



Quarterly statement | Q1 2018 (IFRS)

CONTENTS

To our Shareholders

- 03** About va-Q-tec
- 04** Significant events in the reporting period

Interim Group management report

- 05** Financial position and performance in Q1 2018
- 05** Results of operations
- 08** Net assets and capital structure
- 09** Financial position

Consolidated interim financial statements

- 10** Consolidated income statement (unaudited)
- 11** Consolidated statement of comprehensive income (unaudited)
- 12** Group financial position (unaudited)
- 14** Consolidated cash flow statement (unaudited)

Other informationen

- 16** Imprint
- 16** Financial calendar
- 16** Remarks

1 ABOUT VA-Q-TEC

va-Q-tec is a leading supplier of high-performance products and solutions in thermal insulation and cold chain logistics. The company develops, produces and markets innovative vacuum insulation panels (VIPs) as well as phase change materials (PCMs) for the reliable and energy-efficient controlling and insulation of temperature. In addition, va-Q-tec produces passive thermal packaging systems (containers and boxes) through optimally integrating VIPs and PCMs, which can maintain constant temperatures, depending on type, between 24 and more than 200 hours, without external energy input. To implement temperature-sensitive logistics chains, va-Q-tec – within a global partner network – operates a fleet of rental containers and boxes meeting demanding thermal protection standards. Along with Healthcare & Logistics, va-Q-tec serves the following markets: Appliance & Food, Technics & Industry, Building and Mobility. The high-growth company, which was founded in 2001, is based in Würzburg, Germany.

Further information is available at: www.va-q-tec.com

KEY FACTS Q1 2018

- Revenue growth mainly reflects continued strong demand in the Products business
- New head office with production location and fulfilment centre for small boxes opened in the USA
- Successful start to temp-chain service for leading semiconductor industry supplier
- Q1 2018 revenue: EUR 12.0 million compared with EUR 11.4 million in Q1 2017 (+6%)
- EBITDA Q1 2018: EUR 0.7 million compared with very strong EBITDA of EUR 2.4 million in Q1 2017

2 SIGNIFICANT EVENTS IN THE REPORTING PERIOD

The company's positive sales revenue trend – at a weaker level, as expected – advanced further during the first quarter of 2018. Overall, va-Q-tec continued to make progress in the first quarter of 2018, expanded relationships with existing customers and acquired new customers. The innovative insulation solutions of va-Q-tec are encountering growing interest in the areas of Appliance & Food (refrigerators and industrial cooling) as well as Technics & Industry (heat storage), promising further growth for 2018. New customers were gained for the „Serviced Rental“ of containers and boxes in the Services business, which aims to address the challenges of the cold chain in the global pharmaceuticals industry. In this context, the fleet of rental containers for global „Serviced Rental“ was expanded further in Q1 2018.

In the temperature-controlled air freight transportation area, va-Q-tec successfully launched a project in January 2018 with a leading supplier of systems for the semiconductor industry. This enabled a reference customer exerting a great impact on the entire industry to be acquired. These extremely complex production machines play an important role in microchips manufacturing. The customer utilises the va-Q-tec service to transport temperature-sensitive optical and mechanical systems more securely and considerably more cost-efficiently between production sites in Europe and Asia than previously. The va-Q-tec technology ensures the stability of these temperature-sensitive supply chains, including in extreme temperature conditions.

With the opening of a new branch operation in the USA in January 2018, va-Q-tec reached an important milestone in its internationalisation overall and the expansion of its business in North America in particular. Especially the production of small thermal boxes and sales operations are to occur locally from the USA 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. The company sees high demand for high-performance thermal transport boxes in the USA and, with its new fulfilment centre, is becoming a full-service provider in the temperature-controlled transportation of high-quality products in North America. Furthermore, the new head office in the USA comprises a network station for container rental, which will serve as the basis to supply customers with pre-cooled containers. Based on these potentials, the North American business is to be further expanded.

In the first quarter, the aggregation of the meanwhile three Würzburg sub-locations into one technology and logistics headquarters was further progressed. This step serves to boost operating efficiency, expand capacities for production and logistics, and bundle technological competencies. Considerable previous rental and transport costs are thereby eliminated in the future. The full move into the new headquarters is planned for the second quarter of 2018.

EBITDA was down 73% compared with the strong previous year's quarter due to continued strong demand comprising a higher proportion generated by the Products business, which is more intensive in terms of cost of materials, as well as hiring, reflecting future growth.

While the sales revenue trend in Q1 2018 was approximately in line with expectations, EBITDA fell short of the original assumptions due to the later-than-expected ramp-up of projects in the Services business, accompanied at the same time by a continued strong Products business. Significant potential for improvement is nevertheless in sight.

3 FINANCIAL POSITION AND PERFORMANCE IN Q1 2018

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 2018 (IFRS)	Q1 2017 (IFRS)	Δ
Revenues	12,037	11,382	+6%
Total income	14,662	13,320	+10%
Cost of materials and services	-6,888	-5,310	+30%
Gross profit	7,774	8,010	-3%
	53%	60%	
Personnel expenses	-4,692	-3,466	+35%
Other operating expenses	-2,431	-2,168	+12%
EBITDA	651	2,376	-73%
EBITDA margin	4%	18%	
Depreciation, amortisation and impairment losses	-2,268	-1,667	+36%
EBIT	-1,617	709	
Result from equity accounted investments	-30	-37	+23%
Net financial result	-202	-221	+9%
EBT	-1,849	451	
Number of employees	411	311	+32%

In Q1 2018, va-Q-tec grew its revenue by 6% year-on-year to kEUR 12,037. This sales revenue growth was driven mainly by the Products division (sale of vacuum insulation panels).

kEUR	Q1 2018	Q1 2017	Δ
Products	4,928	3,905	+26%
Systems	3,190	3,081	+4%
Services	3,710	4,223	-12%

In Q1 2018, the Products business (sale of vacuum insulation panels) was up by kEUR 1,023, from kEUR 3,905 to kEUR 4,928 (+26%). In the Systems area (sale of thermal packaging), revenue reported a slight increase of kEUR 109 (+4%) to kEUR 3,190, compared with the previous year's very strong quarter at kEUR 3,081. The Group generated sales revenues of kEUR 3,710 with Services („Serviced Rental“ of thermal packaging), compared with kEUR 4,223 million in the prior-year period (-12%; kEUR -513). As processes on the customer side are proving more time-consuming than expected, sub-projects in the „Serviced Rental“ area still contributed little to revenue and results during the first quarter of 2018. The UK reporting segment fell short of expectations for this reason.

Total income grew at a slightly faster rate than consolidated revenue, increasing by 10% to kEUR 14,662 (previous year: kEUR 13,320), thanks mainly to a higher level of work performed by the company and capitalised in relation to the construction of self-utilised containers and boxes.

The cost of materials from was up by 30% from kEUR 5,310 to kEUR 6,888. This increase is chiefly attributable to the above-average growth of the Products business, which proved more intensive in terms of cost of materials compared with the previous year's quarter. Expenditures for warehousing, logistics and fulfilment services at partner companies also rose.

Personnel expenses in the first quarter of 2018 were up by kEUR 1,227 compared with the prior-year period, from kEUR 3,466 to kEUR 4,692 (+35%). Besides standard wage and salary increases, this rise is mainly due to the hiring of new staff for the planned international growth. The number of staff grew by 32% compared with the first quarter of 2017.

Other operating expenses rose by EUR 263, from kEUR 2,168 in the previous year's period to kEUR 2,431 in the first quarter of 2018 (+12%). Reasons for this increase include rising rental expenses for additional administrative and logistics buildings (e.g. in the USA), as well as a greater level of IT, marketing and patent costs incurred as part of expanding the business. This raised the ratio of other operating expenses to total income from 16% to 17% in Q1 2018.

As a consequence of the aforementioned cost increases, earnings before interest, tax, depreciation and amortisation (EBITDA) were down by kEUR 1,724, from kEUR 2,376 to kEUR 651. This corresponds to a 4% EBITDA margin in the first quarter of the current financial year, compared with 18% in Q1 2017.

Depreciation, amortisation and impairment charges reported a marked increase to kEUR 2,268 (previous year: kEUR 1,668). This reflects the high level of investments in containers and boxes, both of which have short depreciation periods.

The operating result (EBIT) reduced to kEUR -1,617 in the first quarter of 2018 (previous year: kEUR 709).

The net financial result improved from kEUR -221 in the prior-year period to kEUR -202 in Q1 2018, thanks to improved refinancing terms.

The company reports a result before tax (EBIT) of kEUR -1,849 for Q1 2018 (previous year: kEUR 451).

Reporting segments

The reporting segments performed as follows in Q1 2018:

German reporting segment (va-Q-tec AG)

kEUR unless stated otherwise	Q1 2018	Q1 2017	Δ
Revenues	12,363	10,590	+17 %
EBITDA	1,103	1,903	-42 %
Number of employees	361	279	+29 %

In the German reporting segment (va-Q-tec AG), revenue grew from kEUR 10,590 in the previous year to kEUR 12,363 in Q1 2018 (+17%). The sales revenue growth is mainly attributable to the rental of thermal packages, as well as additional revenues from the sale of VIPs to manufacturers of refrigerators and boilers. Other operating expenses and personnel expenses recorded marked increases in line with the expansion of business and with internationalisation. EBITDA was down by 42% to kEUR 1,103 in Q1 2018 (previous year: kEUR 1,903), especially as a consequence of the marked increase in personal expenses as well as the lower-margin Products business. The number of employees rose by 82 to 361 (previous year: 279).

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

kEUR unless stated otherwise	Q1 2018	Q1 2017	Δ
Revenues	3,266	3,876	-16 %
EBITDA	512	1,416	-64 %
Number of employees	39	27	44 %

The UK reporting segment comprises mainly the rental of temperature-managed containers for the global pharmaceuticals industry. Revenue generated in this segment decreased from kEUR 3,876 in the previous year to kEUR 3,266 in Q1 2018. Here, the absolute number of rentals remained constant compared with the previous year's quarter. In some cases, however, the rental durations shortened, including due to faster application of customs tariffs to va-Q-tainers, which are becoming increasingly familiar worldwide. Furthermore, in the first quarter of 2018, some processes to acquire tradelanes within the rental network for va-Q-tainers proved more time-consuming on the customer side than originally expected. This relates to projects with both new and existing customers. Moreover, existing customers optimised their logistics processes. This segment thereby continued to fall short of expectations in the reporting period. EBITDA in this segment reduced from kEUR 1,416 in Q1 2017 to kEUR 512 in Q1 2018, reflecting higher logistics costs for the container fleet as well as an increase in personnel expenses. The number of employees rose by 12 to 39 (previous year: 27).

Other reporting segment

kEUR unless stated otherwise	Q1 2018	Q1 2017	Δ
Revenues	515	284	+72%
EBITDA	40	-17	
Number of employees	11	5	+56%

The subsidiaries in Korea, Switzerland and the USA, which together comprise the **Other reporting segment**, reported higher revenue overall, driven by an increase in sales commissions and purchasing commissions as well as the inclusion of the Japanese and Swiss subsidiaries. EBITDA amounted to kEUR 40 (previous year: kEUR -17). The number of staff amounted to 11 (previous year: 5).

3.2 NET ASSETS AND CAPITAL STRUCTURE

Property, plant and equipment increased by 6% to kEUR 58,761 as of 31 March 2018, compared with kEUR 55,402 as of 31 December 2017. The main reasons for the rise include the expansion of the container fleet for the global container rental business as well as continued investments in the headquarters in Würzburg and in the main production site in Köllda (Thuringia).

Current assets decreased by kEUR 8,316 due to the temporary financing of the high level of investment from the company's equity.

Consolidated equity reduced by kEUR 1,751 to kEUR 51,240, thereby remaining almost unchanged at 56% of total assets as of 31 March 2018.

Non-current bank borrowings decreased to kEUR 10,882, reflecting scheduled repayments, while current bank borrowings reported a slight increase of kEUR 45, from kEUR 2,958 to kEUR 3,003.

Current liabilities and provisions stood at kEUR 19,372 in the Q1 2018, representing 21% of total equity and liabilities (previous year: kEUR 18,927; 20%). Consolidated non-current liabilities amounted to kEUR 20,355 million in Q1 2018, equivalent to 22% of total equity and liabilities (previous year: kEUR 23,572, 25%). Trade payables totalled kEUR 3,745, compared with kEUR 5,244 as of 31 December 2017.

3.3 FINANCIAL POSITION

Liquidity

Net cash flow from operating activities amounted to kEUR -1,846 in Q1 2018, kEUR 2,773 below the adjusted level of kEUR 927 in the prior-year quarter. This reduction is attributable to a significantly greater level of funds employed in working capital, reflecting the higher level of inventories, and at the same time a reduction in trade payables.

Cash flow from investing activities changed from kEUR -4,438 to kEUR 3,331. The rise in the level of outgoing payments to purchase property, plant and equipment was more than offset by payments received from the release of short-term deposits. The kEUR 895 reduction in cash flow from financing activities, from kEUR -274 to kEUR -1,169, reflects the repayment of finance lease liabilities and bank borrowings without the new drawing down of loans in Q1 2018.

4 CONSOLIDATED INCOME STATEMENT (IFRS)

UNAUDITED

kEUR	Q1 2018	Q1 2017
Revenues	12,037	11,382
Changes in inventories	238	-96
Work performed by the company and capitalised	1,603	1,346
Other operating income	784	688
Total income	14,662	13,320
Cost of materials and services	-6,888	-5,310
Gross profit	7,774	8,010
Personnel expenses	-4,692	-3,466
Other operating expenses	-2,431	-2,168
EBITDA	651	2,376
Depreciation, amortisation and impairment losses	-2,268	-1,667
Profit/loss before interest and tax (EBIT)	-1,617	709
Results from equity accounted investments	-30	-37
Financial income	7	10
Financial expenses	-209	-231
Net financial result	-202	-221
Profit/loss before tax (EBT)	-1,849	451
Income tax	75	-172
Consolidated net profit or loss	-1,774	279
Consolidated net profit or loss attributable to owners of va-Q-tec AG	-1,774	279
Consolidated net profit or loss attributable to non-controlling interests	-	-
Consolidated earnings per share – basic/undiluted	-0.14	0.02
Consolidated earnings per share – diluted	-	0.02

5 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) UNAUDITED

KEUR	Q1 2018	Q1 2017
Consolidated net profit or loss	-1,774	279
Consolidated other comprehensive income		
Currency translation differences	-1	7
Total other comprehensive income that will be reclassified to profit or loss	-1	7
Consolidated total comprehensive income	-1,775	286
Consolidated total comprehensive income attributable to owners of va-Q-tec AG	-1,775	286
Consolidated total comprehensive income attributable to non-controlling interests	-	-

6 GROUP FINANCIAL POSITION (IFRS) UNAUDITED

Assets

kEUR	31/03/2018	31/12/2017
Non-current assets		
Intangible assets	953	885
Property, plant and equipment	58,761	55,402
Investment property	1,614	1,614
Equity accounted investments	327	357
Financial assets	582	283
Other non-financial assets	635	634
Deferred tax assets	2,952	2,880
Total non-current assets	65,824	62,055
Current assets		
Inventories	10,288	8,942
Trade receivables	7,411	8,005
Other financial assets - of which term deposits (6-12 months): 0 (previous year: 9,000)	287	9,117
Tax assets	85	67
Other non-financial assets	1,512	2,104
Cash and cash equivalents	5,537	5,201
Total current assets	25,120	33,436
Total assets	90,944	95,491

Equity and liabilities

in TEUR	31/03/2018	31/12/2017
Equity		
Issued share capital	13,090	13,090
Treasury shares	-54	-54
Additional paid-in capital	46,158	46,158
Cumulative other comprehensive income	-28	-28
Retained earnings	-7,949	-6,174
Total equity	51,217	52,992
Non-current liabilities and provisions		
Provisions	40	39
Bank borrowings	10,882	11,146
Other financial liabilities	3,873	3,949
Other non-financial liabilities	5,560	8,438
Total non-current liabilities and provisions	20,355	23,572
Current liabilities and provisions		
Provisions	28	38
Bank borrowings	3,003	2,958
Other financial liabilities	5,785	6,507
Trade payables	3,745	5,244
Tax liabilities	20	15
Other non-financial liabilities	6,791	4,165
Total current liabilities and provisions	19,372	18,927
Total assets	90,944	95,491

7 CONSOLIDATED CASH FLOW STATEMENT (IFRS)

UNAUDITED

KEUR	Q1 2018	Q1 2017
Cash flow from operating activities		
Consolidated net profit or loss	-1,774	279
Net finance costs recognised in income statement	202	220
Interest received	2	-
Interest paid	-175	-79
Non-cash losses from equity accounted investments	30	37
Depreciation, amortisation and impairment losses	2,268	1,668
Gain/loss from disposal of non-current assets	-19	-4
Change in other assets	159	-517
Change in other liabilities	577	-295
Change in provisions	-8	88
Other non-cash expenses or income	-692	-402
Cash flow from operating activities before working capital changes	570	995
Change in inventories	-1,509	-909
Change in trade accounts receivable	593	-135
Change in trade accounts payable	-1,500	976
Net cash flow from operating activities	-1,846	927
Cash flow from investing activities		
Payments for investments in intangible assets	-128	-4
Proceeds from disposals of property, plant and equipment	25	4
Payments for investments in property, plant and equipment	-5,566	-4,438
Proceeds from liquidating short-term deposits	9,000	-
Net cash flow from investing activities	3,331	-4,438

in TEUR	Q1 2018	Q1 2017
Cash flow from financing activities		
Proceeds from equity increases	-	-92
Payments (previous year: proceeds) from bank loans	-9	707
Repayments of bank loans	-210	-130
Proceeds from sale and finance leaseback transactions	-	572
Payments for finance lease liabilities	-950	-1,331
Net cash flow from financing activities	-1,169	-274
Net cash flows before exchange rate effects	316	-3,785
Effect of exchange rate changes on cash and cash equivalents	18	-
Net change in cash and cash equivalents	336	-3,785
Cash and cash equivalents at start of period	5,201	4,600
Cash and cash equivalents at end of period	5,537	815

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FINANCIAL CALENDAR

28/06/2018	AGM
22/08/2018	Publication of half-year financial report
14/11/2018	Publication quarterly financial report (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.

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