	0	-48
Financial income	3	3
Financial expenses	-273	-276
Net financial result	-270	-273
Earnings before tax (EBT)	-439	-996
Income tax	-96	-133
Net income	-535	-1,129
Consolidated net income attributable to owners of va-Q-tec AG	-535	-1,129
Earnings per share – basic/diluted in EUR	-0,04	-0,09

5 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNAUDITED

kEUR	Q1 2020	Q1 2019
Net income	-535	-1,129
Consolidated other comprehensive income		
Currency translation differences	-13	-3
Total other comprehensive income that will be reclassified to profit or loss	-13	-3
Consolidated total comprehensive income	-548	-1,132
Consolidated total comprehensive income attributable to owners of va-Q-tec AG	-548	-1,132

6 CONSOLIDATED STATEMENT OF FINANCIAL POSITION UNAUDITED

Assets

kEUR	31/03/2020	31/12/2019
Non-current assets		
Intangible assets	2,008	2,233
Property, plant and equipment	68,272	68,879
Investment property	1,614	1,614
Contract assets	174	158
Financial assets	2,475	2,474
Other non-financial assets	1,408	1,100
Deferred tax assets	2,227	2,319
Total non-current assets	78,178	78,777
Current assets		
Inventories	10,953	10,676
Trade receivables	7,533	6,666
Other financial assets	908	586
Tax assets	221	230
Other non-financial assets	1,580	1,364
Cash and cash equivalents	9,172	7,490
Total current assets	30,367	27,012
Total assets	108,545	105,789

Equity and liabilities

kEUR	31/03/2020	31/12/2019
Equity		
Issued share capital	13,090	13,090
Treasury shares	-54	-54
Additional paid-in capital	46,158	46,158
Consolidated total other comprehensive income	-38	-26
Retained earnings	-16,996	-16,461
Total equity	42,160	42,707
Non-current liabilities		
Provisions	74	73
Bank borrowings	23,863	22,840
Other financial liabilities	5,079	5,333
Other non-financial liabilities	6,035	6,547
Total non-current liabilities	35,051	34,793
Current liabilities		
Provisions	187	130
Bank borrowings	13,381	11,404
Other financial liabilities	7,001	6,867
Liabilities from contracts with customers	22	308
Trade payables	5,330	4,485
Tax liabilities	39	42
Other non-financial liabilities	5,374	5,053
Total current liabilities	31,334	28,289
Total Equity and liabilities	108,545	105,789

7 CONSOLIDATED STATEMENT OF CASH FLOW UNAUDITED

KEUR	Q1 2020	Q1 2019
Cash flow from operating activities		
Net income	-534	-1,129
Current income taxes recognised income statement	-3	18
Income taxes paid	-	-17
Net finance costs recognised income statement	270	273
Interest paid	-288	-264
Depreciation on contract assets	4	4
Non-cash losses from equity accounted investments	-	48
Depreciation, amortisation and impairment losses	2,964	2,880
Gain/loss from disposal of non-current assets	-72	-72
Change in other assets	-423	-438
Change in other liabilities	872	-204
Change in provisions	57	102
Other non-cash expenses or income	-831	-696
Cash flow from operating activities before working capital changes	2,016	505
Change in inventories	-165	-387
Change in trade receivables	-845	-1,526
Change in trade payables	483	499
Net cash flow from operating activities	1,489	-909
Cash flow from investing activities		
Payments for investments in intangible assets	-339	-64
Proceeds from disposal of property, plant and equipment	72	112
Payments for investments in property, plant and equipment	-1,831	-1,372
Payments for investments in contract assets	-21	-4
Net cash flow from investing activities	-2,119	-1,328

KEUR	Q1 2020	Q1 2019
Cash flow from financing activities		
Proceeds from bank loans	5,504	1,302
Repayments of bank loans	-2,506	-2,582
Payments for finance lease liabilities	-763	-763
Net cash flow from financing activities	2,273	-2,043
Change in cash and cash equivalents before exchange rate effects	1,643	-4,280
Effect of exchange rate changes on cash and cash equivalents	39	6
Net change in cash and cash equivalents	1,682	-4,274
Cash and cash equivalents at start of period	7,490	12,154
Cash and cash equivalents at end of period	9,172	7,880

IMPRINT

PUBLISHER

va-Q-tec AG

Alfred-Nobel-Straße 33
97080 Würzburg
Germany

Tel.: +49 (0)931 35 94 2-0
Fax: +49 (0)931 35 94 2-10

E-mail: ir@va-q-tec.com
www.va-q-tec.com

EDITING

va-Q-tec AG

Alfred-Nobel-Straße 33
97080 Würzburg

Tel.: +49 (0)931 35 94 2-0
Fax: +49 (0)931 35 94 2-10

E-mail: ir@va-q-tec.com
www.va-q-tec.com

IR-CONTACT

va-Q-tec AG

Felix Rau
Tel.: +49 (0)931 35 94 2-2973
E-mail: felix.rau@va-q-tec.com

PICTURE CREDIT

va-Q-tec AG

LAYOUT & DESIGN

cometis AG

Unter den Eichen 7
65195 Wiesbaden

Tel.: +49 (0)611 20 58 55-0
Fax: +49 (0)611 20 85 55-66

E-mail: info@cometis.de
www.cometis.de

FINANCIAL CALENDAR

13/08/2020	Publication half-yearly financial report
14/08/2020	Indicative date for the Annual General Meeting
12/11/2020	Publication quarterly statement (call-date Q3)

REMARKS

This report can include 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.

va-Q-tec AG

Alfred-Nobel-Straße 33
97080 Würzburg
Germany

Tel.: +49 (0)931 35 942 0
Fax: +49 (0)931 35 942 10

E-mail: ir@va-q-tec.com
www.va-q-tec.com